



## **Internal Transmission and Execution Policy**

16 December 2022

## **1. INTRODUCTION**

This document – approved by the Board of Directors of BG Fund Management Luxembourg S.A. (hereafter, “BGFML”, “the ManCo” or “the Company”) – defines and formalizes the procedures and criteria adopted by BGFML for the transmission and execution of orders, with reference to the operations related to the collective portfolio management service.

Within the framework established by the Law of 17 December 2010 relating to undertakings for collective investment (organic law transposing Directive 2009/65/EC and Directive 2014/91/EU), and in compliance with CSSF regulation 10-04, CSSF Circular 18/698 and the provisions of the Directive 2011/61/EU on Alternative Investment Fund Managers complemented by the Commission Delegated Regulation (EU) 231/2013, the management companies shall act in the best interest of the funds they manage when carrying out trading decisions, or when transmitting orders to other persons on behalf of the managed funds in the management of their portfolios.

In particular, management companies should:

- take all sufficient steps to obtain the best possible result for the funds, taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order;
- establish and implement a policy that enables to obtain the best possible result for funds orders (“Transmission and Execution Policy”); such policy shall include, in respect of each class of financial instruments, information on the different venues where the investment firm executes its client orders and the factors affecting the choice of execution venues;
- make available to shareholders adequate information about the implemented policy (and every significant amendment thereto).

## **2. SCOPE OF THE TRANSMISSION AND EXECUTION POLICY**

This Transmission and Execution Policy (hereafter, “the Policy”) applies to the following types of operations undertaken by BGFML:

- equity instruments;
- debt instruments (bonds and money markets instruments);
- derivatives instruments (such as relating to interest rates, credit, currencies, equity instruments, securitised derivatives, commodities and emission allowances);
- derivatives traded OTC and CFD;
- Efficient Portfolio Management techniques;
- exchange traded products;
- shares or units in funds.

## **3. BEST EXECUTION POLICY**

### **3.1. Execution Factors and Criteria**

BGFML defines its Transmission and Execution Policy impartially.

BGFML executes and/or transmits orders on behalf of the managed Funds and outside intermediaries for their execution.

BGFML provides appropriate disclosure to customers about its order transmission and execution policy, as set out herein.

### **3.2. Best execution factors and criteria for orders on financial instruments issued on behalf of the managed Funds**

In order to implement all reasonable steps for obtaining the best possible result for the Funds, the main factor considered by BGFML in ensuring best order execution is total consideration – the latter includes the price of the financial instrument and the execution costs, including all expenses incurred by the customer and directly connected to the execution of the order, such as the fees of the execution venue, the clearing costs, as well as settlement and other costs connected to trading (Total consideration).

BGFML also considers, with reference to each potential execution venue, the costs connected with the transactions. In particular:

- the expenses incurred to compensate third parties for their services (e.g.: the Stock Market, the reference intermediaries in the regulated market, the costs connected with the activity of a clearing house, the costs of the Custodian Bank) and the costs to access the trading venues,
- the costs and commissions connected to the operations of any outside intermediaries employed to transmit the orders to the execution venues.

Moreover, in certain circumstances BGFML reserves the right to give greater consideration, in the search for the best execution, to the following other factors which - in relation to the dimensions (in terms of quantity to trade and estimated value) and to the characteristics of the trading order to be executed (e.g., listed or unlisted financial instrument) - may be significant:

- speed,
- likelihood of execution and settlement,
- liquidity and depth,
- dimensions and nature of the order
- completeness of the offer from the different execution venues.

Speed of execution indicates the time that elapses between order transmission and execution within a trading venue. For each trading venue, speed of execution is determined mainly by the operating procedures defined within that venue.

The likelihood that an order will be executed in a trading venue depends mostly on the liquidity of the financial instrument and on the depth of the trading venue. BGFML also takes into consideration the risks deriving from the possibility that trading orders may be executed only partially. BGFML also takes into account the risk associated with the possibility that, after execution of the trading order, the transaction may not be settled properly in relation to the delivery of the financial instrument traded (technical failure).

BGFML, moreover, assesses the continuous exposure of the purchase and sale proposals for the financial instruments, which assures liquidity and substance to the respective exchanges.

In particular, BGFML has assigned a specific order of importance to the factors listed above, considering the following criteria:

- objectives, investment policy and specific risks of the Fund, as shown in the prospectus or in the Fund Regulations or in the incorporation documents of the Fund;
- characteristics of the order;
- characteristics of the financial instruments subject to the order and their marketability conditions;
- characteristics of the execution venues to which the order may be addressed.

