



EXTRACT FROM THE BANCO SABADELL POLICY FOR THE
ALLOCATION OF FINANCIAL INSTRUMENTS

1. Introduction

1.1. Objective and unit responsible

The purpose of this Policy is to establish the process defined by Banco de Sabadell, S.A. (hereinafter, "Banco Sabadell" or the "Bank") to develop recommendations to issuers on the allocation of issuances as part of placement processes.

The Capital Markets Division is responsible for the review, modification, control and maintenance of this document.

1.2. Definition and scope

The process for placing financial instruments involves making decisions on the allocation of issuances. The specific factors and circumstances taken into account to this end may give rise to conflicts of interest.

The purpose of this Policy is to ensure that Banco Sabadell's process for developing allocation recommendations is fair and effective, ensuring that allocations do not result in the interest of Banco Sabadell being placed ahead of the interests of the issuer client, or the interests of one investment client over those of another investment client. For this reason, the Bank clearly defines the process for preparing allocation recommendations herein.

This Policy sets out the information that will be made available to the issuer regarding the proposed allocation method in order that the placement of the issue may take place pursuant to the regulatory requirements related to transparency standards.

1.3. Regulatory framework

In order to guarantee the protection of investors and increase 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 of reference, this Policy is closely linked to the Banco Sabadell policy on conflicts of interest and inducements and the Banco Sabadell policy on the placement of financial instruments.

1.4. Scope of application of the Policy

This Policy shall be applicable to all Banco Sabadell activities carried out as part of the provision of recommendation services to clients relating to allocation, with the term "clients" being understood to refer to the issuers to whom this service is provided.

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 allocation recommendations (hereinafter, the "Capital Markets Division").

1.5. Policy application criteria

The allocation 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 (Capital Markets), centralised management, compliance and audits, organised in an adequate and proportionate manner;
- Strengthening the current authority of governing bodies to ensure compliance with this Policy.

2. General principles and key critical management parameters

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

- The allocation decision shall not be determined on the basis of any single factor alone, nor shall it be based exclusively on factors that could result in placement recommendations being unduly influenced

In line with the foregoing, Banco Sabadell shall not accept any payments or benefits from third parties unless such payments or benefits meet the requirements relating to inducements set forth in Article 24 of the MiFID II Directive and, consequently, the following practices shall be considered abusive:

- An allocation made to incentivise the payment of disproportionately high fees for unrelated services provided by Banco Sabadell (“laddering”), such as disproportionately high fees or commissions paid by an investment client, or disproportionately high volumes of business at normal levels of commission provided by the investment client, as a compensation for receiving an allocation of the issue;
 - An allocation made to a senior executive or a corporate officer of an existing or potential issuer client, in consideration for the future or past award of corporate finance business (“spinning”);
 - An allocation that is expressly or implicitly conditional on the receipt of future orders or the purchase of any other service from Banco Sabadell by an investment client (“anti-tying”).
- One of the relevant factors that should be taken into consideration during the allocation process shall be 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 shall not allocate an issue’s positions to the Bank’s own account until the allocation to clients has been completed.
 - This allocation Policy shall be provided to the issuer client by Banco Sabadell before the Bank agrees to undertake any placement services, and the client shall thereby be made aware of the relevant information that is available about the proposed allocation method for the issue.
 - Banco Sabadell shall obtain the issuer client’s agreement to its proposed allocation on the basis of the client categorisation for the transaction, in accordance with that set forth herein.
 - Banco Sabadell shall establish, implement and maintain effective internal arrangements to prevent or manage conflicts of interest that may 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. Specific criteria relating to issues aimed at professional clients and eligible counterparties

The issuer client is always entitled to define the criteria that should be applied when allocating the issue’s securities among investors that have shown interest in subscribing to financial instruments through the order book.

Nevertheless, Banco Sabadell (together with the other underwriting banks involved in the new issue) shall make recommendations to the issuer client as regards the method and criteria to be applied in the allocation of securities among investors that have placed an order in the order book.

In any case, unless the issuer and other banks involved in the transaction define different criteria, Banco Sabadell recommends following the allocation criteria set forth in this Policy.

Some of the relevant factors, conducts and characteristics of investors that Banco Sabadell shall take into account and prioritise when making decisions relating to allocation in an issue are set out below:

- Investors that demonstrate leadership in the pricing process during the initial stages of the compilation of orders;
- Orders consistent with the feedback provided during the process;
- Investment history in the same, or similar, credit;
- Identifiable long-term buyers (investors known for holding their investments to maturity);
- Identifiable long-term buyers (investors known for holding their investments to maturity) whose orders are small in absolute terms or in relation to their assets under management.

2.2. Specific criteria relating to issues aimed at retail clients

Securities shall be allocated under a pre-determined, pro-rata system agreed with the issuer. This pro-rata system shall be defined in the Issue Prospectus for the transaction.

Banco Sabadell shall provide information to the issuer on two separate occasions during the process:

- Prior to the allocation of securities, the issuer shall be sent an explanation of the criteria to be followed by the underwriting banks and the consent of the issuer shall be requested;
- Following the allocation of the securities, the issuer shall be notified of the result of the final allocation of securities proposed by the banks taking part in the transaction according to the criteria set forth in the preceding item.

2.3. Specific cases related to issues of Commercial paper or Euro Commercial Paper (ECP)

The nature of the market for commercial paper justifies certain specific features within the general policy framework. These specific features are summarised here below:

- This is a short-term market that does not significantly influence the assessment of the issuer's financial or capital position or consideration for rating purposes and, consequently, it does not have a material impact on the price of other instruments (debt and equity).
- In this respect, the secondary market for this product is practically non-existent and the possibility that the final investors might influence prices and thereby alter the issuer's position in different markets is considered immaterial.
- As a result, the allocation of the issuer's securities is assigned directly to the programme dealers, with no predilection for distribution to the final investors.

As a result of these circumstances, some of the general principles, specific criteria and monitoring may be adapted in transactions involving this product.

With regard to the general terms, the following points are modified:

- This allocation Policy shall be provided to the issuer client by Banco Sabadell before the Bank agrees to undertake any placement services, without express notification of each individual issue carried out under a Programme.
- Since the allocation of the issuer's securities is assigned directly to the underwriting banks, the approval of the issuer client will not be sought for its proposed allocation on the basis of the client categorisation for the transaction.

2.3.1 Specific criteria for issues of Commercial paper or Euro Commercial Paper (ECP) aimed at professional clients and eligible counterparties

The issuer client defines the criteria to be applied when allocating the issue's securities among the underwriters and, generally, does not have access to the order books of each underwriter; consequently, no criterion is issued for the distribution among the final investors.

This circumstance means that there is no joint underwriters' recommendation with regard to the method and criteria to be used for the allocation of securities among the investors who have placed an order in the order book.

Consequently, Banco Sabadell will not take into account specific factors about investors, nor will it prioritise in decision-making concerning allocation as part of an issue, establishing:

- a single criterion of proportional distribution of the amount allocated by the issuer among the final investors in proportion to their requests, which may mean that 100% is allocated to a single investor
- the above criterion is qualified by the need for the minimum amount of the transactions to be a given quantity, which in practice involves the need to round up or down and modify the amounts
- also, where possible, the aim will be to try and include a larger number of investors, which contributes to an allocation of 100% of the orders by minimum amount, although the general allocation percentage may be lower

2.4. Record keeping

Mechanisms shall be established to ensure the existence of an up-to-date record indicating the content and dates of the instructions received from investment clients.

As part of the provision of placement services, Banco Sabadell shall ensure that a record is kept of allocation decisions made in each transaction to establish a complete audit trail between the movements registered in investment clients' accounts and the instructions received by the Bank.

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

Justification shall be provided to the issuer client in cases where:

- 1) Investors' allocation exceeds 20% of the total nominal transaction amount
- 2) Investors receive a final allocation that falls within the top 20% highest allocation volumes, classified in descending order of the percentage allocation granted to each investor divided by the percentage requested by each investor (the relative term whereby each investor's order has been reduced in the final allocation)

The complete audit trail of the material steps in the underwriting and placement process shall be made available to competent authorities upon request.

2.4.1 Specific criteria for issues of Commercial paper or Euro Commercial Paper (ECP)

Considering that the allocation scheme does not apply to issues of commercial paper, there is no need to record justification of the allocation in each issue, unless specific instructions are received from the issuer at any time, in which case the general criteria of this Policy shall be applied.

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