

EXECUTION AND TRANSMISSION POLICY

This document is subject to regular review (see below) in order to improve conditions for the client; the most updated version can be downloaded from our website www.equita.eu.

1. Introduction

Pursuant to Directive 2014/65/EU on markets in financial instruments (MiFID II) and the implementing measures referred to in Commission Delegated Regulation (EU) as well as in Consob Regulation n. 20307 of 2018, Equita SIM shall take all reasonable steps to obtain the best possible result for its clients when it executes orders on their behalf.

The purpose of this document is to provide adequate information on the following, among other things:

- a) the factors used to select execution venues;
- b) the priority attached to such factors;
- c) how factors are considered as part of the reasonable steps to obtain the best possible result for clients;
- d) a summary of the process applied to select execution venues, adopted policies, procedures and processes to analyse the quality of the achieved execution; and
- e) how Equita SIM monitors and checks that the best possible results for clients have actually been obtained.

2. Recipients

This order execution and transmission policy *applies to Equita SIM's professional clients (excluding Retail Hub).*

3. Execution Policy

3.1 Quality of execution

When executing orders on behalf of its clients, Equita SIM relies on procedures targeted at obtaining the best possible result, considering all *factors* contributing to highlighting the quality of execution, as reported in the paragraphs below.

In order to serve the interests of clients when executing orders and to achieve the most favourable conditions for them, Equita SIM has taken all reasonable steps to continue to obtain the best possible result on a consistent basis, although the regulation does not provide for any obligation to achieve such result for each single executed order.

3.2 Factors considered and their relative importance

In order to decide how orders shall be executed, Equita SIM shall consider the following *factors* listed according to their relative importance:

1. the total consideration;
2. the size and/or nature of the order;
3. the likelihood of execution and settlement;
4. the speed of execution;
5. any other relevant consideration for an efficient execution of the order

Equita SIM usually attaches the highest priority to the total consideration (representing the price of the financial instrument and the costs related to execution). Therefore, in the absence of different and specific client instructions, Equita SIM shall attach less importance to the other execution factors. However, under some specific circumstances and in order to obtain the best possible result, it might be advisable that the relative weight of one or more of the other factors (namely speed of execution, likelihood of execution, size of the order) is higher than the total consideration.

More specific indications are provided below based on the individual class of financial instruments.

Where there is more than one competing venue to execute an order, Equita, in order to assess the best result, also takes into account its own commissions and costs for executing the order on each of the eligible

execution venues.

3.3 Execution venues

Equita SIM has identified several venues where the orders received by the clients can be executed. The identified venues can be one of the following:

- a) regulated markets;
- b) multilateral trading facilities (“MTFs”);
- c) organized trading facilities (“OTFs”);
as well as
- d) systematic internalisers.

When choosing the *venues*, Equita takes into account the following elements in order of their relative importance:

- (a) the quality of prices on a consistent basis;
- (b) the pricing of each venue, assessing from time to time liquidity and market depth;
- (c) costs and way of settlement, including any clearing systems and their operation.

In case the client has given his prior express consent to the execution of order outside of a trading venue (i.e. a regulated market, an MTF or an OTF), orders can be executed also OTC (for example through market makers, liquidity providers or Equita SIM's own account). In this regard, please see par. 3.5.

In the absence of specific client instructions, Equita SIM usually executes the order – once received - on the **reference venue**, namely the resulting most significant venue in terms of liquidity and likelihood of execution (for the so-called “*care orders*”). However, if the circumstances of the case (for example, characteristics of the order, conditions on the different venues, etc.) make this solution preferable in the best interests of the client, Equita SIM shall:

- (i) execute the entire order, or part of it, on a venue other than the reference one;
- (ii) use its own smart order router (“SOR”) to choose the execution venues;
- (iii) transmit the order to a third-party broker who shall execute the order itself on the execution venues identified by him based on his own order execution policy.

For the sake of clarity, it should be noted that any request to execute an order “*curando*” implies that Equita shall decide at its discretion (albeit pursuant to this policy) how to execute the order itself (so-called “*care*” or “*worked*” orders). Any specific client instructions concerning such orders shall take precedence over the ordinary execution policy of Equita SIM, as laid down in paragraph 3.5.

Under such circumstances the operator executing the order can use special trading algorithms where appropriate.

