

# Berenberg policy for the execution of orders in financial instruments for institutional professional clients (»Execution Policy«)

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## 1. Purpose/Background

This document sets out Joh. Berenberg, Gossler & Co. KG's («Berenberg», «the Bank», «we» or «our») Execution Policy («Policy») and approach to providing the best possible result when executing client orders for institutional professional clients as required according to the Markets in Financial Instruments Directive 2014/65/EU (MiFID II).

MiFID II requires the Bank to take all sufficient steps to obtain the best possible result for their clients when executing orders. The Bank must ensure that the intended outcome can be successfully achieved on an on-going basis.

Chapters 2–9 contain the overarching Best Execution Policy. The asset class specific provisions can be found in Annexes 1 to 4.

## 2. Scope

### Clients

This Policy applies to business conducted with institutional professional clients only. Berenberg does not owe best execution to those classified as eligible counterparties. Nevertheless, the Policy provides details relevant for eligible counterparties as to how the Bank executes transactions and handles trade requests. Further, this Policy neither applies to retail clients nor to non-institutional professional clients.

### Financial instruments

This Policy only applies to transactions conducted in instruments falling under the scope of MiFID II. It will cover the following classes of financial instruments:

- Cash equities and equity-like: shares, depositary receipts, exchange traded products
- Debt instruments
- Derivatives (ETD & OTC): Interest rates derivatives, currency derivatives, equity and index derivatives, securitized derivatives
- Funds.

Spot FX and physical delivered commodities do not fall under the definition of financial instruments and are therefore not covered by this Policy.

### Scope of execution

#### Dealing on own account as Principal (fixed-price transaction)

The Bank will offer financial instruments at a fixed or determinable price agreed with the client in its capacity as Systematic Internaliser or over-the-counter (OTC). In such cases, the Bank and the client may directly conclude a purchase contract for financial instruments (fixed-price transaction).

The execution policy applies to a limited extent if the Bank and the client only offer execution against their own books and the Bank and the client conclude a purchase contract for financial instruments with each other at a fixed or determinable price (fixed-price transaction).

In such cases, the obligations of the Bank and the client shall be governed directly by the respective contractual agreements. In the case of a fixed-price transaction, the Bank will fulfil its obligation to provide the best possible execution by offering a fair price.

#### Acting as agent

If the Bank acts as agent, execution generally means that, on the basis of the client's order, the Bank concludes a respective execution transaction in the market or with another party in a market suitable for this purpose in its own name but for the account of the client on an agency basis.

### Consent to execute outside a trading venue

Where you have provided your consent to execute orders outside a trading venue, the Bank may execute your orders on own account partly in its discretion as Systematic Internaliser or OTC. Where the Bank executes orders outside of a trading venue, there may be consequences such as counterparty risk, etc., which could be disadvantageous for the client.

## 3. Execution factors

In order to achieve the best possible result on a consistent basis, Berenberg will take all sufficient steps to provide best execution to our clients. Berenberg will take into consideration a range of different factors to determine the manner in which your order will be executed, including:

- Price, meaning executed price of the transaction
- Size and nature of the order, meaning transaction size and nature of the order affecting the execution price
- Likelihood of execution, meaning the ability to fill the respective order
- Speed, meaning the time taken to execute of an order
- Likelihood of settlement, meaning likelihood of the completion of the transaction
- Costs, meaning explicit costs such as fees, commissions and implicit costs such as market impact
- Any other factors relevant to the efficient execution of the transaction.

Some of these factors are more important than others when executing orders. In addition, when executing client orders, Berenberg will take into consideration the following factors to determine the importance of the respective execution criteria:

- Client characteristics and regulatory classification of the client
- Characteristics of the transaction
- Characteristics of the respective financial instruments subject of that order
- Characteristics of the execution venues where orders might be directed.

## 4. Execution venues and factors

In meeting our obligation to take all sufficient steps to obtain the best possible result for the execution, the Bank may use one or more of the following venue types when executing an order:

- Regulated markets
- Multilateral Trading Facilities (MTFs)
- Organised Trading Facilities (OTFs)
- Systematic Internalisers (SIs)
- Liquidity pools and
- Own sources of liquidity, third party investment firms, brokers, market makers or other liquidity providers and/or non EU entities performing similar functions.

