

TRANSACTION EXECUTION POLICY

CBL P0004



Generally available information

Approved	At the Council meeting of "CBL Asset Management" IPAS on 31.01.2023 Minutes No 119/2023
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Document control

Version	Date of entry into force	Amendments	Number of pages
1.	28.01.2008	New document.	
2.0	10.08.2010	General modifications. Change of Company name.	6
3.0	20.12.2012	Substantial modifications. The document title changed to "Transaction execution Policy" (formerly: "Order execution Policy"). The scope of the policy was extended by including the requirements of the Law on Investment Management Companies and Commission Directive 2010/43/EU relating to investment funds, including the sections on obtaining the best result, on circumstances that may influence the order execution and follow-up of the policy implementation.	6
4.0	20.01.2016	General modifications. Change of Company name, other editorial amendments.	6
5.0	23.04.2018	General modifications. The requirements of Directive 2014/65/EU (MiFID II) Regulation (EU) 2017/565 relating to the best result and monitoring the quality of the service rendered; other amendments made as well.	8
6.0	31.10.2019	General modifications. Clarify of terms, changes of AB „Citadele“ bankas (Lithuania), other editorial amendments.	9
7.0	25.01.2021	General modifications. Clarify of Article 15.	9
8.0	26.01.2022.	General modifications. Clarify of Article 9., 34.2. and 36.	9
9.0	31.01.2023.	General modifications. Adjustments to Article 41.	6

Organisational and administrative conditions

Name of the process/product: Management of Client investment portfolios, investment funds, investment and pension plans.
Owner of the process/product: Portfolio Management Department.

Purpose of the document _____

The purpose of this Policy is:

- ensure observance of requirements of the Financial Instrument Market Law, Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 alongside with Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 as well as ensure the protection of the Clients' interests in providing investment services and non-core services;
- ensure compliance with the Law on Investment Management Companies, Commission Directive 2010/43/EU implementing Directive 2009/65/EC of the European Parliament and the Council;
- ensure protection of the Clients' interests and define the core principles and elements to ensure qualitative services and delivering the best possible result to the Client when rendering Investment Services.

Terms and abbreviations

Company – “CBL Asset Management” IPAS.

Bank – AS “Citadele banka”; in case of management of investors' financial instruments in accordance with mandate given by client on a discretionary basis (a portfolio management service) - AS “Citadele banka” and its branch in Lithuania: AS „Citadele banka” Lietuvos filialas or any other credit institution accepted by the Company with whom the Client has signed an agreement on the custody and bookkeeping of their Investment portfolio as well as on execution of deals/transactions with the Investment portfolio assets on their behalf.

Transaction – An agreement on FI between two parties, where one party is the Company that concludes the Transaction within the framework of the Investment Services rendered to the Client, but the other party is the Intermediary, including the Bank.

Transaction execution – A process commencing at the moment of conclusion of the Transaction specified in the Order and ending at the moment of completion of settlements for the concluded Transaction and making of the respective accounting entries in the Client's account in the Bank.

Financial Instruments (FI) – Financial instruments specified by the Financial Instrument Market Law (Finanšu instrumentu tirgus likums).

Investment Service(-s) – Individual management of investors' financial instruments in accordance with investors' authorisation (portfolio management service) and/or management of investment funds, assets of state-funded pension schemes and of pension plans established by private pension funds.

Client – An investment fund, an investment plan of a state-funded pension scheme, a pension plan established by private pension funds, any natural person or legal entity that receives the Investment Services.

Law – Financial Instrument Market Law.

Service Agreement – An agreement that is concluded between the Company and Client with regard to rendering of the respective Investment Service.

Policy – This Transaction execution Policy in the field of rendering of the Investment Services with all subsequent amendments and supplements.

Order – An order of the Company that is submitted to the Intermediary for conclusion of the Transaction (-s) within the framework of the Investment Services.

Order execution – A process starting at the moment when the Order is submitted to the Intermediary and ending at the moment of concluding the Transaction specified in the Order or at the moment of cancelling the Order or expiration of the validity period thereof.

Order Execution Venue – A place where the Transaction is concluded. The Transaction may be concluded at the Trading Venue or with a systematic internaliser, a market maker or another liquidity provider or an entity that in a third country, which is not a EU member state, performs functions similar to any of the foregoing.

