

**Generali Insurance Asset Management S.p.A. SGR**



## BEST EXECUTION POLICY

### **POLICY**

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## Document summary

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## DEFINITIONS

Term	Definition
<b>AIF</b>	Alternative investment fund
<b>BoD</b>	Board of Directors of GIAM
<b>GIAM</b>	Generali Insurance Asset Management S.p.A. SGR (hereinafter the Company)
<b>GIP</b>	Generali Investment Partners S.p.A. SGR
<b>BoD</b>	Board of Directors of GIAM
<b>COMPLIANCE FUNCTION</b>	Compliance Function is the Compliance Function of the Company and it has been outsourced to the Compliance & Anti-Money Laundering Function of Generali Investments Holding S.p.A.
<b>CONTROL FUNCTIONS</b>	The Compliance, the Risk Management and the Audit functions.
<b>GROUP</b>	The Generali Group whose ultimate Parent Company is Assicurazioni Generali S.p.A.
<b>UCITS</b>	Undertakings for Collective Investment in Transferable Securities

## 1. Introduction

This document defines the Best Execution Policy including both the Execution Strategy and the Transmission Strategy adopted by Generali Insurance Asset Management S.p.A. Società di gestione del risparmio (hereinafter also the “Company” or “GIAM”) in connection with the services of individual portfolio management, collective portfolio management and reception and transmission of orders “RTO”.

The purpose of this Best Execution Policy is to set out the arrangements for complying with the duty of the Company to ensure that the best possible result is achieved on a consistent basis when executing or transmitting clients/Collective Investment Schemes (“CIS”) orders.

The Board of Directors (BoD) of GIAM is responsible for the definition, approval and revision of this Best Execution Policy.

In this context, the main role is played by the Investments area and, within this area, by the Trading Desk that is responsible for ensuring that the execution of orders and their transmission to intermediaries is carried out in compliance with the rules set out under this Best Execution Policy.

Considering the activities regulated in this Policy, also for their potential implications, the document is relevant also for the purposes of the Legislative Decree no. 231/2001 with regard to the provisions of the Organization and Management Model as its integral part.

Whoever becomes aware of potential violations of the provisions contained within this Policy must report immediately to the Surveillance Body established in accordance with the Legislative Decree no. 231/2001.

## 2. Best Execution

### 2.1 GENERAL PRINCIPLES

In providing its portfolio management services, GIAM takes all sufficient steps to obtain the best possible result for the clients/CIS.

To this end, GIAM takes into consideration the following factors: price, market impact, liquidity and size, nature, costs, speed, likelihood of execution and settlement and takes into account the following criteria for determining the relative importance of the above factors:

- For investment services:
  - the client's characteristics, including its classification as retail or professional;
  - the characteristics of the order (including where the order involves a Securities Financing Transaction (SFT));
  - the characteristics of the financial instruments to which the order is referred;
  - the characteristics of the execution venues to which such order can be directed.
  
- For collective portfolio management:
  - the objectives, management style, investment policy and specific risks of the managed collective investment schemes (CIS) both UCITS and AIFs;
  - the characteristics of the order;
  - the characteristics of the financial instruments to which the order is referred;
  - the characteristics of the execution venues to which such order can be directed.

When executing an order on behalf of a retail client, in the context of the portfolio management service, the best possible result is determined in terms of the total consideration, representing the price of the financial instrument and the costs relating to execution, which includes all expenses incurred by the client which are directly relating to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

In the case above if there is more than one competing venue, in order to assess and compare the results for the client that would be achieved by executing the order on each of the execution venues listed in this Policy that is capable of executing that order, GIAM's own commissions and the costs for executing the order on each of the eligible execution venues are taken into account in that assessment.

When applying different fees depending on the execution venue or intermediaries, GIAM explains these differences in sufficient detail in order to allow the client to understand the advantages and the disadvantages of the choice of a single execution venue or intermediaries.

To this end, the Trading Desk when choosing an execution venue or an intermediary takes into consideration on top of the fees applied by the execution venue itself, other relevant factors in relation to the characteristics of the financial instruments to be executed.

When receiving specific client instructions, GIAM executes the orders ensuring compliance with the client instructions with limited reference to the elements covered by these instructions.

