

OUTSOURCING POLICY

TRADITION FINANCIAL SERVICES ESPAÑA, S.V., S.A.U.
Paseo de la Castellana, 31, Edificio Pirámide, 28046 Madrid

Company's registration number with the Spanish Securities and Exchange Commission (CNMV):
no. 303

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TRADITION FINANCIAL SERVICES ESPAÑA, S.V., S.A.U. OUTSOURCING POLICY

1. INTRODUCTION

- 1.1 Tradition Financial Services España, S.V., S.A.U. (hereinafter, the "**Company**") must ensure that it complies with applicable national and European regulations as well as with the principles established by the Spanish Securities Market Commission (hereinafter, "**CNMV**"), the European Securities and Markets Authority (hereinafter, "**ESMA**") and the European Banking Authority (hereinafter, "**EBA**") when outsourcing processes, services or activities.
- 1.2 In order to ensure that the outsourcing of functions, processes, activities or services to third parties complies at all times with the highest standards required by applicable regulations, the board of directors of the Company has resolved to approve this outsourcing policy (the "**Policy**").

2. OBJECTIVE AND SCOPE OF THE POLICY

2.1 Target

The purpose of this Policy is to set out the governance and organisational and supervisory structure that is required to ensure that the Company and its employees comply with the principles set out by the competent authorities and in the applicable regulations.

2.2

Outsourcing is defined by the EBA as "*an agreement in any form between an institution, a payment institution or an electronic money institution and a service provider whereby the service provider performs a process, service or activity that would otherwise be performed by the institution, payment institution or electronic money institution itself*"¹. The process, service or activity may be outsourced to an independent third party or to a group company. In addition, an outsourced activity or service may also be outsourced to another party, subject to the Company's consent.

Compliance with this Policy is mandatory for outsourcing arrangements made by the Company that involve functions considered "critical" or "important". An outsourcing arrangement is considered critical or important when a defect or failure in the performance of the service provider would impair a company's continued compliance, including the terms of its authorisation, obligations under the regulatory system, financial performance and the soundness of its relevant services and activities. Similarly, in accordance with Article 30(1) of Delegated Regulation (EU) 2017/565, an operational function shall be considered critical or important if an anomaly or deficiency in its performance would materially affect an investment firm's ongoing compliance with the conditions and obligations of its authorisation or its other obligations under Directive 2014/65/EU, or the financial performance or the soundness or continuity of its investment services and activities.

The contents of this Policy shall also apply to outsourcing agreements that the Company enters into with companies belonging to the same group (hereinafter, the "**Group**").

¹ As defined in the Guidelines on Outsourcing EBA/GL/2019/02 of 25 February 2019

For outsourcing arrangements that are not considered critical or significant, or that are not regulated, the Company may, at its discretion, based on the nature, scale and complexity of the outsourcing arrangement, as well as the potential risk of non-compliance, require the service provider to comply with this Policy and the requirements referred to herein.

3. REGULATORY FRAMEWORK

3.1 In developing this Policy, the Company has taken into account the following rules that apply to it:

- (a) Articles 152.1. and 193.1 of Royal Legislative Decree 4/2015, of 23 October, approving the Consolidated Text of the Securities Market Law ("**TRLMV**");
- (b) Articles 14.1.h) and 30.1.b) of Royal Decree 217/2008 of 15 February 2008 on the legal regime for investment firms and other entities providing investment services ("**RD 217/2008**");
- (c) The conditions set out in Articles 30 to 32 of Commission Delegated Regulation (EU) 2017/565 of 25 April 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 Regulation (EU) 2017/565**");
- (d) 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 ("**MiFID II**");
- (e) ESMA's May 2017 opinions (under the heading "*General principles to support supervisory convergence in the context of the United Kingdom withdrawing from the European Union*") and the three ESMA opinions issued in July 2017 on the establishment of sectoral principles in the areas of investment firms, investment management and secondary markets; and
- (f) The Guidelines on outsourcing EBA/GL/2019/02 of 25 February 2019.

4. GENERAL PRINCIPLES

4.1 General principles

The following principles apply to any outsourcing carried out by the Company:

- (a) The respective rights and obligations of the Company and the third party to whom the Company outsources a function, process, activity or service (hereinafter the "**Service Provider**") shall be clearly allocated and set out in a written agreement. In particular, the Company shall retain its right to give instructions and terminate the agreement, its right to be informed, and its right to carry out inspections and to access documentation and premises. Thus, outsourcing relationships should in any case be governed by written contracts that clearly describe all material aspects of the outsourcing arrangement, including the rights, responsibilities and obligations of the parties. The agreement shall ensure that outsourcing by the Service Provider takes place only with the written consent of the Company.
- (b) In accordance with MiFID II, the Company shall take reasonable steps to ensure continuity and regularity in the performance of investment services and activities. To this end, the Company shall employ adequate and proportionate systems, resources and procedures.

