

Investment Decisions Execution Policy of Luminor investicijų valdymas UAB

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Chapter 1 - Objective

1. The objective of the Policy is:

- 1.1. to regulate the execution of Investment Decisions (Trade Orders) of AMC in the process of management of Pension Funds;
- 1.2. to guarantee that when executing an Investment Decision (Trade Order) on the behalf of a Pension Fund or transmitting it for execution to another entity (as specified in Appendix 1) the AMC acts on the conditions best for the Pension Fund and their participants and in their best interests, as well as follows the respective laws and/or other legal acts of the Republic of Lithuania, and the Policy; and
- 1.3. to establish the factors of execution of Investment Decisions (Trade Orders), their relative importance, the venues of execution and the entities to which Investment Decisions (Trade Orders) may be transmitted for execution .

2. The Policy applies to Fund Managers and Portfolio Managers who are responsible for adherence to the principles and requirements established in this Policy when executing an Investment Decision (Trade Order) and/or transmitting it for execution to another entity. This Policy is designed based on requirements stemming from, including without limitation, the Republic of Lithuania Law on Supplementary Voluntary Accumulation of Pensions and Rules for Organising and Executing Activities of the Management Companies approved by the Bank of Lithuania and applies to the management of Pension Funds.

Chapter 2 - Definitions

3. The below capitalized terms shall have the following meaning:

- 3.1. **AMC** – Luminor investicijų valdymas UAB.
- 3.2. **Active List** – a list of Financial Instruments that satisfy selection criteria set out in the “Procedure for Investment Limits and Guidelines of Luminor investicijų valdymas UAB” and are approved by the Investment Committee for investment to Pension Funds.
- 3.3. **Financial Instrument** –the following financial instruments as they are defined in Republic of Lithuania Law on Supplementary Voluntary Accumulation of Pensions: transferable securities, money market instruments, securities of collective investment undertakings (for instance, mutual funds and exchange traded funds), derivative contracts related to securities, currencies, interest rates or yields and deposits.
- 3.4. **Investment Decision** (Trade Order) – a reasoned decision by a Fund Manager or Portfolio Manager to execute a transaction in a particular Financial Instrument included to the Active List when managing Pension Funds.
- 3.5. **Pension Fund** – the 2nd and/or 3rd pillar pension fund managed by the AMC.
- 3.6. **Policy** – this Investment Decisions Execution Policy of Luminor investicijų valdymas UAB.

Chapter 3 - List of Appendices

4. Appendix 1 – Venues of Execution of Investment Decisions (Trade Orders) and Entities to Which Investment Decisions (Trade Orders) are Transmitted for Execution.

Chapter 4 - Roles and Responsibilities

5. Fund Managers and Portfolio Managers are responsible for:
 - 5.1. adherence to the principles and requirements established in this Policy when making and executing an Investment Decision (Trade Order) and/or transmitting it for execution to another entity;
 - 5.2. periodic monitoring and assessment whether this Policy is efficient, whether the quality of the Investment Decision (Trade Order) execution/or transmission for execution is sufficient.

Chapter 5 - Investment Decision (Trade Order) Execution Factors and Their Relative Importance

6. When executing an Investment Decision (Trade Order) on the behalf of a Pension Fund or transmitting it for execution to another entity (as specified in Appendix 1) AMC acts on the conditions best for the Pension Fund and their participants and in their best interests, as well as follows the respective laws and/or other legal acts of the Republic of Lithuania, and the Policy.

7. In order to achieve the best possible result (for instance, best cost-benefit value of the particular Financial Instrument) for a Pension Fund when executing Investment Decisions (Trade Orders) on the account of a Pension Fund or transmitting them to another entity for execution, AMC assesses the following factors:

7.1. **Price of a Financial Instrument** – the price at which the Investment Decision (Trade Order) for a particular Financial Instrument is executed. AMC considers this factor to be the most important and seeks for the best execution price under prevailing market conditions, following the time priority principle with regard to execution or submission for execution of similar Investment Decisions (Trade Orders).

