



Order Execution Policy

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First Sentier
Investors

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1. Context

- 1.1 First Sentier Investors (“**FSI**”) operates through various legal entities in Australia, Asia, Americas and EMEA and manages assets across a diverse range of global asset classes on behalf of institutional investors and pension funds, wholesale distributors and platforms, financial advisers and their clients.
- 1.2 As a fiduciary FSI has a duty to put the best interests of its clients first and is obliged to seek “best execution” when executing client trades.

2. Purpose

- 2.1 The purpose of this Best Execution Policy (“**Policy**”) is to outline FSI’s Policy to seek Best Execution for clients and funds.

3. Scope

- 3.1 This policy covers the following legal entities:
 - First Sentier Investors (Australia) IM Ltd
 - Formerly known as Colonial First State Asset Management (Australia) Limited
 - First Sentier Investors RQI Pty Ltd
 - Formerly known as Realindex Investments Pty Limited
 - First Sentier Investors (Australia) RE Ltd
 - Formerly known as Colonial First State Managed Infrastructure Limited
 - First Sentier Investors (UK) Funds Limited
 - Formerly known as First State Investments (UK) Limited
 - First Sentier Investors International IM Limited
 - Formerly known as First State Investments International Limited
 - First Sentier Investors (UK) IM Limited
 - Formerly known as First State Investment Management (UK) Limited
 - First Sentier Investors (UK) Services Limited
 - Formerly known as First State Investment Services (UK) Limited
 - First Sentier Investors (Hong Kong) Limited
 - Formerly known as First State Investments (Hong Kong) Limited
 - First Sentier Investors (Japan) Limited
 - Formerly known as First State Investments (Japan) Limited
 - First Sentier Investors (Singapore)
 - Formerly known as First State Investments (Singapore)
 - First Sentier Investors (US) LLC
 - Formerly known as First State Investments (US) LLC
 - First Sentier Investors (Ireland) Limited
 - Formerly known as First State Investments (Ireland) Limited

- 3.2 This Policy applies to the following investment teams within FSI:
- Global Listed Infrastructure
 - Global Property Securities
 - Australian Growth
 - Australian Small & Mid Caps
 - FSSA Investment Managers
 - RQI
 - Asian Fixed Income
 - Short Term Investments
- 3.3 This policy does not cover the following teams, who maintain separate policies;
- Stewart Investors; and
 - Igneo Infrastructure Partners.

4. Key definitions

- 4.1 **Approved Counterparty List:** List of brokers and other counterparties approved for executing client trades.
- 4.2 **Best execution:** to obtain the best result when executing trades for clients/ funds taking into account a number of execution factors.
- 4.3 **Execution Oversight Group / Committee:** the committee accountable for overseeing trade order execution and alignment to this policy. The committee meets at least every 6 months, typically every quarter with external transaction cost analysis supporting the committee.
- 4.4 **FSI:** The corporate group comprising the following and all of their direct and indirect subsidiaries:
- First Sentier Investors Holdings Pty Limited; and
 - First Sentier Investors (US) LLC.
- 4.5 **Multi-lateral Trading Facility (“MTF”):** a trading system that facilitates the exchange of financial instruments between multiple parties, normally operated by market operators and investment banks.
- 4.6 **Organised Trading Facility (“OTF”):** a trading system that facilitates the exchange of non-equities products such bonds, structured finance products, emission allowances and derivatives, between multiple parties. They are operated by investment banks. Orders are carried out on a discretionary basis.
- 4.7 **Systematic Internaliser:** an investment firm which, on an organised, frequent systematic and substantial basis deals on its own account when executing client orders outside a Regulated Market, an MTF or an OTF without operating a multilateral system.

5. Principles

- 5.1 When executing orders we will take all sufficient steps to obtain the best available terms, on an overall basis.
- 5.2 Under its fiduciary duties, and pursuant to local regulatory requirements, FSI is obliged to seek “best execution” when executing client trades. This equates to “the goal of maximizing value for the client under the particular circumstances occurring at the time of the transaction” and within the client’s investment objectives and constraints.
- 5.3 Best execution seeks to ensure that the best interest of clients are met in accordance with the objectives and constraints of their portfolio. As such, the definition of best execution recognises that:

- Securities and derivatives transactions are entered into in such a manner that the client's total outlay in, or proceeds from, each transaction is the most favourable under the specific circumstances;
- The full range and quality of a counterparty's capabilities in executing orders is considered.

