

## ORDER EXECUTION POLICY

The purpose of this document is to set out, in accordance with the Directive, the best execution and order handling policy which Degroof Petercam Asset Management S.A. (hereafter DPAM) follows when introducing orders or receiving and transmitting orders on behalf of its clients.

The execution policy for orders in respect of financial instruments (the “Order Execution Policy”) described in the present document supplements the General Terms and Conditions of Business governing relations between our Bank and its clients. It is established in accordance with Article 21 of European Directive 2004/39/EC (Markets in Financial Instruments Directive – “MiFID”), as transposed into Belgian law by the Royal Decrees of 27 April and 3 June 2007.

This policy is based on the policy “Order Execution Policy”(Buy-Side) of the Bank Degroof Petercam SA (hereafter the “Bank”).

The Order Execution Policy applies to all clients of DPAM, being collective or individual management, for retail or professional clients and to financial instruments as defined by MiFID.

### 1. Prior consent by clients

In respect of financial instruments admitted to trading on a regulated market, MiFID requires to obtain prior express consent from clients in two specific areas:

- Allowing DPAM or its service provider discretion to execute client orders outside a Regulated Market or Multilateral Trading Facility;
- Allowing DPAM or its service provider discretion to determine whether or not to immediately publish client unexecuted limit orders

DPAM believes that these two authorizations work to the benefit of its clients for achieving the best possible result in the execution of their orders. Should a client not agree to give his/her prior express consent for one or both of these two specific areas, DPAM will have to process his/her orders in a less integrated way and this may have a detrimental effect on the quality of the execution of those orders.

### 2. Choice of the Dealing Desk

Based on the assessment of the services provided by the Dealing Desk of the Bank and on the review of its Order Execution Policy, DPAM has decided to use the Dealing Desk of the Bank for the transfer and execution of the orders generated within the framework of its activities.

On a yearly basis, DPAM will assess the quality of services provided by the Bank and review his choice in case it estimates it can have a better service with another provider.

### **3. Best Execution requirement of the Bank**

The Bank has established and implemented arrangements with a view to providing clients with the best possible result on a consistent basis. The Bank offers what is called "best execution" by taking all reasonable steps to obtain, when executing or receiving and transmitting orders, the best possible result for their clients taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.

### **4. Scope of application of Best Execution**

The Bank carries out orders on behalf of clients in accordance with its Order Execution Policy with a view to obtaining the best possible result in accordance with its policy. This means that there is no obligation to obtain the best possible result for each individual order.

The Bank acts on behalf of DPAM when it exercises its discretion in relation to the execution of the order and DPAM relies on the Bank for protecting her client's interests.

The Bank warned DPAM that the best execution requirement does not apply when it gives a specific instruction as to how to execute the order, even though the Bank will always defend its client's interests. If the specific instruction is related to part of the order, the Bank applies its Order Execution Policy to those aspects of the order which are not covered by the specific instructions.

### **5. Best execution factors**

The execution methodology of the Bank takes into account the following best execution factors:

- Price
- Cost
- Speed
- Likelihood of execution and settlement
- Size and nature of order
- Any other consideration relevant to the efficient execution of orders

Ordinarily price will merit a high relative importance in obtaining the best possible result for the client. The Bank will determine the relative importance of each factor on an order by order basis taking into account criteria such as the characteristics of the client, of the order, of the financial instrument and of the execution entity used.

For private clients, the best possible result is determined in terms of the total net consideration, i.e. the price of the financial instrument and the costs directly related to execution.

For professional clients, total net consideration is also relevant but there may be circumstances where other factors may be more important, e.g. liquidity, speed of execution or likelihood of settlement.

## **6. Methodology of order execution at Bank Degroof Petercam S.A.**

When carrying out orders on behalf of DPAM, the Bank may either choose to execute orders directly or use other Investment Firms for execution services and this choice is function of the type of financial instrument.

The Dealing Desk will not execute orders directly but merely transmit them to an executing broker and/or to the Brokerage Department of the Bank for execution when the financial instrument trades on a liquid trading venue and/or its liquidity is shared among execution venues. This is the approach chosen for equities, some fixed income products and listed derivatives of both.

The Dealing Desk will choose to execute orders directly when a financial instrument primarily trades OTC or on a quote market. This is the approach chosen for Eurobonds, other fixed income products and structured products.

In some particular cases (OTC orders on particularly non liquid bonds) Bond managers may, introduce an order directly to a broker as long as it is on a list maintained and reviewed at least annually by the CIO Fixed Income. The list will be held at the disposal of the Bond team.

When carrying out orders in "units in collective investment undertakings" (or UCI), the Bank privileges the subscription/redemption process directly with the fund manager/UCI firm because this achieves on a general basis the best result for its clients. For doing so, the Bank needs to obtain the client prior express consent because these orders will per definition be processed out of a regulated market or multilateral trading facility.

## **7. Selection of execution entities**

The Bank selects first-class executing brokers based on their execution policy and ensures that these selected entities comply with the overarching best execution requirement when placing or transmitting an order to those for execution. One of these executing brokers may occasionally be the Brokerage Department of the Bank.

To this end, the Bank does not duplicate the efforts of the execution entities but deeply reviews the execution arrangements of the execution entities prior to their selection.

The Bank selects the executing brokers using the following criteria:

- Total price of transaction
- Financial solidity
- Business reputation
- Global relationship
- Connectivity
- Quality of Middle-Office/Back-Office support
- Client/Back-Office/Middle-Office feedback

The Bank monitors and reviews the execution quality delivered by the execution entities.

The Bank conducts at least once a year a review of the executing brokers. After assessment of each individual broker, the decision is taken whether to add new brokers or to stop working with a broker. Each executing broker is selected for a specific scope of business. This selection policy will be

reviewed as soon as a significant change liable to have an effect on the broker's capacity to obtain the best possible results occurs. Exceptionally the Bank may use an execution entity not included in the review if this enables to achieve punctually a better result for its clients.

**8. Order handling**

The Bank handles the client orders in a manner that ensures that the interests of the clients are adequately protected.

Client orders are executed in a prompt, fair and expeditious manner and in the order that they are received by the Bank taking into account the channel through which the order is received. Comparable orders are executed sequentially unless the characteristics of the order or prevailing market conditions make this impossible, or the interest of the client requires otherwise.

When aggregating client orders, the Bank establishes a pre-allocation grid that will enable a fair allocation of aggregated orders and transactions covering both volume and price aspects. When an aggregated order is partially executed, the Bank allocates the related trades in accordance with the pre-allocation grid and if a reallocation occurs, this may not be detrimental to the client interest.

The Bank warns that if an order is aggregated with other client orders, the effect of aggregation may not necessarily work to the advantage of a client in comparison to an individual order.

**9. Monitoring and Review**

DPAM will monitor the effectiveness of its Order Execution Policy to identify and, where appropriate, correct any deficiencies. DPAM will monitor or ask the Bank to monitor particular transactions by sampling and verifying whether the execution of the order has complied with the policy, and whether the resulting transaction has delivered the best possible result for the client.

DPAM and the Bank will review the Order Execution Policy at least annually or whenever a material change occurs that affects its ability to obtain the best result for the execution of its client orders.

Any material change to the Order Execution Policy will be updated on the website of the Bank or be at the disposal of the client in its offices.

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