

BEST EXECUTION POLICY

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Sommario

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1. FOREWORD

This Order Execution Policy (hereafter the “**Policy**”) has been drawn up by Intermonte SIM S.p.A. (hereafter “**Intermonte**”) in order to comply with the regulations on best execution laid down in Directive 2014/65/EU on markets in financial instruments (MiFID II), the measures for implementation laid down in Delegated Regulation (EU) 2017/565, Delegated Regulation (EU) 2017/565 with regard to the annual publication by investment firms of information on the identity of execution venues and on the quality of execution, and CONSOB Regulation n. 20307 of 2018 with reference to financial instruments traded for clients.

This document sets out:

- The applicable best execution factors and how they rank in the execution of an order;
- The part these factors play in the measures implemented by Intermonte to obtain the best possible result for the client;
- A summary of the selection process for execution venues and of the procedures and processes used to analyse the quality of execution obtained;
- How Intermonte monitors and verifies that the best possible results have been obtained for clients.

2. GENERAL PRINCIPLES

The regulations oblige brokers to adopt all sufficient measures and to enact effective mechanisms to obtain the best possible result for clients in the execution of orders, bearing in mind price, costs, speed, probability of execution and settlement, size, nature of the order, liquidity and impact on the market, and any other factor pertinent to the execution of the order (so called “best execution”).

The best execution requirement therefore entails the adoption of methods and instruments that enable brokers to consistently obtain the best possible results for their clients, and to justify – when requested – the results obtained, according to the suitability principle. This duty therefore requires the drawing up of procedures whose suitability should be assessed in advance.

In order to fulfil this duty, brokers must set out their own execution policies in advance, specifying for each category of financial instrument which execution venue they intend to use for the execution of client orders so that clients are suitably informed.

The Order Execution Policy is applied without prejudice to the principle that, whenever specific instructions have been provided by the Client, the broker is obliged to comply with those instructions in the execution of the order to the extent allowed by its technical and operational infrastructure, even though that might prevent the broker from complying with the execution measures set out in the broker’s own policy. Any non-fulfilment of the order arising from the impossibility of complying, in part or in whole, with such specific instructions is to be relayed to the Client via the same channel through which the order was received.

3. SCOPE OF APPLICATION

The Policy applies to execution of orders for clients classified as Retail Clients or Professional Clients, (hereafter referred to singularly as the Client and collectively as Clients), and to portfolio management services. The Policy does not apply to execution of orders for qualified counterparties.

4. FACTORS AND CRITERIA BORNE IN MIND

To determine how orders will be executed, Intermonte considers the following factors:

- The price of the financial instrument and the execution costs to be borne by the Client (hereafter the **“Total Consideration”**);
- The size of the order;
- The nature of the order;
- Probability of execution and settlement;
- Speed of execution;
- Any other consideration relevant to the efficient execution of the order

Generally, Intermonte will prioritise the Total Consideration, comprising the price of the financial instrument in question and the execution cost of the order, in particular for orders on regulated markets or on Multilateral Trading Facilities.

Nevertheless, in certain specific circumstances (e.g. execution of orders on particularly illiquid instruments or orders of a significant size) it may be more appropriate to give one or more of the other factors (e.g. the size of the order, probability of execution, speed of execution) greater weight than the Total Consideration, in order to achieve the best possible result.

In deciding how to rank the factors, Intermonte takes account of the following:

- (i) The classification of the Client
- (ii) Order / venue type (order immediately / not immediately executable on the venue on the basis of market conditions);
- (iii) The type of financial instruments involved in the order.

For retail clients, the Total Consideration is assessed in terms of the final price of the instrument and costs relating to execution. For large orders and/or orders relating to illiquid instruments whose execution may be negatively impacted by market prices, Intermonte may give priority to other factors, such as speed and probability of execution.

For professional clients, the total consideration is assessed by considering the "price" factor, together with the factors relating to the "speed of execution" or the "probability of execution".

Intermonte obtains prior consent from the Client to proceed with the execution of orders and, in general, express consent for the execution strategy outside a trading venue.