Berenberg will take into account different factors to determine the execution venues in order to obtain on a consistent basis the best possible result for the execution of your orders. Respective venues are chosen with regard to the following factors:

- **Liquidity and price:** These factors allow the Bank to select and execute on liquid and price-efficient venues. Other venues may offer prices which improve on those offered by our existing venues or the ability to trade significant additional size at similar prices to those offered on existing venues. We expect liquidity and price to be closely (but not exclusively) associated with the market share the venue commands.
- **Credit and settlement risk:** Berenberg will, in general, not select a venue if Berenberg is not able to determine the obligations (of Berenberg and the counterparty) to settle a transaction and to resolve failed settlement.
- **Market microstructure/operating model:** It is important that the technical infrastructure of the venue is resilient and reliable in order to provide stability for smooth trading. Furthermore, the venue should work in a way that should not hinder but benefit our ability to achieve best execution. The same applies for the rules of the venue and its fee structure.
- **Performance/Speed of access/Likelihood of execution:** includes the following metrics but is not limited to: low latency for speed and order controls, liquidity, fill rates, price improvements, etc. and likelihood of the execution/completion of the transaction.
- **Cost:** Fees that are charged to us by an execution venue influencing the costs incurred by our clients.

## 5. Transmission of orders

If Berenberg does not have direct access to an execution venue, it will not execute the client's order in its own name, but will pass it on for execution to another financial services organisation (e.g. a broker). The Bank shall provide the client with more details on which financial services company is or has been used to execute the transaction on request.

We will regularly review our broker selection and ensure that respective brokers provide best execution on an on-going basis.

## 6. Aggregation of orders

Berenberg may combine client orders with orders of other clients to carry them out as aggregated orders (block orders), if – in the interest of the affected clients – this appears advisable. In this, the bundling may be disadvantageous for the individual order, e.g. due to a decreasing probability or speed of execution, respectively. Berenberg will only bundle orders if a disadvantage to individual clients is considered improbable. The assignment of bundled orders will be done in due order and in accordance with the principles of order assignment.

## **7. Alternative execution in individual cases**

In cases in which exceptional market situations or disruption of the market make alternative execution necessary, the Bank will execute the transaction in the interests of the client (section 384 German Commercial Code (*Handelsgesetzbuch*)).

## **8. Specific client instructions**

Specific instructions in relation to your order or any part of that order, including selecting to execute on a particular execution venue, may prevent the bank from obtaining the best possible result for you in respect of the elements covered by your instructions.

## **9. Monitoring and review**

The Bank will monitor and assess the effectiveness of its Execution Policy and its execution arrangements on a regular basis, at least annually.

A review will also be carried out whenever a material change occurs that may affect the Bank's ability to continue to obtain the best possible result for the execution from its client orders on a consistent basis. The review will also take into consideration possible changes to the relative importance of the execution factors in meeting the overarching best execution requirement.

The monitoring includes in particular a review of whether the execution venues and brokers provide for the best possible result taking into account the periodic report of the top five execution venues and the execution quality report. Any material changes to this Policy will be published on our website at [www.berenberg.com](http://www.berenberg.com).

## Annex A: Cash Equities and Equity-likes

This annex to the Policy sets out Joh. Berenberg, Gossler & Co. KG's («Berenberg», «Bank», «we», «us» or «our») approach for achieving best execution when executing orders for clients in cash equities or equity likes. It must be read as an annex to our Overarching Best Execution Policy which sets out the general provisions applicable to all asset classes. All definitions used herein shall have the meaning given in the Overarching Best Execution Policy unless expressly indicated otherwise.

### 1. Scope of execution

The Bank will offer *cash equities and equity-likes* for subscription or purchase (and for re-purchase where applicable) at a fixed or determinable price agreed with the client in its capacity as Systematic Internaliser (SI) or over-the-counter (OTC). In such case, the Bank and the client may directly conclude a purchase contract for financial instruments (fixed-price transaction). A fixed-price transaction shall apply when the Bank executes trades on the market, in its capacity as Systematic Internaliser or over-the counter for purposes of client order facilitation or liquidity provision. All requests received by the Bank to trade in *cash equities and equity-like* will be treated as a request for a quote from the Bank to enter into a trade as a fixed-price transaction. Any interim updates we provide you with between receipt of the request and conclusion of the transaction are for informational purposes only and constitute notices of information.

Where the client requests a quote for a fixed-price transaction, the Bank may attempt to acquire the relevant securities in the market or from other clients for its own inventory before it provides a quote. It cannot be excluded that the price of the securities will move in a manner that may be disadvantageous to the client, whether or not the client subsequently trades with the Bank.

