



**EXTRACT FROM THE POLICY ON CONFLICTS OF INTEREST  
AND RECEIVED INCENTIVES WITHIN THE FRAMEWORK FOR  
THE PROVISION OF BANCO SABADELL INVESTMENT  
SERVICES**

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. Conflicts of interest**

For the purposes of this policy, a conflict of interest exists when, in the provision of investment services, ancillary services or a combination of both, there is a conflict of interest between the interests of the Entity, including those of its directors, officers and employees or any person directly or indirectly controlled by them, and the interests of its customers, or those of several customers among one other, which may lead to the harming of the interests of the latter party.

The existence of a conflict of interest does not require the occurrence of such infringement; it is sufficient that there is a possibility of it occurring in the future.

#### **1.1.2. Incentives**

Any and all fees, commissions or non-monetary benefits paid by the Entity to third parties or received by the Entity from third parties for the provision of investment services, ancillary services or combination of both constitute an incentive.

### **1.2. Aim and responsible party**

The aim of this Policy on Conflicts of Interest and Perceived Incentives (PCIPI) is threefold: (1) to identify the circumstances that constitute or may give rise to a conflict of interest between the Entity and its customers or between two or more customers in the provision of investment services; (2) to adopt measures to prevent the actual occurrence of conflicts of interest in this area, establish mechanisms and procedures to identify such conflicts and determine how to manage unavoidable conflicts of interest; and finally (3) to regulate the principles and critical management parameters regarding received incentives.

The responsibility for this policy rests with the Regulatory Compliance Department of Banco de Sabadell, S.A.

### **1.3. Scope of application**

This Policy shall be applicable to the activities of Banco de Sabadell, S.A. (hereinafter, Banco Sabadell, the Bank or the Entity) with regard to the provision of investment services, and therefore any reference to conflicts of interest made herein shall be understood to relate to such activities.

This policy applies to directors, officers, employees and related agents, or any person directly or indirectly linked to the Entity whose functions are directly or indirectly related to activities in the securities market or to MiFID instruments.

### **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.
- Directive 2013/36/EU of 26 June 2013 with regard to the taking up and pursuit of the business of credit institutions and the prudential supervision of credit institutions and investment firms.
- 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).

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- 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) 2017/565 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.
- EBA guidelines on internal governance (EBA/GL/2017/11) of 26 September 2017.
- Commission Delegated Regulation (EU) 2017/2359 of 21 September 2017, supplementing European Parliament and Council Directive (EU) 2016/97 with regard to information requirements and conduct of business rules applicable to the distribution of insurance-based investment products.

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.
- Royal Legislative Decree 4/2015 of 23 October, approving the consolidated text of the Securities Market Act, amended by Royal Decree-Law 14/2018 of 28 September and Royal Decree 1464/2018 of 21 December, implementing the consolidated text of the Securities Market Act.

### **1.5. Related Policies.**

This policy is designed as an expansion upon the GENERAL POLICY ON CONFLICTS OF INTEREST OF BANCO DE SABADELL, with the aim indicated in point 1.2. Its content is therefore specific and limited, as stated in point 1.3. In the event of any discrepancy between the two policies, the provisions of the GENERAL POLICY ON CONFLICTS OF INTEREST OF BANCO DE SABADELL shall prevail.