If a customer asks for information on the policies or regulations applied, the SIM responds clearly and within a reasonable period of time, communicating to the customer the criteria used for execution of the order. Intermonte informs the customer of the venue where the order was executed.

5. EXECUTION VENUES

The Policy provides for various execution venues that may be used to process Client orders.

The following execution venues may be used:

- a) Regulated Markets (**“RM”**);
- b) Multilateral Trading Facilities (**“MTF”**);
- c) Organised Trading Facilities (**“OTF”**);
- d) Systematic Internalisers (**“SI”**);
- e) Other market intermediaries who trade on their own account.

In choosing execution venues, Intermonte considers the following factors, listed in relative order of importance:

- Probability of execution;
- Consistency of price quality over time;
- The method of price formation at each venue, with verification from time to time of the liquidity and depth;
- Settlement method and costs, including the presence of clearing systems and operating principles of clearing systems.

Intermonte regularly assesses whether the venues included in the order execution strategy ensure the best possible result for the client or whether it needs to change the measures adopted. This assessment is carried out by consulting the data that the operators of the venues make available to the public, relating to the quality of execution, including data on price, costs, speed and probability of execution for individual financial instruments.

If fees differ depending on the execution venue, Intermonte explains the differences in sufficient detail to allow the client to understand the advantages and disadvantages associated with choosing a single execution venue.

In the absence of specific Client instructions, Intermonte executes orders on its core venues, which are the ones it considers most important in terms of liquidity and probability of execution and which it accesses directly. In choosing venues, Intermonte relies on a Smart Order Routing system that implements the factors set out in the Policy.

If the Client chooses the execution venue, Intermonte provides correct, clear and non-misleading information to prevent the Client from choosing one location over another based solely on the pricing policy applied by the company.

It should be noted that any request to execute an order in care mode means that Intermonte may choose at its own discretion, albeit in line with the Policy, the mode of execution held to be most suitable for this kind of order, including through the use of specific trading algorithms.

Annex 1 contains a complete and up-to-date list of execution venues to which Intermonte has access.

6. SMART ORDER ROUTING

Smart Order Routing (“**SOR**”) is an automated system that uses algorithms to select the best venue for execution of an order. SOR continuously checks the various sources of liquidity (e.g. other venues, ECN, market makers) to determine where to execute the order so as to obtain the best possible price for the Client.

Use of SOR has a number of benefits for the Client, including:

- Better execution: SOR chooses the best venue to execute an order, guaranteeing that it is executed at the best price available on the market;
- Swifter execution: SOR executes the order quickly and automatically, cutting the time needed to complete the trade;
- Lower cost: SOR makes it possible to avoid high bid-ask spreads and to reduce fees;
- Greater transparency: SOR provides detailed information on sources of liquidity used for order execution, making trading more transparent.

Intermonte uses dynamic SOR algorithms, which are able to redirect trades among the various venues in response to changes in the factors that make up the Total Consideration.

7. DIRECT MARKET ACCESS TO THE MARKET

The sending of orders via direct market access to the market means the Client can decide many of the trading parameters but not the exact time of order entry (in terms of fractions of a second). The trading parameters chosen by the Client constitute specific instructions that Intermonte is duty bound to follow.

For execution of the order, the Client can stipulate the intended trading venue in advance; should the Client choose not to do so, Intermonte will execute the order pursuant to the considerations outlined in paragraph 5.

In any case, orders received via direct market access will be executed on the basis of the instructions received and in compliance with the Policy.

8. EXECUTION OUTSIDE OF REGULATED MARKETS, MTF or IS (e.g. TRADING ON OWN ACCOUNT)

In some cases, the best possible result for the Client may be achieved by executing all or part of the order outside of the specified trading venues (e.g. by crossing a matching order (buy-sell) with another Client, or by Intermonte acting as the counterparty), should at least one of the following conditions apply:

- The possibility of obtaining a more advantageous Total Consideration for the Client;
- Insufficient liquidity for timely execution of the order;
- The impact of the order on market prices would be excessive;
- Execution outside of the market has been agreed with the Client;
- Intermonte acts as the counterparty in response to a *Request for Quote* (“RFQ”).