### 2.2 INDUCEMENTS

GIAM does not receive nor pay any monetary benefit from/to the execution venues nor from/to any intermediaries involved in the transaction.

GIAM receives non-monetary benefits in the form of market analysis and commentaries from the execution venues and intermediaries within the conditions set out under the applicable internal and external regulations.

GIAM does not structure or charge its commissions in such a way as to discriminate unfairly between execution venues.

## 2.3 EXECUTION VENUES

Client orders shall be executed on a trading venue or outside a trading venue (in case of OTC transactions).

Trading venues include:

- regulated markets;
- multilateral trading facilities (MTF);
- organised trading facilities (OTF).

Transactions shall be executed also over-the-counter (OTC) on the following execution venues:

- systematic internalisers;
- market makers or other liquidity providers;
- equivalent non-EU venues (that perform a similar function in a third country).

When transacting outside a trading venue (i.e. OTC), GIAM will always consider the best interests of clients/CIS when selecting the counterparty. Nevertheless, executing orders outside a trading venue, may give rise to additional risks such as counterparty risk or increased settlement risk as the transaction will not be covered by the settlement rules of the trading venue. Additional information about the consequences arising from the execution over the counter is available on client's request. In carrying out the individual portfolio management service, GIAM will only execute a transaction outside a trading venue where it has client's prior consent to do so.

GIAM selects the execution venues, and carries out regular assessments of them, taking into account the following factors: clearing schemes, circuit breakers, scheduled actions, or any other relevant consideration, IT reliability of the structure, ability to allow access to a large number of counterparties to be involved in the RFQ process, ability to source liquidity and to access to a valuable liquidity, ability to innovate in order to offer additional service to trading activities, as well as the client support service quality.

All the execution venues on which client's (both professional and retail client)/CIS' orders are executed depending on the specific type of the financial instrument, are included in the Annex B, "List of Execution Venues", attached hereto. The same execution venues may be used also in case of SFTs executed on an execution venue.

## 2.4 BEST EXECUTION FACTORS

The main factor considered by GIAM to ensure best execution is the price of the financial instrument being the object of the order.

With limited reference to the execution of order of professional clients and CIS, in case of execution of "portfolio trading", defined as a transaction performed on multiple securities executed as a single basket, the best execution will be achieved on the basis of the best price applied to the whole basket rather than on the price of each single financial instrument, being intended that for each single financial instrument the best execution is in any event ensured with regard to one of the criteria listed below.

In addition to price, the Company may, in order to obtain best execution, take into account the following factors, also in relation to the characteristics of the order to be executed:

- market impact;
- liquidity;
- nature and size;
- costs (as commissions and other trading costs);
- speed of execution;
- likelihood of execution and settlement.

### 2.4.1 Price

The best price available on the market is the main factor in ensuring the most favorable condition for executing the orders.

When executing orders or decisions to deal in OTC financial instruments, including bespoke products, GIAM checks the fairness of

the price by gathering market data used in the estimation of the price of such products and, if existing, by comparing with similar or comparable products or by comparing several price quotations of the OTC product received by different providers, where available.

#### **2.4.2 Market impact**

In executing orders, GIAM will consider the potential impact in executing the orders having significant value and possible impact on the market.

Market impact is intended as the effect that market participants generate when they buy or sell a financial instrument on the market.

#### **2.4.3 Liquidity**

GIAM, in executing the order, shall consider the liquidity of the financial instrument to be executed in the market. In this context, GIAM takes also into consideration the volume of the order to be executed compared to the market liquidity/depth of the financial instrument.

#### **2.4.4 Nature and size**

In execution process, the Company evaluates the specific features and nature of the orders.

In particular, GIAM evaluates the size of the relevant trades it undertakes and the particular characteristics of the order, such as buy, sell, limit order, facilitation order, program trade, stock loans or any other aspect of order arrangements, which is relevant to determine how an order is executed.

