



# Best Execution and Broker Selection Policy

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## 1.1 Introduction

Triodos Investment Management B.V. ('Triodos IM') holds a license to manage alternative investment funds as described in Article 2:65 sub a of the Wft and UCITS as described in article 2:69b, section 1, sub a of the Wft, and has permission as well to offer investment services (Discretionary Asset Management, Investment Advice and Reception and Transmission of Orders in relation to Financial Instruments) based upon article 2:67a, section 2 / article 2:69c, section 2, of the Wft. These so-called MiFID-services may only be offered to professional investors.

With respect to Best Execution, Triodos IM is committed to act honestly, fairly and professionally in the best interests of its clients (when performing MiFID services) and the participants of the funds (when performing its tasks as manager of AIFs/UCITS). Triodos IM believes it can give substance to this by observing the principles relating to 'best execution' in accordance with the MiFID requirements. By doing so, Triodos IM also complies with the general requirements formulated in the AIFMD (Article 12(1)).

This Best Execution Policy (the 'Policy') details how Triodos IM seeks to provide best execution when (placing order with third parties) executing orders in listed financial instruments.

### 2.1 Scope of this Policy

Before clarifying the scope, the following remarks need to be made. Please note that currently Triodos IM does not execute orders directly at a regulated market, MTF or OTF but only performs its trades through third parties (banks and/or Brokers, hereafter referred to as Brokers). The responsibility for complying with the Best Execution rules lies with Triodos IM if it executes orders directly. If Triodos IM places orders for execution with another party, Triodos IM ensures that this third party has order execution arrangements in place that enable Triodos IM to continue to meet its obligations under Best Execution. Further arrangements regarding how Triodos IM monitors Best Execution from the Brokers it works with is reflected below.

Within Triodos IM, Impact Equity & Bonds (IE&B) is responsible for transmitting orders and executing trades resulting from investment decisions made regarding listed financial instruments. IE&B will use this Policy as a framework for order placement and best execution monitoring and is committed ensuring that all orders placed on behalf of Clients are executed under optimal conditions, striving for execution at the best possible location, against the best price, with minimal execution costs, and minimal market impact.

1. Order execution: This policies details how Triodos IM takes all sufficient steps for Best Execution of all orders in listed financial instruments (mainly debt and equity) that are traded on regulated markets.
2. Placing orders with third parties: This Policy details how Brokers are selected for execution of orders and how Triodos IM takes all sufficient steps to identify Best Execution from these Brokers.

### 2.2 Laws and regulations

This Policy is based on the following laws and regulations:

EU regulations

1. Undertakings for Collective Investment in Transferable Securities (UCITS);
2. Alternative Investment Fund Directive (AIFMD)
3. AIFMD Delegated Regulation
4. Markets in Financial Instruments (MiFID II)
5. MiFID II Delegated Regulation 2017/565, and
6. ESMA Guidance on Best Execution (ESMA guidelines, Q & As, reports, etc.)

Dutch law

7. Financial Supervision Act (Wet op het financieel toezicht or Wft).

## 3 Best Execution



### 3.1 Best Execution

Best Execution for Triodos IM means obtaining the best possible results for any executed orders regarding its tasks as AIFM/ManCO or when performing MiFID Services. The best possible result is measured against the execution factors below.

### 3.2 Execution Factors

Triodos IM only executes trades in listed bonds and equity. Triodos IM takes into account the following execution factors:

- price of the financial instrument
- Execution costs
- Speed of execution
- Likelihood of execution and settlement
- Size of the order
- Nature of the order
- Other factors that might be relevant for an order (e.g. limit-price, VWAP, implementation shortfall)

### 3.3 Aggregation and Allocation

As previously stated, Triodos IM consolidates orders from Funds, Mandates, or Clients for efficiency and fairness. The distribution of executed aggregated trades among Clients is predetermined upon submission to a Broker. In the event of partial execution of an aggregated order, allocation among Clients follows a pro-rata basis according to this predetermined order sequence. However, there is an exception to the pro-rata principle concerning odd lots, which may result in rounding discrepancies when calculating pro-rata allocations that are not multiples of the minimum lot size of an instrument. If odd lots prevent a complete percentage-based pro-rata allocation, the allocation utilized will be the closest alternative, considering the smallest odd lot feasible for the specific instrument.

### 3.4 Exception to Best Execution

#### Special Market Conditions

Triodos IM reserves the right to diverge from standard order placement procedures when exceptional market conditions necessitate, aiming to secure the best possible price for Clients. These circumstances typically entail significant disruptions to market volumes and liquidity, which may prevent regular pricing. Examples of such special market conditions include:

- a) extreme capital market volatility,
- b) system failure,
- c) force majeure (natural disaster, war, terrorist attack).

