

FOR PROFESSIONAL INVESTORS – 01/05/2023

# Selection and Execution Policy

## BEST SELECTION POLICY

### INTRODUCTION

This Policy describes the measures implemented by **BNP Paribas Asset Management UK Limited** (“**BNPP AM UK**”) to ensure the best selection of intermediaries and best execution of transactions on behalf of portfolios and mandates managed.

### REGULATORY AND INSTRUMENTS IN SCOPE

This Policy is written in accordance with the requirements of the Markets in Financial Instruments Directive 2014/65/EU (“MIFID II”) and covers all financial instruments described in the Annex I, Section C of MIFID II. In cases where UK regulatory requirements are more stringent than MIFID II requirements, UK requirements shall prevail.

As of the date of this policy, all BNPP AM UK’s clients are categorised as Professional Clients (whether they are holders of an individual mandate or investors in a fund as Units of Collective Investment in Transferable Securities (“UCITS”), Alternative Investment Funds (“AIF”) or any other legal structure) and the policy addresses BNPP AM UK’s obligations in respect of this category of clients only

### ACTIVITIES

BNPP AM UK is not a market member and therefore does not execute orders on any trading venues defined by MIFID II (encompassing Regulated Markets, Multilateral Trading Facilities, Organised Trading Facilities).

BNPP AM UK has entered into a service provision agreement with BNP Paribas Dealing Services (“Dealing Services”), a wholly owned subsidiary of BNPP AM UK’s immediate parent company, BNPP AM Holding. BNPP Dealing Services provides the services of reception and transmission of orders and execution of orders for third parties under its selection and execution policy involving all financial instruments covered by Section C “Financial instruments” of Annex I of Directive 2014/65/EU. BNPP Dealing Services is an investment firm whose head office is located in France, duly authorised by the French Financial Authorities (AMF and ACPR).

Dealing Services has its own selection and execution policy, available upon request.

When BNPP AM UK delegates investment management to an external regulated entity, the selection and execution policy of the delegate applies. In such circumstances, BNPP AM UK takes all sufficient steps to ensure that the service provided to its client is performed in accordance with the best interests of the client.

### SPECIFIC CASES

A client who appoints a discretionary mandate to BNPP AM UK is entitled to communicate specific instructions (e.g. using a specific intermediary) even if such instructions differ from the provisions of BNPP AM UK Policy. Our obligation of best execution will be satisfied by executing the order in accordance with the clients’ specific instruction, to the extent of the specific instruction or instructions.

o A client who appoints a discretionary mandate to BNPP AM UK is entitled to communicate a ranked list of approved execution intermediaries with objectives in terms of allocations of volumes or participation to requests for quotes: the selection of the execution intermediary will occur depending on the distance from the targets as a subsidiary criterion. This will allow differentiation between execution intermediaries offering the similar execution conditions.

It should be noted that any specific client instruction may prevent us from taking the steps needed to obtain the best execution relating to the specific aspect of the order

## SELECTION OF AN EXECUTION INTERMEDIARY

### GOVERNANCE OF SELECTION OF EXECUTION INTERMEDIARIES



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BNPP AM UK relies on an authorised intermediary list maintained by Dealing Services. To avoid any misunderstanding, the term “broker” used herein applies to intermediaries executing delivery versus payment transactions whereas the term “counterparty” is only used for intermediaries executing OTC derivatives transactions, the reference to “intermediaries” being construed as encompassing both brokers and counterparties.

The broker framework in place is managed by Dealing Services (please refer to Dealing Services policy ,available upon request, for further details).

### SELECTION POLICY REVIEW

At any time, on the proposal of one or the other, BNPP AM UK and Dealing Services, may re-examine the conditions and measures for order execution (trading venues, criteria, systems, etc.) in order to obtain the best possible result for clients.

All major changes in Dealing Services' offering (substantial change in pricing, sudden deterioration in the execution facilities that may take various forms such as limitation of the scope of securities traded, discontinuation of access to a market, restructuring that could entail significant operational risks, etc.) trigger a review of BNPP AM UK's selection policy.

As such BNPP AM UK has established internal governance processes to assess its execution arrangements, order handling and execution monitoring and reporting.

## EXECUTION POLICY

### EXECUTION VENUES

BNPP AM UK is not a market member and therefore does not execute orders on any trading venues defined by MIFID II (encompassing Regulated Markets, Multilateral Trading Facilities, Organised Trading Facilities). As a consequence, to achieve best execution, BNPP AM UK transmits orders for execution through Dealing Services, to an intermediary previously approved according to Section “Selection of an execution intermediary” of this Policy.

BNPP AM UK allows Dealing Services to operate on multiple execution venues, based in the European Economic Area and beyond, which include:

- Trading venues: Regulated Markets (RM), Multilateral Trading Facilities (MTF), Organised Trading Facilities (OTF);
- Systematic Internalisers (principal traders and market makers);
- Over-the-counter (OTC) markets; and
- Other counterparties acting as liquidity providers.

### SELECTION OF AN EXECUTION INTERMEDIARY FROM THE APPROVED LIST

BNPP AM UK shall seek the most favourable conditions of execution and the best possible outcome for the client in accordance with this Policy. To do so, Dealing Services can access a variety of execution intermediaries and methods. This allows efficient dealing arrangements for a wide variety of trading circumstances in order to reduce transaction costs and mitigate operational risk, resulting in a reduced risk of error or execution issues in addition to accelerating trades execution to take advantage of short lived market opportunities.

