



# Best Execution and Financial Intermediaries

bpES | bp Energy Solutions, Sociedad de Valores, SA

Date:	March 2023
Version:	1.0
Responsible:	bpES Compliance Unit

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## Introduction

In accordance with the provisions of Article 79 of Royal Decree 217/2008, of February 15, on the legal regime of investment services companies and other entities that provide investment services and by which the Regulation of Law 35/2003 is partially modified, of November 4, of Collective Investment Institutions, approved by Royal Decree 1309/2005, of November 4, BPES, S.V., S.A. (hereinafter, "bpES", "SV" or "ESI") must have an order execution policy that will define the relative importance attributed to price, to costs, to the speed and probability of execution and settlement, volume, the nature of the operation and any other element that they deem relevant to the execution of the order.

In order to comply with this requirement, this document includes the Best Execution Policy of bpES, which aims to ensure the correct selection of financial intermediaries involved in the contracted transactions, taking into account the price, costs, speed and probability in the execution and settlement, the volume, the nature of the transaction and other relevant aspects related to the execution.

## 1 Scope of Application

### 1.1 Objective

This Policy applies, together with the SV, to its officers and employees. In particular, the areas of the ESI that are directly involved in making investment and divestiture decisions and the subsequent transfer of such orders to financial intermediaries for execution must pay particular attention to it

### 1.2 Subjective

This Policy applies to financial instruments, including exchange-traded and over-the-counter derivatives, whether in cash or physically settled (including futures, options and swaps).

It also applies when an order is executed for a customer in relation to any financial instrument or a request for quote (RFQ) is responded to for a financial instrument and the customer relies on the SV to protect its interests

### 1.3 Definition of Customer and Customer Orders

For the purposes of this policy, we will understand as a Client any counterparty that, as a result of the Due Diligence process and under the Client Relations Policy, is classified as a Professional Client, has opted for such qualification, that is, an Eligible Counterparty. However, the classification as a result of the Due Diligence process should not be understood as the element that determines that an entity is considered a client or not, but rather the essential thing to understand that an entity is a Client is whether bpES is acting on its behalf or in any way acting under contractual or agency responsibilities to this entity (considered a Client).

## 2 Selection and Authorization of Financial Intermediaries

In order for the SV to comply with its obligation to act in the best interest of its customers, it must take into account the following main criteria in the selection of intermediaries through which the transactions and orders transmitted by the ESI will be executed.

The relative importance of each of the following factors to obtain the best execution will be determined at the discretion of the SV, taking into account their knowledge and experience of the market and the relevant information available at that time.

### 2.1 Quantitative Criteria

- Financial instrument price: monetary expression of the value that could be obtained by negotiating the financial instrument in the possible execution centers.
- Costs: monetary expression of the costs associated with the execution and/or settlement in the possible execution centers of the order and that are directly supported by the customers. Included are transaction and brokerage costs, execution center expenses, settlement and clearing houses or entities or similar bodies that perform these functions, taxes or fees payable in certain jurisdictions, connection costs, etc.
- Speed: time required for the execution of the order at a specific execution center (measured from receipt of the order until confirmation of execution by it) of those available for the specific financial instrument in standard market circumstances when there is a counterparty for it.

- Probability and efficiency of execution, clearing and settlement: in this aspect for equity transactions, the entity acting as clearing member with the Central Counterparty Entity will be relevant.
- The incidents considered relevant for each asset class will be taken into account, in order to carry out their assessment and continuity in operations with bpES.
- Volume: supply and demand dimension for a specific financial instrument in the available execution centers.
- Nature of the order: type of order (order to market, perhaps limited order, etc.)
- Execution, clearing and settlement risk: credit risk and operational risk associated with the settlement and clearing of operations.
- Other relevant items: costs not directly associated with execution
  - Currency exchange fees: the application and collection of a fee to the client, if applicable, for the exchange of currency made in the case of transactions in a currency other than the client's reference currency (in which the transaction is to be settled to the client) when the same financial instrument can be negotiated in several of the available execution centers and in a different currency.
  - Custodial commissions: the repercussion to the client, post execution, clearing and settlement, of a different custody commission depending on where the financial instruments associated with the transaction are safeguarded
  - Analysis services provided by the financial intermediary, especially relevant in the case of equities

## 2.2 Qualitative Criteria

- Prestigiousness and solvency. Only financial intermediaries of recognized prestige and solvency will be taken into account, disregarding those of recent constitution or those that manage an insignificant number of transactions. The selection of financial intermediaries that are managed by a consolidated team of managers will generally be chosen. In general, each financial intermediary and its team are analyzed to select the type of asset in which it stands out (e.g., its level of implementation, those entities outstanding in risk management, the level of machining and automation thereof, experience, etc.).
- Provision of an order execution policy. Only intermediaries that have a formally established order execution policy that meets all the requirements established by the applicable regulations will be considered
- Access to Execution Centers. The intermediaries' access to the markets or execution centres that are considered relevant from time to time with respect to each instrument. This analysis takes into account:
  - That the execution centre is a regulated market, a multilateral trading system (MTF), a systematic internalizer (in the exclusive case of listed equity) or market creators or liquidity providers that perform a similar function;
  - The way in which the intermediary accesses them, either directly (by directly executing the orders) or indirectly (by in some cases using other intermediaries) by establishing the corresponding execution agreements;
  - That the specific financial instrument for which the intervention of the intermediary is required in order to execute the customer order is quoted in one or more markets.

