

# Order Execution Policy



## Policy information

<b>Risk Category</b>	Business related regulatory risk
<b>Policy Name</b>	Order Execution Policy
<b>Policy Owner</b>	Compliance/Central Dealing/Derivatives & Hedging
<b>Application</b>	Aegon Investment Management NL (AIM)
<b>Approved by</b>	EERC
<b>Effective Start Date</b>	April 2020
<b>Next Review Date</b>	April 2021
<b>Review triggers</b>	Review cycle
<b>Version</b>	6.0

## Document Versions

Version	Date	Changed by	Summary of Change
1.0	2008	Compliance/ Dealing	Implementation MiFID requirement
2.0	2013	Compliance	New framework for order execution policies / procedures
2.1	2014	Compliance	Allocation policy added
2.2	2015	Compliance	Alignment with AIFMD
2.3	2015	Central Dealing	Added text regarding internal crossings
3.0	2016	Central Dealing / Compliance	General update
4.0	2017	Central Dealing / Compliance	Implementation MIFID II requirement
5.0	2018	Compliance	Alignment following to the legal merger with TKP Investments B.V.
6.0	2020	CD	Generic Update

## Related Policies

Version	Date	Name of Related Policy
4.3	2019	Order Execution Procedure – Non OTC Trades
8.0	2020	Broker/ Counterparty Approval Procedure
6.0	2018	Order Execution procedure - OTC Derivatives
5.0	2020	Allocation Policy

## Applicable Laws and Regulation

<b>Reference to applicable laws, regulations, and compliance objectives.</b>
Markets in Financial Instruments Directive ( MIFID II )
Act on financial supervision (Wft)
Alternative Investment Fund Managers Directive (AIFMD)

## Table of Contents

Policy information	2
Document Versions	2
Related Policies	2
Applicable Laws and Regulation	2
1 Policy summary	4
2 Scope and purpose	4
3 Related procedures or policies	4
4 Execution procedures	5
5 Execution Factors	5
6 Execution Criteria	5
7 Financial instruments	6
7.1 Equities	6
7.2 Debt instruments	6
7.3 Derivatives	6
7.4 Investment funds	7
8 Merging orders	7
9 Internal Crossings	7
10 Special circumstances	7
11 Broker/counterparty selection	7
12 Specific client instructions	8
13 Monitoring	8
14 Accountability to clients	8
15 Review	8
16 Record retention	8
17 Consent	8
18 Distribution List	8

## 1 Policy summary

This policy provides information on the order execution by Aegon Investment Management B.V. (AIM). In this policy, the applicable characteristics of the services provided to AIM are discussed. Further, this policy explains the relation between this policy, that is focused on OTC transactions except derivatives transactions, and the Order Execution Procedure Non OTC and the Order Execution Procedure OTC derivatives.

## 2 Scope and purpose

AIM provides the service of portfolio management to professional clients, as well as collective portfolio management. AIM will act in the best interest of its clients. In executing orders, AIM is bound to achieve the best possible results ('Best Execution')<sup>1</sup>, both for the funds it manages as well as for the discretionary mandates. .

The scope of the policy is limited to the execution of orders which are initiated within AIM. Orders executed by external managers do not fall within the scope of this policy. The selection of external managers is covered by the policy: "External Manager and Fund Selection policy".

The purpose of this policy is to set out those arrangements that we will adopt to ensure that, on a consistent basis, we achieve best execution when executing, or instructing another person to execute (transmitting an order), a transaction on behalf of one of our clients.

In order to do this we will:

- Take sufficient steps to obtain the best possible result for our clients taking into account the execution factors<sup>2</sup>, the relative importance of which will be determined by reference to the execution criteria (see below);
- Provide appropriate information (availability of an execution policy) to our clients in relation to the arrangements set out in this policy. Both before we undertake designated investment business on their behalf and upon the occurrence of a material change to the contents of this policy;
- Monitor on a regular basis the effectiveness of the policy and the execution quality of the entities identified in this policy; and
- Review this policy at least annually, and whenever a material change occurs that affects our ability to continue to obtain the best possible result for our clients.

