

Best Execution Policy

HSBC Private Bank (Luxembourg) S.A.

1. Best Execution Policy

a. Scope

The provisions of this clause outline the main features of the Best Execution Policy (the "Best Execution Policy") of the Bank.

This Best Execution Policy is only applicable to retail and professional Clients regardless of whether they are an elective professional (via opt-up process) or per se professional, as defined by MiFID II and any reference in this section to a Client refers to these categories. Clients should have received a formal notification from the bank informing them about their categorization. Where best execution requirement applies, the Bank will take all reasonable steps to obtain the best possible result for its Clients taking into account the best execution criteria and factors detailed below.

This policy is applicable to all investment services (Advisory, Portfolio Management and Execution services).

As per the MiFID II requirements, this policy does not apply to those Clients who are classified as Eligible Counterparties by the Bank.

b. Covered financial instruments

The Best Execution Policy applies when the Bank receives, transmits or executes Client orders in financial instruments. The Bank distinguishes between the following classes of financial instruments:

- Equities and other Exchange-traded instruments (ETFs and listed derivatives);
- Fixed Income Instruments; Foreign Exchange and Precious Metals;
- Structured Products;
- Units in collective undertakings (units/shares in funds).

Spot foreign exchange order (notably "FX spot") are not in the scope of this policy.

c. Best execution factors and criteria

In order to achieve the best possible result for the Client, the bank will consider a range of execution factors which should determine the best outcome for its Clients.

i. Execution factors

The execution factors that the Bank will consider are:

- Price: this is the price a financial instrument is executed at;
- Costs: this includes implicit costs such as the possible market impact, explicit external costs e.g. exchange or clearing fees and explicit internal costs which represents the Bank's own remuneration through commission or spread;
- Speed: time it takes to execute a client order;
- Likelihood of execution and settlement: the likelihood that the Bank will be able to complete a client order;

- Size and Nature: Order size and how the particular characteristics of a client order can affect how best execution is received.
- Any other circumstance which, in the Bank's opinion, is relevant to the execution of a particular order

ii. Best execution criteria

In order to determine the relative importance of each execution factor detailed hereabove, the Bank will take into account:

- the characteristics of the client including the categorisation of the client as retail or professional;
- the characteristics of the client order, including where the order involves a securities financing transaction (SFT);
- the characteristics of financial instruments that are the subject of that order; and
- the characteristics of the execution venues to which that order can be directed.

iii. Total consideration

As a general rule, when considering the relative importance of the above factors, the total consideration paid by the Client will be the most important factor considered by the Bank in achieving best execution when dealing with retail Clients. "Total consideration" includes the price of the final instrument and the costs related to execution, including all expenses incurred by the Client which are directly related to the execution. There are three categories of costs which the Bank takes into account in evaluating "total consideration":

- Implicit costs: these costs are variable and unknown before a trade. They include the spread, the market impact of a trade, and the opportunity costs of a trade (related to operational constraints, market timing issues, and missed trade costs). These costs depend fundamentally on the trade characteristics, the prevailing market conditions as well as the speed of execution.
- Explicit external costs, which include commissions, fees, taxes, exchange fees, clearing and settlement costs, or any other costs passed on the Client by intermediaries participating on the transaction; and
- Explicit internal costs, which represent the remuneration of the Bank through its commission or spread.

In executing Client orders, the Bank takes all necessary steps to minimise implicit costs as well as explicit external costs. Where appropriate or required by law, the Bank also undertakes to make a prior disclosure to its Clients of all its internal costs (see the Bank's Tariff Brochure).

Whilst total consideration is of primary importance in achieving best execution, other factors identified above may also be instrumental in delivering the best possible execution result to the Client. Therefore, in evaluating the relative importance of all factors, the Bank will take into account:

- The specific nature of the instrument traded;
- The market where such instrument is traded;

- The characteristics of the order relating to the instrument, including the size of the trade relative to other trades in the financial instrument and the need to minimise any possible impact of the order on the market.

More details regarding how an order will be executed by the Bank broken down by type of financial instrument is provided in section f below.

d. Execution venues

For the purposes of this Best Execution Policy, execution venue means a regulated market, an MTF¹, an OTF², a systematic internaliser, or a market maker or other liquidity provider or an entity that performs a similar function in a third country to the functions performed by any of the foregoing or a third party broker or HSBC Group entity who acts as broker of the Bank or of HSBC Private Bank (Suisse) SA and on whom the Bank or HSBC Private Bank (Suisse) SA place significant reliance.

i. Selection criteria of the execution venues

The Bank directs all Client orders for execution through approved brokers, which may include affiliated entities or divisions of the HSBC Group where HSBC Global Banking and Markets trading desks (the investment business and research division of the HSBC Group and one of the main execution venue of the Bank) are located.