- (c) The Company shall develop and implement a comprehensive outsourcing/outsourcing risk management programme to address outsourced activities and the relationship with the Service Provider.
- (d) The Company will ensure that outsourcing arrangements do not impair its ability to meet its obligations to customers and regulators, or impede effective supervision by regulators (in particular the CNMV).
- (e) The Company must act with due diligence in the selection of Service Providers. In this regard, the questionnaire to be completed by the Company with respect to each Service Provider is included as **ANNEX I**, and the Company shall collect and duly analyse the same before agreeing to outsource services to a Service Provider.
- (f) When entrusting a third party with the exercise of operational functions critical to the provision of a continuous and satisfactory service to its clients and the conduct of investment activities on a continuous and satisfactory basis, the Company shall ensure that it takes reasonable steps to avoid undue additional operational risk.
- (g) The outsourcing of important operational functions may not materially affect the quality of internal control or the ability of the supervisor to monitor the Company's compliance with all its obligations.
- (h) The Company and its Service Providers must establish and maintain adequate contingency plans.
- (i) The Company shall take appropriate measures to require Service Providers to protect the confidential information of both the Company and its customers against intentional or unintentional disclosure to unauthorised persons.

4.2 **Outsourcing of essential or important operational functions**

In the event of outsourcing of critical or important operational functions, the Company shall remain fully responsible for compliance with all its obligations under Directive 2014/65/EU and all other applicable regulations, and shall comply with the following conditions:

- (a) outsourcing shall not result in the delegation of responsibility by senior management;
- (b) the Company's relationship with and obligations to its customers in accordance with Directive 2014/65/EU and applicable Spanish law shall not be altered;
- (c) the conditions to be fulfilled by the Company in order to be authorised in accordance with Article 5 of Directive 2014/65/EU and Chapter II of Title V of the Consolidated Text of the Securities Market Law ("**LMV**"), and to retain such authorisation, shall not be impaired; and
- (d) any of the remaining conditions to which the authorisation of the investment firm to operate as an investment firm has been subject shall not be removed or amended.

4.3 **Obligations of the Company**

The Company shall exercise due skill, care and diligence in entering into, managing or terminating arrangements with a service provider for the outsourcing of functions

(especially if these are critical or important operational functions) and shall take the necessary steps to ensure that the following conditions are met:

- (a) The Service Provider shall have the competence, capability, adequate resources and appropriate organisational structure to support the performance of the outsourced functions and any authorisation required by law to perform such functions in a reliable and professional manner;
- (b) The Service Provider shall perform the outsourced services effectively and in accordance with applicable legal provisions and regulatory requirements, for which purpose the Company shall establish methods and procedures to assess the level of performance of the Service Provider and to evaluate the services provided by the Service Provider on an ongoing basis;
- (c) The Service Provider shall properly monitor the performance of the outsourced functions and properly manage the risks associated with the outsourcing;
- (d) Appropriate action will be taken when it is observed that the Service Provider may not be performing the functions effectively and in accordance with the applicable laws and regulations;
- (e) The Company shall monitor the outsourced functions or services and manage the risks associated with the outsourcing effectively, and for this purpose shall at all times have the necessary skills and resources to effectively monitor the outsourced functions and manage the related risks;
- (f) The Service Provider shall report to the Company any event that may materially affect its ability to perform the outsourced functions effectively and in accordance with applicable laws and regulations;
- (g) The Company shall be able to terminate the relevant outsourcing agreement if necessary, with immediate effect when it is in the interest of its clients, without affecting the continuity and quality of its provision of services to clients;
- (h) The Service Provider shall cooperate with the competent authorities of the Company (inter alia, the CNMV) in relation to the outsourced functions;
- (i) The Company, its auditors and the relevant competent authorities shall have effective access to data relating to the outsourced functions as well as to the relevant business premises of the Service Provider, where necessary for the purpose of effective oversight, and it shall be ensured that the competent authorities can exercise such right of access;
- (j) The Service Provider shall protect all confidential information relating to the Company and its customers;
- (k) The Company and the Service Provider shall establish, implement and maintain a contingency plan for disaster recovery and periodic testing of IT security mechanisms, where necessary in view of the outsourced function, service or activity;
- (l) The continuity and quality of the outsourced functions or services shall also be maintained in the event that the outsourcing is terminated, either by transferring the outsourced functions or services to a third party, or by the Company itself; and

- (m) The Company shall have one or more persons responsible for overseeing and controlling the outsourced function on an ongoing basis, and the Company shall have sufficient mechanisms and competence internally to be able to resume full provision or control of the outsourced function if necessary.