Specifically, it is intended to ensure compliance with the following rules in the Dutch Financial Supervision Act (*Wet op het financieel toezicht – Wft*), MiFID II and AIFMD:

- Articles 4:90a - 4:90c Wft
- Article 64 – 66 Implementing Regulation MiFID II (Commission Delegated Regulation 2017/565/EU)
- Commission Delegated Regulation 2017/576/EU (RTS 28)
- Articles 27 - 28 of Implementing Regulation AIFMD (Commission Delegated Regulation 231/2013/EU)

## 3 Related procedures or policies

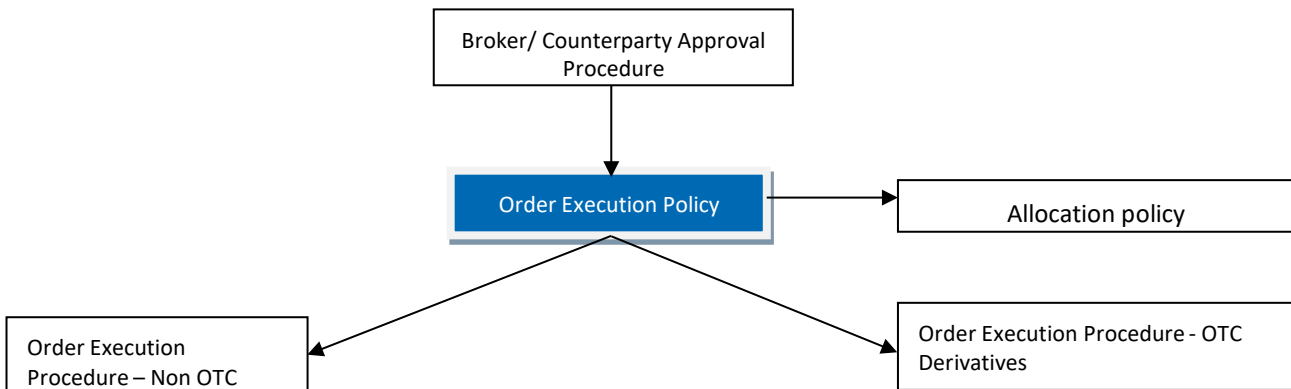
The following procedures and one policy are related to the Order Execution Policy:

1. Order Execution Procedure – Non OTC Trades
2. Order Execution Procedure - OTC Derivatives
3. Broker/ Counterparty Approval Procedure
4. Allocation Policy

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<sup>1</sup> In accordance with the DUFAS Fund Governance, this policy also applies where AIM in its capacity of management company undertakes investment fund activities.

<sup>2</sup> Taking into account price, costs, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.



## 4 Execution procedures

AIM aims for central execution of all trades which are performed by the Central Dealing department (CD). Orders which are passed to CD are already checked by two portfolio managers (4-eyes check). In general, CD either executes the trades directly or passes the orders on to brokers in line with the execution factors and criteria as described in the Order Execution Policy. In the first case, CD will strive for execution using electronic platforms in order to minimize the operational risk and to ensure the best possible result for the clients. In the latter case CD will pass through the specific client instructions. Not all financial instruments can be put into competition through an electronic platform (Tradeweb, MarketAxess or Bloomberg TSOX). This is mainly due to illiquidity. In these circumstances orders are executed OTC (by phone or Bloomberg chat).

For certain less liquid asset classes such as high yield bonds and asset backed securities, the orders are sometimes executed by the responsible portfolio managers. They will adhere to the principles of best execution as mentioned in this policy.

## 5 Execution Factors

When executing orders AIM will take a number of factors into consideration when deciding how best to carry out the transaction. The price of a financial instrument and the execution costs are factors that are considered in this regard. However, factors such as speed of execution, likelihood of execution and settlement, size and nature of the order, market impact and other relevant considerations play a role in executing an order. AIM constantly looks for ways to reduce execution costs without compromising quality. For the relative importance of each of these factors, with regard to the classes of financial instruments, we refer to the paragraphs on financial instruments, below and in the other procedures.