6. Delivering best execution

- 6.1 The accountability for achieving 'best execution' primarily lies with the Dealing team, although all teams are responsible for ensuring clear and timely communication with the Dealing team, thereby allowing the Dealing team to achieve 'best execution'.
- 6.2 Evidence of best execution encompasses many factors that need to be considered relative to the particular characteristics of the order and the market in which it is being traded. The main factors we take into consideration when executing orders are:
- price;
 - cost;
 - speed of execution;
 - likelihood of execution;
 - likelihood and speed of settlement;
 - size of the order;
 - nature of the order;
 - prevention of information leakage;
 - market depth and liquidity; and
 - any other considerations relevant to the execution of the order, to the extent that it can reasonably be expected to influence the total outcome of the trade.
- 6.3 These two methods of execution are:
- Direct execution: Where a transaction is executed directly with a counterparty or on an exchange or other trading system, FSI is required to take all sufficient steps to obtain the best possible result for clients when executing those transactions on their behalf.
 - Indirect execution: Where orders are placed with a third party (e.g. a broker) for that third party to execute, FSI must act in accordance with the best interests of clients when placing orders with those third parties for execution.
- 6.4 The relative importance of the execution factors will vary taking into account the following unique characteristics of:
- the client (including the objectives, investment policy and risks specific to the client) and the product, for example, government bonds, supranational and sovereign bonds and interest rate/currency swaps will require a balance of pre and post trade importance. While these securities are more generic, they are less likely to be screen traded and other issues, such as credit and legal documentation require greater scrutiny);
 - the nature of the order (e.g. size of order);
 - market transparency;
 - the financial instruments that are the subject of the order; and
 - the counterparties and/or execution venues to which the order can be directed.
- 6.5 FSI focuses on taking all sufficient steps for obtaining the best possible result on a consistent overall basis.

Approaches when executing orders:

- 6.6 In meeting our obligations we may use one or more of the following approaches when executing an order on our client's behalf:
- Broking firms who transact on behalf of our clients on Regulated Markets, through their own MTF or as a Systematic Internaliser;
 - Other independent MTFs where trades can be executed away from the exchanges' order books;
 - Algorithmic trading, where trading an order in line with specific parameters, (e.g. a set percentage of traded volume) using a number of brokers' proprietary platforms;
 - OTFs and trading platforms that have been declared equivalent to OTF's in accordance with applicable laws and regulations;
 - Brokers firms acting as market makers or other liquidity providers;
 - Trading via telecommunication to counterparty through recorded communication mediums; and
 - Trading via electronic communication where contact with counterparties can be made over information message services such as Bloomberg and email.
- 6.7 We do not engage in algorithmic trading ourselves but utilise broker-supplied algorithms to execute trades. We also do not engage in high frequency trading.
- 6.8 We do not receive any form of remuneration, discount or non-monetary benefit for directing orders to a particular venue or broker for execution. Selection of a broker for an order is driven solely by the factors and inputs as described in this policy.

7. Trading venues

- 7.1 FSI will transact on venues that have adequate systems and controls in place to enable the delivery of Best Execution.
- 7.2 The main factors we will take into consideration are:
- **Venue liquidity.** We use factors such as historical trading volumes and indications of interest to assess the likelihood of an execution on that venue;
 - **Venue toxicity.** The likelihood that routing to, or executing on, the venue will impart too much information about the balance of the order;
 - **Order matching logic.** Different venues match contra (buy/sell) orders using differing matching logic. Some venues may prioritise by best price, others by largest size or by submitting broker, we will choose the most suitable for each execution;
 - **Infrastructure.** We will only route to venues which have the infrastructure to efficiently manage the complexity of each order and execute it promptly;
 - **Creditworthiness and quality of facilities.** We also assess the creditworthiness of the venue and the quality of any related clearing and settlement facilities;
 - **Control of information flow.** Venues must ensure unexecuted order information is appropriately protected;
 - **Access to data.** Venues should allow access to trade and price formation data, where appropriate, on an equitable basis and distribute this data at a fair cost;
 - **Fees and charges.** Venues should not charge excessive fees to transact on their venue, nor should they offer excessive inducements to trade;
 - The size of the trade relative to other trades in the same financial instrument;
 - The need to minimise potential market impact;

- The ability of our counterparty to commit capital to our trades;
- Whether or not the financial instrument is exchange traded or over the counter;
- The client mandate and client restrictions;
- Characteristics of the venue to which an order can be directed; and
- Any other relevant factors.

Single venue transactions

- 7.3 In some cases or for some instruments one venue, agent and/or counterparty may be appropriate for execution (and the only option available). Examples include where execution speed, certainty and/or market impact are judged to be more important. In some instances, obtaining multiple quotes may have a negative impact on obtaining best execution. For single venue, agent or counterparty transactions we will check the fairness of any price proposed by gathering market data relevant to the estimation of such a price and, if possible, comparing to similar assets.