In case Equita SIM does not execute the order directly but transmits it to another intermediary, the process is described more thoroughly in the following paragraph 4 “*Transmission Policy*”. The intermediaries are chosen among those whose order execution policy is consistent with Equita SIM's, enabling access to various execution venues and/or to several methods of order execution (for example, the use of algorithms).

As of today, Equita SIM does not act as a systematic internaliser.

The full and updated list of execution venues Equita SIM has access to for the different classes of financial instruments is available to clients on the website www.equita.eu.

3.4 Direct market access (“DMA”)

When clients use the «direct market access», they can visualize the trading parameters for each order, but not the exact fraction of a second when the order is input in the execution venue¹. Such parameters, when specified, constitute specific instructions that Equita SIM must comply with.

As to execution, Equita SIM can alternatively:

- (i) send the order to the identified execution venue, or
- (ii) transmit the order to a third-party broker who shall execute the order itself on the execution venues identified by him based on his own order execution policy.

For further information on how orders are transmitted to other intermediaries to be executed please see paragraph 4 “Transmission Policy”.

3.5 Execution outside of regulated markets

In special cases it is possible that the best result for the client can be obtained by executing the whole order or part of it outside of the identified trading venues (for example, matching the order with an equal and opposite one of another client, namely executing the order in compensation against the SIM proprietary desk).

By way of example but not limited thereto, Equita SIM can execute *outside of the market* the orders concerning financial instruments listed on regulated markets or MTFs if at least one of the following conditions is met:

- a better total compensation can be obtained;
- no sufficient liquidity is available to timely execute the order;
- executing the order would overimpact the market price.
- the execution outside of the market has been previously agreed with the client or it is the result of specific client instructions.

When an order is executed outside of a trading venue (namely a regulated market, an MTF or an OTF), Equita SIM cannot rule out the risk that the counterparty does not comply with its own obligations within the specified deadlines (for example, delivery of the instruments, payment of the agreed amount). It is understood that the order can be executed *outside of the market* only if the client has given his express consent to such execution mode, either in general or concerning the specific order. The client can request additional information about the execution of orders outside of the market.

3.6 Specific instructions

In case the client provides specific order execution instructions, including “*care*” orders, they shall take precedence over the ordinary execution policy of Equita SIM. As a result, they might prevent Equita SIM from adopting all or part of the steps it usually takes to obtain the best possible result in the execution of the order received (as far as the elements included in the instructions are concerned). This can occur also when the client inputs the instructions through DMA. Specific instructions can be provided by the client as to the use of the set of algorithms defined by Equita SIM.

As far as the orders “*curando*” are concerned, if the client does not provide any further specific instructions on the methods to be applied to execute the order itself, Equita SIM shall act at its full discretion.

3.7 Exceptions to the best execution

In addition to specific client instructions (par. 3.6), Equita SIM shall not be required to provide the *best execution* and therefore this *Execution Policy* shall not be applied to the following transactions:

- The client is an eligible counterparty.
- In case Equita provides a quote (so-called request for quote) upon a specific client request concerning a specific financial instrument;
- The terms and conditions of a transaction are negotiated directly with the client;

¹ The service provided does not qualify as Direct Electronic Access (“DEA”), since the client cannot exercise his discretion as regards the fraction of a second when the order is input in the execution venue.

- Custom transactions for which the market does not offer comparable alternatives.

3.8 Dealing on own account

Equita SIM can intervene in the transaction between the buyer and the seller and execute the order on own account. This solution is usually adopted to guarantee more liquidity and/or execution speed to the client. Therefore, in such a case likelihood and speed of execution acquire more importance.

3.9 Portfolio management service provided under a delegation of agreement

In case of portfolio management services provided under a delegation of agreement and in case the delegating client chooses an operating model whereby Equita SIM is also entrusted with order execution, the portfolio management structure of Equita SIM transmits the orders for each financial instrument class to the trading facility, which in turns performs its trading choosing suitable execution venues to obtain the best possible result for the Client taking into account the relevant execution factors, as listed in this document and according to its own execution policy.

The selected model offers some benefits in terms of total transaction cost.

Equita SIM, when providing its portfolio management services, shall monitor the efficacy of its order transmission policy in order to detect and, when appropriate, rectify any shortcomings.