## **2. Critical management principles and parameters**

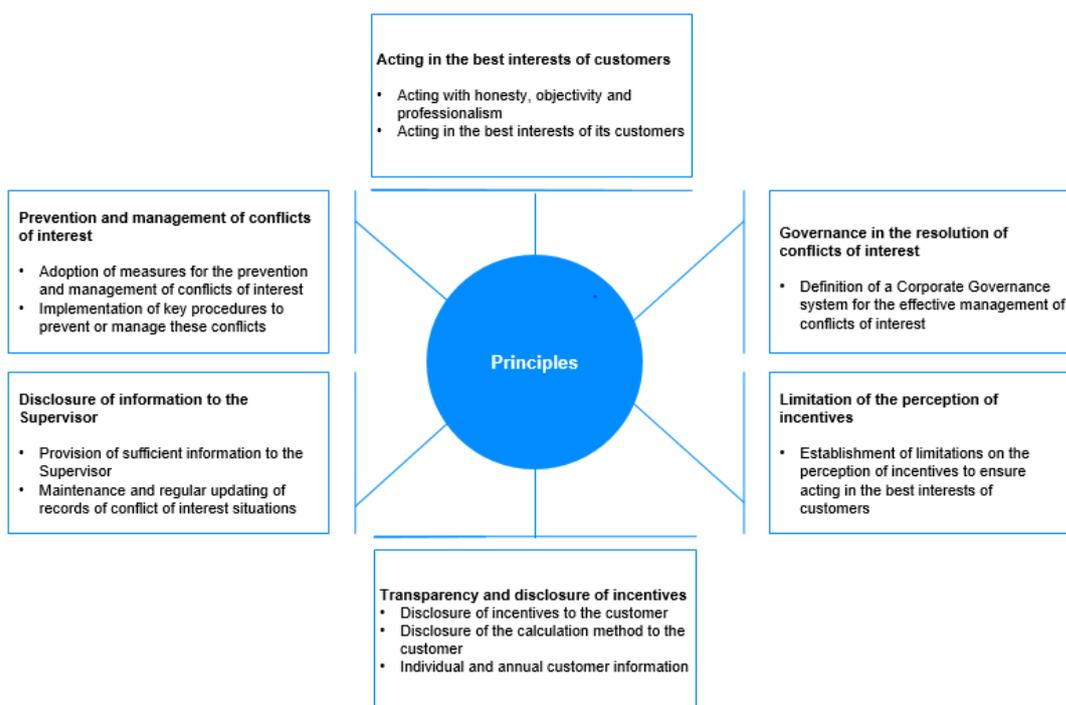
The following critical management principles and parameters have been identified in conflict of interest and received incentives:

### **2.1. Principles**

The general principles governing the management of conflicts of interest and received incentives are as follows:

*Figure 1. Principles in the management of conflicts of interest and received incentives*

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#### 2.1.1. Acting in the customer's best interest

The Entity shall act with honesty, impartiality and professionalism, always in the best interest of its customers.

In the event that the promotion of investment products or services gives rise to conflicts of interest between the Entity and its customers, rules shall be established to ensure that these conflicts do not harm the interests of its customers.

#### 2.1.2. Preventing and managing conflicts of interest

The Entity shall adopt effective measures for the prevention and management of conflicts of interest that may arise in relation to its different lines of business and activities, which, in turn, must be adequate in the preservation of objectivity and independence of the persons affected by the conflict of interest.

To this end, the circumstances that give or may give rise to a conflict of interest entailing a risk of harming customers' interests must be identified, and the measures and key procedures to be implemented to prevent or manage such conflicts must be defined.

#### 2.1.3. Governance in the resolution of conflicts of interest

The Entity shall have a corporate governance system in place to effectively manage potential conflicts of interest.

In this regard, effective administrative and organisational measures must be implemented to identify, prevent and manage conflicts of interest that may arise in the course of providing any investment or ancillary services or combination of both, for which the Entity is authorised.

#### 2.1.4. Disclosure of information to the Supervisor

The Entity shall make sufficient information on the management of conflicts of interest available to the competent authority to enable the performance of its supervisory functions in this area.

To this end, a record shall be kept and regularly updated of the types of investment or ancillary services or investment activities performed by or on behalf of the Entity in which a conflict of

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interest has arisen that has entailed the risk of harming the interests of customers or, in the case of a service of an ongoing activity, where such a conflict may arise.

**2.1.5. Restriction on receiving incentives**

The Entity shall ensure that no fees or commissions shall be charged or paid to or from a third party other than the customer or the person acting on their behalf, nor shall it provide or receive any non-monetary benefit in connection with the provision of an investment service or ancillary service, unless the payment or benefit:

- is designed to improve the quality of the relevant service provided to the customer, and
- does not impede the performance of the investment firm's obligation to act honestly, fairly and professionally in the best interests of its customers.

Payments or benefits which are permitted or necessary to provide investment services, such as safekeeping charges, settlement and exchange fees, regulatory or legal fees, and which, by their nature, cannot conflict with the investment firm's duty to act honestly, fairly and professionally in the best interests of its customers shall not be subject to the requirements of this section.