The Bank places significant reliance on its approved brokers in executing its obligations to take all reasonable steps to obtain, on a consistent basis, the best possible result for the execution of its Client orders. As a result, the Bank has adopted an in-house due diligence process to select brokers based on their capacity to provide consistent and reliable best execution results.

Broker selection is undertaken with reference to the following criteria:

- Commission rates and spreads.
- Promptness of execution.
- Access to markets, including the quality of their direct market access connectivity.
- Clearing and Settlement capabilities.
- Quality of service, including any assistance afforded to provide regulatory reporting.
- Past history in executing orders.
- Access to initial public offerings.
- Perceived reputation and financial stability both for the broker and for the Bank and the HSBC Group.
- Whether these agents have rules to provide an orderly market and cope with instances of market disruption.

ii. Selection process of the execution venues

Broker selection is undertaken with reference to the following process:

- 1) Brokers must be an approved broker of the HSBC Group and present an acceptable credit risk for the Bank;
- 2) Brokers must provide a level of service and quality of execution to ensure that the Bank meets, on a consistent basis, its best execution obligations. In considering this element, the Bank will place strong emphasis on the selection criteria referred above.

iii. Execution venues per class of financial instruments

- **Equities and other Exchange-Traded instruments (ETFs and listed derivatives):**

HSBC Securities London

HSBC Securities New York

Kepler Cheuvreux Paris

CSFB Europe London

RBC Europe London

- **Fixed Income instruments:**

UBS AG London

UBS AG Zurich

Merrill Lynch International London

HSBC Bank PLC London

Barclays PLC London

- **Foreign Exchange and Precious Metal**

HSBC Private Bank (Suisse) SA

- **Structured Products:**

HSBC Bank PLC London

Commerzbank Frankfurt

Natixis Paris

Crédit Agricole Paris

Société Générale Paris

- **Units in collective undertakings (units/shares in funds):**

FundSettle Euroclear

HSBC Private Bank (Suisse) SA

HSBC Bank Plc, Luxembourg Branch

¹ MTF: Multilateral Trading Facility, a multilateral system operated by an investment firm or market operator, which brings together multiple third-party buying and selling interests in financial instruments in the system and in accordance with non-discretionary rules – in a way that results in a contract in accordance with Title II of Directive 2014/65/EU. 'Non-discretionary rules' means that the investment firm operating an MTF has no discretion as to how interests may interact.

² OTF: Organized Trading Facility, means a multilateral system which is not a Regulated Market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract in accordance with Title II of Directive 2014/65/EU.

iv. Execution of orders outside a trading venue

Should specific circumstances warrant that the Bank execute an order outside of a trading venue, it will obtain, where appropriate or required by law, the prior consent of the Client to do so. In this context the Client will be provided with the information related to the risks and consequences of the execution of its order outside a trading venue, such as for example:

- Transactions may not be subject to the rules of Trading Venues, which are designed to provide a fair and orderly treatment of orders.
- Execution may not benefit from pre and post trade transparency in respect of price and liquidity.
- Counterparty risk arising from the settlement of the transaction.

e. Execution of order per type of financial instrument

Equities and other Exchange-traded instruments (ETFs and listed derivatives)

When executing a Client order on equities as well as any other exchange-traded instrument, the Bank will place the order, in a timely manner, on the relevant exchange where the instrument is traded, using electronic platforms providing direct market access.

If there are multiple exchanges, the Bank will usually execute the order on the main stock exchange where the instrument is traded, i.e. presenting, at the time of execution, the greatest liquidity, a lesser bid-ask spread, and/or a significantly greater trading volume. In certain circumstances the Client may specify an exchange on which the instrument should be traded. This exchange may not necessarily be located in the country of domicile of the issuer. Execution of orders is subject to the rules applicable in the relevant exchange. If orders cannot be matched in full, partial execution may be possible.

In exceptional cases, the size of the order, liquidity constraints, or limited or inexistent market access may require the Bank to process the order through telephone with an approved broker rather than via an electronic platform.

When executing Client orders on listed derivatives, the Bank considers that minimizing credit and settlement risks is a factor which has priority over obtaining the best price in achieving best execution due to the significantly higher credit risks which are associated to the high leverage levels of these instruments. As a result, the Bank transmits to HSBC Global Banking and Markets for execution all Client orders on listed derivatives, which may not result in the lowest total consideration for any given order.