## 4. ORDER TRANSMISSION AND EXECUTION PROCEDURES

### 4.1. General provisions

In consideration of all the best execution factors and criteria described above - and in pursuit of healthy and prudent service management of the service and of its own organizational structure, BGFML will adopt – in relation to the different types of financial instruments – the order transmission and execution policy described herein.

In particular, it has identified operating procedures in relation to the transmission of trading orders for each of the following types of financial instruments and techniques:

- equity instruments;
- debt instruments (bonds and money markets instruments);
- derivatives (such as relating to interest rates, credit, currencies, equity instruments, securitised derivatives, commodities and emission allowances);
- derivatives traded OTC and CFD;
- exchange traded products;”
- Efficient Portfolio Management;
- shares or units in funds.

BGFML selects one or more main intermediaries and one or more back-up intermediaries that will be entrusted with the task of executing the trading orders for each type of order/financial instrument, among the entities whose execution policy is consistent with the best execution policy set out herein. For this purpose, it preventively obtains the Execution Policy of the outside intermediaries it intends to employ and verifies whether it is consistent with the trading orders/best execution policy set out herein.

If it is, and to ascertain that the entities will be able to obtain the best possible result, BGFML alternatively assesses whether each of them:

- is subject to Article 27 of the Directive 2014/65/EU and agrees to treat BGFML as a professional or retail customer;
- is willing to bind itself contractually to compliance with Article 27 of Directive 2014/65/UE;
- can demonstrate a high quality of execution for the type of orders transmitted to it.

BGFML may also select the previously mentioned entity according to the following criteria:

- commissions: BGFML takes into consideration the commissions applied by the entity for the execution of the transmitted orders;
- organizational structure and management of conflicts of interest: the organizational structure and management of conflicts of interest of the entity must allow the correct and optimal execution of the transmitted orders and must be fully compliant with applicable regulations;
- quality and efficiency of the services rendered, and in particular of the information related to the execution;
- the entity's ability to minimize total trading costs while maintaining its own financial stability: BGFML verifies whether the entity is able to maintain and employ an adequate capital and whether it is capable of operating during times of high market volatility;
- level of competence in the trades: the assessment of the entity's competence will take the following factors into account: speed of execution of the transactions and ability to execute unusual volumes;
- access to the primary market: BGFML verifies whether the entity participates in the operations of the primary market (IPO, etc.);
- quality of the settlement phase: BGFML assesses the entity's efficiency in settlement activities;
- Capital soundness: BGFML assesses the entity's financial conditions, taking into consideration its rating, if available.

BGFML reserves the right to transmit orders to other intermediaries from those indicated herein, selected within the list of the counterparties authorized by the Board of Directors, if deemed

appropriate in relation to market conditions at the time of execution of the order and always for the purposes of obtaining the best results for the managed funds.

The order Transmission/Execution strategies identified by BGFML for each of the types of financial instruments listed above are illustrated below.

For financial instruments listed hereafter, and unless provided differently in the Policy, BGFML identifies Banca Generali S.p.A. ("Banca Generali") as main and/or exclusive broker.

Banca Generali, being the parent company of BGFML, is classified as a related party.

In order to ensure that the transactions carried out by the ManCo acting on behalf of the funds under management on investments and FDI concluded with Banca Generali are executed on an arm's length basis, the Board of Directors of BGFML monitors at least on an annual basis the quality of the orders execution process assured by Banca Generali to BGFML, acting on behalf of the funds.

In doing so, BGFML verify the validity of the strategy to elect Banca Generali as the sole broker classified as related party.

The scope of the review is made of:

- the market rates applied by Banca Generali to BGFML are analyzed, for the purpose of verifying the consistency of the pricing with the market standards, in order to ascertain the coherence of the choice of Banca Generali as the sole broker for BGFML also when taking into account the commissioning;
- a comprehensive study of global trade commissions, drafted by one or more external global providers of market intelligence and advisory services to the financial services industry.

## **4.2. Equity instruments**

BGFML - in relation to the type of transaction and taking into account the factors described above - identified the Parent Company, Banca Generali S.p.A., as the single intermediary to which orders on equity instruments (including Italian and non-Italian equity instruments) are to be transmitted for their execution; a specific order execution agreement has been stipulated with this Company. Banca Generali will execute the order, usually through a Smart Order Router System, in accordance and in compliance with its own order execution policy, which BGFML deems consistent with its own best execution strategy.

