



## Best Execution Policy

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Version	Description of changes	Effective date
1	Initial version	November 2019
2	Periodic update:	September 2021

## 1. Purpose of the Policy

The purpose of this Policy is to ensure that CaixaBank Asset Management Luxembourg S.A. (“CABK AM LUX” or “the ManCo”), and by extension each Investment Manager to which the portfolio management including the execution of investment decisions was delegated, provide best execution as required by the applicable law, when executing orders on behalf the Undertaking for Collective Investments in Transferable Securities (“UCITS”) vehicles (“the Funds”) they manage, on terms that are most favourable to the client.

## 2. Scope of the Policy

CABK AM LUX is a Luxembourg management company licensed by the Commission de Surveillance du Secteur Financier (“CSSF”) to manage UCITS as per Chapter 15 of the Law of 17 December 2010 (“UCITS Law”).

The Company currently manages the below UCITS vehicles:

- BPI GIF FCP,
- CAIXABANK GLOBAL SICAV,
- CAIXABANK WEALTH SICAV.

In practice, CABK AM LUX has delegated the investment management function of the Funds to CaixaBank Asset Management SGIIC, SAU (“CABK AM” or “the Investment Manager”). CABK AM may sub-delegate the investment management function further to a sub-delegate, such as BPI Gestão de Activos (“the sub-Investment Manager”).

CABK AM LUX is not a member of, nor has direct access to, the execution venues in which the financial instruments of the Funds are negotiated. CABK AM LUX delegated the investment management function to CABK AM including the execution of investment decisions.

CABK AM LUX defines principles of best execution as per this Policy, and ensures that these are duly considered by the Investment Manager responsible for executing the orders at/with the selected intermediaries, counterparties or execution venues. Hence, this Policy is applicable to CABK AM LUX and by extension to each Investment Manager to which the execution of investment decisions was delegated. When selecting a sub-Investment Manager, the Investment Manager should ensure that the principles of this Policy are respected by the sub-Investment Manager.

Therefore, this Policy is implemented within the best execution procedures of the Investment Manager, respectively in those of the sub-Investment Manager.

## 3. Regulatory background

CABK AM LUX is a Luxembourg management company licensed to manage UCITS as per Chapter 15 of the UCITS Law.

It should be noted that CABK AM LUX is not authorized to provide MiFID ancillary services such as discretionary portfolio management or investment advice.

For the avoidance of doubt, CABK AM LUX is not directly subject to Markets in Financial Instruments Directive 2014/65/EU (MiFID II) requirements, unlike the Investment Manager to which portfolio management of the Funds was delegated, which may fall directly in the scope of entities subject to MiFID II for some of its own business activities.

The laws and regulations applicable to CABK AM LUX in the context of best execution include in particular:

- CSSF Regulation 10-4 transposing Commission Directive 2010/43/EU of 1 July 2010 implementing the UCITS Directive as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a Management Company ("CSSF Regulation 10-4"), in particular Section 3
- Law of 17 December 2010 concerning undertakings for collective investment, in particular Article 111
- CSSF Circular 18/698 on Authorisation and organisation of Luxembourg management companies ("CSSF Circular 18/698"), in particular para. 342, 417 and 495

Though not being directly subject to MiFID II regulations, some best execution principles applicable to CABK AM LUX are common with the ones prescribed under MiFID II regulations<sup>1</sup>.

This Policy shall be governed by the provisions of the above listed laws and regulations, as amended or replaced from time to time.

#### **4. Best Execution**

In line with CSSF Regulation 10-4, a situation of Best Execution is achieved when the ManCo acts in the best interests of the UCITS it manages, when executing decisions to deal on behalf of the managed UCITS in the context of the management of their portfolios.

The achievement of Best Execution will be determined based on the relative importance of the factors established below and will depend on the characteristics of the order to be transmitted for execution, the type of financial instrument and the market in which it is negotiable.

##### **4.1. Factors that determine the Best Execution**

The main factors that determine the Best Execution are described below:

- Price of the financial instrument
- Transaction costs
- Liquidity of the financial instrument
- Speed of order execution
- Likelihood of execution

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<sup>1</sup> See guidance on best execution principles recommended for MiFID regulated firms in Appendix II

- Settlement venues
- Availability, reputation and professionalism of the broker or execution venue
- Size and nature of the order
- Any other consideration relevant to the execution of the order

In general, the Best Execution should be determined by weighting the different criteria to act in the best interest of the client, trying to obtain the best possible result.