In some cases, the Bank may determine that a particular Client order may need to be "worked" in the market due to the characteristics and size of the order, and/or prevailing market liquidity. In this case, the Bank privileges fairness and efficiency over timely execution in achieving best execution, and advises the Client of this fact, establishing with the Client clear execution guidelines, and informing the Client frequently (or on any agreed-upon basis) on the order execution progress. All exchanges held between the Bank and its Clients on the matter

are properly recorded by the Bank. Where the Client cannot be contacted, the Bank's traders will use their best judgment (relying on available market information) to place the order in the most effective way to achieve best execution.

As a general rule, timeliness of execution is an important factor in ensuring that best execution duties are properly carried out for client orders. However, the client should be made aware that in abnormal market conditions, particularly in times of severe market disruption, extreme volatility, lack of or limited liquidity, or systems outages, the Bank may need to delay immediate execution until normal market conditions resume.

In these abnormal market circumstances, the Bank cannot guarantee to Clients that its processes and means normally used in achieving best execution will effectively yield such best execution results.

Therefore, the Bank will make reasonable efforts to contact its clients prior to execution to obtain specific execution instructions. If the Bank is unable to obtain further instructions from clients in due time, the Bank will use its best judgment and all available market information to determine an optimal execution strategy as we reasonably believe to be in the Client's best interests.

The Bank reserves the right to refuse to execute any order, with or without prior notice to clients, in circumstances where the Bank has reasonable grounds to believe that such order would:

- Violate any law, regulation, stock exchange rule, or any other norm, rule or regulation to which the Bank may be bound as market participant.
- Be constitutive of market abuse or otherwise result in defrauding or deceptive market practices.

It is understood that the Bank is relieved from any execution obligation in the context of a force majeure event (such as an act of war, terrorism, plague, fire or any act of God) or any action by an exchange, execution venue, regulatory or government authority that disrupts or halts trading in the relevant financial instrument.

Fixed Income Instruments

When executing Client orders on fixed income instruments, the Bank considers total consideration as the most important factor in deciding where and how to obtain the best possible result for its Clients. The Bank will also consider, in no particular order of priority, consistent liquidity, competitiveness of spreads, and speed of execution in achieving best execution.

Generally, orders will be executed on multilateral trading facilities with approved counterparties. Orders are placed using the Bank's proprietary order and execution management system, linked to electronic platforms which allow to access market liquidity. On an exceptional basis due to the size of the trade or the illiquid nature of the instrument, some orders may be submitted through alternative platforms for quotes.

In all cases, the Bank will obtain, when available, a minimum of three quotes before placing an order and will select the best price provided by brokers/counterparties. The Bank keeps a record of all quotes obtained in this process.

However, there may be cases where, due to the lack market liquidity, the Bank may only be able to obtain less than three prices on a timely basis, from an approved counterparty. In this case, the Bank will make use of a proxy tool (e.g. Bloomberg), which provides indicative levels of valuation, in order to check the fairness of the prices provided by such counterparty. The Bank keeps a proper record of the steps taken to determine that less than three prices are available, as well as the steps taken to check the fairness of the prices obtained.

In the case where no price can be obtained the Bank informs the Client that it was not possible to establish price and that the transaction could not be completed.

Foreign Exchange and Precious Metals

Given the nature of the foreign exchange and precious metals market, which is a continuous and over-the-counter market, timely execution of a Client order is considered a paramount factor to achieve best execution. The importance of this factor varies depending on whether the order is considered a flow order or not.

Forex Flow Orders:

Flow orders are orders for which the average market liquidity in normal conditions is sufficient to provide immediate execution, and therefore best execution. These orders are systematically executed by the Bank through HSBC Private Bank (Suisse) S.A., which ensure that the orders are immediately sent to the market for execution and therefore are executed at prevailing market prices.

The Bank undertakes an ongoing review of HSBC Private Bank (Suisse) S.A. to ensure that the platform provide, on a consistent basis, immediate market prices to achieve best execution.

Forex orders considered “non-Flow”:

In some limited cases, the specific features of an order may render the platform of limited or no use as a suitable means to achieve best execution. This may be due, in particular, to the specific currency pair traded, the notional value of the contract or its tenor, the specificity or complexity of the product (including the need for consistent and accurate valuation of its features), or a combination of these factors.