Additionally, in determining the relative importance of the factors listed above, the SV will take into account other factors or considerations relevant to the execution of the order in order to obtain the best possible outcome for the customer. In particular, the ESI shall take into account, among others:

- The client's condition as a professional client
- The characteristics of the order.
- The financial instrument in question
- The fulfillment center where the order can be executed.

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

- In relation to the evaluation of the execution centers, the following elements have been established:
  - Liquidity: Execution centers that provide significant and sufficient liquidity, measured on the basis of historical data of number of transactions and average volumes negotiated daily, are preferred to ensure that the execution of customer orders is carried out at the best available prices at all times.
  - Clearing and Settlement: The execution centers that perform the clearing and settlement of the operations executed in them through recognized central counterparty entities are preferred for the purposes of the rules of payment and settlement of securities or of compensation and settlement systems with high credit rating.
- Settlement Agreements: The clearing entity with which the intermediary has agreements to clear the transactions must be a member of the central counterparty entities or clearing and settlement systems of the selected execution centers. Likewise, said entity must have the solvency conditions and the technical means required for the performance of its functions.
- Practical execution of orders. The selected intermediary must be able to consistently and systematically obtain, in the relevant execution centers contemplated in its order execution policy, the best possible result for bpES orders, including the selection of the specific execution center from among the possible ones that allow obtaining the indicated result.

Of the factors to be considered and detailed above, price will typically be of relative importance to obtain the best execution, but this will be modified, for example, when the size of the transaction is large compared to the liquidity of the market in question, or when the speed of execution becomes more important due to the nature and size of the customer order requirements.

Additionally, in determining the relative importance of the factors listed above, the SV will take into account other factors or considerations relevant to the execution of the order in order to obtain the best possible outcome for the customer. In particular, the ESI shall take into account, among others:

- The client's condition as a professional client

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- The characteristics of the order.
  - The financial instrument in question
  - The fulfillment center where the order can be executed.

In general, managers will only contract transactions through financial intermediaries authorized by the Board of Directors and the head of the Investment Department.

If exceptional circumstances were to occur, different intermediaries could be approached in a timely and justified manner provided that, in their judgment, the best result can be obtained for the customers' operations

### 2.3 Block Trades

For block trades executed outside of the central order book of the relevant exchange (e.g. in ICE Futures Europe), although price will remain the key execution factor, probability of execution and other considerations such as position confidentiality and implementation deficit against a known benchmark will also be important factors.

Since access to compensation is one of the key factors in selecting a fulfillment center for block operations, a customer may give specific instructions to use a specific fulfillment center, in which case the best execution obligation will be considered fulfilled.

When selecting the execution sites for the execution of block operations, the SV will take into account, among others, the following qualitative factors:

- Access to clearing agents
- Relevant block sizes
- Execution Site Block Negotiation Functionality
- Transparency (e.g., illuminated, dark) of the execution site
- Compensation Schemes
- Liquidity Analysis
- Market share
- Broadness of market coverage
- Reputation, financial strength and stability
- Ongoing Reliability
- General costs of an operation, including commissions
- Business anonymity
- License, as needed, to execute transaction type

In addition, relevant considerations about the specific instructions of the customer may be agreed in advance

### 2.4 Execution of Operations outside Regulated Markets

In relation to products that are traded in an unregulated, multilateral trading (MTF) or Organised Trading Facility (OTF) market, the prior express consent of the customer must be obtained before executing an order outside of such market, MTF or OTF.

In addition, given the highly customized nature of OTC swaps typically executed for GO-E and IG risk management clients, the extent to which the best execution obligation is applied will depend on the nature and circumstances of the individual transaction, as described above.

Any decision not to apply the best execution obligations must be made in accordance with the approval of the Compliance Department

### 3 Best Execution

The responsibility for providing the best execution rests with the ESI Front Office staff. To ensure best execution, the Best Execution Process Flow must be followed and adhered to. This requires marketers and originators to record the prices obtained in the CRM system, along with the information that supports it, when applicable.

Customer orders that contain specific conditions regarding the product specification, volume, price and other elements of the swap or instrument, and are maintained for a specific or determined time (e.g. valid until the end of the session), are considered to have obtained the best execution if you agree with such instructions.