8. Specific Financial Instrument Considerations

There are also instrument related considerations when deciding on the most appropriate trading venue, as provided below:

Equities and ETF's

- 8.1 Orders relating to equities (including related exchange-traded collective investment schemes, warrants and derivatives) are generally executed either by third party brokers or through MTFs.
- 8.2 While price will generally be the most important factor, for larger orders factors such as execution certainty, market impact reduction and speed of execution may have greater importance. If we transmit the order to a broker for execution, we will select a broker who has a track record of achieving the best result for orders of a similar nature.
- 8.3 If a counterparty does not exist for our order, we use market information and our traders' experience to select a broker's desk for working part of the order for us on an agency basis, being careful not to expose too much of our order to the market in order to avoid impact costs. This is a general strategy adopted when speed is a less important factor than price or the ability to retain anonymity.
- 8.4 We will try to identify sources of natural liquidity before entering an order into the market. When we have large single stock orders to transact we typically use MTFs trying to source a natural match. The negotiated price will be based on the best bid and offer price on the primary market and the trade will be executed at mid-point. This reduces spread and market impact whilst retaining our anonymity.

Bonds and Money Market Instruments

- 8.5 Orders relating to bonds and money market instruments are executed either by brokers or through MTFs. Orders executed through MTFs will usually involve obtaining screen-based competitive quotations. This approach seeks the best price through competition among multiple brokers, when liquidity is available.
- 8.6 We normally place larger orders directly with brokers and will obtain cover pricing and indications. This information is retained for audit purposes, assuming it can be obtained without impacting the market. While price (including all execution costs) will generally be the most important factor, we may take other factors into account as appropriate to the size and nature of the order.

- 8.7 The diversity in some markets and instruments, and the kind of orders that we carry out on our client's behalf, may mean that different factors will have to be taken into account when we apply of our Order Execution Policy in the context of different instruments and different markets.
- 8.8 For some instruments there is no formalised market or settlement infrastructure (e.g. for over-the-counter transactions), therefore the act of execution may itself constitute best execution (e.g. markets with low liquidity).
- 8.9 In other cases, our choice of venue may be limited (even to the fact that there may only be one platform/market upon which we can execute our client's orders) because of the nature of the order or client specific requirements.

Currency

- 8.10 Orders relating to foreign exchange are executed with third parties. When executing these trades, we will obtain several simultaneous quotations from multiple counterparties and retain these for audit purposes, with the predominant factor being best price at the time of execution.
- 8.11 For some orders, particularly very large FX orders or more illiquid orders, a single counterparty may be approached to avoid adversely impacting the market. In such a case, counterparty selection will take into consideration factors such as previous execution performance, clearing and settlement capability, credit worthiness and financial stability, timely trading and ability to trade in large volumes.
- 8.12 Where a client/fund has appointed their own custodian with standing instructions for restricted or other currencies, foreign exchange trades will be conducted through the appointed custodian bank. In these circumstances best execution will not apply.
- 8.13 Although spot foreign exchange transactions ('Spot FX') may not be defined as "financial instruments" we will strive to apply equivalent standards to spot FX and other instruments which are not so defined.

Derivatives

- 8.14 For orders in over-the-counter derivatives, which include interest rate derivatives, credit derivatives and currency derivatives, price (including costs) is generally the most important factor, however other execution factors may be taken into account based on the size and nature of the order. In some instances where execution speed and certainty and/or market impact are judged to be more important, we may deal on the basis of quotes provided by a single execution venue or counterparty, which will be retained for audit purposes.
- 8.15 As with the process for bond trading detailed above, how we execute a derivatives trade will very much be dependent on the size of the transaction, the liquidity available and counterparty selection.

Collective Investment Schemes

- 8.16 There is generally no secondary market for collective investment schemes which are not exchange-traded. We will generally place orders with the relevant administrator of the scheme. Such transactions will be effected at the appropriate net asset value, with execution certainty being the most important factor.

9. Broker and other counterparties

- 9.1 Brokers and other counterparties must be assessed and approved before use.
- 9.2 We will generally only transact client orders with brokers and counterparties which have been specifically approved by us after review in accordance with our Policy and they must have execution arrangements that enable them to comply with our obligations.
- 9.3 We have a process for the selection of brokers with whom we place orders for execution. The specific criteria to add a broker varies based on the relevant asset class, however the approval

process is applied in the same manner across all asset classes. We do not conduct any activity with a new broker until the screening and approval process has been completed.