The Bank also offers the execution of orders on an agency basis for *cash equities and equity-like* using its electronic trading service. The Bank will treat all orders received through the Bank's electronic trading (direct execution) facilities as a transaction on an agency basis, unless otherwise agreed in relation to a particular trade. The Bank will treat all other orders received (through any other means) not as an agency order but as a request for a quote from the Bank to trade a fixed price transaction, unless we have agreed otherwise. Where an order originally instructed to be executed on an agency basis is fully or partially filled at a risk price on client request the whole trade will be concluded as a fixed price transaction executed in a principal capacity.

Specific instructions in relation to your trade request or any part of it may prevent the bank from obtaining the best possible result for the execution in respect of the elements covered by your instructions.

### 2. Execution factors

Berenberg will take into consideration a range of different factors to determine the manner in which your order will be executed. The bank considers the following factors in order of importance:

#### **Importance: High**

- Price
- Size and nature of the order
- Likelihood of execution

Generally speaking, price and size are the key execution factors when placing an order.

#### **Importance: Medium**

- Speed
- Costs

#### **Importance: Low**

- Likelihood of settlement
- Any other factors relevant to the efficient execution of the order

### 3. Factors affecting choice of execution venues

Berenberg will take into account different factors to determine the execution venues in order to obtain the best possible result for the execution of your orders on a consistent basis. The bank considers the following factors in order of importance:

**Importance: High**

- Liquidity and price

**Importance: Medium**

- Market microstructure/operating model
- Performance/Speed of access/Likelihood of execution

**Importance: Low**

- Credit and settlement risk
- Costs

A list of execution venues can be found on our website at [www.berenberg.com](http://www.berenberg.com).

### 4. On-venue/off-orderbook executions

Where permitted, and in certain situations, Berenberg may also submit the transaction to the rules of a trading venue as an »on venue/off-orderbook« trade. In such cases, the resulting transactions will be considered to take place on that trading venue notwithstanding the fact that we have formed the price.

### 5. Access to systematic internaliser quotes

For certain *cash equity and equity-like* instruments Berenberg intends to act as Systematic Internaliser (SI) and therefore provides firm two-way quotes in *cash equities and equity-like* categorized as having a liquid market. Berenberg may withdraw from quotes under exceptional market conditions.

For further information regarding SI handling please refer to the bank's separate SI Policy published on our website at [www.berenberg.com](http://www.berenberg.com).

## Annex B: Debt instruments

This annex to the Policy sets out Joh. Berenberg, Gossler & Co. KG's («Berenberg», «Bank», «we» or «us») approach for achieving best execution when executing orders for clients in *debt instruments*. It must be read as an annex to our Overarching Best Execution Policy which sets out the general provisions applicable to all asset classes. All definitions used herein shall have the meaning given in the Overarching Best Execution Policy unless expressly indicated otherwise.

### 1. Scope of Execution

The Bank will offer *debt instruments* for subscription or purchase (and for re-purchase where applicable) at a fixed or determinable price agreed with the client. In such case, the Bank and the client may directly conclude a purchase contract for financial instruments (fixed-price transaction). A fixed-price transaction shall apply when the Bank executes trades on the market, over the counter or – where obligatory – in its capacity as Systematic Internaliser for purposes of client order facilitation or liquidity provision. All requests received by the Bank to trade in *debt instruments* will be treated as a request for a quote from the Bank to enter into a trade as a fixed-price transaction.

The Bank also offers the execution of orders on an agency basis for *debt instruments*, if agreed with the client. The Bank will treat all other orders received (through any other means) not as an agency order but as a request for a quote from the Bank to trade a fixed price transaction, unless we have agreed otherwise. Where an order originally instructed to be executed on an agency basis is fully or partially filled at a risk price on client request the whole trade will be concluded as a fixed price transaction executed in a principal capacity.

As part of the provision of asset management services, the Bank usually executes orders in debt instruments on an agency basis (execution on behalf of third parties).

In the case of portfolio transactions (i.e. transactions that require several transactions in different debt instruments), the Bank is obliged to ensure the best possible execution, taking into account the execution factors listed below, in relation to the entire portfolio transaction.

The execution of transactions in individual debt instruments as part of a portfolio transaction may also be disadvantageous, as the Bank ensures that the portfolio transaction as a whole is executed in the best possible way for the client.

