Order Execution Policy

Investment Brokerage Company “Alphinox Quality” | AS “ALPHINOX QUALITY”
Dzirnavu iela 42, Riga | Registration No. 40203180478
Source document version 1.1 | 27 October 2022

Approval

APPROVED — Dmitrijs Bauļins, Chairman of the Supervisory Board.

APPROVED — Jūlija Bistrova, Chairwoman of the Management Board; Jānis Libeks and Andrejs Tumanovs, Members of the Management Board.

1. Purpose

1.1. The purpose of this Policy is to establish the procedure by which the Company complies with the requirements set out in the Investment Brokerage Companies Law (IBSL), the Financial Instruments Market Law (FITL), Regulation (EU) 2017/565 and Regulation (EU) 2017/576. This includes establishing the fundamental principles followed by the Company when placing Orders to achieve the best possible result for the Client, taking into account the actual circumstances in which Orders are placed.

2. Definitions

2.1. Company — the joint-stock investment brokerage company “Alphinox Quality”.

2.2. Financial Instruments — arrangements that simultaneously give rise to a financial asset for one person and a financial liability or equity instrument for another person, namely:

- **2.2.1.** transferable securities (shares, bonds, depositary receipts and other transferable securities);
- **2.2.2.** investment fund units and other transferable securities representing participation in investment funds or equivalent collective investment undertakings;
- **2.2.3.** money-market instruments;
- **2.2.4.** derivative Financial Instruments;
- **2.2.5.** commodity derivatives.

2.3. FITL — the Financial Instruments Market Law of the Republic of Latvia.

2.4. IBSL — the Investment Brokerage Companies Law of the Republic of Latvia.

2.5. Client — a natural or legal person to whom the Company intends to provide, or provides, securities portfolio management and equity portfolio mandate management services under an Agreement concluded with that person.

2.6. Agreement — an agreement between the Company and the Client for the provision of investment services consisting of securities portfolio management and equity portfolio mandate management.

2.7. MiFID II — Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (recast).

2.8. Retail Client — a Client who, in light of their expertise, experience and knowledge of transactions in Financial Instruments, is classified as a retail client within the meaning of FITL and MiFID II and does not meet the criteria for a Professional Client or Eligible Counterparty.

2.9. Policy — this Order Execution Policy, including any subsequent amendments or additions.

2.10. Professional Client — a Client who, in light of their expertise, experience and knowledge of transactions in Financial Instruments, is classified as a professional client within the meaning of FITL and MiFID II.

2.11. Regulation 2017/565 — Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive.

2.12. Regulation 2017/576 — Commission Delegated Regulation (EU) 2017/576 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and the quality of execution.

2.13. Order — an order placed by the Company with an Order Executor (direct order) or an intermediary (indirect order) in connection with the management of a Client's securities portfolio or equity portfolio mandate.

2.14. Order Executor or Intermediary — an institution specified in Clause 5.5 of this Policy with which the Company places Orders or which acts as an intermediary in the indirect placement of Orders.

3. General provisions

3.1. This Policy has been prepared taking into account the Company's business model, which involves placing Orders in connection with the management of securities portfolios and equity portfolio mandates.

3.2. The Company enters into an Agreement with the Client authorising the Company to manage the Client's portfolio.

3.3. Before concluding the Agreement, the Company assesses whether the Client is a Retail Client or Professional Client and accordingly offers suitable portfolio management strategies, taking into account the Client's needs.

3.4. Before conclusion of the Agreement, the Company provides the Client in good time with information about the Company and its services, proposed portfolio management strategies, order execution venues, all costs and charges, and any other information required to be disclosed by applicable law.

3.5. The Company begins placing Orders under the Agreement only after the Agreement has been concluded with the Client and only provided that, before conclusion, the Client has confirmed in writing their agreement with the Company's Policy, their classification under FITL, the description of risks relating to Financial Instruments and any other conditions established in the Company's policies or procedures and communicated to the Client.

3.6. The Company may place the following Orders:

3.6.1. Limit Orders — Orders to buy or sell a specified quantity of Financial Instruments at a specified price or a better price;

3.6.2. Market Orders (unrestricted orders) — Orders to buy or sell a specified quantity of Financial Instruments at the market price;

3.6.3. other types of Orders.

3.7. When placing Orders, the Company observes these fundamental principles:

3.7.1. achieving the best possible result in Clients' transactions in Financial Instruments, based on a reasonable balance between Client benefits and costs within the requirements of applicable law;

3.7.2. regularly updating this Policy;

3.7.3. making the Policy publicly available on the Company's website and premises;

3.7.4. monitoring execution venues and business partners.

3.8. The Company provides the Client with an overview of the factors relating to trading venues and their selection that it considers material to achieving the best possible result for the Client, or informs the Client of the procedure used by the Company to assess those factors.

3.9. The Company provides information about the order execution venues at which it intends consistently to achieve the best possible result for the Client.

3.10. The Company clearly and unambiguously warns the Client in writing that specific instructions from the Client may prevent the Company, in respect of those instructions, from taking steps under this Policy to achieve the best possible result when managing the Client's portfolio.

4. Achieving and determining the best possible result

4.1. The Company develops and approves this Policy in order to achieve the best possible result for the Client.

4.2. The Company takes all necessary and reasonable steps to achieve the best possible result for the Client, subject to the provisions of the Policy.

4.3. The Company places Orders prudently, applying market practice and its knowledge and experience with the aim of achieving the best possible result for the Client.

4.4. In performing the Agreement and placing Orders on behalf of Clients, the Company takes the necessary measures and has implemented procedures to ensure fair order placement. These measures and procedures provide for comparable Orders to be placed in the sequence in which Agreements were concluded. The Company may reasonably refrain from immediate performance of an Agreement in order to obtain more favourable terms for Clients.

4.5. The Company does not receive remuneration, discounts or non-monetary benefits for placing Orders with a particular trading or execution venue where this would be contrary to the requirements governing conflicts of interest and inducements under FITL and the Company's Conflicts of Interest Policy.

4.6. After placing an Order on behalf of a Client, the Company informs the Client of the execution venue.

4.7. The Company applies directly applicable European Commission legislation, including Regulations 2017/565 and 2017/576, governing the factors that may be taken into account in determining the best possible result, having regard to the size of the Order and whether the Client is a Retail Client or a Professional Client.

4.8. The Company applies directly applicable European Commission legislation, including Regulations 2017/565 and 2017/576, governing the factors that may be taken into account when reviewing its execution arrangements and identifying changes that may be appropriate to continue to achieve the best possible result for Clients.

4.9. In performing the Agreement, the Company seeks the best possible result for the Client, taking into account one or more of the following criteria:

4.9.1. transaction price;

4.9.2. Order execution costs;

4.9.3. likelihood of execution and settlement;

4.9.4. security and likelihood of settlement;

4.9.5. speed of Order execution;

4.9.6. quantity/volume of Financial Instruments specified in the Order;

4.9.7. type of Order;

4.9.8. market impact and any other factors affecting the effectiveness, consistency and continuity of performance of the Agreement.

4.10. The Company also assesses the following criteria:

4.10.1. Client characteristics, including Retail or Professional Client classification;

4.10.2. type of Order;

4.10.3. characteristics of the Financial Instrument;

4.10.4. characteristics of the execution venue (regulated market, multilateral trading facility (MTF), systematic internaliser, market maker or another liquidity provider).

4.11. Based on its experience and available market information, the Company assesses and determines which criteria listed in Clauses 4.9 and 4.10 take priority over others to achieve the best possible transaction results for the Client. No criterion is inherently more important than another; when selecting an execution venue, the Company usually assesses all criteria together.

4.12. When placing an Order for a Professional Client, the Company seeks the best possible result in terms of speed of execution and transaction size. For Professional Client Orders, transaction price (the price of the Financial Instrument), execution costs and likelihood of settlement are equally important as execution speed and transaction size.

4.13. When placing an Order for a Retail Client, the Company determines the best possible result by reference to the total consideration, comprising the price of the Financial Instrument and execution-related costs, including all expenses incurred by the Client directly in connection with the execution of the Order, such as execution venue fees, settlement fees and fees paid to other parties involved in execution.

5. Order Executors and order placement venues

5.1. The Company begins placing Orders after concluding an Agreement with the Client authorising it to manage the Client's portfolio.

5.2. The Company informs the Client of any significant difficulties relating to portfolio management as soon as it becomes aware of them.

5.3. If the Agreement specifies a particular Order Executor, the Company places Orders for transactions in that Client's Financial Instruments only with the Order Executor specified in the Agreement.

5.4. If the Agreement does not specify a particular Order Executor, the Company selects an Order Executor with the aim of achieving the best possible result for the Client.

5.5. The Company places Orders with:

5.5.1. Baltic International Bank AS;

5.5.2. BlueOrange Bank AS;

5.5.3. Citadele banka AS;

5.5.4. Luminor Bank AS;

5.5.5. Rietumu Banka AS;

5.5.6. SEB banka AS;

5.5.7. Signet Bank AS;

5.5.8. Swedbank AS;

5.5.9. AS LHV Pank;

5.5.10. Saxo Bank A/S.

5.6. If the Company makes changes to the list of Order Executors or Intermediaries in Clause 5.5 that it considers material, it amends the Policy accordingly and informs Clients of those changes.

5.7. The list of potential Order Executors or Intermediaries in Clause 5.5 is not exhaustive. The Company may use other Order Executors or Intermediaries that have an approved policy designed to achieve the best possible result for Clients.

5.8. When choosing an Order Executor or Intermediary, the Company observes these principles:

5.8.1. the price of the service is regarded as the determining factor in achieving the best possible result for the Client;

5.8.2. the speed of execution is particularly important where the price of Financial Instruments changes rapidly and execution speed could have a material effect on the final settlement amount;

5.8.3. an Order Executor offering execution at relatively lower cost should be selected;

5.8.4. likelihood of execution and settlement — an Order Executor should be selected that can provide the highest possible likelihood of execution and settlement; the size of the Order is important when choosing the execution method.

5.9. When evaluating the execution venues offered by an Order Executor or Intermediary, the Company considers:

5.9.1. the price of the Financial Instruments;

5.9.2. Order execution costs;

5.9.3. speed of Order execution;

5.9.4. likelihood of execution and settlement;

5.9.5. size and nature of the Order;

5.9.6. other circumstances material to execution of the Order.

5.10. If an Order Executor or Intermediary is a member of a regulated market, placing an Order with that Order Executor or Intermediary for execution on that regulated market is considered to provide the best possible result for the Client.

5.11. The Company assesses and informs the Client of its technical ability to provide the service to the Client (i.e. the Company's access to the Financial Instrument trading platform and accounts of the Order Executor or Intermediary chosen by the Client).

5.12. The Company may place Orders with an Order Executor or Intermediary that is not a member of the relevant regulated market if it considers that this will achieve the best possible result for the Client.

5.13. After a transaction is executed on behalf of the Client, the Company informs the Client of the execution venue.

5.14. Information about Order Executors or Intermediaries is available on the Company's website and in Clause 5.5 of the Policy.

6. Orders in Financial Instruments traded on a regulated market

6.1. The Company ensures that the Order Executor or Intermediary arranges for Orders relating to instruments traded on a regulated market to be executed at an appropriate trading venue in accordance with MiFID II requirements.

7. Orders in Financial Instruments normally traded outside a regulated market

7.1. The Company may place Orders for transactions in debt securities, money-market instruments, over-the-counter derivatives, contracts for difference and other Financial Instruments executed outside a regulated market or multilateral trading facility.

7.2. In certain cases, where the Company has assessed the execution factors and concludes that the best possible result for the Client may be achieved if an Order is executed outside a regulated market or multilateral trading facility, it may place an Order to be executed outside such a market or facility even if the relevant Financial Instrument is also traded on a regulated market or multilateral trading facility. The Company's decision may be justified by insufficient availability of the relevant Financial Instruments on the regulated market or multilateral trading facility, or by other reasons.

7.3. In order to execute transactions outside a regulated market, the Company obtains the Client's prior consent for each individual transaction or provides for this possibility in the Agreement.

8. Aggregation and allocation of Orders

8.1. For reasons of efficiency (for example, to reduce execution costs or where the relevant Order cannot be executed without aggregation), the Company may aggregate Orders.

8.2. Orders may be aggregated only where it is unlikely that aggregating Orders or transactions would disadvantage the interests of the Clients whose Orders are aggregated.

8.3. Before aggregating Orders, the Company informs each Client of the aggregation and warns that it may be disadvantageous in relation to a particular Order. If the Client does not agree to such aggregation, the Client must notify the Company immediately; otherwise, the Client is deemed to have agreed to the aggregation of Orders.

8.4. Following execution of an aggregated Order, the Financial Instruments purchased or the cash proceeds from the sale of Financial Instruments are allocated among the Clients participating in the aggregated Order in accordance with the following rules:

8.4.1. allocation is proportional to each individual Order's share of the aggregated Order;

8.4.2. where an aggregated Order is executed at several purchase/sale prices for the same Financial Instrument, the resulting Financial Instruments/cash proceeds are allocated to participating Clients taking account of the weighted average price of the Financial Instrument;

8.4.3. when allocating, the Company may round amounts by reference to the minimum tradable lot size, quantity or nominal value of the relevant Financial Instrument.

8.5. If an aggregated Order is partially executed, the Financial Instruments purchased or cash proceeds from the sale of Financial Instruments are allocated fairly and without discrimination among participating Clients in accordance with the following rules:

8.5.1. allocation is proportional to each individual Order's share of the aggregated Order;

8.5.2. the Company may exclude from the allocation Orders whose proportional share of the aggregated Order is small, so that partial execution of those Orders would not be justified by practical or economic considerations;

8.5.3. where the Company excludes individual Orders from allocation under Clause 8.5.2, it recalculates the proportional shares of the remaining Orders in the aggregated Order and allocates the aggregated execution accordingly;

8.5.4. where an aggregated Order is executed at several purchase/sale prices for the same Financial Instrument, the resulting Financial Instruments/cash proceeds are allocated to participating Clients taking account of the weighted average price of the relevant Financial Instrument;

8.5.5. when allocating, the Company may round amounts by reference to the minimum tradable lot size, quantity or nominal value of the relevant Financial Instrument.

9. Order execution policy of the Order Executor or Intermediary

9.1. The Order Executor or Intermediary must have an approved policy intended to achieve the best possible result when executing Orders, taking into account transaction price, costs, speed, likelihood of execution and settlement, transaction size, nature or any other consideration relevant to execution.

9.2. The Company continuously monitors changes to the Order Executor's or Intermediary's order execution policy and ensures that the Orders it places are executed in accordance with that policy.

9.3. If the Company determines that an Order Executor's or Intermediary's order execution policy does not achieve the best possible result, it promptly informs that Order Executor in writing, identifying the specific deficiencies in the Executor's or Intermediary's policy.

9.4. If the Company determines that an Order was not executed in accordance with the Order Executor's or Intermediary's execution policy, it requires the Order Executor or Intermediary to demonstrate that execution of the Order complied with its policy.

10. Review and monitoring of the Policy

10.1. The Company regularly monitors the effectiveness of the Policy's application and the quality of portfolio management.

10.2. The Company reviews the Policy annually and amends it as necessary. It also reviews the Policy whenever material changes arise that affect the Company's ability to continue to achieve the best possible result for Clients.

10.3. Any amendments or additions to the Policy enter into force on the date they are published on the Company's website.

10.4. The Company informs Clients by email of any material amendments to the Policy.