When weighting the various criteria, the delegated Investment Manager should consider characteristics such as, but not limited to:

- Balance between price of the security versus transaction costs
- Balance between speed of execution versus probability of execution or settlement
- Exceptional market conditions: low liquidity, interruption or suspension of the market, failure of the systems that allow access to it, etc.
- Size of the order versus size of the market for the concerned security
- Characteristics of the UCITS funds for which the order is executed

#### **4.2. Selection of financial intermediaries and execution venues**

In the selection of financial intermediaries and execution venues, CABK AM LUX will expect its delegated Investment Manager to give priority to the price factor together with the total transaction costs, reasonably understanding that the best possible price will be obtained for the UCITS by resorting to those intermediaries that operate in the centers of execution that offer a greater degree of liquidity and depth (according to the average daily trading volumes).

For the specific case of orders of purchase or sale of investment funds, CABK AM LUX will expect its delegated Investment Manager to direct the order for execution on the most advantageous class for the client in terms of commissions, depending on the volume of the operation to be performed and the minimum amounts and other requirements required in the prospectus for each class.

Assuming a right balance between price of the instrument and transaction costs is found, CABK AM LUX expects its delegated Investment Manager to consider additional criteria such as, but not limited to, quality of settlement venue and reputation of the broker.

CABK AM LUX expects its delegated Investment Manager to select financial intermediaries in such a way that, based on the factors indicated above, it will allow it to consistently comply with the principles of this Best Execution Policy and obtain the best possible result.

For these purposes, CABK AM LUX relies on the respective Best Execution policy and procedure of its delegated Investment Manager, as well as its broker/execution venues' selection process and list of eligible brokers/execution venues.

#### **4.3. Review of selected intermediaries and execution venues**

CABK AM LUX expects its delegated Investment Manager to review on a regular basis, and at least once a year, the list of eligible intermediaries and execution venues used to execute

orders on behalf of UCITS under its management, ensuring continuous compliance with the principles of this Best Execution Policy.

The review, regardless of the moment in which it is carried out, should aim to verify that the selected intermediaries and venues comply with the factors that determine the mentioned Best Execution.

## **5. Conflicts of interest**

CABK AM LUX has a Conflicts of Interest Policy for dealing with conflicts of interest, outlined in accordance with the applicable regulatory requirements.

As described in its Conflicts of Interest register, CABK AM LUX has identified the following circumstances where a potential conflict of interest may primarily arise (not an exhaustive list):

- During the course of the portfolio management activity or investment services, a transaction is executed with a CaixaBank Group entity or another related party
- Asset allocation: during the course of the portfolio management activity, a potential investment is allocated to one UCITS managed by CABK AM LUX rather than another which could have also invested in the asset
- The rights connected to the financial instruments held by the UCITS managed by CABK AM LUX are not exercised in the interests of the UCITS and/or are exercised in the interests of another UCITS

In such a case, achieving Best Execution will prevail as a higher priority, so that:

- CABK AM LUX and by extension its delegated Investment Manager will avoid favoring any counterparty to the transaction, in particular CaixaBank Group entities
- CABK AM LUX and by extension its delegated Investment Manager may not, under any circumstances, favor one UCITS under management over another one
- CABK AM LUX and by extension its delegated Investment Manager may not, under any circumstances, carry out an operation or exercise a voting right on behalf of a UCITS for its own interest, or the interests of another UCITS or party

In this context, CABK AM LUX expects that potential grouped orders on a same security are allocated by the Investment Manager pro-rata to each relevant UCITS, should the total required quantity not be available. Similarly, orders of a UCITS on a given security should not be given priority over similar order of another UCITS on the same security, and should be executed simultaneously whenever possible.

In addition, CABK AM LUX expects that transactions between various UCITS under management will be avoided, as all orders should go through the market via reputable brokers and following the principles of this Best Execution Policy.

## **6. Publication of the Best Execution Policy**

CABK AM LUX will make available to its clients adequate information on its Best Execution Policy and will inform them of any new version by publishing it on its corporate website on [www.caixabankamlux.com](http://www.caixabankamlux.com).

## **7. Control framework**

As established in section 4.3., CABK AM LUX expects its delegated Investment Manager to review its compliance with the principles of this Best Execution Policy on a regular basis.

This matter is also a topic considered in the ongoing monitoring of delegates, performed by CABK AM LUX as per the applicable CABK AM LUX Due Diligence and Oversight Procedure.

Finally, CABK AM LUX relies on the work performed by internal audit and external audit as regards the testing of sample transactions for compliance with this Policy.

## **8. Approval of and amendments to the Best Execution Policy**

This Policy will become applicable after approval from the CABK AM LUX Conducting Officers and the Board of Directors in September 2021.

Once approved, this Policy will be made available to CABK AM LUX staff members, and to CABK AM as delegated Investment Manager.

It will be reviewed upon publication of a new relevant regulation and by default on an annual basis, to assess whether any update needs to be performed.

Non-significant updates, such as the updates of appendices, may be performed at the discretion of the Management Committee, in the context of the daily business management of the Company, with information to the Board of Directors.