#### **2.4.5 Costs**

The Company takes into account the transaction costs for each potential execution venue. In particular:

- costs incurred to pay for third party services (e.g. the Stock Market, key intermediaries on the regulated market, clearing house, custodian bank fees), trading venues access costs and generally all the expenses directly and indirectly relating to the execution of the client order (e.g. execution fees, including fees for the submission, modification or cancellation of orders or quotes withdrawals, as well as any fees related to market data access or use of terminals, clearing or settlement fees);
- costs and commissions associated with the services provided by any external intermediaries used to transmit orders to the execution venues.

When executing an order on behalf of a retail client, in the context of the portfolio management service, the best possible result is determined in terms of the total consideration, as stated above.

#### **2.4.6 Execution speed**

The speed indicates the time from when the order is transmitted to the intermediary to when it is executed by the intermediary in the execution venue.

#### **2.4.7 Likelihood of order execution and settlement**

The likelihood that an order will be executed depends to a large extent on the liquidity of the financial instrument and the market depth of the execution venue.

GIAM also takes into consideration the risks arising from the likelihood that trading orders may be only partially executed.

Moreover, the Company takes into account the risk associated with the possibility that, once the order is executed, settlement of the transaction may not duly be completed in terms of the delivery of the financial instrument being traded (so-called "technical failure").

## 2.5 SELECTION OF INTERMEDIARIES

GIAM selects intermediaries whose execution policy is in line with the best execution strategy as set out in this document.

In order to ascertain whether the intermediaries will provide the best possible result, GIAM evaluates if each entity is subject to the MiFID II requirements (or in case of third-country intermediaries, if the standards they adopt when providing execution services for EU clients comply with MiFID II requirements on best execution) relative to the obligation to execute orders on terms most favorable to the clients. Furthermore, GIAM evaluates if the entity is able to demonstrate high quality of execution in respect to the specific type of the orders transmitted to it.

GIAM, in transmitting the order, can select the intermediaries either when the latter provide execution of orders or dealing on own account services, included under Annex A, based on one or more of the following criteria:

- a) Commissions.  
GIAM takes into consideration the commissions charged by the entity for executing the transmitted orders.
- b) Organisational structure and management of conflicts of interest.  
The entity's organisational structure and management of conflicts of interest must allow for the correct and best execution of transmitted orders and must be fully compliant with any applicable regulations.
- c) Quality and efficiency of the services provided and, in particular, of the information on execution.
- d) Capacity of the entity to minimise total trading costs, while maintaining its financial stability and to operate during periods of high market volatility.
- e) Level of trading competence.  
Evaluation of the entity's competence takes into consideration the following aspects:
  - o speed of transaction execution;
  - o ability to execute unusual volumes.
- f) Access to the primary market.  
GIAM verifies the entity's participation to the primary market transactions (e.g. IPOs).
- g) Quality of the settlement stage.  
GIAM evaluates the efficiency of the entity in settlement activities.
- h) Capital solidity.  
GIAM evaluates the entity's financial status, taking into account its rating, where available.

Upon reasonable request of the clients, GIAM can provide the latter with information on execution venues or intermediaries which are used by GIAM.

## 3. Transmission and Execution Strategy

### 3.1 GENERAL PROVISIONS

In consideration of the totality of the factors and the execution criteria described in the above paragraphs and taking into account the principles of sound and prudent management, as well as its organisational structure, GIAM adopts, depending on the specific type of financial instruments being the object of the order, execution or transmission strategy as described below .

The Company has identified operating methods regarding the transmission or execution of orders for each of the following types of financial instruments:

- listed instruments: including shares in companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in respect of shares;
- monetary or bond instruments: consisting of bonds or other forms of securitised debt, including depositary receipts in respect of such securities;
- any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures;
- derivatives admitted to trading on regulated market or traded on a trading venue;
- OTC traded derivatives;
- parts of collective investment schemes.

### 3.2 LISTED FINANCIAL INSTRUMENTS OTHER THAN DERIVATIVES

For listed financial instruments other than derivatives, GIAM has adopted the following transmission strategy.

For the transmission of orders on the equity market, GIAM uses any of the entities included in the List of Intermediaries attached hereto as Annex A, in accordance with paragraph No. 2.5, after having ascertained that this choice is suitable for achieving the best result.

In light of the above and considering the criteria set out above from time to time specifically adopted, the Company shall place particular emphasis on monitoring and reviewing activities concerning the intermediaries, to ensure that the decision taken is effectively the most advantageous in the interest of the CIS under management and client portfolios.

