



Order Execution Policy

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1. Background

Provisions laid down in the Markets in Financial Instruments Directive 2014/65/EU and implementing measures as transposed into national laws and regulations ("MiFID II") require Pareto Securities to take all sufficient steps to attain the best possible result for clients when executing, or receiving and transmitting, orders on their behalf.

This document constitutes our order execution policy (the "Policy"). It describes the arrangements and procedures Pareto Securities undertakes to comply with the best execution requirements in MiFID II.

The measures, processes, principles, and their upkeep, detailed in the Policy, shall be of a nature that Pareto Securities deems sufficient to achieve the best possible outcome consistently.

2. Scope

The Policy applies to the Pareto Securities group¹ as a whole ("Pareto") with respect to execution of client orders in financial instruments within the scope of MiFID II.

The Policy applies to transactions executed on behalf of both professional and retail clients. However, it does not apply to professional clients who are eligible counterparties.

3. Our activities and capacity

As an agency broker, Pareto works in the best interest of its client. In no asset class does Pareto internalise in any substantial and frequent or systematic way, and consequently Pareto does not consider itself to be an execution venue under the systematic internaliser regime. Only in exceptional circumstances will Pareto be dealing with clients in a non-agency capacity.

Pareto has an obligation to take all sufficient steps to obtain the best possible result for clients when executing orders taking into account the execution factors (as described in section 7). Pareto may execute orders under its direct memberships but may also transmit orders to third parties for execution. In both instances, Pareto will adhere to this Policy. Consequently, Pareto takes upon itself to monitor and regularly assess the effectiveness of third-party broker arrangements.

4. Market types

As a norm Pareto executes trades in an agency capacity. This includes both the main market types, order driven markets and price driven markets. In price driven markets, however, Pareto may in some product categories execute trades in a riskless principal capacity.

Order driven markets

Order driven markets are trading environments where buyers and sellers display prices at which they wish to buy or sell specified amounts of particular financial instruments. Order driven markets are characterised by a measure of transparency. Since the best bid and offered prices are seldom valid for more than quite modest sizes, these markets are normally also characterised by the convention that brokers execute client orders with a certain measure of discretion. Order driven market conditions are normally associated with the following products:

- Mostly equities and equity-like instruments which are admitted to trading on a trading venue

¹ Pareto Securities AS and Pareto Securities AB with their EEA branches, Pareto Securities AG, Pareto Securities Oy, Pareto Securities Ltd., Pareto Securities Inc., Pareto Securities Pte. Ltd. and Pareto Securities Pty. Ltd.

- Some illiquid equities

Price driven markets

Price driven markets are characterised by less transparency than order driven markets. In price driven markets clients normally take a more active part in price discovery through negotiations. Price driven market conditions are normally associated with the following products:

- Some illiquid equities, such as shares in project companies
- Non-equity instruments, such as, but not limited to, bonds

The market type or context in which the financial instrument is being transacted has implications for how the best execution requirements apply.

5. Specific instructions from the client

If the client issues specific instructions as to how an order shall be executed, such order will be executed in accordance with those instructions to the extent possible. If reasons exist which make it impossible for Pareto to accept the client's instructions, the client shall receive from Pareto timely notification of that fact. Breach of venue trading rules or suspected market abuse could constitute such reasons.

To the extent of a client's specific instructions, best execution requirements are fulfilled by executing the order in accordance with the specific instruction. If the instruction only covers a portion of the order, Pareto will adhere best execution with regards to the elements of the order which are not covered by the instruction. Orders placed and executed by way of direct electronic access are inherently held to contain specific instructions as regards all aspects of the orders.

Clients should therefore be acutely aware that placing specific instructions on orders to trade may prevent Pareto from adhering to the measures implemented in this Policy to ensure the best possible outcome.