This choice enables BGFML to comply with the regulatory obligations referred to in the preceding sections and, at the same time, to perform the service more efficiently. In particular, the operating procedure adopted is based on the ability of the sole selected broker to access (directly or through other authorized intermediaries) the execution venues deemed most appropriate, in relation to the different types of financial instruments. The commissions applied by the single broker meet the cost-efficiency principles; therefore, execution of the orders on the instruments per this section is carried out efficiently, assuring the confidentiality of the group's operations.

In light of the above, and in consideration of the adopted operating procedure, BGFML will particularly emphasize the monitoring and revision activities, to ensure that the choice it made is in fact the most advantageous in the interest of the managed Funds. For this purpose, BGFML established an internal procedure to assure the correct transmission of the order to the intermediary, and to allow continuous monitoring of the execution operations by the intermediary. Briefly, the procedure specifies that the Investments Department employee transmits the order through the computer applications that are interfaced with the trader's IT systems.

If the single selected intermediary is not available, BGFML may employ, for the execution of the above-mentioned orders, a back-up intermediary; the latter was identified - on the basis of the criteria defined herein - as UBS.

### **4.3. Debt instruments**

BGFML - in relation to the type of transactions, and taking into account the factors described above - identified its Parent Company, Banca Generali S.p.A., as the single intermediary to which orders on debt instruments (including structured and standard bonds of Italian and non-Italian issuers, regardless of whether listed on regulated markets, including convertible bonds and money market instruments) are to be transmitted for their execution; a specific order execution agreement has been stipulated with this company. Banca Generali will execute the order, usually through a Smart Order Router System, in accordance and in compliance with its own order execution policy, which BGFML deems consistent with its own best execution strategy.

This choice enables BGFML to comply with the regulatory obligations referred to in the preceding sections and, at the same time, to perform the service more efficiently. In particular, the operating procedure adopted is based on the ability of the single selected broker to access (directly or through other authorized intermediaries) the execution venues deemed most appropriate in relation to the different types of financial instruments. The commissions applied by the single broker meet the cost-efficiency principles; therefore, execution of the orders on the instruments per this section is delivered efficiently, assuring the confidentiality of the group's operations.

In light of the above, and in consideration of the adopted operating procedure, BGFML will particularly emphasize the monitoring and revision activities, to ensure that the choice it made is in fact the most advantageous in the interest of the managed funds. For this purpose, BGFML established an internal procedure to assure the correct transmission of the order to the intermediary, and to allow continuous monitoring of the execution operations by the intermediary. Briefly, the procedure specifies that the Investments Department employee submit the order through the computer applications that are interfaced with the trader's IT systems.

If the single selected intermediary is not available, BGFML may employ, for the execution of the previously mentioned orders, back-up intermediaries; the latter were identified – according to the criteria defined herein - as Barclays Capital and UBS.

In the specific case of convertible bonds, considering their characteristics and the markets on which they are listed, BGFML has adopted the same Execution policy applicable to Italian and non-Italian equity instruments (section 4.2 above).

### **4.4. Derivatives (such as relating to interest rates, credit, currencies, equity instruments, securitized derivatives, commodities and emission allowances)**

#### **4.4.1. Covered warrants and certificates (securitized derivatives)**

In general, BGFML - in relation to the type of transaction, and taking into account the factors described above - identified the Parent Company, Banca Generali S.p.A., as the single intermediary to which orders are to be transmitted for their execution.

Banca Generali will execute the order in accordance and in compliance with its own order execution policy, which BGFML deems consistent with its own best execution strategy.

This choice enables BGFML to comply with the regulatory obligations referred to in the preceding sections and, at the same time, to perform the service more efficiently. The commissions applied by the single broker meet the cost-efficiency principles; therefore, execution of the orders on the instruments per this section is carried out efficiently, assuring the confidentiality of the group's operations.

In light of the above, in consideration of the adopted operating procedure, BGFML will, in particular, emphasize monitoring and revision activities in order to ensure that the choice it made is in fact the most advantageous in the interest of the managed funds. For this purpose, BGFML

established an internal procedure to assure the correct transmission of orders to the intermediary, and to allow continuous monitoring of the execution operations by the intermediary. Briefly, the procedure specifies that the Investments Department employee transmit the order through the computer applications that are interfaced with the trader's IT systems.