Intermediary – A business partner chosen by the Company (e.g. a broker, the Bank or other credit institution) that ensures execution of the Order or forwards the Order for execution to another business partner.

Trading Venue – A regulated market, a multilateral trading facility (MTF) or an organised trading system (OTS).

Core principles of the Policy

1. The purpose of the Policy is to determine guidelines of the activity of the Company that would ensure fast and qualitative execution of the Orders and Transactions and assist in achievement of the best possible result for the Client as well as would ensure certainty in the relationship between the Company and the Client and minimize the negative consequences which might occur as a result of execution of the Orders and Transactions.
2. In order to ensure achievement of the best possible result in the Order execution for the Client, the Company observes the following core principles:
 - 2.1. when rendering the Investment Services, the Company acts as a diligent and careful person and ensures rendering of services with due professionalism and care in the Client's interests;
 - 2.2. the Company ensures that interests of one group of Clients are not given preference over interests of another group of Clients;
 - 2.3. the Company ensures that only the persons having the corresponding education, experience, knowledge and understanding of the assets, in which investments are made, have the right to render consultations and make decisions within the framework of the Investment Services, and who have been authorised by the Company to perform such actions;
 - 2.4. when the Company has made a decision on execution of the Transaction within the framework of the Investment Services, it issues the respective Order for conclusion of the Transaction to the Intermediary. The Company takes measures in order for Intermediary to perform immediate, honest and fast Order execution;
 - 2.5. when rendering the Investment Services, the Company submits the Orders for execution only to such Intermediaries that have gone through due diligence to determine whether the Intermediary can be considered as qualified and able to undertake fulfilment of respective duties, inter alia the Company verifies whether the Intermediary has the approved order execution policy or similar document ensuring achievement of the best possible result of execution of the Order for the Client.

3. The Company applies the Policy's provisions for the Company and the Client relationships taking into consideration the status assigned to the Client (retail or professional). The Company applies equal treatment, thus obtaining the best possible result when executing the orders of its retail and professional Clients.
4. Although the purpose of the Policy is aimed to ensure obtaining the best possible result for the Client executing the Orders, the Company does not exclude the possibility that under specific circumstances the best possible result of execution of the Order, when executing the Order, will not be obtained from the Client's point of view – including in cases when the Company follows specific instructions from its Client when placing an Order with, or transmitting an Order to, an Intermediary. The Company warns that if the Client submits its instructions relating to placing Orders or transmitting them to an Intermediary, such specific instructions may prevent the Company from taking the steps designed in the Policy for obtaining the best possible result when executing the Order.
5. Nothing stated in this Policy shall be construed as the Company's commitment to duplicate the efforts which according to the Law should be made by an Intermediary, especially by such an Intermediary with which the Client has signed an agreement on the custody and bookkeeping of their Investment portfolio as well as on the execution of deals/transactions with the Investment portfolio assets on their behalf (including, AS "Citadele banka", and its branch in Lithuania).
6. When using the portfolio management service, the Client is aware and confirms that by concluding the particular agreement with the Bank the Client, so far as it concerns the Transactions executed by the Manager, can be classified as a professional client of the Bank, notwithstanding that in respect of the Portfolio management service the Manager has classified the Client as a retail client.

Client's consent to the Policy _____

7. Concluding the Service Agreement the Company acquaints the Client with the Policy currently in force.
8. The Company starts rendering the portfolio management service to the Client only if the Client has agreed to the Policy. The Company is prohibited from providing the portfolio management service if the Client has not agreed to the Policy.
9. The Company considers that the Client of the portfolio management service has expressly agreed to the Policy if the Client has confirmed by their signature, including electronic signature, that the Client have read and agreed to the Policy. The Company considers that the Client of the portfolio management service has agreed to the amendments to the Policy if they are published under the procedure stated in the Policy, the Client has not submitted any written objections to them within the set timeframe and continues to receive the service.

Types of Orders _____

10. The Company has the right to submit the following Orders within the framework of the Investment Services:
 - 10.1. price restrictive Order – the Order to buy or sell certain number of FI at the specific price or the better price;
 - 10.2. free Order – the Order to buy or sell certain number of FI at the market price, without specification of the specific price;
 - 10.3. other Orders – if prescribed by the relevant Service Agreement.
11. The Company has the right to include specific instructions in the Order, which the Company submits to the Intermediary, including but not limited to the conclusion of the Transaction, Transaction price and Order placement.