Order execution outside of a trading venue enables access to further sources of liquidity; nevertheless, that entails further risks related to trading outside of regulated venues, such as counterparty risk. The Client may request further information on the consequences of order execution outside of a trading venue.

9. SPECIFIC INSTRUCTIONS AND EXCEPTIONS TO BEST EXECUTION

When the Client gives specific order execution instructions, including care orders and those sent in direct market access mode, these take precedence over Intermonte’s normal execution strategy. Intermonte acts at its sole discretion in the case of orders entered in care mode.

As well as in the case of specific instructions from the Client, Intermonte is not obliged to apply the principles set out in the Policy in the following cases:

- The Client is a qualified counterparty;
- Intermonte itself responds to an RFQ;
- The order is executed on the basis of specific accords reached beforehand with the Client;
- The order concerns customised trades for which the market offers no comparable alternative;
- The traded instrument is outside the scope of MiFID II.

Orders for derivatives allow for very limited choice among the various trading venues; such orders will be executed on the specific market for the derivative in question (e.g., IDEM for the Italian market; EUREX for international markets)

Intermonte holds that the aforementioned markets ensure the best conditions for trading liquidity, transparency and efficiency, enable trading and settlement costs to be minimised, and facilitate the most efficient management of margin calls costs for the Client.

10. TRANSMISSION POLICY

10.1 Order execution at the best possible conditions - general criteria

In its performance of order receipt and transmission services, Intermonte does not execute the order directly, but transmits the orders to a third-party broker.

Third-party brokers that have been delegated by Intermonte to manage execution of the order do so on the basis of their own execution strategies.

10.2 How brokers are selected

Intermonte pays close attention to the selection of brokers to which it entrusts order execution, choosing those with a suitable execution policy and appropriate levels of service.

Particular attention is paid to the following criteria: price, quality of execution, efficiency, specialisation, and dependability of the broker. Intermonte's list of selected brokers is in Annex 2 of the Policy.

Where there are multiple brokers on the list that are capable of executing a client's orders, the specific choice of broker is made while considering the following factors (in order of importance):

- Reliability of trading and settlement, including in relation to the specific transaction;
- Technological capabilities;
- Ability to access multiple markets and instruments;
- Capital solidity as evidenced by supporting documentation;
- Fees and costs.

The following may affect the relative importance of the aforementioned factors: the type of Client; the type or nature of the order; the potential impact on the market; the mode of execution; Client instructions; other variables.

11. REVISION AND MONITORING – PUBLICATION OF VENUES

Intermonte continuously monitors the effectiveness of the measures put in place to obtain the best possible results for the Client and, in particular, verifies the quality of order execution.

Furthermore, Intermonte reviews its Order Execution Policy at least once a year (and, in any case, should circumstances arise that influence Intermonte's ability to continue to obtain the best possible results for the Client).

The Policy, the list of execution venues to which Intermonte has access, and the list of brokers used are regularly updated and published on the "Legal Notices" section of the company website, www.intermonte.it. Clients will be notified by the agreed method of relevant changes to the Policy.

On an annual basis for each class of financial instrument, Intermonte publishes:

1. the top five execution venues by trading volume on which it executed client orders in the previous year;
2. the top five investment firms by trading volume to which it transmitted or with which it placed Client orders for execution in the previous year;

In both cases, Intermonte provides information on the execution quality obtained.

12. ORDER AGGREGATION

Intermonte may aggregate a Client order with another Client order (including an order resulting from Intermonte trading on its own account).

Intermonte has drawn up an allocation strategy that provides for fair distribution of aggregate orders and trades and regulates the way in which order volume and price determine the allocation and treatment of partial executions: in this case, Intermonte will allocate related trades to the Client first, and subsequently to its own account.