6. Legitimate reliance on Pareto Securities

Reference is made to section 4 regarding price driven markets. Where an instrument is traded in a price driven market environment Pareto considers each bid or offer from the client to constitute an order with specific instruction, to pay or to ask on behalf of the client, a price for the volume in question. The prime execution factor to be agreed upon in such negotiations is price. Since the price is specifically covered by the instruction, Pareto considers best execution to have been achieved for such negotiated deals unless the client can invoke legitimate reliance on Pareto to protect their interests in this respect.

The assessment of whether best execution requirements apply to Pareto's activities in price-driven markets will depend on the following four factors:

1. Which party initiated the transaction
2. Whether the client is a retail client or professional client
3. The level of transparency shared between the client and Pareto
4. Other subjective factors

Initiative

If Pareto takes the initiative that leads to a transaction, other things equal, it is more likely that the client may legitimately invoke reliance on Pareto to protect the client's interests as regards best

execution. If the client initiates the transaction, it is less likely that the client will invoke reliance on Pareto.

Pareto does not consider mere reflection of flow information, including where such is provided through an electronic system, to constitute initiatives to trade, even though it may, especially in instruments characterised by low liquidity of trading, constitute a rare opportunity to transact.

Client type

Retail clients can always place legitimate reliance on Pareto to protect the clients' interests. However, in respect of price negotiations Pareto considers its responsibility to limit itself to advising the retail client to trade away if it is obvious that other firms should be able to source the liquidity at a better price.

It is less likely that professional clients may legitimately invoke reliance on Pareto to look after his or her interest in regard of best execution in such price negotiations.

Market pre-trade transparency

The more equitably market transparency is shared between the client and Pareto, the less likely it is that the client may legitimately invoke reliance on Pareto to protect his or her interests. The lesser Pareto's market share in a financial instrument, the more likely it is that the instrument will be subject to transparency enhancing price competition. If that is the case, and market convention is that clients shop around, the client can hardly invoke legitimate reliance.

Other subjective factors

Every order should be considered individually and the four factors in conjunction. Other subjective factors relevant to the assessment of legitimate reliance are conceivable.

From time-to-time clients entrust Pareto with discretion to provide execution of orders in instruments otherwise normally associated with price driven market conditions. In such cases the client shall be considered to have legitimate reliance.

7. Execution factors

Pareto is required take all sufficient measures necessary to achieve the best possible result for the client. This effort shall be assessed based on fulfilment of the following relevant execution factors:

- Price
- Size
- Speed of execution
- Likelihood of execution
- Likelihood of settlement
- Execution costs
- Other considerations such as need to minimise footprint or risk of signalling

The execution factors mentioned above are the benchmark by which the quality of an execution can be relevantly measured.

8. Execution variables

The degree of relevance attached to each execution factor may vary as a subjective function of one or more of the following variables:

- The client's instructions
- The client's preferences
- The order's characteristics
- The instrument's characteristics
- The characteristics of the trading venues on which parts of the order can be filled
- The prevailing market conditions and other circumstances of importance
- Other criteria are conceivable

The client's specific instructions or standard preferences may point to the achieved price compared with a given post-trade benchmark as the paramount execution factor. If a different post-trade benchmark should stand out as more relevant on account of the other variables above, the client's instruction shall nevertheless take precedence.

In the absence of such instructions or preferences Pareto's sales trader or execution operator will make the assessment of which execution factors to prioritise based on the remaining variables or criteria.

Unless a variable or criterion dictates otherwise, an order to trade an illiquid instrument will be executed with a liquidity seeking strategy. Pursuing a liquidity seeking strategy entails attaching a relatively high priority to likelihood of execution of the order as a whole or meaningful sizes thereof.

Pareto reserves the right, on its traders' discretion, to route child orders directly to single lit venues. The rationale may be to access visible liquidity, often of a fleeting nature, when this is deemed to be in the client's best liquidity seeking interest. Doing so may also be motivated by reluctance to risk suffering consequences of potential signalling.