7.2. **Costs of Investment Decision (Trade Order) execution** – costs and charges that may be incurred in executing an Investment Decision (Trade Order) in a particular way. Investment Decision (Trade Order) execution costs make part of the overall settlement amount therefore are considered as the second most important factor after the price. AMC compares execution costs and seeks that they would be the lowest.

7.3. **Speed of Investment Decision (Trade Order) execution** – the time it takes to execute an Investment Decision (Trade Order). Where market prices change sharply, the speed of execution is likely to affect the final settlement amount. Investment Decisions (Trade Orders) for the same category of Financial Instruments are executed and/or transmitted for execution to another entity following the time priority principle irrespective of size, content and other applicable terms.

7.4. **Likelihood of Investment Decision (Trade Order) execution and settlement** – the likelihood that AMC will be able to complete the Investment Decision (Trade Order) in full and of timely settlement.

7.5. **Investment Decision size and content** – the size of an Investment Decision (Trade Order), including its effect on the execution price, and possible impact of specific features on the execution of an Investment Decision (Trade Order) or on the market. AMC seeks to ensure that an Investment Decision (Trade Order) is executed with a minimum adverse effect on the market. AMC takes into account the liquidity of the Financial Instrument, the prevailing market circumstances and the potential impact of the Investment Decision (Trade Order) execution on the price of the Financial Instrument, as the case may be where execution of the entire scope of an Investment Decision (Trade Order) at a less attractive price is a preferable alternative to the partial order execution which might have an adverse effect on the final Financial Instrument price.

7.6. **Other circumstances** important to the Investment Decision (Trade Order) execution (e.g., which might be specific to the Financial Instrument).

8. In managing a Pension Fund the AMC, when executing an Investment Decision (Trade Order) or transmitting it for execution to another entity, determines the relative value of the factors listed in Clause 7 in view of the following criteria:

- 8.1. investment objectives, investment policy and types of risks inherent to the Pension Fund as indicated in the Pension Fund Investment Strategy or Pension Fund Rules;
- 8.2. characteristics of the Investment Decision (Trade Order);
- 8.3. characteristics of the Financial Instrument regarding which the Investment Decision (Trade Order) is made;
- 8.4. characteristics of the venues where the Investment Decision (Trade Order) is likely to be executed.

9. AMC draws attention to the fact that the best possible result of Investment Decision (Trade Order) execution is not limited to the price, but additionally comprises trading costs, size, content, speed and the likelihood of execution. Even in the case when it seems that the price was not the best, this does not necessarily mean that the Investment Decision (Trade Order) in full was not executed on the terms best for the Pension Fund.

Chapter 6 - Selection of Venues for Investment Decision (Trade Order) Execution

10. AMC selects the venues of the Investment Decision (Trade Order) execution taking into account:

- 10.1. Price of Financial Instruments and transparency of its formation;
- 10.2. Costs of execution;
- 10.3. Likelihood and speed of execution and settlements;
- 10.4. Market liquidity and liquidity of Financial Instruments;
- 10.5. Restrictions of a transaction size.

11. AMC selects the following as the main venues of Investment Decision (Trade Order) execution:

- 11.1. regulated markets;
- 11.2. electronic multilateral trading systems;
- 11.3. financial intermediaries and/or brokerage firms which conduct systematic internaliser trading.

12. The number of execution venues used shall be sufficient to continuously ensure Investment Decisions (Trade Orders) execution on the terms best for the Pension Fund and their participants and in their best interests. AMC does not seek to use the highest possible number of venues to execute Investment Decisions (Trade Orders). When selecting a suitable venue for execution of an Investment Decision (Trade Order), AMC will take sufficient efforts to select venues that consistently allow the best result for the Pension Fund to be achieved.