Specific instructions in relation to your trade request or any part of it may prevent the Bank from obtaining the best possible result for the execution in respect of the elements covered by your instructions.

### 2. Execution Factors

Berenberg will take into consideration a range of different factors to determine the manner in which your order will be executed. The bank considers the following factors by order of importance:

#### Importance: High

- Price
- Size and nature of the order
- Likelihood of execution



Generally speaking, price is the key execution factor when placing an order.

**Importance: Medium**

- Speed
- Costs

**Importance: Low**

- Likelihood of settlement
- Any other factors relevant to the efficient execution of the order

**3. Factors affecting choice of execution venues**

Berenberg will take into account different factors to determine the execution venues in order to obtain on a consistent basis the best possible result for the execution of your orders. The Bank considers the following factors by order of importance:

**Importance: High**

- Liquidity and price
- Credit and settlement risk

**Importance: Medium**

- Market microstructure/operating model
- Performance/Speed of access/Likelihood of execution

**Importance: Low**

- Costs

A list of execution venues can be obtained from our website [www.berenberg.com](http://www.berenberg.com).

**4. On-venue/off-orderbook executions**

Where permitted, and in certain situations, Berenberg may also submit the transaction to the rules of a trading venue as an »on venue/off-orderbook« trade. In such cases, the resulting transactions will be considered to take place on that trading venue notwithstanding the fact that we have formed the price.

## Annex C: Derivatives (ETD & OTC)

This annex to the Policy sets out Joh. Berenberg, Gossler & Co. KG's («Berenberg», «Bank», «we» or «us») approach for achieving best execution when executing orders for clients in *derivatives*. It must be read as an annex to our Overarching Best Execution Policy which sets out the general provisions applicable to all asset classes. All definitions used herein shall have the meaning given in the Overarching Best Execution Policy unless expressly indicated otherwise.

### 1. Scope of Execution

The Bank will offer *non-standardised derivatives* (OTC) – which means not tradable on a trading venue – for subscription or purchase (and for re-purchase where applicable) generally at a fixed or determinable price agreed with the client. In such case, the Bank and the client may directly conclude a purchase contract for financial instruments (fixed-price transaction). All requests received by the Bank to trade in *non-standardised derivatives* will be treated as a request for a quote from the Bank to enter into a trade as a fixed-price transaction.

For *standardised derivatives* – which means tradable on an exchange (ETD) or another trading venue – the bank will generally offer the execution of orders on an agency basis. If agreed with the client, Berenberg will also offer *standardised derivatives* at a fixed or determinable price agreed with the client (fixed-price transaction).

Specific instructions in relation to your trade request or any part of it may prevent the Bank from obtaining the best possible result for the execution in respect of the elements covered by your instructions.

### 2. Execution factors

Berenberg will take into consideration a range of different factors to determine the manner in which your order will be executed. The bank considers the following factors by order of importance:

#### Importance: High

- Price
- Size and nature of the order
- Likelihood of execution

Generally speaking, price is the key execution factor when placing an order.

#### Importance: Medium

- Speed
- Costs

#### Importance: Low

- Likelihood of settlement
- Any other factors relevant to the efficient execution of the order

### 3. Factors affecting choice of execution venues

Berenberg will take into account different factors to determine the execution venues in order to obtain on a consistent basis the best possible result for the execution of your orders. The Bank considers the following factors by order of importance:

#### **Importance: High**

- Liquidity and price
- Costs

#### **Importance: Medium**

- Market microstructure/operating model
- Performance/Speed of access/Likelihood of execution

#### **Importance: Low**

- Credit and settlement risk

A list of execution venues can be obtained from our website [www.berenberg.com](http://www.berenberg.com).

### 4. On-venue/off-orderbook executions

Where permitted, and in certain situations, Berenberg may also submit the transaction to the rules of a trading venue as an »on venue/off-orderbook« trade. In such cases, the resulting transactions will be considered to take place on that trading venue notwithstanding the fact that we have formed the price.



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## Annex D: Funds

The issue of investment funds at the issue price as well as their redemption at the redemption price in accordance with the provisions of the German Capital Investment Act (*Kapitalanlagegesetzbuch*) are not subject to the legal requirements for the execution of orders for financial instruments in the best interest of the client. The Bank executes orders for the purchase or sale of investment funds in accordance with the provisions of the German Investment Act.