9.4 The criteria to add a broker to the approved counterparty list is generally based on a number of factors which may include, but is not limited to:

- Ability to provide adequate coverage of the asset class globally;
- Pricing capability;
- Liquidity and limit provision;
- Governance;
- Operational capability;
- Service quality;
- Financial responsibility & stability;
- Administrative resources;
- Responsiveness;
- Reputation, including regulatory status and history;
- Financial crime (anti-bribery corruptions and sanctions); and
- By whom they are regulated. Generally a counterparty must be regulated by the regulator in the country of their home office.

9.5 We expect the following of our counterparties:

- Their commission rates to be disclosed, as a conflicts of interest management measure; and
- Their execution arrangements enable them to comply with the obligations we require them to fulfil.

9.6 We also do not take part in any form of directed brokerage or commission recapture arrangement.

9.7 Over the counter derivative counterparties (including foreign exchange counterparties, central clearing counterparties and exchanges) must have a credit review completed when on-boarding due to the more extensive risks involved in transactions. The credit review involves ensuring oversight by the financial market regulator for the local jurisdiction, establishing credit team monitoring and an appropriate external investment grade rating from either Fitch, Moody's or S&P or other equivalently reputable rating agency. For ongoing monitoring the credit rating is established in an agreed hierarchy, or where no externally published rating is available, an internal credit rating is used (the minimum credit rating is set by the Global Head of Credit Research reflecting appropriate risk parameters and counterparty risk appetite). Any counterparty which falls below the agreed credit rating is removed from the active list of brokers.

9.8 We do not receive any form of remuneration or discount for directing orders to a particular venue or broker for execution.

9.9 Counterparty performance is regularly reviewed.

9.10 Certain trigger events will also create the need for a review of the counterparty outside of the scheduled review process. These events can include (but are not limited to):

- A change in key personnel;
- Consistently poor pricing;
- A substantial change in business direction;
- Repeated occurrences of operational failures or major operational errors;
- Anti-bribery & corruption and Sanctions Risks;

- Changes in financial responsibility;
- Adverse changes in administrative resources;
- Poor responsiveness;
- Regulatory issues;
- Reputational concerns;
- Credit rating changes.

9.11 Where we place an order for execution by an approved broker, we are not responsible for controlling or influencing the arrangements made by the broker relating to execution of that order (i.e. we do not control the broker's choice of venues). Our Policy is therefore to approve counterparties who we believe will assist us to comply with our best execution obligations.

9.12 Gifts and entertainment should only be offered and accepted in accordance with the Global Gifts and Entertainment Policy.

10. Order Handling

10.1 We ensure orders are executed promptly, fairly and expeditiously relative to orders of our other clients. When we create orders we act to ensure those orders are executed in a timely manner in line with this Policy, and that we record and allocate those executions promptly.

10.2 Where we have sufficiently comparable orders on behalf of a number of clients, we will generally look to aggregate such orders. We will not do this if we believe it would disadvantage our client's on an overall basis. A particular order aggregation may however subsequently advantage or disadvantage an individual client.

10.3 Please refer to our Trade Allocation Policy for details on the allocation of aggregated orders, especially where they are only partially executed.

11. Monitoring and Review

11.1 Order execution is monitored on an on-going basis for effectiveness and to ensure we have oversight of our regulatory obligations on best execution.

11.2 The dealers and investment teams will discuss the trading flow and prices obtained. In addition, each dealing desk within FSI uses third party transaction cost analysis to review the quality of execution on a post trade basis.

11.3 Summarised quarterly transaction cost analysis data also is presented to the relevant Execution Oversight Group

11.4 The Compliance team periodically monitors the effectiveness of the order execution arrangements and the Policy. Any material concerns or issues are recorded and escalated through our internal governance process as appropriate. The Compliance Team are also members of the Execution Oversight Group and provide challenge and input into the meetings.

12. Oversight of Order Execution

12.1 FSI has established an Execution Oversight Group ("EOG"), which oversees our Best Execution obligations and the implementation of this Policy. It operates in accordance with the EOG Terms of Reference.

12.2 The primary responsibilities of the EOG include, but are not confined to reviewing:

- execution and transaction cost analysis data;
- execution commission rates;
- compliance with this Policy;

- trade errors and their resolution;
- the outcomes of best execution reviews conducted by Compliance.

12.3 Further details can be found in the EOG Terms of Reference.

13. Policy review

13.1 The Policy is reviewed at least every calendar year to ensure that it continues to meet regulatory and business requirements, unless regulatory, market or business changes trigger an ad-hoc review.

13.2 This policy is provided to clients as requested.

14. Related Policies and Procedures

- Code of Conduct
- Conflicts of Interest Policy
- Derivative Risk Statement Part B (Australia specific)
- Execution Oversight Group Terms of Reference
- Gifts and Entertainment Policy
- Global Personal Dealing Policy
- Market Conduct Policy
- Trade Allocation Policy
- Trade Error Policy