

**BEST EXECUTION POLICY**

## 1. INTRODUCTION

The objective is to define the best execution policy of MAPFRE ASSET MANAGEMENT, SGIIC, SA ("**MAPFRE AM**" or the "**Company**"), including the factors to be taken into account when selecting the best intermediaries to execute orders under the framework of managing collective investment institutions (CII), as well as to execute orders arising from decisions made within the framework of the discretionary portfolio management service (the "**Policy**"). The policy is also intended to control the quality of execution.

The policy will therefore comply with the requirements of Directive 2014/65/EU of the European Parliament and of the Council, dated May 15, 2014, on the markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (the "**MiFID II Directive**") and its implementing legislation. In particular, these regulations require:

- The adoption of sufficient measures to obtain the best possible results for clients, establishing, for each type of financial instrument, the companies or intermediaries to which the orders will be sent for execution.
- Regular verification of the effectiveness of the best execution policy adopted and, in particular, the quality of execution offered by the intermediaries involved.

In particular, such a requirement applies especially to the Company when it offers its professional clients a discretionary portfolio management service that involves adopting appropriate measures to consistently and systematically obtain the best possible result for the client when making investment decisions.

In order to comply with these requirements, the Company has established this Policy, specifying, for each type of financial instrument, the intermediaries and counterparties to which the execution orders are sent, taking into account the factors detailed below.

The Policy defined must be consistent, constant and applicable throughout the whole organization.

With drawing up the designed Policy, all relevant aspects taken into consideration for selecting intermediaries to execute CII operations, as well as to execute orders arising from decisions made within the framework of the discretionary portfolio management service, must be demonstrated to third parties and to the Company itself.

## 2. SCOPE OF APPLICATION

This Policy shall apply when managing the CII and when providing the discretionary portfolio management service for professional clients.

The Policy applies exclusively to professional clients as the Company does not provide this service to retail clients.

In order to execute operations for CII and managed portfolios, this Policy shall apply to all operations that are contracted on their behalf, and must not reward one portfolio over another; operations will be executed with an intermediary that offers better conditions than another.

Optimal conditions for executing an operation should be sought equally for both all CII for managed portfolio operations.

### **3. CRITERIA AND FACTORS TO CONSIDER WHEN SELECTING INTERMEDIARIES**

The Company shall take into consideration, among other factors, the following criteria when selecting channels and intermediaries and counterparties with which it will operate:

- Nature of the order.
- Client classification, even though all are professional clients within the framework of the discretionary portfolio management service.
- Nature of the financial instrument subject to the order.
- Nature of the intermediaries and execution centers to which the order may be sent.

The following factors must be considered when selecting intermediaries:

- Provision of their own order execution policy: Only intermediaries with a formal order execution policy that meets all requirements established by the MiFID II standard shall be considered.
- Access to the negotiation/execution centers: Access by intermediaries to the negotiation centers that are considered relevant at any time with regard to each financial instrument and, for this purpose, selection of said centers by the intermediary themselves. This analysis takes into account:
  - The trading center to which the intermediary has access must be a regulated market, a multilateral trading facility (MTF) or an organized trading facility (OTF).
  - The way in which the intermediary accesses the centers, whether directly (directly executing orders) or indirectly (in some cases through other intermediaries) by establishing the corresponding execution agreements.
  - The specific financial instrument for which the intermediary's participation is required for the purpose of executing the order is traded at one or more trading centers.

The selected intermediaries must therefore include in their order execution policy the execution centers that are considered relevant to each type of financial instrument; they must also justify how they access said centers and why they consider one way or another to be more appropriate.

- Clearing and settlement agreements: The clearing company with which the intermediary has agreements to carry out the clearing of operations must be a member of the central counterparties or clearing and settlement systems of the selected execution centers. Said company must also possess the necessary solvency conditions and the technical and human resources required to perform its functions.
- Experienced team with high levels of quality in their front office and back office: The former requires that transactions are made quickly, that they are members of as many markets as possible, and that they understand and offer us the option to carry out the various different types of existing orders (reversals, stop, limited, market, with hidden volume, etc.). With regard to the back office, the speed of confirmations will be assessed, as will the percentage of errors in said confirmations.
- Recognized prestige of the intermediary: Only entities of recognized prestige in the market shall be considered, taking into account variables such as belonging to groups with a significant presence in the market, services offered and the quality thereof, audit reports, etc.
- Capacity for technological integration with the Company's systems.

With regard to the price and cost factor, the intermediation market is currently a mature and highly competitive market, meaning that prices are uniform and there are few differences in costs among the various intermediaries. The Company selects intermediaries that are always within a pre-determined cost range as acceptable.

The Company shall at all times comply with legislation of the MiFID or the Security Markets Law with regard to conflicts of interest and/or incentives, and shall not receive any remuneration, discount or non-monetary benefit for directing client orders to a particular intermediary or counterparty, which violates established regulatory requirements.

#### **4. SELECTION OF INTERMEDIARIES**

The Company will select intermediaries based on an analysis of the factors set out above. A review of the degree of compliance with the above factors shall be carried out on a continuous basis in order to exclude any intermediaries who obtain a negative assessment.