The Company ensures that the trades undertaken in shares, admitted to trading on a regulated market or traded on a trading venue, shall take place on a regulated market, MTF or systematic internaliser, or a third- country trading venue assessed as equivalent.

### 3.3 MONETARY AND BOND FINANCIAL INSTRUMENTS

For monetary and bond financial instruments, GIAM has adopted the following execution strategy.

GIAM executes orders on the execution venues included in the Annex B attached hereto, taking into consideration the factors set out above.

Alternatively, GIAM ask to at least two intermediaries (pursuant to the aforementioned List of Intermediaries) to “quote” the specific financial instrument: in these circumstances, the intermediary will act as “dealer on own account” (i.e. counterparty) trading their positions in RFQ (“request for quote”) mode. On the basis of criteria set out above, GIAM shall execute the transaction at the best conditions.

### **3.4 LISTED DERIVATIVES**

For listed derivatives, GIAM has adopted the following Transmission Strategy.

GIAM draws on intermediaries to execute orders in relation to listed derivative instruments.

In particular, GIAM transmits orders for the above instruments to one or more intermediaries, selected, among the intermediaries included under the Annex A, in line with the principles of this Policy.

Transactions on derivatives subject to “trading obligation”<sup>1</sup> shall be executed on regulated markets, MTFs, OTFs, or third-country trading venues assessed as equivalent.

### **3.5 OTC DERIVATIVES**

For OTC derivatives, GIAM has adopted the following execution strategy.

The Company deals in OTC derivative instruments with intermediaries included under Annex A, that act as counterparties, which have duly signed the legal documentation.

In this regard, in relation to the type of transaction and taking into account the factors and criteria described above, the Company requests pricing of the instrument from a defined number, at least two, of counterparties, ascertaining the fairness of the price proposed for execution, and executes the transactions at the best conditions.

### **3.6 PARTS OF COLLECTIVE INVESTMENT SCHEMES**

For parts of collective investment schemes, GIAM has adopted the following strategy.

The Company directly subscribes collective investment scheme units and shares from the asset manager setting up the CIS or trades them on secondary markets directly with counterparty. The transaction is executed on the basis of the NAV on the subscription/trading date. GIAM always seeks the best commission class for each transaction and each type of client where available.

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<sup>1</sup> The list of derivatives admitted to trading on regulated markets, MTFs, OTFs and subject to the so called “trading obligation” is published on ESMA Public Register for the Trading Obligation for derivatives under MiFIR pursuant to Commission Delegated Regulation (EU) 2017/2417.

## 4. Top Five venues reporting

GIAM publishes on its website, on an annual basis, for each class of financial instruments:

- the list of the top five investment firms to which it transmitted clients orders and of the top five execution venues where it executed clients orders in terms of trading volumes;
- the top five execution venues in terms of trading volumes for all executed client orders in Securities Financing Transactions ("SFTs").

Furthermore, the Company publishes for each class of financial instruments a summary of the results arising from the detailed monitoring of the quality of execution obtained on the execution venues where they executed all client orders in the previous year.

## 5. Monitoring and terms of revision of the Best Execution Policy

At least once a year and whenever there is a material change that influences the Company's capacity to continue to obtain the best possible result for the execution of clients orders, GIAM evaluates whether to review this Execution and Transmission Policy.

Furthermore GIAM, on a regular basis and at least once per year, assesses if the execution venues and intermediaries ensure the best possible result for the clients/funds or whether it is necessary to review the measures adopted. The review is made taking into account the results of the periodic monitoring, carried out both by internal structures and by trading venues or main market operators and defining, if necessary, the criteria and operating methods for attaining the defined best execution objectives.

Upon reasonable client request, in connection with the provision of individual portfolio management, GIAM provides additional information on the best execution strategy within a reasonable time.

The Company, in connection with the provision of individual portfolio management, obtains the prior consent on the Best Execution Policy and communicates to the clients, with whom it has an ongoing relationship, of any material changes to its order execution arrangements or to the Best Execution Policy.

The most up-to-date version of the Best Execution Policy is published on the GIAM website.