**2.1.6. Transparency and disclosure on incentives**

Prior to the provision of the relevant investment or ancillary service, the Entity shall clearly disclose to its customer, in a comprehensive, accurate and understandable manner, the existence, nature and amount of the fee, commission or non-monetary benefit.

Where the Entity has not been able to determine *ex ante* the amount of a payment or benefit to be received or paid, the method of calculating that amount shall be disclosed to the customer. In this case, the Entity shall also provide its customers with information regarding the exact amount of the payment or benefit received or paid *ex post*.

As long as the Entity receives or pays (ongoing) incentives in relation to the customer investment services provided, the actual amount of payments or benefits received or paid shall be at a minimum disclosed to customers annually; minor non-monetary benefits may be described generically.

Finally, all customer information on fees, commissions or non-monetary benefits must be published in summary form on the Entity's corporate website.

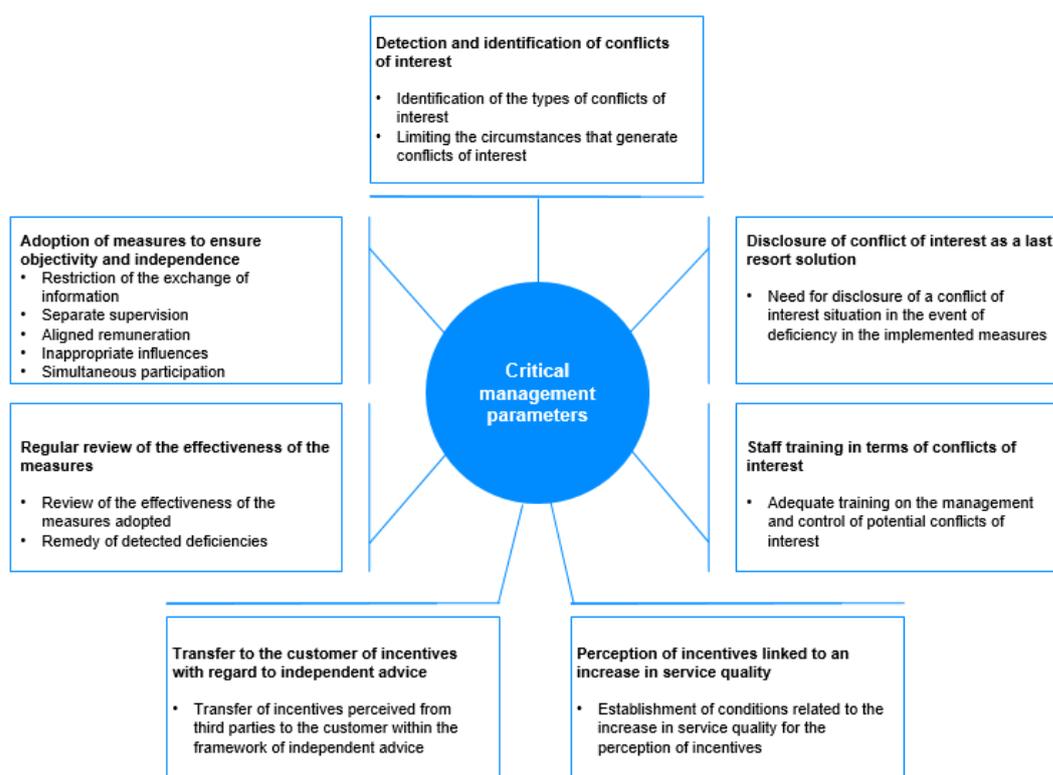
The table in Annex 2 shows the corresponding information on the main incentives.

**2.2. Critical management parameters**

The figure below shows the critical management parameters for the POLICY ON CONFLICTS OF INTEREST AND RECEIVED INCENTIVES WITHIN THE FRAMEWORK FOR THE PROVISION OF INVESTMENT SERVICES:

*Figure 2. Critical management parameters for the management of conflict of interest and received incentives*

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### 2.2.1. Detection and identification of conflicts of interest

The Entity shall identify the types of conflicts of interest that may arise in the provision of investment services, the existence of which may be detrimental to the interests of its customers.

The circumstances giving rise to conflicts of interest include, among others, situations in which the Entity or a person directly or indirectly controlled by it:

- stands to make a financial gain or avoid a financial loss at the expense of the customer;
- has an interest in the outcome of a service provided to the customer or of a transaction carried out on behalf of that customer that is other than the customer's interest in that outcome;
- has financial or other incentives to favour the interests of another customer or group of customers over the interests of that customer;
- carries out the same activity as the customer;
- receives or is to receive from a person other than the customer an incentive in relation to a service provided to the customer, in the form of money, goods or services, other than the standard commission or remuneration for that service.

### 2.2.2. Adoption of measures conducive to ensuring objectivity and independence

The Entity shall establish and implement effective conflict of interest management measures and procedures to be followed to ensure that the persons concerned can carry out their activities objectively and with an appropriate level of independence, as well as to mitigate the risks of harming customers' interests.

The main measures and procedures to be adopted by the Entity to ensure an indispensable degree of objectivity and independence are set out below:

#### **2.2.2.1. Restriction or control over the exchange of information**

The Entity shall prevent or control the exchange of information between persons involved in activities involving a risk of conflict of interest where the exchange of such information would be detrimental to customers' interests.

#### **2.2.2.2. Separate supervision of the persons concerned**

The Entity shall establish separate supervision of the persons concerned whose main functions are to perform activities or provide services for or on behalf of customers with conflicting interests, or who represent different and potentially conflicting interests, including those of the institution.

#### **2.2.2.3. Remuneration system aligned to conflict of interest management**

The Entity shall establish a remuneration system that includes measures that avoid links between the remuneration of the persons concerned who primarily engage in one activity and the remuneration of other persons who primarily engage in another activity, where a conflict of interest may arise in relation to these activities.

The details of the remuneration system adopted by the Entity are set out in its REMUNERATION POLICY.

#### **2.2.2.4. Preventing inappropriate influences**

The Entity shall prevent or limit the likelihood that any person can exercise improper influence on the way in which another person performs investment or ancillary services or activities.

#### **2.2.2.5. Restriction and control of simultaneous shareholdings of persons concerned**

The Entity shall prevent or control the simultaneous or consecutive involvement of a particular person in various investment or ancillary services or activities where such involvement would be detrimental to the due management of conflicts of interest.

### **2.2.3. Disclosure of conflicts of interest as a last resort solution**

If the organisational or administrative measures taken by the Entity are not sufficient to ensure, with reasonable certainty, that risks of damage to the interests of the customer will be prevented, the Entity shall clearly disclose to the customer the general nature or source of the conflict of interest prior to acting on the customer's behalf. The information shall be communicated in a durable medium and in sufficient detail to enable the customer to make an informed decision about the service.

Disclosure of conflicts of interest to customers should always be a last resort. In this regard, excessive reliance on disclosure without consideration of how to prevent or adequately manage conflicts of interest will not be permitted.

### **2.2.4. Periodic review of the effectiveness of conflict-of-interest management measures**

The Entity shall periodically review and assess, at least annually, the effectiveness of conflict-of-interest management measures, and shall take all necessary actions to remedy any deficiencies identified.

Excessive recourse to disclosure of conflicts of interest should be understood as an indication of a deficiency in the conflict of interest management measures adopted by the Entity, which would lead to a need to review their effectiveness.

### **2.2.5. Employee training on matters of conflict of interest**

All the bank's professionals whose function so requires must receive the appropriate training on the management and control of possible conflicts of interest, through the persons responsible for each department concerned, in accordance with this Policy.

#### **2.2.6. Transfer of incentives for independent advisement and portfolio management to the customer**

If the Entity provides independent investment advisement or portfolio management services, any fees, commissions or monetary benefits received from third parties in relation to these services provided must be returned and passed on to customers as soon as reasonably feasible after receipt.

In addition, the Entity must report, e.g. through the periodic disclosures provided to the customer, any fees, commissions or monetary benefits that have been transferred to him/her.

#### **2.2.7. Perceived incentives linked to increased service quality**

In line with the principle of limiting the receipt of incentives, the Entity may pay or collect fees, commissions or non-monetary benefits provided that they serve to enhance the quality of the service provided to the customer.