## 6 Execution Criteria

AIM will take into consideration the following execution criteria, taking into account that all of AIM’s clients are professional clients.

- The characteristics of the client; The characteristics of the order;
- The characteristics of the financial instrument that is the subject of the order; and

- The characteristics of the execution venues to which that order can be directed;

We provide additional information on these execution criteria for each asset class below.

## 7 Financial instruments

In this policy we provide an overview of trades across all financial instruments, with the exception of OTC derivatives. In the Order Execution Procedure – OTC Derivatives, the trading methodologies and best execution procedure is described in detail. This order execution policy applies to the following financial instruments.

### 7.1 Equities

The most important factors are price and liquidity. Other relevant factors are the size of the order and the likelihood and speed of execution. For executing orders in equities, AIM uses Bloomberg EMSX. This platform is recognized as a MTF under Mifid II regulation. This MTF has been selected for efficiency reasons as the platform is connected to AIM's Order Management System to reduce execution risk. Via Bloomberg EMSX AIM selects brokers that have direct access to a number of trading venues (Regulated Market, Systematic Internalization and Multilateral Trading Facilities). These MTF's are trading venues like Turquoise, BATS, Virtex, various darkpools amongst others. In general the orders are executed on the trading platform that offers the highest liquidity. AIM leaves it to the broker's discretion to route the order to the best platform in relation to liquidity and price to optimize the execution price. The Regulated Markets trading platforms for executing orders in equities are amongst others NYSE Euronext Amsterdam Stock Exchange, NYSE Euronext Paris Stock Exchange, Frankfurt Exchange including Xetra, New York Stock Exchange and Tokyo Stock Exchange..

### 7.2 Debt instruments

The most important factors are price and liquidity. The likelihood of execution is also a relevant factor. In executing orders in debt instruments, AIM uses counterparties affiliated with trading venues such as TradeWeb and Bloomberg TSOX and MarketAxess. All afore mentioned platforms are recognized as MTF. Selection of these MTF's is based on liquidity, efficiency and integrity. Most counterparties on the AIM counterparty/broker list provide liquidity on these platforms. Given the large number of debt instruments and their low trading frequency, the electronic Request for Quote Protocol has proved to be the most effective way to access the liquidity provided by dealer-counterparties. The platforms offer efficiency through Straight-Through-Processing by connecting the platform to our Order Management System. Also Integrity is important and these MTF's offer pre-trade controls to identify and reject erroneous orders. Compliance with MIFID II and MAD/MAR surveillance requirements ensure that transactions executed on regulated trading venues are free from manipulation or insider dealing. Order execution via these trading platforms occurs on the basis of a "request for quote".

### 7.3 Derivatives

Listed derivatives can be split in various categories. Interest Rate derivatives, Credit derivatives, Currency derivatives, Equity derivatives, Securitized derivatives and Commodity derivatives. For executing orders in listed derivatives, AIM uses Bloomberg EMSX. This platform is recognized as a MTF under Mifid II regulation. This MTF has been selected for efficiency reasons as the platform is connected to AIM's Order Management System to reduce execution risk. Via Bloomberg EMSX AIM selects brokers that have direct access to all Regulated Derivative Markets. The trading platforms for executing orders in derivatives are amongst others Eurex, Liffe, CBOT, NYMEX, LME and COMEX. Price, speed and execution costs are the most important factors.

In the case of OTC derivatives, the level of service is also an important factor in selecting where the order is executed. The procedure for OTC derivatives is described in the Order Execution Procedure - OTC Derivatives.

## 7.4 Investment funds

With investment funds, quality and settlement costs are the decisive factors. The trading price is not determined by supply and demand but primarily by the net asset value, which is the value of the underlying investment portfolio of the investment fund concerned divided by the number of units of participation in issue. Currently, AIM only invests in investment funds managed by AIM and TKP Investments B.V. The management company of the investment funds, namely AIM and TKP Investments B.V. respectively, constitutes the place of execution of orders in these funds.