9. Retail clients vs. professional clients

For retail clients, where the best possible result is determined in terms of price, price shall be measured in terms of total consideration due or paid.

The provision regarding total consideration paid is specifically governed by MiFID II. However, Pareto does not discriminate between retail and professional clients.

10. Venues

Pareto seeks to be connected to the most relevant venues, including conditional venues, as Pareto is obliged to source the best liquidity at the best price. Where applicable, Pareto routes client orders to the venues which are best suited to achieve the best volume at the best price, consistently.

Pareto has access to the following types of trading venues and execution venues:

- Regulated Markets
- Multilateral Trading Facilities (MTFs)
- Organised Trading Facilities (OTFs)
- Systematic Internalisers (SIs)
- Market makers
- Liquidity providers
- Non-EEA entities equivalent to the above

Trading on the types of venues mentioned above can include venues where Pareto is a direct member and venues accessed through a third-party broker. Pareto undertakes due diligence and on-going monitoring of its third-party brokers to fulfil its best execution obligation.

Pareto will normally seek to trade on a recognised trading venue or execution venue when possible. Entire orders, or parts thereof, may nevertheless be executed by riskless matching of interests as negotiated deals outside a trading venue.

11. Electronic routing of orders

Pareto is committed to having effective and stable arrangements in place in order to electronically access trading venues.

12. Execution venue selection

Pareto will take the necessary steps to ensure that client orders are executed in accordance with the obligation of Best Execution. This includes considering the various types of execution venues that are available at the time of execution, as listed in section 10, and executing on one or more of them to achieve the best possible result, taking into account any specific instructions from the client.

Pareto will use its discretion to decide which execution venues to connect to in order to get the best possible execution, taking into account various factors, such as the venue's technical abilities, prices, execution speed, liquidity, likelihood of settlement, and cost and charges.

Pareto does not pass on venue fees to clients, except under special circumstances, or unless pre-agreed with the client. Pareto does not receive any inducements to preference venues when routing orders.

13. Order handling

Pareto will execute client orders sequentially and in order of timeliness unless Pareto is of the view that the best possible outcome according to this Policy is achieved by aggregating. Aggregation of orders will only take place if refraining from doing so is likely to work to the detriment of the individual conflicting client orders.

When aggregating orders Pareto takes care to allocate fills fairly to each single order. Normally a pro-rata approach will be used, but in some circumstances all orders may be treated as equal.

Pareto hardly ever engages in own account trading. Potential conflicts of interest associated with allocation of fills between client orders and Pareto's own book may nevertheless arise. In such cases the client's best interest shall take precedence.

If placing a limit order with us for a share admitted to trading on a regulated market or traded on a trading venue (which is below a certain size and this is not immediately executed under prevailing market conditions), then we or our executing brokers may be required to make the order public to facilitate its execution at the earliest opportunity, unless expressly instructed otherwise.

14. Asset classes

This section describes the asset classes in which Pareto offers execution. The terms used in this section have already been described in more elaborate detail. Therefore, their mention here may be of a brief nature.

Equities and equity-like instruments traded on a trading venue

Listed equities and Exchange Traded Products (Exchange Traded Funds, Exchange Traded Notes



and Exchange Traded Commodities) are considered by Pareto to be subject to order driven market conditions. As mentioned above, Pareto will when relevant and possible, execute client orders according to clients' specific instructions. Issuing specific instructions could prevent Pareto from adhering to the measures implemented in this Policy.

The overarching principle is to source the best volume at price unless other execution factors, such as likelihood of execution, take pre-eminence. As mentioned in section 12, Pareto bases its choice of venues on liquidity capture without considering venue fees. Pareto does not receive inducements from venues.

Equities and equity-like instruments not traded on a trading venue

These instruments, including shares in limited or internal partnerships, are normally considered to be subject to price driven market conditions as explained in sections 4 and 6. Pareto will conclude a trade with another Pareto client or with another investment firm as applicable. Pareto will, through a price discovery process, in which the client normally is an actively instructing part, seek to achieve a price that is reasonable given the market position.