Order aggregation and splitting _____

12. The Company may aggregate the Order submitted in favour of one Client with the Order submitted in favour of another Client or with the Order submitted in favour of the Company, if nothing evidences that the aggregation of the Orders may cause damage to the interests of the Clients. Although it does not exclude a possibility that aggregation of the Orders may not ensure the best possible result, inter alia inflict losses with regard to the specific Order.
13. If the Company rendering the Investment Services to different Clients has aggregated the Orders submitted in favour of these Clients, it divides or redistributes the respective fulfilled Order without harming the Clients' interests.
14. Monetary funds and FI received as a result of execution of the aggregated Order are divided proportionately among the Clients at the average price. Upon the Client's request, the Company provides an additional explanation of how the amount and price of the Orders affected execution and splitting of the Orders.
15. If the aggregated Orders have been executed partially, the Company ensures honest splitting of monetary funds or FIs obtained from the executed Orders without discriminating its Clients and observing the following conditions:
 - 15.1. the received monetary funds or FI splitting is performed in accordance with the proportion calculated taking into account a share of every individual Order in the aggregated Order based the Order execution average price;
 - 15.2. the Company has the right to exclude from the splitting the Orders, the proportional share of which is small, for example if proportional splitting of aggregated and partly executed Order, the value of FI or monetary funds to be received is less than the commission amount thus their partial execution is not reasonable due to expedience and economic considerations, providing the corresponding explanation with regard to such fact upon the Client's request;
 - 15.3. if the Company receives specific instructions on FI split (within FI initial offering) from FI issue originator, issue agent or FI issuer, then the Company splits the received monetary funds or FI according to these specific instructions

- 15.4. when splitting FI, the Company has the right to round off the number of FI taking into account the minimal trade volume/number/par value of the respective FI to make possible the further operations with the rounded off number of FI.
16. If the Company has aggregated the Order in Company's favour and for its own account with one or several Orders to be submitted within the framework of rendering of the Investment Services, the aggregated Order shall be split without prejudice to the Clients' interests. If the aggregated Order is executed partially, the Company splits the received funds or FI according to the following priority subsequence – firstly in favour of the Client and subsequently in favour of the Company. If the Company can prove that without such aggregation of the Orders it would not be able to execute the Order under such favourable conditions or would not be able to execute it at all, the Company with respect to the Order for own account may apply proportional distribution of fund/FI.
17. The Company documents aggregation and splitting of the Orders ensuring storage of the corresponding entries.

Execution of the Orders and conclusion of the Transactions _____

18. The Company ensures the immediate and precise execution of Orders observing the provisions of the Policy:
 - 18.1. independently concluding the Transaction specified in the Order;
 - 18.2. forwarding the Order to the Intermediary for subsequent execution.
19. The Company submits the Orders for execution at the Trading Venues itself or using the Intermediaries' services. The list of Intermediaries is given in the Annex to the Policy, containing specification of the Intermediaries to which the respective Orders of each type of the FI are submitted.
20. Ensuring the Order execution within the framework of managing investment funds, assets of state-funded pension schemes and of pension plans established by private pension funds, the Company usually chooses the Bank as the Intermediary. In providing the portfolio management service, the Company usually uses the its accepted credit institution, with whom the Client has signed an agreement with on the custody and bookkeeping of their Investment portfolio as well as on the execution of deals/transactions with the Investment portfolio assets on their behalf (including, AS "Citadele banka" and its branch in Lithuania). It is taken into account that the Company is the enterprise of Citadele group, as a result of which, transferring the Orders for execution directly to the Bank as the Intermediary, the Company can reduce the total costs of the Transaction and terms of execution, and thus ensure the best possible result of execution of the Order to the Client. The Company uses other Intermediaries' services, if the Bank cannot ensure the Order execution or the price offered by the Bank essentially differs from the market price.
21. In providing the portfolio management service, the Company's possibilities to use another Intermediary apart from the Bank might be restricted if the Client, in the relevant form and scope, has not authorised the Company to act on behalf of the Client.
22. Submitting the Orders to the Bank as the Intermediary, the Company ensures avoidance of a conflict of interest, and that the Company does not have other material interest that may adversely affect the Clients' interests. The Company does not receive from third parties any payments which are prohibited by the Law.
23. Ensuring the Order execution within the framework of managing investment funds, assets of state-funded pension schemes and of pension plans established by private pension funds, the Company acts in its own name, but in favour and at the expense of the Client. Ensuring the Order execution within the framework of the portfolio management service, the Company acts on behalf of the Client, as well as in favour and at the expense of the Client.
24. The Transaction is concluded as a result of the Order execution. FI or monetary funds received as a result of the Transaction are immediately and in full credited to the Client's FI or monetary account in the Bank.
25. The Company cannot guarantee that the Transaction specified by its Order will be executed.