Dealing Services selects the execution intermediary by applying the following criteria, hierarchically ranked:

- Selection among the approved list of execution intermediaries as described in Section “Selection of an execution intermediary”;
- Ability of the execution intermediary to execute the order in accordance with the BNPP AM UK execution Policy; and
- Application of client's specific requirements.

### DESCRIPTION OF THE BEST EXECUTION CRITERIA

For each order type, BNPP AM UK ranks the 7 factors outlined in MIFID II Delegated Acts C(2016) 2398 (Recitals 101, 107 and Article 66):

- Price;
- Cost;
- Speed;
- Likelihood of execution and settlement;
- Size of the trade;
- Nature of the trade;
- Other criteria relevant to the execution of the order; and
- Other qualitative criteria.

While price, speed and size are generally the most important execution factors to be taken into account, the relative importance of each criterion depends on the financial instrument and the order type:

- For Equities, the speed of execution is also an important criterion as some orders need to be filled in the shortest possible time to avoid a possible adverse impact on the price due to volatile market conditions (market order for instance). For example a portfolio manager may want to buy a share following good earnings announcement. In this situation, the portfolio manager would aim to execute the order quickly in order to capture as much as possible of the anticipated upside move.
- In Fixed Income the likelihood of execution plays an important role as in some cases the order represents a significant proportion of the market size. In the case where all portfolios have to be rebalanced simultaneously, it is paramount to execute the full quantity to ensure all portfolios have the same market exposure following the rebalancing exercise.
- Regarding OTC derivatives, other criteria such as counterparty risk, liquidity, ability to structure complex product are also taken into account. With respect to the price criterion, the request for quotes is likely to identify the best available price. It is however worth noting that in some parts of the OTC market, it is not unlikely or irregular to ask and/or obtain a single quote, in particular in the case of illiquid, customised or complex products. A record of the quotes obtained is maintained.

### SPECIFIC SITUATIONS

#### Size of the Order

Where the order is above normal market size, the dealer or Portfolio Manager in charge of negotiating the conditions of execution shall have the following approach:



- The optimal way to achieve best execution may be to request a price from a single counterparty and manage execution accordingly, even if such execution price is inferior to the price referred to in other market indications of interest;
- Alternatively, quotes may be asked without specifying the trade's size for price discovery. Based on the results, negotiations with counterparties offering the best prices can then be opened. The records of the counterparties, quotes and trade sizes are maintained.

The dealer seeks to trade with counterparties which have historically offered the best terms for these types of transactions. In some cases, the dealer may base the choice on the ability of the counterparty to manage the impact of the order on the market, as a higher priority than the costs of the transaction.

### Less Liquid Products

For financial instruments with limited market and/or limited liquidity and/or limited price transparency, the execution criteria ranking may change, speed or likelihood of execution becoming the dominant criterion.

### Abnormal Market Conditions and Force Majeure

In the case of severe market turbulence, the ability to execute the order on a timely basis, or simply to execute it, may become the primary factor.

In the case of a major difficulty in order execution such as internal or external system failure assimilated to a force majeure event, Dealing Services may be unable to execute the order in accordance with this Policy. In such cases, each time it is reasonably possible, Dealing Services would activate its back-up solutions in accordance with its internal procedures.

### Trading Limits Management for OTC Derivatives

The dealer or portfolio manager may not be authorised to select the counterpart offering the best price or value for a given order should the trading limits for a given fund or mandate be insufficient to validate the transaction.

## ARRANGEMENTS OF ORDERS TRANSMISSION TO DEALING SERVICES

To send its orders to Dealing Services and ensure their traceability, BNPP AM UK uses its internal order transmission system. In the event of a system malfunction, Dealing Services will notify BNPP AM UK of the system failure and will advise on the alternative measures in line with the current Business Continuity Plan.

## CONTROL FRAMEWORK OF THE POLICY APPLICATION

### OBJECTIVES OF THE EXECUTION CONTROL FRAMEWORK

BNPP AM UK performs ongoing monitoring of the effective application of this Policy ensuring the guidelines act in the clients' best interests. Execution control covers all transactions initiated by BNPP AM UK for which execution is negotiated by BNPP Dealing Services.

The objectives of the execution control framework are the following:

- Ensuring the Policy is applied;
- Prompt correcting of observed failure;
- Facilitating the annual review of the Policy, and anticipating a review of this Policy should there be a significant change likely to have an impact on the ability to obtain the best possible result for the client.

## SCOPE OF RESPONSIBILITIES

MiFID II requires that BNPP AM UK controls on a regular basis the effective application of the Policy. Each transaction is not required to be checked but some controls have to be conducted on a sample basis.

At all times, BNPP AM UK has access to information relating to execution of orders negotiated by Dealing Services, allowing verification of the adequacy of the service provided by Dealing Services and its compliance with the execution policy.

In compliance with regulation, BNPP AM UK maintains evidence of the Policy application, including controls, relating to each executed order and can communicate these to clients on request. Should a client reasonably request data in respect of execution of transactions, BNPP AM UK will provide the information without unreasonable delay.

## POLICY REVIEW

### FREQUENCY OF REVIEW

In the absence of any internal or external major event requiring an earlier update, the Policy is reviewed at least annually.

### COMMUNICATION OF UPDATES

In case of significant changes in the Policy, clients must be informed. A new version is published on the website of BNPP AM entities covered by the Policy and is therefore considered as applicable.

Regarding discretionary portfolio management services provided to institutional clients, this Policy is deemed to be an integral part of the contractual framework with BNPP AM UK. BNPP AM UK should get client's consent on the possibility to execute orders outside of a trading venue. Any specific instruction linked to the execution of the transactions that would diverge from or complement this Policy should be recorded.



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