As proposed by the various management departments reporting to the Investment Area, the Risk Committee shall be responsible for approving the list of intermediaries authorized for operation. Verification of intermediaries added after the latest periodic review falls under the remit of the Board of Directors, which may reject said intermediaries if it so deems appropriate, in which case they would be excluded with immediate effect from the list of authorized intermediaries.

##### **4.1. Intermediary selection process**

For the purpose described above, the intermediary selection process will consist of two stages:

- Pre-selection of potential intermediaries, based on qualitative variables by the corresponding management department, taking into account the factors mentioned above (prestige and significance in the market of potential intermediaries, the quality of service, higher market volumes, efficiency in execution and liquidation, optimal computer systems, etc.).
- Once potential intermediaries have been selected, the selected intermediary is proposed

to the Risk Committee and the final selection will be made by this committee.

The decision-making regarding the selection of intermediaries is reflected in the meeting minutes and subsequently presented to the Company's Board of Directors along with other aspects relating to the risk assumed by the institutions managed.

#### 4.1.1 Equity, ETFs and other listed assets

The Company is not a market member and has no direct access to the execution centers where financial instruments are traded and therefore has to use third-party services for the final execution of investment decisions. In these cases, the Company acts as a transmitter of its investment decisions by sending orders to the intermediary, and the intermediary is ultimately responsible for order execution at the execution centers.

Taking into account the above criteria, the intermediaries selected to send orders arising from the investment decisions of the managed portfolios or of the CIIs with regard to this type of financial instrument are as follows, provided that they meet the criteria set out in this Policy and the criteria set out by the Risk Committee:

A list of the main authorized intermediaries is included in the Annex.

#### 4.1.2. Fixed income

When trading fixed income securities (both public and corporate), the Company will take into account the following factors:

- The total amount comprising the price of the instrument in addition to the costs.
- Other factors to be taken into account when making an investment decision will also include solvency or credit quality, liquidity provision, information on the transaction and its settlement.

The Company only operates with solvent intermediaries recognized by the markets and, for this purpose, has established procedures to prevent the use of execution services by previously unauthorized intermediaries, as indicated in Section 3 above.

Moreover, as is common in operations involving this type of asset, for trading that will take place through the financial intermediaries' own balance sheets (due to price differences), the criteria for selecting counterparties are applied, among others, essentially by credit institutions based on solvency or credit quality criteria. The Company will also take the following into account when selecting counterparties:

- The provision of liquidity in a wide range of instruments, on a day-to-day basis, and especially in difficult market times.
- Competitive prices.
- Speed of execution.
- Incident resolution.
- Confirmation and settlement processes, etc.

For larger transactions and/or transactions in less liquid markets, a single counterparty shall be contacted based on how suitable the counterparty is for the transaction, especially in cases where the Company believes that contacting multiple counterparties may be detrimental to the interests of its clients in achieving optimal execution. When trading fixed income instruments, prices and constant liquidity are generally the most important factors in analyzing where and

how to execute an order to obtain the best possible outcome for the client.

A list of the main authorized intermediaries is included in the Annex.

#### 4.1.4 OTC derivatives

MAPFRE AM and its clients (CIIs or portfolios under discretionary management) will only operate with counterparties with which an ISDA/CMOF (Contrato Marco de Operaciones Financieras — Financial Transaction Framework Agreement) and CSA/Annex III framework agreement has been signed.

Depending on the amount of the transaction, one or more counterparties may be asked to provide quotes.

If the amount is small, only one counterparty will be asked for a price. If the price obtained is within the acceptable market range, the deal will be closed. Otherwise, a quote is requested from another counterparty and the same analysis described above is performed.

If the amount is large, at least two counterparties are requested to provide quotes. All selected counterparties are required to provide prices at a specific time so that they can be compared. If the quotes of several counterparties are the same, other criteria will be used to make a decision. Among other criteria, the ability to solve problems quickly at the time of settlement, the volumes closed and the existing exposure with each counterparty will be considered.

If there are significant discrepancies between our prices and those of the counterparties, MAPFRE AM has verification tools that can be used to replicate the derivative.

The Risk Committee shall be responsible for approving the list of intermediaries authorized for operation.

A list of the main authorized intermediaries is included in the Annex.

#### 4.1.5 Organized derivatives markets

Intermediaries selected to operate in the listed derivatives markets must meet all the requirements listed in Sections 3 and 4. However, as the Company is not a market member and does not have direct access to the execution centers, the intermediary's access to the organized market in question and its clearing house is crucial here.

The nature of the listed derivatives markets restricts the casuistry of execution; they can only be traded at those execution centers alone. As a result, we consistently get the best possible result for our funds in terms of price and cost, as there are no other options for their execution.

#### 4.1.6. CII

Since the CII stocks and/or shares are acquired at the liquidating value established by the managing company, and the costs relating to execution that, if any, are expressly set out in the explanatory information sheet (commissions, where applicable, of subscription and reimbursement), the determining factor is that the intermediary or contracting platform provide access to a large number of CIIs and guarantee the subscription and reimbursement of operations in the shortest possible time; direct contracting with the management companies is also possible.