13. If several venues of the Investment Decision (Trade Order) execution meet the established requirements and in principle the best possible result may be achieved in any of them, AMC at its own discretion chooses one or more venues for execution for each category of Financial Instruments.

14. Investment Decisions (Trade Orders) to buy/sell Financial Instruments are executed by AMC or are transmitted for execution to third parties as defined in Appendix 1 to this Policy.

15. AMC on a regular basis and/or at least once per year reviews selected venues of the Investment Decision (Trade Order) execution in view of the requirements to execute Investment Decisions (Trade Orders) on the terms best for the Pension Fund and their participants and in their best interests.,

Chapter 7 - Requirements for Investment Decision (Trade Order) Execution

16. The AMC shall apply and implement the measures, procedures and control and/or monitoring activities to ensure the prompt, fair and expeditious execution of Investment Decisions (Trade Orders) concluded on the behalf of a Pension Fund.

17. Executed Investment Decisions (Trade Orders) on behalf of a Pension Fund must be immediately and accurately recorded in AMC investment decision register (also referred to as investment decision journal) and allocated to Pension Funds. Similar Investment Decisions (Trade Orders) are executed successively and immediately, except for the cases where it is not possible to do so due to the characteristics of the Investment Decision (Trade Order) or prevailing market conditions,

or when this is in conflict with the Pension Fund's interests. Records about executed Investment Decisions (Trade Orders) shall be kept for at least 10 years, or longer, if required by applicable regulations.

18. Financial Instruments and funds received upon settlement for the executed Investment Decisions (Trade Orders) must be immediately and correctly recorded in the respective Pension Fund's financial instruments accounts, if applicable, in the Pension Fund sub-fund's or investment unit classes and / or series accounts.

19. AMC has no right to abuse the information related to pending Investment Decisions (Trade Orders) and must take all actions required to prevent any of the related persons from abusing this information. Furthermore, AMC must implement adequate measures to ensure due prevention of market abuse attempts and/or activities.

Chapter 8 - Aggregation and Allocation of Transactions

20. If AMC aggregates an Investment Decision (Trade Order) made on behalf of a Pension Fund with one or several Investment Decisions (Trade Orders) made on behalf of other Pension Funds and such aggregated Investment Decision (Trade Order) is fully executed, AMC must allocate related transactions at the average trade price. If such aggregated Investment Decision (Trade Order) is partially executed, it is allocated pro rata at the average trading price. The number of Financial Instruments shall be rounded in accordance with mathematical rules and respecting the lowest trading denomination of Financial Instrument. In certain cases the allocation may differ in order to avoid disproportionate costs, and a smaller order may be fully executed.

21. The Pension Fund orders are not aggregated with AMC orders. The Pension Fund orders may be aggregated only with orders of other Pension Funds.

Chapter 9 - Transmission of Investment Decisions (Trade Orders) for Execution to Another Entity and Their Selection Principles

22. AMC may transmit an Investment Decision (Trade Order) of a managed Pension Fund for execution to another entity, acting as a financial brokerage firm, indicated in Appendix 1 to this Policy. When selecting suitable entities for execution of Investment Decisions (Trade Orders), AMC will take sufficient efforts to select entities that consistently allow the best result to be achieved. When transmitting the execution of Investment Decision (Trade Order) to another entity, AMC must act in the best interests of the Pension Fund. AMC assesses execution quality of selected entities regularly and/or at least once per year. AMC, when choosing an entity, assesses the factors and their relative value as established in Chapter 5 - of this Policy in order to obtain the best possible result for the Pension Fund and its participants.

Chapter 10 - Investment Principles Applied in Managing Assets of Pension Funds

23. AMC constantly seeks that Pension Fund assets are invested to ensure the security, profitability and liquidity of the entire Financial Instruments portfolio of the Pension Fund.

24. It is prohibited to invest Pension Fund assets in Financial Instruments manufactured by the Group company or other products in order to resolve difficulties faced by AMC or another company within the Group, or the Pension Fund related to the liquidity, solvency or compliance with the requirements of the legal acts.