If the above-mentioned broker is not available, BGFML may employ, for the execution of such orders, a back-up intermediary; the latter was identified - on the basis of the criteria defined herein - as UBS.

#### **4.4.2. Currency derivatives – forex forwards**

BGFML, in relation to the type of transaction and taking into account the factors discussed in previous sections, opts to a) transmit the order for execution, according to procedures defined by BGFML (price level, spread level), to one of the intermediaries indicated in the list enclosed herewith (Annex 1), according to the execution policy and after verifying that this decision is consistent with the attainment of the best result, or it opts to b) execute the order directly with one of the intermediaries indicated in the list enclosed herewith (Annex 1), after comparing the offer of at least three intermediaries, for the attainment of the best result.

In order to select, in each case, the intermediary to whom the order is to be transmitted or with whom the order is to be executed, BGFML has instituted an internal policy aimed at demonstrating that it has taken all reasonable steps to obtain the best possible result for the managed funds, taking into account the factors and criteria indicated in the policy.

If it transmits the order, the procedure specifies that the Investments Department employee shall file in hardcopy and/or electronic format the order's transmission conditions (price level or spread level) and every support that in his opinion may be suitable to justify the decision to transmit the order (Bloomberg ALLQ page, spot currency rate, performance of the future agreement, rate differential on the inter-bank market).

If it executes the order, the procedure specifies that the Investments Department employee, on the occasion of each individual trade a) shall request, using the "Bloomberg FX Dealing" application, the quote for the financial instrument through the "Request for Quote" function that puts intermediaries in competition, and b) shall carry out the transaction with the intermediary that offers the best conditions. The adopted Bloomberg applications provide for storing RFQ and execution activities, thus allowing verification of best execution ex post.

#### **4.4.3. Derivatives listed on regulated markets**

BGFML - in relation to the type of transaction, and taking into account the factors described above - identified UBS as the single intermediary to which orders are to be transmitted for their execution; orders can be transmitted by the Investments Department employee in the following ways: 1) using the "Bloomberg EMSX" trading platform; 2) via Bloomberg chat or by telephone; a specific order execution agreement has been stipulated with this company. UBS will execute the order in accordance and in compliance with its own order execution policy, which BGFML deems consistent with its own best execution strategy.

The operating procedure adopted is based on the use, by the sole selected broker, of adequate technological supports for the rapid and efficient forwarding of orders to the markets deemed most appropriate, in relation to the order itself. The commissions applied by the single broker meet cost-efficiency principles.

If the aforesaid broker is not available, BGFML may employ, for the execution of such orders, two back-up intermediaries, that have been identified - on the basis of the criteria defined herein - as JP Morgan (which is also used as clearing broker) and Banca Generali S.p.A.

#### **4.5. Derivative instruments traded OTC and CFD**

BGFML, in relation to the type of transaction and taking into account the factors discussed in previous sections, opts to a) transmit the order for execution, according to procedures defined by BGFML (price level, spread level), to one of the intermediaries indicated in the list enclosed herewith (Annex 1), according to the execution policy and after verifying that this decision is

consistent with the attainment of the best result, or it opts to b) execute the order directly with one of the intermediaries indicated in the list enclosed herewith (Annex 1), after comparing the offer of at least three intermediaries, in order to obtain the best result.

In order to select in each case the intermediary to whom the order is to be transmitted or with whom the order is to be executed, BGFML has instituted an internal policy aimed at demonstrating that it has taken all reasonable steps to obtain the best possible results for the managed funds, taking into account the factors and criteria indicated in the policy.

If it transmits the order, the procedure specifies that the Investments Department employee shall file in hardcopy and/or electronic format the order's transmission conditions (price level or spread level) and every support that in his opinion may be suitable to justify the decision to transmit the order (Bloomberg ALLQ page, spot currency rate, performance of the future agreement, rate differential on the inter-bank market).

If it executes the order, the procedure specifies that the Investments Department employee, on the occasion of each individual trade a) shall request, using the "Bloomberg FX Dealing" application, the quote for the financial instrument through the Request for Quote function that puts intermediaries in competition and b) shall carry out the transaction with the intermediary that offers the best conditions. The adopted Bloomberg applications provide for storing RFQ and execution activities, thus allowing to verify best execution ex post.

#### **4.6. Exchange traded products**

In general, BGFML - in relation to the type of transaction, and taking into account the factors described above - identified the Parent Company, Banca Generali S.p.A., as the single intermediary to which orders are to be transmitted for their execution.