4.4 Responsibilities in the management of outsourcing arrangements

The distribution and allocation of responsibilities within the outsourcing management process is vital to ensure that the Company and its employees comply with their legal and regulatory obligations. Accordingly, the following general responsibilities have been specifically designated to ensure compliance with this Policy:

- (a) The Board of Directors of the Company is responsible for the approval and issuance of this Policy and for ensuring that appropriate governance and oversight is in place for the Company to ensure compliance with applicable regulations and obligations. In addition, the Board of Directors has overall responsibility for the activities carried out under this Policy.
- (b) Employees of the Company, regardless of their function, are responsible for compliance with this Policy and the obligations it contains. This includes timely and accurate reporting of any outsourcing arrangements to the Company's Compliance Department and, ultimately, to the Board of Directors.
- (c) The Company's Chief Compliance Officer is responsible for overseeing the effective implementation of the obligations set forth herein and for making consistent decisions regarding how to identify, manage and monitor any outsourcing arrangements. In addition, the Chief Compliance Officer shall be responsible for:
 - (i) Ensure, in the case of outsourcing/outsourcing arrangements relating to operational functions considered as critical or important in accordance with the definition in article 30.1 of Delegated Regulation (EU) 2017/565, that the Company will take all reasonable steps to avoid undue additional operational risk and that such outsourcing/outsourcing will not affect the quality of the Company's internal control and the CNMV's ability to monitor the Company's compliance with all its obligations;
 - (ii) Verify that the Company will remain fully responsible for compliance with all its obligations under Directive 2014/65/EU and that it will comply with the conditions set out in Article 31(1) of Delegated Regulation (EU) 2017/565;
 - (iii) Verify that the Company will act with due skill, care and diligence when entering into, managing or terminating agreements with a Service Provider for the outsourcing/outsourcing of critical or important operational functions and will take the necessary measures to ensure that the conditions set out in Article 31.2. of Delegated Regulation (EU) 2017/565 are met;
 - (iv) Report at least annually, as part of the compliance review, on the outcome of the work performed, highlighting any non-compliance and associated risks;
 - (v) Conduct an annual risk assessment in relation to all service providers; and

- (vi) Ensure that all processes are fully respected and that appropriate measures have been taken to mitigate potential risks to the Company.
- (d) The "Monitoring Officer" is the person responsible for the management and monitoring of the assigned outsourcing arrangement, including, but not limited to, ensuring compliance with legal and/or best practice obligations (determined on the basis of regulatory requirements and/or the materiality of the risk to the Company). This includes responsibility for ensuring that the outsourcing arrangement under their responsibility is correctly and completely identified and updated in the internal outsourcing records maintained by the Company.
- (e) Without prejudice to the oversight performed by the Chief Compliance Officer, the Monitoring Officer of each department and function is responsible for the overall management and governance of its outsourcing/outsourcing arrangements. In addition, the Monitoring Officer is responsible for ensuring that the information on the outsourcing arrangement to be recorded in the Company's internal records is kept up to date.
- (f) The Company's Compliance department is responsible for supervising and monitoring the Company's and employees' compliance with the obligations set out in this Policy.

All of the above responsibilities shall be carried out in accordance with the provisions of this Policy, either in accordance with the literal wording of this Policy or, if not strictly defined in this Policy, in accordance with the spirit and scope for which this Policy was designed.

5. RISKS ASSOCIATED WITH OUTSOURCING

5.1 While outsourcing certain activities can generate a number of benefits for an investment services firm, there are also a number of risks associated with outsourcing that need to be managed effectively.

5.2 Some of these "key risks" associated with outsourcing are set out in the table below:

Risk	Main concerns
Strategic risk	<p>The Service Provider may carry out activities in its own name that are incompatible with the overall strategic objectives of the Company.</p> <p>Adequate supervision of the Service Provider has not been carried out.</p> <p>Lack of experience to supervise the Service Provider.</p>
Reputational risk	<p>Poor service from the Service Provider.</p> <p>Customer interaction is not consistent with the Society's general standards.</p> <p>The Service Provider's practices do not conform to the stated practices (ethical or otherwise) of the Company.</p>

