



**EXTRACT FROM THE BANCO SABADELL POLICY FOR THE  
PLACEMENT OF FINANCIAL INSTRUMENTS**

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 30/07/2020. The Spanish version of this document will prevail in the event of any discrepancy or dispute.

## **1. Introduction**

### **1.1. Definition**

Pursuant to regulations currently in force, Banco Sabadell is required to identify and prevent or manage any conflicts of interest that may arise in relation to its various business lines and the services that it provides. For these purposes, it has a comprehensive policy in place relating to conflicts of interest (hereinafter, the “Conflicts of Interest and Inducements Policy”).

Considering the specific characteristics of services for the placement of issuances and the risk of conflicts of interest arising in relation to such services, Banco Sabadell has prepared this Policy, which is supplementary to the General Conflicts of Interest Policy of Banco Sabadell, which covers specific conflicts that may arise during the provision of the foregoing services.

In particular, this Policy aims to guarantee that the placement process is managed in such a way as to safeguard the interests of the various parties involved, assuring that the interests of Banco Sabadell or of other customers in no way unduly affects the quality of the services provided by the issuer client.

The issuer client shall be given an explanation of the measures adopted to such effect, together with all pertinent information concerning the offer process prior to Banco Sabadell undertaking to engage in the placement process, thereby complying with regulatory standards relating to transparency.

Furthermore, this Policy is closely linked to the Banco Sabadell Allocation Policy, which guarantees that all allocations conducted within the placement process shall not generate any inappropriate conflicts of interest between the Bank and its customers, or between investment clients.

### **1.2. Objective and unit responsible**

The purpose of this Policy is to ensure that Banco de Sabadell, S.A. (hereinafter, “Banco Sabadell” or the “Bank”) has an adequate policy in place for the provision of services for placing financial instruments.

The unit responsible for this Policy is the Capital Markets Division.

### **1.3. Scope of application of the Policy**

This Policy shall be applicable to all Banco Sabadell activities carried out as part of the provision of placement services to clients, with the term “clients” being understood to refer to those categorised as retail clients, professional clients and eligible counterparties.

In particular, it shall apply to any provision of services for the issue of financial instruments in the primary market arranged by Banco Sabadell’s issuer clients and to the members of the division responsible for executing placement recommendations (hereinafter, the “Capital Markets Division”).

### **1.4. Regulatory framework**

In order to guarantee the protection of investors and increase the transparency in financial markets, Directive 2014/65/EU (hereinafter, “MiFID II”) and its implementing regulation set forth the requirement that all banks providing placement services shall have a process in place that complies with the regulatory requirements set forth in the aforementioned Directive and, particularly, those set forth in Commission Delegated Regulation 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU (hereinafter, the “Commission Delegated Regulation”).

In terms of the internal instruments referred to herein, and as indicated in the preceding item, this Policy is closely linked to the Banco Sabadell Conflicts of Interest and Inducements Policy and the Banco Sabadell Allocation Policy.

### **1.5. Policy application criteria on debt and equity instruments**

The placement process shall be governed by the following general criteria:

- Definition of roles and responsibilities in accordance with the model of three lines of defence;

- Leveraging of roles and responsibilities within the current functions relating to business, centralised management, internal control of markets, compliance and audits, organised in an adequate and proportionate manner;
- Strengthening the current authority of governing bodies to ensure compliance with this Policy.

## **2. Principles and critical management parameters**

The placement process shall be governed by the following general principles:

- Banco Sabadell shall identify any potential conflicts of interest that may arise from the provision of investment services, and shall apply the corresponding management procedures.
- In the event that the actions undertaken by Banco Sabadell to manage conflicts of interest prove insufficient to guarantee that such conflicts shall not cause any damages to the client, Banco Sabadell shall reveal to the affected clients the specific conflicts of interest that have arisen in relation to its activities.

In particular, they will be given an explanation of the nature and source of the conflicts of interest inherent in placement activities, together with detailed information on the specific risks associated with such practices in order to allow clients to make an informed investment decision.

- In cases where Banco Sabadell is unable to prevent a conflict of interest through its application of the procedures set forth in the General Conflicts of Interest Policy of Banco Sabadell or herein, it shall not take part in the placement.
- Banco Sabadell shall not accept any payments or benefits from third parties in the provision of placement services, unless such payments or benefits meet the requisites relating to inducements set forth in the MiFID II Directive.

In line with the foregoing, any fees received by Banco Sabadell for the placement of financial instruments issued to its investment clients must comply with applicable regulatory requirements, and practices such as “laddering” and “spinning” shall be considered abusive practices.

- During the placement process, Banco Sabadell shall take into account the categorisation of the target investor of the issuance (retail clients, professional clients and eligible counterparties), and specific criteria shall be applicable for each category.
- Banco Sabadell (together with other banks involved in the placement) shall make all reasonable efforts to place the issuance to the appropriate clients on the basis of the issuance, in order to achieve the best possible result for the issuer.
- Banco Sabadell shall establish, implement and maintain effective internal arrangements to prevent or manage conflicts of interest that arise where persons responsible for providing services to the firm’s investment clients are directly involved in decisions relating to recommendations made to the issuer client on allocation.

### **2.1. Underwriting or placing in the framework of the provision of advice on corporate finance strategy**

Whenever Banco Sabadell provides advice on corporate finance strategy (as set out in Annex I, Section B, Point 3 of Directive 2014/65/EU) in relation to the service of placing financial instruments, it shall, before accepting a mandate to manage the offering, have arrangements in place to inform the issuer client of the following:

- The various financing alternatives available with the firm, and an indication of the amount of transaction fees associated with each alternative;
- The timing and the process with regard to the corporate finance advice on pricing the offering;

- The timing and the process with regard to the corporate finance advice on placing the offering;
- Details of the targeted investors, to whom the firm intends to offer the financial instruments;
- The job titles and departments of the relevant persons involved in the provision of corporate finance advice on the price and allotment of the financial instruments;
- The firm's arrangements to prevent or manage conflicts of interest that may arise where the firm places the relevant financial instruments with its investment clients or with its own proprietary book.

Similarly, where Banco Sabadell provides execution and research services as well as carrying out placement activities, it shall ensure adequate controls are in place to manage any potential conflicts of interest between these activities and between their different clients receiving those services.

## **2.2. Pricing of offerings in relation to the issuance of financial instruments**

Adequate mechanisms need to be implemented that ensure that the firm has in place effective systems, controls and procedures to identify and prevent or manage conflicts of interest that arise in relation to possible under-pricing or over-pricing of an issue or involvement of relevant parties in the process.

In particular, Banco Sabadell is required to have internal arrangements to ensure both of the following:

- That the pricing of the offer does not promote the interests of other clients or the Bank's own interests, in a way that may conflict with the issuer client's interests, including bookbuilding, and
- The prevention or management of a situation where persons responsible for providing placement services to investment clients are directly involved in decisions about corporate finance advice on pricing to the issuer client.

It shall also provide clients with information relating to:

- How the recommendation as to the price of the offering and the timings involved is determined;
- Any hedging or stabilisation strategies that Banco Sabadell intends to undertake with respect to the offering, including how these strategies may impact the issuer clients' interests;
- Developments with respect to the pricing of the issue during the offering process.

## **2.3. Advice, distribution and self-placement**

It shall be necessary to ensure that the firm has in place adequate systems, controls and procedures to identify and manage the conflicts of interest that arise when providing investment services to an investment client to participate in a new issue, where the Bank receives commissions, fees or any other monetary or non-monetary benefits in relation to arranging the issuance.

Where Banco Sabadell engages in the placement of financial instruments issued by the Bank itself to its own clients, it shall provide additional information explaining the differences between the financial instruments and bank deposits in terms of yield, risk, liquidity and any protection provided in accordance with the regulations currently in force.

## **2.4. Provision of loans or credit in the context of the provision of placement services**

It shall be necessary to ensure that the firm has mechanisms in place to identify and prevent or manage any conflicts of interest that may arise as a result of any repayment of prior loans or credit awarded by Banco Sabadell to the issuer client.

To prevent any potential conflicts of interest, Banco Sabadell shall refrain from promoting any issuance that aims to redeem or amortise loans or credit awarded by the Bank to the issuer client. Exceptions to this rule shall be considered when the new issuance entails a benefit for the issuer.

Provided that no information barriers are breached, it shall be possible to share information about the issuer's financial situation with entities within Banco Sabadell Group acting as credit providers.

## **2.5. Record keeping**

There shall be a centralised process in place to identify all of the placements and record such information, including the date on which the Bank has been informed of potential placements.

As part of the provision of placement services, mechanisms shall be in place that guarantee the record keeping of allocation decisions made in each operation to establish a complete audit trail between the movements registered in clients' accounts and the instructions received by the Bank.

In particular, the final allocation for each investment client shall be clearly justified and recorded.

The complete traceability of the material steps in the placement process shall be made available to competent authorities upon request.

**B Sabadell**