When performing this activity, it takes into account the following criteria to obtain the best possible result for the client:

- Investment objectives and investment policy, as well as the specific risks of the individual fund managed under a delegation of agreement;
- Characteristics of the order;
- Characteristics of the financial instrument that is the subject of that order; ^[SEP]
- Characteristics of the execution venues to which that order can be directed. ^[SEP]

4. Transmission policy

4.1 The best execution obligation - General criteria.

When providing the service of reception and transmission of orders, the SIM does not execute the order directly but it transmits the orders to a third-party broker (by means of both DMA and other means such as the telephone, for example).

In case Equita SIM delegates the brokers to manage the order execution, the trading will be performed according to their execution policy.

4.2 Criteria for broker selection.

Equita SIM selects its brokers among players with access to several execution venues and singles out those that have an execution policy consistent with Equita SIM's as well as appropriate service levels. Therefore, it assesses whether the *price* and *costs* factors come first in terms of importance. Furthermore, Equita SIM selects its brokers based on criteria of execution quality, convenience, efficiency, specialisation and reliability. The selection results in a list of brokers eligible to be used by the SIM (the so-called *broker list*).

In case the *broker list* includes several *brokers* that are able to carry out the client's order, the specific intermediary to whom the client's order shall be transmitted is selected by taking into account the following factors (in order of importance):

1. commissions and costs;
2. size of the order;
3. settlement, operational and financial reliability;
4. technological capability;
5. ability of the broker to access several markets and instruments.

The type of client, the nature of the order, its potential impact on the market, the methods of execution, the client instructions and other variables can change the relative importance of the above-mentioned factors.

The *broker* is selected taking into account the best interests of the client.

Equita SIM can resort to more than one broker depending on their specialisation in specific execution venues or to execute special transactions (for example, basket, algorithmic trading).

The list of brokers used by Equita SIM is available on its website www.equita.eu.

5. Review and monitoring – publication of venues.

Equita SIM carries out an ongoing *monitoring* of the effectiveness of the steps taken to obtain the best possible result for the client; in particular, it assesses the quality of order execution.

Furthermore, it *reviews* its order execution and transmission policy at least annually (as well as whenever relevant circumstances occur impacting the ability of the SIM to keep obtaining the best possible result for the client).

All relevant changes to the policies shall be notified to the clients in the agreed manner.

The list of the execution venues for the different types of financial instruments shall be made available and updated regularly on the website www.equita.eu (Mifid II section). The very same website will include any changes to this policy.

For each financial instrument class, Equita SIM publishes annually the five top execution venues in terms of trading volume where it has carried out client orders in the previous year; it also provides information on the quality of execution achieved. Similarly, for each financial instrument class, Equita SIM publishes annually the five top investment companies in terms of trading volume to which client orders were transmitted or placed for execution in the previous year; it also provides information on the quality of execution achieved.

6. Aggregation of orders

Equita SIM, in a fair manner and in compliance with applicable regulatory requirements, may carry out a client order or a transaction on own account in aggregation with another client order.

An order allocation policy has been established and effectively implemented, providing for the fair allocation of aggregated orders and transactions, including how the volume and price of orders determines allocations and the treatment of partial executions.

In case Equita SIM aggregates transactions on own account with one or more client orders, the trading that could be detrimental to the client shall not be allocated.

Where Equita SIM aggregates a client order with a transaction on own account and the aggregated order is partially executed, it allocates the related trades to the client in priority to itself. However, if Equita SIM is able to demonstrate on reasonable grounds that without aggregation it would not have been able to carry out the order on such advantageous terms, or at all, it may allocate the transaction on own account proportionally, in accordance with its order allocation policy.

In accordance with the principles above, Equita SIM may aggregate orders in the following cases:

- (i) when providing placement services (therefore, in case of ABB, OPV, OPS, etc.). Equita SIM may carry out client orders or a transaction on own account in aggregation with another client order. Equita SIM takes the greatest care to protect the interests of its clients, however aggregation might work to the client's disadvantage in relation to a particular order. An order allocation policy has been established and implemented, providing for the fair allocation of aggregated orders and transactions, including the treatment of partial executions.
- (ii) at public auctions of Italian Government securities. Client orders are aggregated and subsequently Equita SIM transmits a cumulative order to "authorised traders" taking part in the public auction. Equita SIM guarantees to its clients the execution at the marginal / weighted average auction price net of commissions;
- (iii) during an auction, when orders concern option rights ensuing from equity transactions. Only orders with the same sign and without any price limitation may be aggregated. Their execution is guaranteed at the auction price; in this way, an effective order allocation policy is ensured. When aggregation and allocation are performed in this manner, the high number of orders usually present in this kind of operations is handled more effectively.