In the event that the client(s) place(s) full discretion on Pareto to execute an order to purchase or sell such instruments, Pareto will look after both sides of the transaction with the same care. This means fixing the price at a level which is considered to constitute the best possible outcome for both the buyer and the seller given Pareto's best estimate of supply and demand for the instrument.

Bonds, notes and other non-equities traded on a trading venue

Pareto considers such non-equities to be subject to price driven market conditions as explained in sections 4 and 6. Pareto will through a price discovery process, in which the client is an actively instructing part, seek to achieve a price that is reasonable given the market position. Even though these instruments are formally traded on a trading venue, trading isn't normally subject to continuous electronic matching. Hence Pareto will not route client orders to any venue except in special circumstances. Where possible, however, Pareto reports concluded trades in a timely fashion to the venue under whose rules the trades were concluded.

Given the market practice for clients to shop around for quotes, we generally do not consider clients to invoke legitimate reliance on us to provide best execution. Therefore, our best execution obligation for bonds applies in more limited circumstances than for other asset classes.

In the event that the client(s) place(s) full discretion on Pareto to execute an order to purchase or sell such instruments, Pareto will look after both sides of the transaction with the same care. This means fixing the price at a level which is considered to constitute the best possible outcome for both the buyer and the seller given Pareto's best estimate of supply and demand for the instrument.

Bonds, notes and other non-equity instruments not traded on a trading venue

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Given the market practice for clients to shop around for quotes, we generally do not consider clients to invoke legitimate reliance on us to provide best execution. Therefore, our best execution obligation for bonds applies in more limited circumstances than for other asset classes.

In the event that the client(s) place(s) full discretion on us to execute an order to purchase or sell such instruments, Pareto will look after both sides of the transaction with the same care. This means fixing the price at a level which is considered to constitute the best possible outcome for both the buyer and the seller given Pareto's best estimate of supply and demand for the instrument.

Unlisted fund units

Pareto offers connection to an independent mutual fund distributor. Orders in such funds are transmitted to the distributor. Execution is done by the fund manager according to the rules of the fund. In order to make sure the investor achieves a fixing based on the same day's net asset value, Pareto needs to receive the order no later than a defined cut-off time. The cut-off time is specified on Pareto's client web portal.

Pareto does not require any direct remuneration from the client when transmitting orders to trade funds. Investments in mutual funds are subject to annual management fees set and charged by the fund manager including a platform or management fee set out and charged by Pareto. Any inducement Pareto receives from the fund distributor will in wholly be refunded to the client.

15. Impediments

Pareto cannot rule out the occurrence of unanticipated trading impediments, caused internally or externally. Such impediments could make it impossible to process client orders. Clients are encouraged to make sure orders have been acknowledged by Pareto and to always monitor order status and progress.

16. Monitoring and recording

Regular reviews

Pareto monitors the effectiveness of its execution capabilities in regular reviews, in which:

- Pareto gauges and records its effectiveness in sourcing best price on a fill by fill basis. Exceptions are subject to follow-up action.
- Pareto gauges and records its effectiveness in sourcing best price on aggregate.
- Pareto makes post-trade sample checks of single orders focused on achievement versus benchmarks.

Periodic assessments

The results obtained in the regular reviews are discussed in periodic assessment meetings. These meetings assemble resources from compliance, trading desk and trading system management. Decisions regarding venues, sell-side brokers, or any other arrangement with implications for Pareto's execution capabilities may be made in these meetings.

The Policy will be subject to an annual review and upkeep. However, decisions of material consequence made in the periodic assessment meetings will occasion Policy updates.

17. Publication

Pareto is under the requirement to make publicly available certain information on the top five execution venues to which it routes and execute client orders. This information can be accessed on our public website: www.paretosec.com