



**Instruction  
for execution, handling and transmission of orders  
and ensuring best possible result  
in  
SEB Investment Management AB**

adopted by the Board of Directors of  
SEB Investment Management AB  
on 24 April 2023

**Trading & Treasury**

## 1. Background

- 1.1. SEB Investment Management AB (the “Company”) is a fund management company licensed to perform fund management and discretionary portfolio management regarding financial instruments pursuant to the Swedish UCITS Act (2004:46) and the Swedish Alternative Investment Fund Managers Act (2013:561).
- 1.2. When the Company executes, handles and transmits orders on behalf of a fund or a discretionary mandate, the Company shall take all reasonable steps to achieve the best possible result in accordance with Finansinspektionen’s regulations on UCITS FFFS 2013:9 and the Commission Delegated Regulation (EU) No 231/2013 (the “AIFMD Level 2 Delegated Regulation”).
- 1.3. This instruction regulates how orders are placed and how the best possible result shall be achieved when executing, handling and transmitting portfolio transactions and placement of orders for funds/discretionary mandates managed by the Company.
- 1.4. Orders are either routed through the Company’s centralized Trading Desk, which places the order with a counterparty which executes the transaction or executed directly by the portfolio managers with the counterparty.
- 1.5. This instruction shall be subject to annual review. A review should also be made if a material change occur that affects the Company’s prerequisites to achieve the best possible result when executing portfolio transactions and placing orders for its funds/discretionary mandates.

## 2. Placement of orders

### 2.1. External portfolio managers

If the Company has outsourced the portfolio management of a fund to an external portfolio manager, the Company shall ensure that the external portfolio manager’s internal rules for execution of portfolio transactions meet the requirements of FFFS 2013:9 and the AIFMD Level 2 Delegated Regulation. This responsibility lays with the employee responsible for outsourced portfolio management with PM Coordination (i.e. the Outsourcing Owner).

### 2.2. Funds/discretionary mandates managed by the Company

- I. The following shall apply with regards to execution of portfolio transactions for funds/discretionary mandates managed by the Company:
  - **Swedish and foreign equities, equity derivatives and ETFs:** Orders shall normally be placed with the Trading Desk.
  - **Swedish and foreign bonds, other debt instruments, money market instruments and interest rate derivatives:** Orders may be executed directly by the portfolio managers or via the Trading Desk.

- **FX:** Orders shall normally be placed with the Trading Desk. If the portfolio manager has adequate competence to trade in FX, the portfolio manager may trade directly with a counterparty. Orders may also be placed with the Treasury Desk. Orders with settlement the same day shall for practical reasons be placed with a counterparty with whom the fund/discretionary mandate has an account. Other counterparties may be used for orders with a longer settlement period.
  - **Fund units:** Orders shall normally be placed by the Portfolio Managers via the Fund Execution unit within the Division Large Corporates and Financial Institutions. Orders can also be placed by the Trading Desk.
- II. Each Asset Class Head shall ensure that their teams have documented processes for execution of portfolio transactions for all categories of financial instruments complying with this instruction.

### **3. Criteria for best possible result**

**3.1.** Upon execution of portfolio transactions, the Company shall take all reasonable measures to achieve the best possible result for the fund/discretionary mandate taking into account the following execution factors:

- the price at which it is likely to be executed and ancillary costs;
- the speed and likelihood of both execution and settlement;
- the size and nature of the order and its impact on the market; and
- any other factor which the Company reasonably considers to be relevant to the execution of the order and in the best interest of the fund/discretionary mandate.

**3.2.** The Company shall at the time of execution, using its reasonable judgement, consider the following criteria when weighting the relative importance of the factors set out in Section 3.1:

- the objectives, investment policy and risks specific to the fund/discretionary mandate as indicated in the information brochure or the fund rules/articles of association/prospectus/ offering documents/agreement with discretionary client;
- the characteristics of the order;
- the characteristics of the financial instruments or other assets that are subject of that order; and
- the characteristics of the execution venues to which the order can be directed.

**3.3.** The Company should also consider other aspects which the Company assess to be relevant for the specific execution of the portfolio transaction and to be in the best interests of the fund/discretionary mandate.

- 3.4.** Unless special circumstances apply, the Company's priority in execution of portfolio transactions will generally be to obtain the best possible result in terms of the total consideration to be paid or received by the fund/discretionary mandate. In certain case, inter alia, when large orders are placed, greater consideration may be given to other factors, for example, the likelihood that it will be executed and settled. The significance of the various factors must be determined in each individual case.
- 3.5.** Sections 3.1-3.4 shall not apply if there is no possibility to choose between different execution venues. The Company shall document that there is no choice of different execution venues.
- 3.6.** The Company shall through its website make information available to the unitholders/discretionary clients regarding how the Company intends to achieve the best possible result when placing an order and executing portfolio transactions. The information shall be updated if significant changes are made in this instruction.

## **4. Counterparties**

- 4.1.** The Company may only use counterparties that have been approved by the Company's Credit & Counterparty Committee. In addition, the Company shall consider the following when selecting a counterparty:
- The counterparty's knowledge of how the market works.
  - The counterparty's access to different execution venues.
  - The results that the counterparty has shown in previous transactions.
  - The counterparty's ability to handle orders of a certain size.
  - The counterparty's ability to administratively perform settlement.
  - The counterparty's commission rate.
- 4.2.** The Company must always be categorised as a professional client and not as an eligible counterparty to ensure that the counterparty achieves the best possible result. The Company may however be categorized as an eligible counterparty by Request For Quotes (RFQ) counterparties.