Banca Generali will execute the order in accordance and in compliance with its own order execution policy, which BGFML deems consistent with its own best execution strategy.

This choice enables BGFML to comply with the regulatory obligations referred to in the preceding sections and, at the same time, to perform the service more efficiently. The commissions applied by the single broker meet the cost-efficiency principles; therefore, execution of the orders on the instruments per this section is carried out efficiently, assuring the confidentiality of the group's operations.

In light of the above, in consideration of the adopted operating procedure, BGFML will particularly emphasize monitoring and revision activities, in order to ensure that the choice it made is in fact the most advantageous in the interest of the managed funds. For this purpose, BGFML established an internal procedure to ensure the correct transmission of the order to the intermediary, and to allow continuous monitoring of the execution operations by the intermediary. Briefly, the procedure specifies that the Investments Department employee transmits the order through the computer applications that are interfaced with the trader's IT systems.

If the broker is not available, BGFML may employ, for the execution of the orders, a back-up intermediary; the latter was identified – according to the criteria defined herein - as UBS.

#### **4.7. Efficient Portfolio Management techniques**

In order to maximize the revenues it generates for the benefit of the funds it manages and their investors, BGFML may engage in the performance of Efficient Portfolio Management techniques.

To that effect, the Company, acting as lending agent, identify specific borrower(s) who are willing to execute lending transactions with their counterparties.

For that reason, BGFML ensures that the best execution policies of the selected borrower(s) cover such activity in a way that is adequate and in accordance with the ManCo's expectations and markets' standard.

Securities lending activity is performed by BGFML via an economic model based on fixed allocation of the gross revenues between the funds, the borrower(s) and the lending agent, giving all parties involved a chance to benefit from best market conditions. In terms of transaction costs,

the borrower(s) are requested not to charge them, in compliance with the agreement in place between the funds, the borrower(s) and the lending agent.

Furthermore, BGFML perform ongoing monitoring of the delegated activities, guaranteeing oversight on:

- Revenue allocations between parties;
- Identification of the top 10/top 20 deals in terms of revenues;
- Volume of activities;
- Market overview and forecasts;
- Operational issues (e.g.: buy-in, claims, etc.)

For transparency reasons, the borrower(s) are requested to produce specific reports showing the performance of their activities through the comparison with “peer groups” (e.g.: similar lendable portfolios, legal structure and requested collateral). The reports, as well as the overall results of the monitoring performed by BGFML, are formalized internally on a quarterly basis and then shared, with the same frequency, with the Board of Directors of the concerned funds.

Based on the criteria identified in this paragraph, BGFML has identified – for the time being – as exclusive borrower CACEIS Bank, Luxembourg branch.

#### **4.8. Shares or stocks of funds**

BGFML subscribes the shares or stocks of funds directly from the corresponding issuing entities, or alternatively buys or sells them within secondary markets. The transaction is carried out according to the NAV on the day of subscription/negotiation. In relation to each transaction and to the type of customer, BGFML always seeks the best commission class applicable to it.

#### **4.9. Impossibility to transmit**

If it is not possible to transmit the order to an intermediary for its execution, due to *force majeure* or because of suspension or restrictions to trading of the instruments subject to the trading orders (e.g., in case of a suspension of trading due to excess rise/drop in prices, or suspension/restriction to trading for announcements about the issuers’ situation), BGFML does not guarantee the prompt transmission of the orders.

### **5. TRANSMISSION AND EXECUTION POLICY REVISION PROCEDURES**

The Board of Directors, with the support of the competent corporate departments, reviews the measures and the transmission strategy at least once a year and/or every time there is the occurrence of significant circumstances that can influence the management company’s ability to continue obtaining the best possible results for the managed funds.

BGFML makes available to all stakeholders, including the shareholders of the funds under management, adequate information about the established policy and every (significant) amendment thereto. Every essential change made to this Policy will be notified to the fund Investors by publishing the updated version of the policy on the website located at [www.bgfml.lu](http://www.bgfml.lu).

BGFML has no obligation to provide any other notice of such changes.

## **ANNEX 1**

**List of intermediaries for the transmission and/or execution of orders relative to forward foreign exchange contracts, currency derivatives and other OTC derivatives Instruments and CFD:**

- GOLDMAN SACHS INTERNATIONAL
- MORGAN STANLEY
- NOMURA INTERNATIONAL
- DEUTSCHE BANK
- CACEIS BANK
- UBS