In these cases, the Bank will use its best judgment to achieve best execution, considering all factors identified in Section d below and prioritising timely execution in this process. As a result, and depending on the specifics and circumstances of the order and prevailing market conditions, the Bank may obtain a single quote from HSBC Global Banking and Markets, or may require also other quotes from other counterparties.

When the Bank obtains several quotes, it keeps a record of the prices obtained and executes the order with the counterparty offering the best price. When the Bank decides instead to obtain a single quote from HSBC Global Banking and Markets, it will systematically check the price obtained with indicative levels shown on platforms to ensure the relative competitiveness of the quoted price relative to a reasonable range of deviation from such levels. Monitoring ensures that any significant deviation observed above the tolerated range is immediately reported to senior management for justification.

Structured Products

When executing Client orders on Structured Products, the Bank makes a distinction, based on the nature and credit risk of the product traded, between:

- Funded structured products (where the Client bears the issuer's credit risk).
- Unfunded structured products (where the Client does not bear an issuer's credit risk).

Funded Structured Products:

Funded structured products are debt instruments with a return at maturity linked to the performance of an underlying asset. As these securities are over-the-counter financial instruments which are i) highly customized to specific Client needs; ii) may widely vary in their tenor, underlying, and structure; and iii) are intended to be held by a Client on a longer term basis, the Bank considers that the quality of the issuer is a key factor in achieving best execution.

As a result, the Bank maintains a list of approved issuers for structured products. These issuers are approved based on the following criteria:

- Credit quality of the issuer: during the term of a funded structured product, Clients remain exposed to the credit risk of its issuer. As a result, the Bank considers that Clients should only be offered products whose issuer meets minimum credit standards as defined by the Global SP Issuer Selection Policy. In addition, the Bank considers that issuers with a higher credit quality are likely to provide greater pricing consistency on their products given that the funding component of their products will be less volatile.
- Quality of the overall service provided by the issuer: issuer quality is measured by a third factor related to the quality of its overall service. In evaluating this factor, the Bank takes into account the pricing transparency of the issuer, secondary market valuations, access to a pricing tool and to the pricing parameters of the issuer, and the quality of the legal and compliance support afforded by the issuer in providing product documentation meeting the Bank's local legal requirements.

The Bank systematically requests a minimum of two quotes from approved issuers before executing Client orders on these products, using a variety of means from telephone, email, or using the issuers' pricing tools. HSBC Global Banking and Markets is systematically requested to quote a price, when capable. The best price obtained in this process is always shown to the Client, and the Bank maintains an archive of all prices obtained in this process.

In some cases, a price comparison may be unachievable, or may be limited application. This may occur:

- First, when a Client identifies a preferred issuer, or specifically directs the Bank to obtain only one price from a single issuer amongst the list of approved issuers. In this case, the Bank undertakes to inform the Client that the selected issuer may not be offering the best price amongst its selected issuers, and must obtain the Client's consent to proceed nonetheless to the transaction. If circumstances

permit, the Bank may, prior to executing the order, check the price of the issuer selected by the Client against other approved issuers' prices, and, should it consider this price to be uncompetitive, inform the Client of this fact;

- Secondly, when the structure of the product or market conditions prevent or limit the ability of the Bank to obtain more than one price from its approved counterparties. In this case, the Bank undertakes to inform the Client that it is unable to perform the pricing checks warranted by the Best Execution Policy, and must obtain the Client's consent to proceed to the transaction nonetheless. The Bank must document the reasons why, in its judgment, the structure/market conditions of the product prevent it or limit its ability to find more than one price, and record this appropriately.

In all cases, the Bank makes an appropriate record of all material communications held with Clients.

Unfunded Structured Products (OTC derivatives):

As a general rule, the Bank will systematically compare at least two prices from approved counterparties and select the best price for the Client, following a similar process as detailed above for funded structured products.

In some cases, a price comparison may be unachievable, or may be limited application. This may occur:

- First, when, as a result of the particular nature/structure of the product at hand, the Bank cannot identify, using reasonable means to this end, more than one approved counterparty able or willing to provide a quote on the product. In this case, the Bank will inform the Client of this fact and that the requirements of the Best Execution Policy are therefore not applicable to the transaction, and obtain the Client's consent to proceed to the transaction nonetheless. The Bank must also keep a proper record of the reasons why the nature/structure of the product prevent it from obtaining more than one price.
- Secondly, when the Bank faces operational constraints and must resort exclusively to HSBC Global Banking and Markets to obtain a quote. In this case, the Bank must inform the Client of this fact and obtain the Client's consent to proceed nonetheless with the transaction. When the pricing of any given structure is transparent and alternative pricing sources/models are available (from providers such as [entity to list relevant providers]), the Bank must use these sources to evaluate the competitiveness of the price provided by HSBC Global Banking and Markets. When the Bank determines that the price provided by HSBC Global Banking and Markets is not competitive, the Bank will inform Clients of this fact, and must obtain clear Client instructions to proceed with the transaction nonetheless.