#### Specific Instructions from a client

Under its 'MiFID top-up' license, Triodos IM is allowed to perform reception and transmission of orders in financial instruments (execution only) services. In such a situation Triodos IM may execute a trade based on the explicit instructions from a client. In these circumstances Triodos IM is obliged to execute a transaction within the bandwidth of the instructions given by the client.

## 4 Order Routing and Execution



As mentioned, Triodos IM places its orders with bank/brokers for execution. This chapter details the process and the governance behind how Triodos IM executes its orders.

### 4.1 Order placing and execution process

IE&B solely executes trades in listed equity and fixed income. The markets for these instruments have a different setup which results in a different way of placing and executing orders.

#### **Fixed Income:**

Bonds are not traded via a regulated market but are offered through Broker platforms. IE&B executes orders through an electronic trading system (TSOX) with a select group of Brokers. TSOX details the bid/ask prices from several brokers on-screen. To trade, IE&B contacts a broker with whom Triodos IM has an open trading line to receive a final quote. Based on this final quote it will be decided if an order will be executed. Quotes from at least three brokers will be asked before a trade may be executed.

#### **Equity:**

Equities are trading via regulated markets by members of these markets. Other market participants, such as Triodos IM, trade via brokers who are direct members of an exchange (it may occur that there are more brokers in a chain between the end client and the exchange). Based on the on-screen prices from a relevant exchange, Triodos IM orders are executed through brokers with whom Triodos IM has a trading line.

### 4.2 Approved Broker List & Broker Selection Criteria

IE&B will exclusively direct orders for execution to Brokers approved on its Approved Brokers List ("ABL"). Criteria for Broker selection will be universally applied, both overall and for each financial instrument to be traded. Below are the general and specific criteria considered for choosing a Broker per Financial Instrument. The significance of these criteria may vary depending on the order. The execution factors detailed under 3.2 will also be taken into account for each individual transaction.

- Investment strategy of the fund or Mandate, considering risk-reward factors and specific requirements outlined in the SICAV I Sub-fund prospectus or Mandate Investment Management Agreement, along with all other relevant aspects related to order execution.
- Track record and market reputation, including the alignment of partnership, assessed by IE&B.
- Potential for reputational risk, such as controversies regarding TIM compliance or principles.
- Compliance with Triodos Minimum Standards, subject to discussion with the Broker.
- Financial stability, including factors like credit rating, preferably meeting investment-grade criteria.
- Compliance with Market Abuse Directive/Regulation (MAD/MAR), annually verified by contacting Brokers about potential issues.
- Compliance with Markets in Financial Instruments Directive II (MiFID II), with the Broker's order execution policy checked for MiFID II compliance during onboarding and annually reviewed thereafter.

Additional factors that may be considered when selecting a Broker include the investment strategy of the fund or Mandate, risk-reward considerations, specific requirements outlined in the SICAV I Sub-fund prospectus or Mandate Investment Management Agreement, and all other relevant aspects necessary for the execution of the order.

Orders for individual portfolios (Mandates) are consistently placed to the selected Brokers to ensure execution aligns with the Investment Management Agreement. Similarly, orders for funds are routed to ensure compliance with the prospectus during execution.

Mandates are often structured to follow the investment funds, typically as 1-1 copies, therefore orders will be similar in nature, and these can and will be bundled for efficiency. Potential Conflicts of Interest of unequal treatment of Clients are minimized or eliminated as trades for all types of Clients will be done.



Simultaneously, in a similar direction (buy or sell), with the same selected Broker and under similar (market) circumstances. In case of incomplete order executions, executed trades will be allocated to the Fund and Mandates on a pro rata basis (see below).

### 4.3 ABL and Broker Review

IE&B will conduct an annual review of the ABL, assessing the thoroughness of its constituent reviews and the quality of execution provided. Ad hoc reviews may be initiated as necessary, such as when a Broker is implicated in adverse media or has faced fines or other regulatory actions. The execution factors detailed under 3.2 will be considered during the review. Also, IE&B may perform multiple types of monitoring to help ensure its order execution arrangements remain suitable for the purpose of seeking to deliver the best outcome for clients and participants. The focus of a monitoring review will be on the following points:

#### A) Equity

- |                             |   |
|-----------------------------|---|
| - Cost                      | scoring of fee charged in basis points by Broker. |
| - Trade Cost Analysis (TCA) | quality and speed of execution.                   |
| - Coverage                  | market depth and breadth provided by Broker.      |
| - Quality                   | quality of service, timely matching/settlement.   |

#### B) Fixed income

- |                             |   |
|-----------------------------|---|
| - Trade Cost Analysis (TCA) | quality and speed of execution.                 |
| - Coverage                  | market depth and breadth provided by Broker.    |
| - Quality                   | quality of service, timely matching/settlement. |
| - Hit ratio                 | participation in request for quote competition. |

Triodos IM will assess whether selected Brokers executed orders as anticipated, relative to market conditions and benchmarks. Discussion of execution data for all Brokers on the ABL will occur, with an aggregated TCA providing an overview of how optimal trading and execution results were achieved for Clients in the funds. IE&B will also review transaction execution outliers periodically and report findings to the BAC.

