



# Best Execution Policy Impact Equities & Bonds

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**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.

**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, customised 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 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 (IE&B)**

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

# 1. Introduction



## 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 are only offered to professional Clients.

Triodos IM does not execute orders itself but transmits orders to Brokers for the account and risk of its professional Clients and the alternative investment funds and UCITS it manages (hereinafter: funds) in equities and fixed-income instruments. In all cases, the order results from decisions of Triodos IM to trade in Financial Instruments on behalf of its Clients or the managed funds.

With respect to best execution, Triodos IM is committed to act honestly, fairly and professionally in the best interests of its Clients. 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)).

## 1.2 Purpose and objective

Triodos IM Impact Equities & Bonds (IE&B) at all times takes all sufficient steps to achieve the best possible result for Clients when, for equities placing orders to Brokers in order to be executed, and for fixed income placing orders with selected Brokers as counterparty.

IE&B transmits orders resulting from investment decisions in the context of managing investment funds and Discretionary Asset Management for professional investors.

For equities, IE&B itself does not execute orders but routes (submits) its orders to Brokers in order for these parties to execute them. For fixed income, IE&B executes orders via an electronic trading system (TSOX) with a limited group of selected Brokers. This policy describes the three-step process of:

1. selecting appropriate Brokers (forming the so-called "Approved Broker List");
2. there is a different approach for equity and fixed income orders:
  - a. for equities, directing orders to individual Brokers, and the measures IE&B takes to monitor and strive for best execution when submitting orders to Brokers for execution;
  - b. for fixed income, executing the trades at the best price, in the interest of the Client, conditionally to market circumstances and the volume traded, and
3. evaluating Broker executions.

IE&B will use this policy as a reference guide for order placement and best execution monitoring. IE&B will take all necessary steps to ensure all orders placed on behalf of all Clients are executed under the best possible circumstances for the Client, i.e. IE&B strives to direct orders such that they are executed at the best possible location, against the best possible price, against lowest expected execution costs and with low expected market impact.

Triodos IM will make this policy available for investors through its website. Furthermore, a biannual report on the quality of order execution via our Brokers will be made available.

## 2. Scope



### 2.1 Scope of this policy

All orders in listed debt (fixed income), listed equity (equity) and UCITS securities that are traded on regulated markets fall within the scope of this Best Execution Policy for IE&B Funds and Mandates;

- resulting from collective investment management; or
- resulting from Discretionary Asset Management for professional investors.

### 2.2 Laws and regulations

This policy is based on the following laws and regulations:

1. EU regulations

- (UCITS Directive;
- MiFID II, and
- ESMA Guidance on Best Execution (ESMA guidelines, Q & As, reports, etc.)

2. Dutch law

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

## 3. Approved brokers



### 3.1 Approved broker list

IE&B can and may only place orders with, or trade with Brokers that are on its Approved Broker List (ABL).

### 3.2 Broker approval committee

The ABL is owned and reviewed by the Broker Approval Committee (BAC), which consists of at least four members, with representation from the Front Office Support, Fund Management (Front Office) and Risk Management & Compliance.

The BAC reviews the ABL at least annually or whenever organisational or regulatory developments so dictate, e.g. in the case of adding Brokers in between reviews. IE&B will always demand “best execution” for the execution of its orders by and with approved Brokers and will ask the Brokers to communicate their respective best execution policies to Triodos IM.

Brokers submitted to the BAC for approval (and hence inclusion on the ABL) will be evaluated based upon the following factors:

- a) investment strategy of the fund or Mandate for which orders are being directed, risk-reward considerations, other specific requirements as stated in the SICAV I Sub-fund prospectus or Mandate Investment Management Agreement and all other relevant aspects for execution of the order.
- b) track record and market reputation  
e.g. alignment of partnership, to be determined by IE&B;
- c) possibility of reputational risk  
e.g. controversies with respect to TIM compliance/principles;
- d) violation of Triodos Minimum Standards  
to be discussed with Broker;
- e) financial stability  
e.g. credit rating, preferably investment grade;
- f) MAD/MAR compliance  
verified annually by contacting Brokers about issues;
- g) MiFID II Compliance  
the Broker’s order execution policy is checked on MiFID II compliance at onboarding and is annually reviewed.

The ABL, which lists Brokers approved in the BAC, will be maintained and updated by the BAC. The ABL and bi-annual broker evaluation report will be kept on record by the BAC.

### 3.3 ABL and Broker Review

IE&B will review the ABL at least annually, looking at the validity of reviews of its constituents and the quality of execution provided. Ad hoc reviews can be decided upon when perceived necessary, i.e. when a Broker is subject to adverse media or has been fined by a supervisor or been subject to other supervisory measures.

A key ingredient of the review is Trade Cost Analysis. Once the Broker review has been completed, the proposed revised ABL will be submitted to the BAC. The BAC will approve the ABL. IE&B will communicate the result of the Broker review to individual Brokers and discuss the results if needed.