In all cases, the Bank makes an appropriate record of all material communications held with Clients.

Units in collective undertakings (units/shares in funds).

Subscriptions or redemptions of investment funds are transacted at the applicable net asset value for the particular transaction, using relevant transactional platforms, such as FundSettle

Euroclear, to this end, or, in limited cases, dealing directly with the fund administrator. In order to transact at the next applicable net asset value, trades should be input before the internal cut-off time. For daily / weekly funds the internal cut-off time is 3 hours before the external cut-off time. For funds with monthly or longer liquidity the internal cut-off time is 3 business days before the external cut-off time. If a trade is received after the internal cut-off time it will be executed on a best effort basis.

f. Specific Client instructions – warning to the Client

Where the Client provides the Bank with a specific instruction as to how to execute an order (for example by specifying an exchange on which the instrument should be traded), the Bank shall, where possible, endeavour to carry out the Client's instruction. However, the Client should note that if the Bank acts on the Client's specific instruction, the Bank may be prevented from obtain the best possible result for the execution of the orders in accordance with the Bank's Best Execution Policy. If a Client provides the Bank with specific instruction(s), the Bank will be treated as having satisfied its obligation to take all reasonable steps to obtain the best possible result for the Client.

Should it would not be feasible to follow specific Clients instructions, the Bank shall inform the Client about the potential risks coming from the settlement of the transaction. However, by accepting this policy, the Client states his awareness of such risks.

g. Quoted prices

Where the Bank offers a quote to a Client on his request, and which the Client accepts, the Bank will consider the following factors when providing a quote in a financial instrument:

- i. the credit risk that the Bank will enter into when transacting with the Client;
- ii. the positions that the Bank or its affiliates hold in the financial instrument the Client wishes to transact in, or related instruments;
- iii. the cost of capital that the Bank incurs as a result of the transaction;
- iv. the level of service provided to the Client;
- v. the need for the Bank to ensure that the price quoted allows it to recoup its costs as well as to generate a profit for its shareholders;
- vi. the nature of the market and/or instrument in question.

It is impossible to quantify the relative contribution of each of these execution factors to the price quoted in advance as they will vary transaction by transaction.

h. Monitoring and review

The Bank will monitor the effectiveness of its execution arrangements and Best Execution Policy and assess on a regular basis whether the execution venues, including HSBC execution venues, that the Bank has selected, provide the best possible result.

The Bank will review this Best Execution Policy and its execution arrangements at least annually. The Bank will also notify its Clients of any material changes to its execution arrangements or this Policy. A material change is considered as such whether it

affects the Bank's capability to offer the best possible results for its Clients on consistent basis.

In accordance with MiFID II obligations, the Bank will annually publish information on the quality of execution obtained on its top five trading venues for each class of financial instruments. The information will include, among others:

- Venue name and identifier.
- Volume of client orders executed on the Venue, expressed as percentage of total executed volume.
- Number of clients orders executed on the Venue, as a percentage of total executed volume.
- Percentage of the executed clients orders that were Passive³ and Aggressive⁴ orders⁵.
- Percentage of executed clients orders that were Directed orders⁶.

In addition, the relevant execution quality data published by the relevant execution venues shall be available in the Bank's Best Execution Policy available in the Bank's Internet website.

i. Amendments to this Policy

The Bank may amend this Best Execution Policy without prior notification at any time as it deems necessary. Where a material change has occurred in the Bank's Best Execution Policy, including changes to the list of execution venues on which the Bank places significant reliance, the Bank will inform its Clients whether by publishing these on its website or by written and/or electronic notification in the form of an amended Best Execution Policy.

j. Information of the Client

The Client is entitled to make reasonable and proportionate requests for information about the Bank's policies, arrangements and how they are reviewed by the Bank. The Bank undertakes to answer as clearly as possible and within a reasonable time.

Please add the link where this policy can be found.

³ Passive Order: an order that provides liquidity to the market.

⁴ Aggressive Order: an order that takes liquidity from the market.

⁵ Information on Passive and Aggressive orders are not applicable to PBLU.

⁶ Directed Order: an order where a specific Execution Venue was specified by the Client prior to the Execution of the order.