7. Further information on execution policy broken down by individual financial instrument classes.

A. Equity instruments and ETFs

The orders concerning Italian equity instruments, meaning shares listed on markets organised and managed by the Italian Stock Exchange, are carried out pursuant to the indications referred to in par. 3, to which reference is made. Therefore, in the absence of specific client instructions, Equita SIM may proceed as follows – once the order has been received:

- (i) execute the order on one (or more) selected venues (“*care*” orders) (usually orders are executed on the **reference venue**);
- (ii) forward the order to the execution venues defined in its “*smart order router*” (“SOR”); such SOR system - depending on the type of transactions and taking into account the factors above - enables the trading to be performed by automatically selecting the venues with the best execution conditions. The execution venues being compared are Borsa Italiana, Cboe Chi-X and Cboe Bats;
- (iii) transmit the order to a third-party broker who shall execute the order itself on the execution venues identified by him based on his own order execution policy.

In case the client has given its prior express consent to the order being executed outside of the above-mentioned venues, orders may be executed also OTC (for example through market makers, liquidity providers or Equita SIM's own account). In case of equity instruments listed on venues to which Equita SIM has no access, Equita SIM may transmit said client orders to other *brokers* to be executed by them.

ETFs

As far as ETFs are concerned, upon request Equita SIM may show a price to the client and execute the transaction on own account outside of a trading venue (i.e. “OTC”), provided that the client has given its express consent to order execution outside of the *venues*.

In the case of ETFs listed on venues to which Equita SIM has no access, Equita SIM may transmit said client orders to other *brokers* to be executed by them.

In particular, when instruments traded on venues in Japan, Australia or Hong Kong are involved, given the significant time difference, the client order must contain a specific instruction on the price and manner of execution. The order is transmitted by Equita SIM to the foreign *broker* to be executed and such broker forwards it to the market immediately (if the market is open) or as soon as it opens (if the market is closed when the order is received). In case the client has given its express consent to the order being executed outside of the above-mentioned venues, Equita SIM may execute the orders also OTC using its own account. In which case the transactions are usually completed during the Italian trading day.

B. Bond instruments

The orders concerning bond instruments listed on MOT, EuroMOT, ExtraMOT, EuroTLX, Hi-MTF Quote Driven and BMTF are carried out pursuant to the indications referred to in par. 3, to which reference is made. Therefore, in the absence of specific client instructions, Equita SIM may proceed as follows – once the order has been received:

- (i) execute the order on one (or more) selected venues (“*care*” orders);
- (ii) forward the order to the execution venues defined in its “*smart order router*” (“SOR”); such SOR system - depending on the type of transactions and taking into account the factors above - enables the trading to be performed by automatically selecting the venues with the best execution conditions.

- (iii) include in the execution venues market makers operating on Regulated Markets or MTFs in order to compare prices received.

In case the client has given its prior express consent to the order being executed outside of the above-mentioned venues, orders may be executed also OTC. In that case, upon request Equita SIM may show a price to the client and execute the transaction on own account.

Equita SIM – in the best interests of the client – may adopt the “*request for quote*” (RFQ) mode – therefore when dealing on own account – and, more in general, outside of a trading venue (i.e. “OTC”), provided that the client has given its express consent to order execution outside of the *venues* above.

However, if the instrument is not traded on a regulated market or MTF, orders may be executed OTC only (for example, using Equita SIM's own account).

In case of bond instruments listed on venues to which Equita SIM has no access, Equita SIM may transmit said client orders to other *brokers* to be executed by them, provided that such brokers can offer the best order execution conditions in terms of price and/or size of the order.

The orders concerning bonds listed on Hi-MTF Order Driven are forwarded to that execution venue, the only one ensuring appropriate conditions of liquidability, transparency and efficiency for this kind of financial instruments.

C. Derivatives

Orders are executed on reference markets for the derivative instrument (for ex. IDEM: derivatives eligible to be traded on that Italian market; EUREX: derivatives eligible to be traded on that foreign market). Equita SIM believes that the mentioned markets ensure the best conditions in terms of liquidity, transparency and efficiency, thus minimising trading and settlement costs; moreover, they enable an excellent management of the guarantee margins required by the Cassa di Compensazione e Garanzia.

In the case of derivative instruments listed on venues to which Equita SIM has no access, Equita SIM may transmit said client orders to other *brokers* to be executed by them.