The order execution procedure with regard to the abovementioned financial instruments is described in the Order Execution Procedure – Non OTC Trades.

## 8 Merging orders

AIM reserves the right to cluster clients' orders, provided that doing so keeps costs to a minimum. If merged orders cannot be fully executed, the financial instruments concerned are allocated to the clients in proportion to the size of the original orders and using an average price. The proportional allocation is subject to the minimum increment size of the underlying financial instrument (see also the Allocation Policy).

## 9 Internal Crossings

AAM has an internal policy which provides guidelines and limitations for internal cross trades, which is described in the AAM Cross Trades Policy. This policy aims to ensure that all potential conflicts of interest in relation to cross trades are appropriately managed and that AAM acts in the best interest of all clients at all times and consistently meets fiduciary responsibilities and adheres to regulatory standards.

## 10 Special circumstances

When there are special (market) circumstances at play, AIM is authorized to deviate from this order execution policy. Examples of special circumstances are: extreme volatility in the financial markets, disruptions in order systems, power outages and other emergencies that are beyond the control of AIM. It is possible that orders can only be partially, if at all, executed during these special circumstances.

## 11 Broker/counterparty selection

When placing orders with third parties (brokers/counterparties), AIM must take sufficient measures to secure the best possible result.

The broker/counterparty selection mainly applies to the selection (and monitoring) of brokers/counterparties to achieve the best possible execution of the orders. The selection procedure is described in the Broker/Counterparty Approval Procedure. The evaluation of the brokers/counterparties is undertaken at least once a year. An additional factor is integrity related policies and procedures.

The following factors are important when selecting a broker/counterparty: (i) the broker/counterparty order-execution arrangements, (ii) execution cost, (iii) execution speed, (iv) market knowledge, and (v) service and other factors that influence the quality of the order execution.

Brokers/counterparties selected by AIM should possess the required licenses. A list of executing parties, partnered with AIM, may be requested in writing from the Compliance Officer of AIM. AIM reserves the right to use executing parties that are not on this list on the provision that its Order Execution Policy is being followed.

In the event portfolio management is delegated to external asset managers, AIM must take all sufficient steps to achieve the best possible results when selecting external asset managers. Appointed external managers must comply with the applicable legislation.

## 12 Specific client instructions

In case AIM accepts a specific client instruction with respect to the execution of orders, AIM will follow the instruction to the extent it is possible for AIM to do so. AIM will have no responsibility for compliance with the Order Execution Policy or any of the other linked procedures to the extent that AIM accepts and follows this specific client instruction. If a client specifically instructs AIM to execute orders in a certain way, AIM will provide the client with a clear and prominent warning that this may prevent AIM from achieving best execution.

## 13 Monitoring

AIM will monitor on a regular basis the effectiveness and application of the policy including the broker selection. Where appropriate AIM will correct any deficiencies identified as part of this monitoring.

## 14 Accountability to clients

If a client makes a reasonable request about AIM's policies or arrangements, and how they are reviewed, AIM shall answer within a reasonable time.

On a client's request, AIM will disclose the different top 5 execution venues used for both transmission and execution of orders, split between the different asset classes.

## 15 Review

The policy will be reviewed at least annually, and whenever a material change occurs which may impact our ability to obtain the best possible result for our clients.

A material change to our policy may occur when there is a significant development which impacts the choice of execution venues available to AIM or where AIM makes a significant change to the processes that AIM operates. AIM will inform its clients of any significant changes to the Policy.

## 16 Record retention

For orders executed, AIM follows the record retention policy. This policy can be found on the AIM Intranet.

## 17 Consent

AIM is obliged to obtain prior consent of the client before executing orders in financial instruments under its Order Execution Policy. The client must grant AIM its prior express consent to execute orders in certain financial instruments. By signing the investment management agreement, which includes the investment mandate and the Order Execution Policy as appendices, the client gives express consent to the Order Execution Policy.

## 18 Distribution List

Name	Date
General announcement	April 2020