Order execution Venues _____

26. When ensuring the Order execution in order to achieve the best possible result of execution of the Order from the Client's point of view, the Company, attracting the Intermediaries and observing the core principles referred to in Clause 2 of this Policy, can use on or several of the following Trading Venues:
 - 26.1. regulated markets and other stock exchanges;
 - 26.2. systematic internalisers;
 - 26.3. multilateral trading facility;
 - 26.4. market makers;
 - 26.5. other liquidity provider; or
 - 26.6. an entity that performs a similar function in a third country, which is not member state of the European Community, to the functions performed by any of the foregoing.
27. If the Order can be executed at several Trading Venues offered by the Intermediaries, the Company evaluates and compares them in accordance with the factors referred to in Clause 29 of the Policy to ensure the best possible result of execution of the Order for the Client.
28. For the most part the Company can ensure access to the Trading Venue only through the Intermediaries involved; consequently, it is not always possibility to influence the choice of the particular Trading Venue. In this case, the Company

checks that the particular Intermediary acts under measures which are sufficient for obtaining the best possible result in the Order execution.

29. The Company is entitled to execute the Order outside the Trading Venue (OTC) by involving the Intermediaries. In this case the Transaction Execution can be associated with counterparty risk. At the Client's written request, the Company provides additional information on the consequences of using the Orders outside the Trading Venue (OTC).
30. The list of Intermediaries is not exhaustive and in the interests of the Client the Company may also use Intermediaries not included in such list.
31. The Company has the right to amend the list of Intermediaries unilaterally at any time.
32. Upon reasonable written request from the Client, the Company shall provide to the Client the information about the Intermediary.

Achievement of the best possible result _____

33. The Company shall take all necessary and reasonable measures sufficient for obtaining the best possible result of execution of the Order taking into account the relative importance of the factors and criteria referred to in the Policy.
34. To ensure the best possible result for the Client when executing the Orders, the Company observes the core principles referred to in Clause 2 of this Policy and takes into account the following factors:
 - 34.1. Transaction price;
 - 34.2. Transaction indirect costs (for example, the probable impact on market) and direct costs, including the costs and associated charges applicable to the Client;
 - 34.3. Transaction execution speed;
 - 34.4. likelihood of execution and settlement;
 - 34.5. settlement reliability;
 - 34.6. size and nature of the Transaction;
 - 34.7. other considerations related to the Order execution which the Company deems to be relevant.
35. In order to determine which of the factors referred to in Clause 25 of the Policy are more important for the Client, the Company additionally assesses the following criteria:
 - 35.1. the characteristics of the client including the categorisation of the client as retail or professional;
 - 35.2. investment goals, investment policy and risks stipulated in the Service Agreement;
 - 35.3. type of the Order (including specific instructions or where the order involves a securities financing transaction (SFT));
 - 35.4. type and characteristics of FI, which is the subject of the Order;
 - 35.5. possible Order Execution Venue to which the Order can be directed.
36. The Company usually considers that the total costs of the Transaction are of the major importance. The total costs include the price of the respective FI and the costs directly related to the Transaction execution. Transactions in debt securities that are usually conducted OTC, the Company gives the Intermediary restrictive Orders with set price limits to prevent any FI purchases for a price which is not in the best interests of the Client, considering the information available to the Company and its professional knowledge. For transaction in equity securities the Company usually submits orders at the price of market.
37. In some cases the nature of the Transaction, peculiarities of the FI or Order Execution Venue may affect the importance of the above mentioned factors and criteria, and the Company may determine that other execution factors separately or jointly are of higher importance in the specific circumstances for obtaining the best possible result on the whole¹.
38. The Company chooses the Intermediary for submitting of the Orders assessing Intermediary's compliance with the provisions of the Policy with regard to achievement of the best possible result for the Client, except for the cases, when in opinion of the Company, and observing the provisions of the Policy, the best possible result for the Client can be achieved at another Order Execution Venue.
39. Ensuring the Order execution, it is not always possible to take into account all the factors referred to in the Policy for achievement of the best possible result, e.g. in cases of the Transactions with investment fund units, OTC derivatives, government bonds and bonds of commercial companies.

Circumstances that may affect execution of the Orders and Transactions ___

40. Any Order execution, inter alia the Order submission, as well as the Transaction execution in its entirety is subject to the number of risks and is related to various factors, which may encumber or make impossible not only the Order execution, but also the completion of the Transaction execution or may cause negative consequences in the future.
41. Factors or risks mentioned in previous Clause of the Policy, which the Company may identify, may include those related to specific market conditions, liquidity, settlements, fulfilment of FI events, errors of the Intermediaries, as well as related to means of communication and/or trading systems, to failures of communications, sanctions and other restrictions. Regarding

¹ For example, if the Order provides to conclude a high-volume Transaction or the Order is related to specific instructions, the Company may pay greater attention to the possibility of the Order execution and settlements, but not to the total costs.

sanctions, among others, such sanctions risks are possible: financial instrument under sanctions, issuer under asset freeze sanctions; customer is non-resident (e.g., RU, BY) to whom some sanctions restrictions apply.

42. In case of onset of the circumstances referred to in Clause 41 of the Policy, the Company is entitled to withdraw from the terms of the Policy without separate coordination with the Client, inter alia subject the Order to another assessment, as well as to select other Order Execution Venues and take measures other than those prescribed in the Policy.

Policy implementation monitoring_____

43. The Company regularly evaluates the effectiveness of the Policy and its related procedures, especially the quality of the services provided by Intermediaries. The Company demonstrates compliance of the Order execution with the Policy upon Client's request.
44. The Company revises the Policy on a regular basis at least once a year or more frequently when material changes occur which may affect obtaining the best possible result in the Order execution. Within the meaning of this clause, a material change is any significant event that could impact parameters of best execution (including, cost, price, speed, likelihood of execution and settlement, volume, nature or any other consideration relevant to the execution of the Order). The Company assesses the possible occurrence of a material change and considers changing the Order Execution Venues or Intermediaries for obtaining the best possible result in the Order execution.
45. If the list of the Intermediaries is amended, the Company respectively amends the Policy.
46. If the Client does not agree with amendments of the Policy, the Company terminates rendering of the Investment Services, and after the execution of mutual settlements between the Company and the Client terminates any Service Agreement entered into.
47. The Policy with all subsequent amendments and supplements is published on the website of the Company www.cblam.lv. Any amendments to the Policy are available on the website www.cblam.lv and at the client service centre of the Company within 7 (seven) business days prior to such amendments take effect. The Client is entitled not to agree with the amendments to the Policy by informing the Company thereof in writing within the period of time specified in this Clause.
48. On an annual basis the Company summarises and makes public on the Company's website www.cblam.lv a list of the top Order Execution Venues in terms of trading volumes, including five Order Execution Venues for each class of financial instruments with the highest volume of trade; it also contains a summary on the actual execution quality.

Annexes_____

49. Annex 1. List of Intermediaries.

Annex No 1

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List of Intermediaries

No	Intermediaries	Fixed Income Financial Instruments	Currency Transactions	Shares	Share Derivatives	Other Financial Instruments, incl. Investment Funds
1.	AS "Citadele banka" (Latvia)	X	X	X	X	X
2.	AS „Citadele banka" Lietuvos filialas (Lithuania)	X	X	X	X	X
3.	Baader Bank AG (Germany)			X		

Taking into account that "CBL Asset Management" IPAS is a group company of AS "Citadele banka", the Company may use services of the intermediaries approved by the bank. Full list of intermediaries of the AS "Citadele banka" is available in the "Order Execution Policy in the Provision of Investment Services" herein: <https://www.citadele.lv/en/support/mifid/>