Intermonte may aggregate orders from Clients and those from trading on its own account and apply proportional allocation in the following cases:

- (i) Placements for ABB, Public Sale Offers, Public Exchange Offers, etc.
- (ii) Auctions for Italian government bonds. Client orders are aggregated and Intermonte then transmits a cumulative order to qualified traders who take part in the public auction. Intermonte guarantees execution at the average weighted / marginal auction price net of fees.
- (iii) In the auction phase for orders relating to rights deriving from capital market transactions.

Orders to be aggregated must be either all buy, or all sell, and without a price limit; these orders are guaranteed execution at the auction price, which makes for an effective order allocation strategy. The aim of this aggregation and allocation is to manage the large number of orders that is a feature of this type of trade in the most efficient manner.

ANNEX 1 – LIST OF EXECUTION VENUES

The main venues to which Intermonte has direct access:

MIC CODE	DESCRIPTION	TYPE	TYPE OF INSTRUMENT
MTAA	Borsa Italiana – Euronext Milan	RM	Equity stocks
ETFP	Borsa Italiana – Electronic Market in ETF, Open UCITS and Securitized Derivative Financial Instruments ("ETFPPLUS")	RM	ETF/ETC
MOTX	Borsa Italiana – Electronic Market in Bonds ("MOT")	RM	Bonds
MIVX	Borsa Italiana – Euronext MIV Milan ("MIV")	RM	Equity stocks
XDMI	Borsa Italiana – Electronic Market in Derivatives ("IDEM")	RM	Derivatives
BGEM	Borsa Italiana – Global Equity Market	MTF	Equity stocks
EXGM	Borsa Italiana – Euronext Growth Milan	MTF	Equity stocks
XMOT	ExtraMOT	MTF	Bonds
MTAH	Borsa Italiana – Electronic Equity Market ("TAH")	MTF	Equity stocks
SEDX	Borsa Italiana – SeDeX	MTF	ETF/ETC
ETLX	EuroTLX SIM - EuroTLX	MTF	Bonds
MTXX	MarketAxess	MTF	Bonds
XEUR	Eurex Deutschland	MTF	Derivatives
CEUX	CBOE Europe Equities MTF – DXE List Order Book	MTF	Equity stocks
BTFE	Bloomberg Trading Facility Limited	MTF	Bonds
SPEX	Spectrum	MTF	Certificates

International Markets

Orders for financial instruments listed on foreign regulated markets on which Intermonte does not operate directly will be transmitted to a broker (including through direct market access) whose execution policy is in line with the Intermonte Policy. Please see part 10 of the Policy for more details.

FINANCIAL INSTRUMENTS LISTED IN OTHER COUNTRIES			
Financial instrument	Service provided	Trading venue	Placement of order
Equity stocks	Execution of orders on behalf of Client	CBOE*	-
	Reception and transmission of orders	-	Foreign brokers**
Bonds	Execution of orders on behalf of Client	EuroMOT*, ExtraMOT*, EuroTLX*, MarketAxess*, Bloomberg MTF*	-
	Dealing as principal	-	Intermonte's account
ETF	Reception and transmission of orders	-	Foreign brokers**
	Dealing as principal	-	Intermonte's account
Derivatives	Reception and transmission of orders	-	Foreign brokers **
	Dealing as principal	Eurex*	-
Certificates	Execution of orders on behalf of Client	EuroTLX*, Spectrum*	-
	Dealing as principal	-	Intermonte's account
Covered Warrants	Reception and transmission of orders		Foreign brokers **
* Intermonte has membership to the market			
** Intermonte has direct market access to the majority of European and non-European markets			

ANNEX 2 – BROKER LIST

Intermonte has indirect access (for order transmission and reception) to the main European and non-European markets.

FINANCIAL INSTRUMENTS LISTED ON REGULATED MARKETS, MTF, OTF or SI (excluding derivatives)
Jefferies GmbH
Merrill Lynch International
Virtu ITG Europe Limited
Instinet
Liquidnet

DERIVATIVES LISTED ON REGULATED MARKETS
BNP

In accordance with MiFID II regulations, Intermonte provides reports on the top five execution venues and the top five brokers used in the previous year, listed in order of volume of executed trades. These reports are available at <https://www.intermonte.it/it/avvertenze-legali/mifid-ii.html>.