Considering the above criteria, the intermediaries selected to send orders arising from the investment decisions of the managed portfolios or of the CIIs with regard to this type of financial instrument are the following, provided that they meet both the criteria set out in this Policy and the criteria set out by the Risk Committee.

When the CIIs are considered to be ETFs, they may be acquired on the market in which they are listed or directly referred to their manager.

A list of the main authorized intermediaries is included in the Annex.

#### 4.1.7. Concurrent Operations (REPOs)

For repo trading, once the counterparty risk control policies have been met, the factor to be taken into account in order to apply best execution will be the **price** and ease of completing transactions.

Considering the above criteria, the intermediaries selected to send orders arising from the investment decisions of the managed portfolios with regard to this type of financial instrument are as follows, provided that they meet both the criteria set out in this Policy and the criteria set out by the Risk Committee.

With regard to the CIIs, repos subject to the liquidity ratio will be made with the depositary.

A list of the main authorized intermediaries is included in the Annex.

**5.- AGGREGATING CLIENT ORDERS**

Contract orders for a client's portfolio can be aggregated with those of other clients, provided that unified and consistent treatment is possible in the market. Order aggregation will not be possible for CII management and orders arising from managed portfolios.

The Company possesses mechanisms to fairly assign orders and allocate executions, which make it unlikely that aggregating orders will harm any of the clients whose order will be aggregated.

This Policy serves as a communication to the client that orders placed on their behalf may be subject to aggregation, which could work against them in connection with a particular order.

**6.- ANNUAL REPORTING DUTY**

For orders sent by the Company within the framework of the discretionary portfolio management service, the Company will summarize and publish on an annual basis, for each class of financial instrument, the five main order intermediaries, in terms of trading volume, those who executed orders in the previous year, in addition to information on the quality of the execution obtained.

The content and format of such information shall be in accordance with Annex I of the *Delegated Regulation (EU) 2017/576 of the Commission, dated June 8, 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the annual publication by investment firms of information on the identity of execution centers and on the quality of execution*.

This information will be available on the Company's website [[WWW.MAPFRE.COM](http://WWW.MAPFRE.COM)].

**7.- POLICY APPROVAL AND REVIEW**

This Policy shall be approved by the MAPFRE AM Board of Directors and enters into force on December 20, 2018.

The Department responsible for supervising and controlling the Policy is the Risk Control department, as set out in Rule 4.VIII of the National Securities and Exchange Commission's Circular 6/2009, of December 9, on Internal Control of CIIMCs (Collective Investment Institutions Management Companies).

This article states that the Risk Management Unit shall periodically and at least once a year review the policies and procedures for selecting entities that mediate the operations carried out by the Company, paying close attention to the quality of execution of the designated entities, and shall resolve any possible deficiencies.

A review will also be conducted whenever a significant change occurs that affects the Company's ability to continue to provide its clients with the best possible results. A major change will be a significant event that may affect the best execution parameters, such as cost, price, speed, likelihood of execution and settlement, volume, nature or any other consideration relevant to the execution of the order.



**VERSION CONTROL**

Version	002
Latest date of review and approval	12/19/2019
Object of approval/review	Adaptation to regulations
Next date of review	During the 2020 fiscal year
Area responsible for the Policy	Risk Management Unit

**ANNEX TO THE BEST EXECUTION POLICY  
(Main authorized intermediaries)**

1 Equities, ETFs and other listed assets

The main approved intermediaries are:

- Santander Investment Bolsa SV
- Banco Bilbao Vizcaya Argentaria SA
- Banco de Sabadell
- Mirabaud
- BNP Paribas
- Kepler Cheuvreux
- Merrill Lynch London

2 Fixed income

The main approved intermediaries are:

- Barclays London
- Banco Bilbao Vizcaya Argentaria SA
- Bankia SA
- CALYON
- BNP Paribas
- Merrill Lynch London
- CIMD SV
- Gesmosa

3 OTC derivatives

The main approved intermediaries are:

- Bankia SA
- Banco Bilbao Vizcaya Argentaria SA
- Caixabank SA
- Banco de Santander SA
- JP Morgan Chase & Co
- Crédit Agricole Groupe

**ANNEX (continued)**4 CII

The main approved intermediaries are:

- All Funds
- Société Générale
- Crédit Agricole Groupe
- Aegon Asset Management Europe
- Ameriprise Financial Inc
- Invesco Ltd
- JP Morgan Chase & Co
- La Financière Responsable SAS

5 Concurrent Operations (REPOs)

The main approved intermediaries are:

- Banco Bilbao Vizcaya Argentaria SA
- Bankia SA
- Caixabank SA
- Banco de Santander SA

All counterparties and intermediaries used by the Company must be approved by the Risk Committee. Said approval is submitted to the Company's Board of Directors along with other aspects relating to the risk assumed by the institutions managed.

Both this Annex and the Best Execution Policy will be reviewed annually.