## **5. Order placement in new instruments**

- 5.1.** The Company shall, before placing orders in financial instruments not previously registered in the systems, ensure that Data Management at Investment Operations receives necessary information about the new financial instrument and that the financial instrument is registered by Data Management and classified.

- 5.2. New types of financial instruments that have not previously been used by the Company shall be subject to approval according to the procedure for approval of new products (New Product Approval Process (NPAP)).

## **6. Handling of portfolio transactions and placement of orders**

- 6.1. The Company shall always place orders/execute portfolio transactions in the name of the fund/discretionary mandate.
- 6.2. Portfolio transactions shall be executed promptly, effectively and fairly, and shall be documented according to the requirements in FFFS 2013:9 and the AIFMD Level 2 Delegated Regulation.
- 6.3. Transactions directly between funds/discretionary mandates managed by the Company are not allowed. All orders must be placed via an external and approved counterparty.
- 6.4. If the portfolio manager wants specific instructions to apply to an order, such instructions must be provided to the Trading Desk when the order is placed. The order must be documented so that there is an audit trail. Oral instructions may only be submitted through recorded telephone lines.
- 6.5. If a discretionary client has provided specific instructions in connection with execution of orders, the Company must follow that instruction. Any mention in the client's instructions implying that the Company may not follow this instruction to achieve the best possible result should be disregarded as a client instruction is deemed to override the best execution obligation for the scope of the specific instruction.
- 6.6. Comparable portfolio transactions must be executed sequentially and promptly unless this is prevented by the nature of the portfolio transactions or prevailing market conditions, or if something else is required due to the interests of the fund/discretionary mandate. Examples of such conditions could be currency transactions (see Section 7.3) or when several teams independently execute comparable transactions.

## **7. Aggregation of orders**

- 7.1. If the Company execute transactions in the same financial instrument for different funds/discretionary mandates, such transactions shall be aggregated.
- 7.2. The Company may aggregate orders only if it is unlikely that the aggregation generally will be to the disadvantage to one of the funds/discretionary mandates whose portfolio transactions are included in the aggregation of orders.
- 7.3. FX transactions should primarily be aggregated, and net traded in order to achieve the best possible price. When the price is determined with the counterparty, gross transactions should be placed in the name of each fund/discretionary mandate, and all orders shall be settled at the same price. This process may also be applied to other categories of financial instruments.

- 7.4.** If there are additional orders in the same financial instrument after an order in the same financial instrument has been sent for execution, the order shall be added to the original order. The new order is added to the remaining part of the original order, which has not yet been executed. Allocation of the part of the original order, which has already been executed, shall be allocated to the funds/discretionary mandated that were a part of the original order.

## **8. Allocation of orders**

- 8.1.** If the portfolio transactions/orders are aggregated according to Section 7, the allocation must correspond to the allocation made before the transactions/orders were executed unless otherwise stated in 8.3.
- 8.2.** If the aggregated portfolio transactions are only partially executed, the allocation shall be made pro rata. In extreme cases, another allocation may be done, taking into account major differences in volume between the funds/discretionary mandates involved. The reasons for deviation from pro rata allocation must be documented in writing.
- 8.3.** The decision to deviate from pro rata allocation may be initiated from either the Trading desk or from the Portfolio Managers as described below:
- The Trading desk within Investment Management can change the allocation to avoid costs for small accounts or when there is a very large difference in order size between two or more accounts. These changes are stored in the Order Management System.
  - For Portfolio Managers, there might be different situations that might motivate a change in allocation such as minimum trade sizes. All changes must be approved and then documented by the appropriate Asset Class Head with a copy to Compliance and Trading.

## **9. Commission rates**

- 9.1** Commission rates shall continuously be negotiated and decreased whenever possible.

## **10. Monitoring**

- 10.1.** The Credit & Counterparty Committee shall ensure that quarterly spot checks are performed to verify that portfolio transactions are executed in accordance with this instruction and that any conflicts of interest inherent in the execution of portfolio transactions have been appropriately handled. The spot checks shall include all categories of financial instruments and different types of counterparties. The Credit & Counterparty Committee shall follow up the execution of portfolio transactions, including the factors listed in section 3.1 and other fund/discretionary mandate specific conditions. If a counterparty has not been able to execute a transaction at the best conditions for the fund/discretionary mandate, an analysis of the reason for this

should be done. In these cases, the Credit & Counterparty Committee may decide to remove the counterparty from the list of approved counterparties.

**10.2.** Compliance and Risk Oversight shall jointly and at least annually make an assessment that both the process for execution of portfolio transactions and the process to achieve the best possible results are effective. The evaluation shall be documented

**10.3.** If the processes referred to in Section 10.2 are assessed not to be effective, measures for improvements shall be proposed. A summary of the evaluation and proposals for improvements shall be presented to the Credit & Counterparty Committee. The summary and the proposed measures for improvements shall also be submitted to the Board of Directors at the next board meeting.

## **11. Trading errors**

**11.1.** Trading errors shall be handled in accordance with the *Instruction for handling of Incidents and Operational Risk Handling Committee ("ORHC") within SEB Investment Management AB*.

## **12. Record Keeping**

**12.1.** Orders pertaining to transactions in financial instruments and transactions based on such orders may only be done subject to appropriate record keeping requirements, such as taped telephone lines, archived e-mails, and other electronic channels in respect of which appropriate records of communications are kept in accordance with any applicable data protection requirements.

**12.2.** The Company shall ensure that there is a process for out of premises trading communicated to all affected employees, and that an assessment of the risks with working remotely is performed and documented. The risk assessment should be reviewed on a regular basis.