Order trail data, including order instructions, changes, and received quotes from Brokers, will be retained for five years.

Following the completion of the Broker review, the proposed revised ABL will be presented to the BAC for approval. Triodos IM will then inform individual Brokers of the results of the review and engage in discussions if necessary.

### 4.4 Broker Approval Committee

The Broker Approval Committee (BAC) monitors and evaluates the execution quality by evaluating the effectiveness of the chosen Brokers incorporated in the ABL and ensuring the proper application of this policy. The BAC consists at least of four members, with representation from Compliance, Front Office Support and Fund Managers of the Fixed Income and Equity team.

During the Broker Approval Committee meeting, a representative from the Compliance Department shall participate to confirm that the adequate steps have been performed. So, compliance shall provide advisory inputs during the committee discussions, offering insights into regulatory implications and potential compliance risks associated with the broker's approval.



Finally, the BAC conducts regular updates and reviews of the Approved Broker List (ABL), at least annually, or more frequently if required by organizational or regulatory changes, such as the inclusion of new Brokers between regular assessments. IE&B consistently prioritizes “best execution” when executing orders through approved Brokers and requests that Brokers share their respective best execution policies with Triodos IM.



## 5 Monitoring



With regard this Policy, the Compliance Department shall conduct an annual monitoring review to ensure adherence to the Best Execution Policy and regulatory requirements. This review aims to assess whether best execution principles are consistently applied in the execution of trades.

From a second line monitoring obligation the Compliance department will conduct a sample based and risk-based tests for adherence to this Policy. Utilizing the files provided by the business line, to assess compliance requirement. This review aims to ensure that best execution is achieved by scrutinizing available trades and evaluating the rationale behind the selection of specific prices, broker, etc. Compliance shall document its findings and recommendations, reporting them to the appropriate stakeholders for further action or consideration.

## 6 Ownership and Maintenance



The director IE&B is responsible for owning and maintaining this Policy, subject to review every year or sooner in the event of regulatory updates, organizational changes, or significant shifts in order execution factors. Adjustments to the policy will be made as necessary following these reviews. Approval of this document or any modifications must be obtained from the Management Board.

The Compliance department oversees the maintenance of all relevant Triodos IM policies and governance documentation.

Triodos IM will make this Policy available for investors through its website.

**AIFMD**

Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers, including delegated or implementing Acts and/or Regulations.

**Approved Broker List (ABL)**

The List of Brokers that have been reviewed, approved, onboarded, and are permitted to trade with.

**Best Execution**

Is the term used to denote the duty Triodos IM must take all sufficient steps to obtain the best possible result, considering a range of execution factors, when executing client order or placing orders with (or transmitting orders to) other entities to execute.

**Broker**

A credit institution, a regulated investment firm or another entity subject to prudential regulation and ongoing supervision, offering services to professional investors primarily to finance or execute transactions in financial instruments and which may also provide other services such as clearing and settlement of trades, custodial services, securities lending, customized technology, and operational support facilities.

**Client**

A (legal or natural) person that invests in one or more Triodos IM Funds or to whom Triodos IM provides certain investment services.

**Discretionary Asset Management**

Managing portfolios in accordance with Mandates given by Clients on a discretionary Client-by-Client basis where such portfolios include one or more Financial Instruments.

**Financial Instruments**

All instruments as defined in MiFID II (Annex I, Section C), among others transferable securities (such as (certificates of) shares, bonds), units in collective investment undertakings and derivatives.

**Investment Advice**

Means the provision of personal recommendations to a Client, either upon its request or at the initiative of the investment firm, in respect of one or more transactions relating to Financial Instruments.

**Mandates**

Discretionary management of assets in accordance with mandates given by professional Clients on a Client-by-Client basis where such portfolios include solely exchange traded Financial Instruments. All services and activities are listed in MiFID II (Annex I, Section A) and are relating to any of the Financial Instruments listed in MiFID II (Annex I, Section C). Although from a legal perspective Discretionary Asset Management is considered a service, Triodos IM treats the service as a product with the name Mandates. The service of offering Mandates is covered by this Best Execution policy.

**MiFID II**

Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in Financial Instruments.

**Reception and Transmission of Orders (RTO)**

The reception and transmission of orders in relation to one or more Financial Instruments.

**Triodos Impact Equities & Bonds (TRIODOS IM)**

The department within Triodos Investment Management where the liquid equity and fixed income mutual funds are managed, and where this Best Execution policy relates to.

**UCITS Directive**

Directive 2014/91/EU (UCITS V) of 23 July 2014 amending Directive 2009/65/EC (UCITS IV) of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable schemes, including delegated or implementing Acts and/or Regulations.

**Wft**

Dutch Financial Supervision Act (Wet op het Financieel Toezicht), effective as of 1 January 2007, as amended from time to time.