A fee, commission or non-monetary benefit is understood to be linked to an improvement of the quality of the service, if the following conditions are met:

- Justified by the provision of an additional or higher level of service to the customer, including but not limited to;
  - The provision of non-independent investment advice on a wide range of suitable financial instruments and access to such instruments, including an appropriate number of instruments from third party product providers without close ties to the investment firm,
  - The provision of non-independent investment advice combined with either an offer to the customer to consider, at least annually, whether the suitability of the financial instruments in which he/she has invested remains suitable, or another ongoing service that is of value to the customer, such as advice on the proposed optimal allocation of his/her assets, or
  - The provision of access, at a competitive price, to a wide range of financial instruments likely to meet the customer's needs, including an appropriate number of instruments from third party product providers without close ties to the investment firm, together with the provision of value-added tools, such as objective information tools that assist the customer in making investment decisions or empower him/her to monitor, model and adjust the range of financial instruments in which he/she has invested, or the provision of regular reports on the performance, costs and charges associated with financial instruments.
- Not directly benefit the recipient company, its shareholders or employees without a tangible benefit to the customer in question;
- Justified by the provision of an ongoing benefit to the customer concerned in relation to an ongoing incentive.

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Annexes

Appendix 1: Glossary of abbreviations and acronyms

Abbreviation / acronym	Meaning
EBA	European Banking Authority
VCI	Venture Capital Institutions
UCITS	Undertakings for the Collective Investment in Transferable Securities
PCIPI	Policy on Conflicts of Interest and Received Incentives
FI	Fixed income
EQ	Equity
SabAM	Sabadell Asset Management, S.A., S.G.I.I.C., Sociedad Unipersonal
SGIIC (initials in Spanish)	Management Companies of Collective Investment Undertakings
SICAV	Investment company with variable capital ( <i>société d'investissement à capital variable</i> )

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Appendix 2: Incentive tables

INCENTIVES RECEIVED FROM THIRD PARTIES FOR THE DISTRIBUTION OF UNDERTAKINGS FOR COLLECTIVE INVESTMENT IN TRANSFERABLE SECURITIES (UCITS)		Product	Maximum % of management fee
Distribution of Investment Funds managed by SabAM	SabAM assigns to Banco Sabadell a percentage of the management fee for the distribution of mutual funds within its commercial network.	Investment funds	82%
Distribution of investment funds managed by other management companies	The SGICs assign to Banco Sabadell a percentage of the management fee for the distribution of investment funds within their commercial network.	Investment funds	100%
Distribution of SICAVs managed by Urquijo Gestión, SA, SGIC	Urquijo Gestión, SA, SGIC assigns to Banco Sabadell a percentage of the management fee for the distribution of SICAVs within its commercial network.	SICAV	50%
Distribution of Venture Capital Institutions managed by SabAM	SabAM assigns to Banco Sabadell a percentage of the management fee for the distribution of private equity firms (VCI) within its commercial network.	VCI	60%
Distribution of Luxembourg-based Undertakings for Collective Investment in Transferable Securities (UCITS) managed by Sabadell Asset Management Luxembourg, S.A.	Sabadell Asset Management Luxembourg, S.A. assigns to Banco Sabadell a percentage of the management fee for the distribution of UCITS (SICAV compartments) within its commercial network.	SICAV compartments	50%

INCENTIVES RECEIVED FROM THIRD PARTIES FOR THE PLACEMENT OF THEIR ISSUES IN THE PRIMARY MARKET		Product	Maximum % of amount placed
Placement of issues in the primary market	The issuer assigns to Banco Sabadell a previously agreed percentage of the amount of the primary market issue placed by the latter within its commercial network, which may be fixed-income or equity issues.	FI Placement	5%
		EQ Placement	4%

INCENTIVES PAID TO THIRD PARTIES FOR THE PLACEMENT OF BANCO DE SABADELL, S.A. ISSUES IN THE PRIMARY MARKET		Product	Maximum % of amount placed
Placement of issues in the primary market	Banco Sabadell assigns to the underwriter a previously agreed percentage of the amount of the primary market issue placed by the latter within its commercial network, which may be fixed-income or equity issues.	FI Placement	5%
		EQ Placement	4%

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