Compliance risk	<p>Privacy laws are not enforced.</p> <p>Consumer and prudential laws are not adequately enforced.</p> <p>The Service Provider has inadequate compliance systems and controls.</p>
Operational risk	<p>Technical failure.</p> <p>Inadequate financial capacity to meet obligations and/or provide solutions.</p> <p>Fraud or error.</p> <p>Risk that it may be difficult or costly for companies to carry out inspections.</p>
Exit strategy risk	<p>The risk that appropriate exit strategies are not put in place. This may be due to over-dependence on a company, loss of relevant skills in the institution itself that prevent them from returning to work in the company, and contracts that make a quick exit prohibitive.</p> <p>Limited capacity to return services to the country of origin due to lack of staff or loss of intellectual history.</p>
Counterparty risk	<p>Inadequate underwriting or credit assessment.</p> <p>Credit quality may decline.</p>
Country risk	<p>The political, social and legal climate may create an added risk.</p> <p>Business continuity planning is more complex.</p>
Contractual risk	<p>Ability to enforce the contract.</p> <p>For offshoring, the choice of law is important.</p>
Access risk	<p>The outsourcing arrangement hampers the ability of the investment firm to provide data and other information to regulators on a timely basis.</p> <p>Additional difficulty for the regulator to understand the activities of the external service provider.</p>
Concentration and systemic risk	<p>Industry in general has significant exposure to outsourcing. This concentration risk has a number of implications, among them:</p>

	<ul style="list-style-type: none">i. Lack of control of individual companies over the supplier; andii. Systemic risk for the sector as a whole.
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- 5.3 In considering the outsourcing of any function (whether critical or important or not) the Company will take into account the above risks and will take all relevant and reasonable steps necessary to prevent such risks from materialising.

ANNEX I

OUTSOURCING *DUE DILIGENCE* CHECKLIST

(Internal document)

A. GENERAL INFORMATION	
Name of the company:	
Address:	Telephone number:
Type of company (private/public, S.A./S.L., listed, etc.)	Products and services:
Contact person:	Name and department of the account manager:
E-mail address:	Website address:
Tax Identification Number:	Company number (for non-Spanish companies):
Date of incorporation:	Country of incorporation:
If it belongs to a group of companies: ➤ Name of the group ➤ List of the group	
B. CONSTITUENT DOCUMENTS	
Memorandum of association or proof of registration in the Commercial Register YES <input type="checkbox"/> NO <input type="checkbox"/>	
Articles of Association YES <input type="checkbox"/> NO <input type="checkbox"/>	
C. DIRECTOR(S) / SHAREHOLDER(S) & BENEFICIAL OWNERS	

<p>List of directors, members of the Board of Directors or equivalent management body:</p> <p>YES <input type="checkbox"/> NO <input type="checkbox"/></p>	<p>Please identify if any of the administrators are Politically Exposed Persons (PEPs) or foreign public officials.</p>
<p>List and identification of shareholders:</p> <p>YES <input type="checkbox"/> NO <input type="checkbox"/></p>	<p>Please identify if any of the administrators are Politically Exposed Persons (PEPs) or foreign public officials.</p>
<p>List and identification of beneficial owners:</p> <p>YES <input type="checkbox"/> NO <input type="checkbox"/></p>	
D. FINANCIAL INFORMATION	
<p>Annual accounts (audited, if the company is required to or does carry out an audit):</p> <ul style="list-style-type: none"> ➤ Individuals ➤ Consolidated <p>YES <input type="checkbox"/> NO <input type="checkbox"/></p>	<p>Obtain the audited annual accounts for the last two financial years.</p> <p>Review the financial accounts by focusing on the following data:</p> <ul style="list-style-type: none"> a) Total own funds b) Turnover.
E. SANCTIONS INVESTIGATION	
<p>Have sanctions screening checks via Thomson Reuters been completed?</p> <p>YES <input type="checkbox"/> NO <input type="checkbox"/></p>	<p>Any findings or incidents must be reported to the Chief Compliance Officer for review and, where appropriate, approval.</p>
F. REGULATORY COMPLIANCE REVIEW	
<p>Have any issues and concerns been identified as part of the due diligence process?</p> <p>YES <input type="checkbox"/> NO <input type="checkbox"/></p>	<p>If so, what action has been taken?</p>
<p>Has Compliance informed the account manager (Head of Supervision) of the Company about any outstanding issues?</p>	<p>If yes, please briefly describe the issues:</p>

YES <input type="checkbox"/> NO <input type="checkbox"/>	
Was it necessary for Compliance to request additional information from the customer as part of the due diligence process? YES <input type="checkbox"/> NO <input type="checkbox"/>	If yes, please briefly describe the information requested:
Date of review of the information:	Forthcoming review of information:
Reviewed by:	Approval of the Chief Compliance Officer: