

## POLICY FOR ORDER EXECUTION, AND AGGREGATION AND ALLOCATION OF ORDERS

### 1. INTRODUCTION

In order to achieve the best possible result when executing or transmitting clients' orders in financial instruments, such as orders to buy or sell shares, DNB Carnegie Investment Bank AB (the "Bank") will follow this policy.

An order may be processed by using several of the methods set forth in the policy.

Where the client gives a specific instruction, either a general instruction or an instruction relating to a particular order (for example, that the Bank shall act as a direct counterparty, or execute the order on a particular marketplace or in a specific manner), such instruction shall take precedence over the provisions of this policy. Accordingly, a specific instruction may mean that the Bank is unable to take measures provided for in this policy in order to achieve the best possible result.

### 2. THE RELATIVE IMPORTANCE WHICH IS ATTACHED TO DIFFERENT FACTORS WHEN PERFORMING EXECUTION/TRANSMISSION OF ORDERS

In order to achieve the best possible result for the client, the Bank will take all reasonable measures to take into consideration the following factors when an order is executed/transmitted: the size and type of the order, the price, the costs (such as overhead costs for execution and costs for settlement which are passed on to the client), the speed, the likelihood of the order resulting in a transaction and that the transaction can be settled, the client's category and any other consideration which, in the Bank's opinion, is relevant to a particular order.

The Bank will generally merit a high relative importance to the total consideration, i.e. the price of the relevant financial instrument plus the costs related to the execution. In certain cases, for example if the size of the order is large or when orders are subject to special terms and conditions, etc., the Bank may merit higher weight to other factors, for example where the order, due to its size or type, may, in the Bank's opinion, have a material effect on the price or an effect on the likelihood that it will be executed or can be settled or where, for any other reason, it is pertinent to attach greater importance to factors other than the price.

### 3. THE MOST LIQUID MARKETPLACE

The Bank's view is that financial instruments that are traded on one or more regulated markets or other trading venues are traded at the best price on the trading venue that provides the best liquidity for the relevant instrument and/or on which the trade is most likely to be carried out. In light of this, in choosing between different trading venues, the Bank will generally select the most liquid one, either for executing the order or for determining the reference price or equivalent where the order execution takes place outside the trading venue's technical system.

### 4. ORDER EXECUTION METHODS

In order to achieve the best possible result for its client, the Bank has the possibility to execute an order by using one or a combination of the following order execution methods:

#### **On a Trading Venue as a direct member**

I.e. on a regulated market, on a Multilateral Trading Facility (MTF) or on an Organized Trading Facility (OTF).

#### **As a Receiver and Transmitter of Orders (RTO) on a Trading Venue**

I.e. by transmission or placement with brokers as a RTO.

#### **Outside a Trading Venue**

This may take place by matching a client order against another client's order, the order being carried out against the Bank's own account, or the order being carried out against a third party, or when DNB Carnegie acts as a Systematic Internaliser (SI). This is not permissible if, in respect of an individual client order, the client notified the Bank that the relevant client order may not be executed off a regulated market.

#### **Directly with a Fund Management Company**

Occasionally DNB Carnegie will execute orders directly with a fund management company (or equivalent) when executing subscription or redemption in fund units.

### 5. EXECUTION OF ORDERS IN FINANCIAL INSTRUMENTS THAT ARE MAINLY TRADED ON AN EXTERNAL TRADING VENUE

This section 5 applies to the processing of orders in financial instruments that are mainly traded on a regulated market, MTF, OTF or other trading venue. Accordingly, this includes the majority of the instruments which are admitted to trading on a regulated market or MTF, such as:

- shares;
- standardised derivative instruments; and
- fund units which are admitted to trading on a regulated market, MTF or OTF.

The Bank will generally process orders in these instruments by:

- promptly sending the order to the marketplace which the Bank considers affords the best possibility of executing the order in accordance with points 2 and 3 above,
- aggregating the order with other orders in accordance with point 11 below and thereafter sending the order to the marketplace which the Bank considers affords the best possibility of executing the order in accordance with points 2 and 3 above,
- carrying out the order through several separate transactions on the market (e.g. where a comparatively large order is involved),
- carrying out the order against the Bank's own account or against another client's order at a price equivalent to the

market price (in other words, normally a price within the volume-weighted spread, i.e. within a price range between the bid and ask prices for the number of shares to which the relevant order corresponds).

In certain cases, the Bank quotes indicative or fixed prices directly to the client, e.g. a risk price. The parties enter into an agreement either when the client accepts a fixed price quoted by the Bank or, in the case of indicative prices, when the Bank confirms the price to the client and the client accepts the price. In these situations, an agreement is entered into between two parties and the Bank does not execute any order on behalf of the client, so this policy is not applicable.

#### **6. TRADING VENUES THAT THE BANK MAINLY USE FOR EXECUTING ORDERS AND EVALUATION OF THE EFFECTIVENESS**

The Bank participates in trading on different regulated markets and other trading venues. To see a current list of the trading venues which the Bank uses, please visit [www.carnegie.se](http://www.carnegie.se).

In order to execute orders in financial instruments which are traded on trading venues other than those on which the Bank participates in trading as a direct member, the Bank transmits such orders to intermediaries with direct access to such trading venues. Such intermediaries are selected by way of a continuous evaluation of the ability of the intermediary to offer high quality of order execution.

The Bank evaluates the effectiveness of the methods and venues that the Bank uses. The predominant number of executions will be monitored through an automated monitoring system and the reports from the system will be reviewed on a regular basis. If any deficiency should be discovered the matter will be promptly escalated and handled accordingly depending on the type and materiality of the deficiency.

#### **7. EXECUTION OF ORDERS IN FINANCIAL INSTRUMENTS THAT ARE NOT MAINLY TRADED ON AN EXTERNAL TRADING VENUE**

This section 7 applies to the processing of orders in instruments that are mainly traded directly vis-à-vis a counterparty (OTC), such as:

- Government bonds and other money-market instruments,
- Corporate bonds,
- OTC derivatives, and other financial instruments issued by the Bank or any other securities institution.

In such cases, the Bank generally quotes indicative or fixed prices directly to the client. An agreement between the parties is entered into either when the client accepts a fixed price quoted by the Bank or, in the case of indicative prices, when the Bank confirms the price to the client and the client accepts the price. In such situations, an agreement is entered into between two parties, and the Bank does not execute any order on behalf of the client, so this policy is not applicable.

In situations where the Bank executes an order on behalf of the client, and accordingly does not quote prices in accordance with the previous paragraph, the Bank will generally carry out the order against the Bank's own account at a price equivalent to the market price, calculated based on external reference prices for equivalent or underlying assets to the extent this is appropriate and such prices are available, plus costs for, among other things, employment of capital and counterparty risk, as well as profit margin at the market rate.

#### **8. EXECUTION OF ORDERS RELATING TO FUND UNITS THAT ARE NOT ADMITTED TO TRADING ON A REGULATED MARKET OR MTF AND SECURITIES LOANS**

The Bank will execute orders relating to fund units by transmitting the order, either directly or through a counterparty, to the relevant fund's fund management company (or the equivalent) for execution in accordance with the fund's rules (or the equivalent).

The Bank will execute transactions in securities loans against its own account, for the price and in accordance with the terms and conditions agreed with the client.

#### **9. PRIMARY MARKET TRANSACTIONS**

The Bank will execute transactions relating to financial instruments on the primary market by transmitting the client's order to the issuer, or the issuer's agent, in accordance with the client's instructions and the terms and conditions for the specific issue.

#### **10. DNB CARNEGIE AS SYSTEMATIC INTERNALISER** DNB Carnegie will, at its discretion, act as a Systematic Internaliser ("SI") for Nordic liquid equities.

This service is open for all DNB Carnegie's Retail and Professional Clients. However, DNB Carnegie, in its role as an SI, retains the right to refuse to enter into, or to discontinue, business relationships with any Client on the basis of commercial considerations such as the Client's credit status, counterparty risk and the final settlement of the transaction.

#### **11. PORTFOLIO MANAGEMENT**

To the extent the Bank within the provision of portfolio management services executes orders such execution will be made in accordance with this policy. If the execution of orders instead is made through another entity, the Bank will select an entity that is expected to achieve the best possible result. Entities with which orders are placed for execution are selected by way of a continuous evaluation of the ability of the entity to offer high quality of order execution. The valuation of such entities includes, but is not limited to, the following factors:

- access to trading venues
- prices and costs
- the entity's knowledge of and adherence to the Bank's service demands
- the quality of services provided, such as advice and research



- the entity's best execution policy/procedure

## **12. PROCESSING, AGGREGATING AND ALLOCATING ORDERS**

The Bank will execute client orders promptly, efficiently and fairly. Comparable client orders will be executed immediately and in the sequence in which they were received unless this is rendered impossible by the nature of the order or the prevailing market conditions, or where otherwise dictated by the client's interests.

The Bank may aggregate a client's order with other clients' orders, as well as with transactions on the Bank's own behalf, where it is likely that the aggregation will generally not be to the disadvantage of an individual client whose order is part of such aggregation. Aggregation may be to the disadvantage of an individual order. An aggregated order which is executed in its entirety is allocated at the average price. Where an aggregated order could only be executed in part, the portion which was executed shall be allocated proportionally at the average price. Where a client order is aggregated with an order on the Bank's own behalf and it could only be executed in part, the client shall, upon allocation, generally have priority over the Bank.

As regards limit orders relating to shares admitted to trading on a regulated market, as a rule the Bank will not publish the order immediately unless the client has provided alternative instructions. The Bank considers instead, when executing each individual client order, whether publication is in the interests of the client.

## **13. DISTURBANCES IN THE MARKET OR TRADING SYSTEM**

In conjunction with disturbances in the market or in the Bank's own system due to, for example, an outage or deficient access in technical systems, it may, in the Bank's opinion, be impossible or inappropriate to execute an order in the manner set forth in this policy. In such event, the Bank will take all reasonable measures to achieve the best possible result for the client.

## **14. CHANGES**

The Bank will regularly review and, where required, make changes to, this policy.