25. Upon investment of Pension Fund assets into the investment fund managed by AMC (if any), the management fee cannot be deducted from the invested Pension Fund assets. However, if the management fee is deducted from the invested Pension Fund assets, AMC must, not later than within one month, return to the Pension Funds account the deductions applied for the management of the Pension Fund assets as invested in the investment fund. These provisions shall also apply to the management of investment funds for which AMC has transferred its management function or part thereof to other persons (if applicable).

26. The funds (for instance, inducements) returned by the collective investment undertaking (ETF or mutual fund) in which the Pension Fund assets are invested or by its management company and related to the investment in the collective investment undertaking in all cases immediately, but not later than within 2 business days after the business day on which they were returned, shall be included by AMC in the respective Pension Fund assets.

Chapter 11 - Policy Review and Final Provisions

27. AMC continuously and/or at least once per year monitors and/or assesses whether this Policy is efficient and whether the quality of the Investment Decision (Trade Order) execution by other entities which execute Investment Decisions (Trade Orders) as described in Appendix 1 to this Policy is sufficient. The results of the monitoring activities must be documented and presented to the Investment Committee. Upon identification of any deficiencies of the Policy, the best execution and/or selected execution venues, AMC must immediately report those to the Investment Committee and design and implement remediation actions.

28. The Policy shall be reviewed at least annually. It must be reviewed also in the case of a material change that affects the AMC's capacity to obtain the best possible result for the Pension Fund and its participants.

29. AMC ensures that the Policy and all material changes thereto are available to the Pension Fund participants on web page www.luminor.it.

30. AMC acts in the way that enables it at any time to prove that the Investment Decision (Trade Order) on behalf of a Pension Fund was executed or transmitted to another entity for execution in compliance with the Policy.

31. In special cases (market disturbance, technical break of market trading systems or similar) it may be impossible or inappropriate to execute Investment Decisions (Trade Orders) in any of the ways stated in this Policy. Therefore, AMC may decide to use a procedure different than described in this Policy. In any case AMC aims to act in a way which provides the best possible result for the Pension Fund and its participants given circumstances.

32. This Policy is approved by a resolution of the AMC Management Board.

Chapter 12 - Mandatory FSA Notification and Mandatory Approval Body

33. Mandatory FSA Notification of this Policy and its changes: not set by external regulations.

34. Mandatory Approval Body of this Policy: not set by external regulations or higher level (Group) Internal Regulations.

Appendix 1

VENUES OF EXECUTION AND ENTITIES TO WHOM INVESTMENT DECISIONS (TRADE ORDERS) ARE TRANSMITTED FOR EXECUTION

Investment Decisions (Trade Orders) to buy/sell investment fund units are executed through CITIBANK, N.A. platform CitiDirect for Securities Order and Trade Manager (Collective Investment Services) via Luminor Bank AS, also they may be transmitted for execution to Nordea Investment Funds S.A.

Investment Decisions (Trade Orders) to buy/sell Exchange Trading Funds (ETF) units can be executed through brokerage (intermediary) services of Luminor Bank AS (via CITIBANK, N.A. platform CitiDirect for Securities Order and Trade Manager Execution to Custody), or Nordea Bank Abp, also Flow Traders B.V., Jane Street Financial Limited or Optiver V.O.F. counterparty services may be used.

For Investment Decisions (Trade Orders) to buy/sell Financial Instruments which are traded on a bilateral basis over-the-counter and are not traded on exchange: bonds, money market instruments and other Financial Instruments, AMC can use Luminor Bank AS and Nordea Bank AB brokerage (intermediary) services, or Luminor Bank AS, "Swedbank", AB or SEB bankas counterparty services. In specific situations related to Financial Instrument liquidity, market structure or other restrictions, over-the-counter trades can be executed with other counterparties, as long as it is in line with the requirements of the Policy.