When executing orders in relation to OTC products, including custom products, or when responding to requests for quotes, bpES will ensure the best execution in relation to the proposed price to the customer by collecting market data used in estimating the price of such product and, where possible, by comparing with similar or comparable products.

You are not required under Best Execution to be able to anticipate the market reaching a specific level or guarantee the execution of a client order. The best execution rule does not limit or restrict the level of spread or marketing margin that may be applied in any given transaction (e.g. in order to reflect the differing credit risk of individual counterparties). Also note that the overarching best execution requirement may still be achieved even if best execution for each individual component, when considered in isolation, is not obtained.

### 4 Order Registration

All Customer orders must be recorded in CRM. In particular, as soon as an order is received, the following must be recorded:

- Name of Customer or person acting on behalf of Customer
- Type of Contract or Product (e.g., Swaps OTC) or if the order is to buy or sell
- Price and Volume
- Order Type
- Any other specific instructions to be taken into account
- Exact day and time the order was received

Once the order has been executed, the final price must be recorded, indicating the price and volume detail of the transaction carried out



## 5 Monitoring and Control

The Commercial Department, that is, the marketers and originators, will be responsible for complying with the best execution policy, described in this section of the Manual. Specifically, you should:

- Review customer transactions on an ongoing basis to ensure the best execution is being provided on an ongoing basis and to identify and implement any appropriate improvements.
- Record the following details in CRM:
  - How the price provided to the customer by sales orders or RFQ represents the best execution according to the Best Execution Process.
  - Any queries directed to the UK T&S Entities on quoted prices (including, where appropriate, what improvements were obtained or the reasons why the price was accepted);
  - Any review or inquiry that has been escalated to the manager in the UK T&S Entity and the outcome.

Marketers and originators should review at least quarterly why RFQs were unsuccessful, including evaluating customer feedback on lost RFQs and executed operations. The result of these reviews will be shared with the Compliance Unit. Likewise, the Compliance Unit will monitor customer orders and RFQ data in CRM through sampling to ensure that the Best Execution Process is followed and that the best execution is achieved.

The Compliance Unit shall inform the Board of Directors, at least annually, whether the process is working effectively and whether marketers and originators are taking all necessary steps to achieve Best Execution for customer. Likewise, the Compliance Unit will supervise compliance with this Policy by the SV. As mentioned above, to operate with a financial intermediary, it must be on the list of intermediaries authorized by the Board of Directors.

The Managing Director of bpES may authorize (authorization via e-mail is understood to be sufficient) the use of a certain financial intermediary outside the list, provided that the conditions of execution of the negotiated derivatives justify its use and the operation is cleared through delivery against payment.

Any dispute with a broker must be communicated to it as soon as possible to resolve the incident, having assessed the actions and incident by the Commercial Department, with the aim of maintaining the commercial relationship with it.

The Risk Control Unit will carry out the following actions, within its Annual Work Plan:

- Analysis of the volume of transactions contracted through the different intermediaries and the commissions charged by it.
- Monitoring of transactions, whose commissions must not exceed those agreed with the intermediary.
- Supervision of the list of financial intermediaries approved by the Board of Directors and verification that the operations were carried out through the intermediaries selected in each case.

- Review of the transactions that would have occurred with Financial Intermediaries not included in the list to verify the existence in the hands of the manager of documentary evidence justifying the exception.

Likewise, the review carried out by the Risk Control Unit will support the checks that are performed by the Compliance Unit to ensure Best Execution is achieved.

The Internal Audit Unit will carry out the following checks:

- Supervise compliance with the Financial Intermediary Authorization procedure.
- Supervision of the list of authorized financial intermediaries.
- Supervision that the transactions have been carried out through the authorized financial intermediaries or justification for the specific exceptions (by the managing Director)
- Supervise the control carried out by the Risk Control Unit on quality in the execution of the operations ordered through the financial intermediaries.

## 6 Best Execution and Financial Intermediaries Information

The ESI shall annually disclose and publish on its website a report that includes the top 5 trading centers by trading volume used in the relevant year and provides information on the quality of the performance obtained. Such report must be published by April 30 of the year following the period to which the report relates.

## 7 Policy Review, Modification and Approval

The approval of this Policy corresponds to the Board of Directors of bpES, as well as any subsequent modifications that may occur. The Policy will be updated and/or modified at least in the following cases:

- When legal or regulatory changes occur that affect the Policy.
- When new services are included in the schedule of activities that require it
- At the proposal of the Regulatory Compliance and Risk Control Unit when it understands that there are aspects susceptible to improvement to achieve the proposed objectives or to adapt appropriately to the characteristics of the services offered by bpES at all times

### 7.1 Document Information

Name	
Master Version	
Location	
Version	
Date	

### 7.2 Version and historical control

Version Number	Author (Name, Role)	Comments	Date