## 4. Routing orders



### 4.1 Broker Selection Criteria

IE&B will only route orders for execution to Brokers that have been approved on its ABL. The criteria used for selection of Brokers will be applied in general and per financial instrument that will be traded. The general and specific criteria for choosing a Broker per Financial Instrument are listed below. The importance of the criteria might vary per order.

1. nature and liquidity of Financial Instrument
2. venue of execution
3. nature and size of the order versus market turnover
4. price at which the order can be executed
5. market impact of the trade
6. condition for execution (limit price, Value-Weighted Average Price, Implementation Shortfall, etc.)
7. costs of execution (Broker fees plus any other fee or commission, bid-ask spread in case of fixed income))
8. quality of execution and settlement i.e. speed of execution, likelihood of execution and settlement

The following factors are also taken into account when selecting a Broker to route an order to: the investment strategy of the fund or Mandate for which orders are being directed, risk-reward considerations, other specific requirements as stated in the SICAV I Sub-fund prospectus or Mandate Investment Management Agreement and all other relevant aspects for execution of the order.

IE&B shall take all reasonable measures to ensure that the best possible result for its Clients is achieved when it places orders to Brokers to be executed. When placing an order, specific elements are assessed for different Financial Instruments:

#### Fixed income

Fixed income orders are generally executed over-the-counter (OTC) and as such there are no fees or commissions, but rather all counterparties quote a bid-ask-price instead. This means that the best quote offered for execution of a trade is the main determinant in executing an order with a specific Broker. IE&B always requests a quote from several competing parties, which are recorded. The competition data collected in this way will be used in the broker evaluation for:

- 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

#### Equity

Equity trades are generally executed via regulated markets and hence costs of execution such as fees and commission as well as expected market impact are main determinants in allocating trades to a specific Broker. The broker evaluation will incorporate details like:

- Cost                                      scoring of fee charged in basispoints 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

Orders for professional investors portfolios (Mandates) are always placed in such a way that the selected Broker executes them in line with the Investment Management Agreement. For the funds, orders will be routed such that they are executed in line with the prospectus.

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).



## 4.2 Aggregation and Allocation

As mentioned above, IE&B will aggregate orders of Funds, Mandates or Clients out of efficiency and equal-treatment considerations. The allocation of executed aggregated trades amongst Clients is pre-determined when submitting such an order to a Broker. When an aggregated order is partly executed, allocation amongst Clients will be done on a pro-rata basis according to this pre-determined order generation.

There is one exception regarding the pro-rata principle: odd lots (small allocations) may cause rounding issues when calculating pro-rata allocations that are not a multiple of the minimum lot size of an Instrument. In case of odd lots preventing a full percentual pro-rata allocation, the allocation used will be the nearest alternative given the lowest odd lot possible for the specific instrument.

## 4.3 Special Market Conditions

IE&B can deviate from the regular procedures for placing orders if special market circumstances so dictate, in order to achieve a best possible price for Clients. Special market conditions usually have a severe impact on market volumes and liquidity and thus often prevent regular pricing. Examples of special market conditions are:

- (i) extreme capital market volatility,
- (ii) system failure,
- (iii) force majeure (natural disaster, war, terrorist attack).

## 4.4 Broker Execution Review and Trade Cost Analysis

IE&B will review the Brokers to the extent they comply with Triodos IM's and the Broker's own Best Execution Policy and IE&B will evaluate Broker execution quality (costs, performance vs. order benchmarks, market impact, outliers, etc.) and trading execution quality for fixed income at least annually in a Trade Cost Analysis (TCA), which is kept on record for 5 years.

IE&B will assess whether the selected Brokers executed placed orders as expected, relative to market circumstances and benchmarks. Execution data of all Brokers on the ABL will be discussed, and an aggregated TCA will give an overview of how the best possible trading and execution results were obtained for Clients in the funds. IE&B will review whether there are outliers in transaction executions and report to BAC periodically.

Order trail data (e.g. order instructions, changes and received quotes from Brokers) will be stored for a period of five years.

## 4.5 Reporting and Regulatory Technical Standards 28 Report (RTS 28)

IE&B will report about the quality of the execution of the orders for each Financial Instrument on an annual basis and will report on the top 5 trading venues based on trading volumes. This will be done by annually generating the RTS 28 report. In this report IE&B will also report on the general quality of the execution of orders on the specific venues used by its Brokers.

In case a fund or Mandate Client asks IE&B if the execution of a certain order was in line with the Broker's best execution policy, IE&B will ask the executing Broker for this information or provide the Client with the relevant Trade Cost Analysis report. The Broker and/or TIM will then demonstrate that the order execution was in line with its best execution policy.

All professional Clients approve this policy when signing their respective Investment Management Agreements. The most recent version of this policy will be published on the [www.triodos-im.com](http://www.triodos-im.com) website.



## 5. Ownership and Maintenance



This policy is owned and maintained by the director of IE&B and will be reviewed every year, or earlier in cases of regulatory, organizational developments or significant changes in order execution factors. The policy will be adjusted when needed based on this review. This document or any changes thereto need to be approved by the Management Board. The Compliance department coordinates the maintenance process of all applicable Triodos IM policies and governance documentation.