## **APPENDIX I – Best Execution rules applicable to CABK AM LUX**

**CSSF Regulation 10-4** transposing Commission Directive 2010/43/EU of 1 July 2010 implementing the UCITS Directive as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a Management Company

### **SECTION 3** *Best execution*

#### **Article 28 Execution of decisions to deal on behalf of the managed UCITS**

1. Management companies shall act in the best interests of the UCITS they manage when executing decisions to deal on behalf of the managed UCITS in the context of the management of their portfolios.

2. For the purposes of paragraph 1, management companies shall take all reasonable steps to obtain the best possible result for the UCITS, taking into account price, costs, speed, likelihood of execution and settlement, order size and nature, or any other consideration relevant to the execution of the order. The relative importance of such factors shall be determined by reference to the following criteria: a) the objectives, investment policy and risks specific to the UCITS, as indicated in the prospectus or, as the case may be, in the management regulations or instruments of incorporation of the UCITS; b) the characteristics of the order; c) the characteristics of the financial instruments that are the subject of that order; d) the characteristics of the execution venues to which that order can be directed.

3. Management companies shall establish and implement effective arrangements for complying with the obligation referred to in paragraph (2). In particular, management companies shall establish and implement a policy to allow them to obtain, for UCITS orders, the best possible result in accordance with paragraph (2). Management companies shall obtain the prior consent of the investment company on the execution policy. Management companies shall make available appropriate information to unitholders on the policy established in accordance with this Article and on any material changes to their policy.

4. Management companies shall monitor on a regular basis the effectiveness of their arrangements and policy for the execution of orders in order to identify and, where appropriate, correct any deficiencies. In addition, management companies shall review the execution policy on an annual basis. A review shall also be carried out whenever a material change occurs that affects the management company's ability to continue to obtain the best possible result for the managed UCITS.

5. Management companies shall be able to demonstrate that they have executed orders on behalf of the UCITS in accordance with the management company's execution policy.

#### **Article 29 Placing orders to deal on behalf of UCITS with other entities for execution**

1. Management companies shall act in the best interests of the UCITS they manage when placing orders to deal on behalf of the managed UCITS with other entities for execution, in the context of the management of their portfolios.

2. Management companies shall take all reasonable steps to obtain the best possible result for the UCITS taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order. The relative

*importance of such factors shall be determined by reference to Article 28, paragraph (2) of this Regulation. For those purposes, management companies shall establish and implement a policy to enable them to comply with the obligation referred to in the first sub-paragraph. The policy shall identify, in respect of each class of instruments, the entities with which the orders may be placed. Management companies shall only enter into arrangements for execution where such arrangements are consistent with obligations laid down in this Article. Management companies shall make available to unitholders appropriate information on the policy established in accordance with this paragraph and on any material changes to this policy.*

*3. Management companies shall monitor on a regular basis the effectiveness of the policy established in accordance with paragraph (2) and, in particular, the execution quality of the entities identified in that policy and, where appropriate, correct any deficiencies. In addition, management companies shall review the policy on an annual basis. Such a review shall also be carried out whenever a material change occurs that affects the management company's ability to continue to obtain the best possible result for the managed UCITS.*

*4. Management companies shall be able to demonstrate that they have placed orders on behalf of the UCITS in conformity with the policy established in accordance with paragraph (2).*

**Law of 17 December 2010 relating to undertakings for collective investment (UCITS Law)**

**Article 111.** *In the conduct of its business activities, a management company authorized under this Chapter shall, at all times, by virtue of rules of conduct:*

*(a) act honestly and fairly in conducting its business activities in the best interests of the UCITS it manages and the integrity of the market,*

*(b) act with due skill, care and diligence, in the best interests of the UCITS it manages and the integrity of the market,*

*(c) have and employ efficiently the resources and procedures that are necessary for the proper performance of its business activities,*

*(d) try to avoid conflicts of interest and, when they cannot be avoided, ensure that the UCITS it manages are fairly treated, and*

*(e) comply with all regulatory requirements applicable to the conduct of its business activities so as to promote the best interests of its investors and the integrity of the market.*

## **APPENDIX II – Best Execution laws and regulations applicable to MiFID firms**

- Law of 5 April 1993 on the financial sector, as amended (Article 37-5)
- Circular CSSF 07/307 (as amended by Circulars CSSF 13/560, CSSF 13/568 and 14/585) (being reviewed), in particular Chapter 9
- Questions & Answers from the Committee of European Securities Regulators regarding Best Execution under MiFID
- 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), in particular Article 27
- Règlement grand-ducal du 30 mai 2018 relatif à la protection des instruments financiers et des fonds des clients, aux obligations applicables en matière de gouvernance des produits et aux règles régissant l'octroi ou la perception de droits, de commissions ou de tout autre avantage monétaire ou non monétaire (Articles 51-54)
- ESMA Questions and Answers on MiFID II and MiFIR investor protection and intermediaries topics, as lastly updated in July 2019
- Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 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, in particular Article 66