ORDER EXECUTION POLICY

1   General Information about this Policy

1.1   Background

This policy applies to the activities of the following CLSA business lines in Hong Kong:

1. Trading and Execution
2. Equity Derivatives
3. FICC

The relevant business lines may operate through CLSA Limited and CSI Global Markets Limited (collectively, "**CLSA**"). These entities provide general broker dealer and other ancillary services to their clients. They are regulated by the Securities and Futures Commission of Hong Kong (the "**SFC**") and are licenced corporations ("**LCs**") subject to the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**Code of Conduct**").

The Code of Conduct requires that a licensed or registered person has in place arrangements to obtain the best available terms when executing client orders.

1.2   Scope

Best execution policy applies when CLSA executes orders in relation to financial instruments on behalf of its clients. Please see section 2 and section 3 below for more details about the application of the best execution policy. There are two methods that CLSA can use to execute those orders.

Firstly, CLSA can execute the relevant order on behalf of the client directly with a counterparty or on an exchange or other trading system (e.g., by dealing directly with a market maker on a "request for quote" "**RFQ**" basis). The counterparty, exchange or trading system with which CLSA chooses to execute such an order is referred to in this policy as an "**Execution Venue**". An Execution Venue can include a regulated market, an Alternative Liquidity Pool, a market maker or other liquidity provider or non-Hong Kong entity performing similar functions to the Execution Venues listed above.

Secondly, CLSA can place an order as agent with a third party (e.g., another broker or investment bank), for and on behalf of the client. Such third party and its affiliates are referred to in this policy as "**Brokers**".

All CLSA employees who are responsible for the execution of orders in relation to financial instruments on behalf of clients must ensure that any such activities are conducted in accordance with the requirements and guidance set out in this policy.

The application of this policy to each particular business line and product is described further in section 3.2 below.

In accordance with the SFC Code of Conduct, as detailed in the Report on the Thematic Review of Best Execution dated 30 January 2018, CLSA is required to deliver best execution which is fundamental to market integrity and the protection of investors who rely on LCs to act in their best interests during the execution process.

2 Factors to be considered in delivering best execution

2.1 CLSA will take into account the following execution factors:

- the execution price without any costs charged to client, or CLSA's own fees and commissions;
- speed and/or likelihood of execution and settlement;
- the impact on market prices of displaying and/or executing an order or part of an order;
- the availability of price improvement (the opportunity for an order to be executed at a better price than what is currently quoted publicly); and
- any other consideration relevant to the efficient execution of the order.

In certain circumstances, CLSA will take into account the following factors when prioritizing the relevant execution factors:

- the characteristics of the client including the regulatory categorization of the client;
- the characteristics of the order;
- the characteristics of financial instruments that are the subject of that order; and
- the characteristics of the Execution Venues (as defined above) to which that order can be directed.

Generally, CLSA considers that the most important execution factor for its clients is the price at which the transaction in the relevant financial instrument is executed. However, there may be circumstances where the primary execution factors may vary and the price is no longer the dominant execution factor (for example, for transactions in illiquid securities, the likelihood of execution and settlement becomes more important). When considering the execution factors, CLSA will use its experience and expertise to achieve the best balance across the full range of factors. This may mean that CLSA does not always achieve the best price for every client transaction, but the best result that can be reasonably expected given the information available during the execution process. It should, however, be noted that when undertaking a transaction, any specific execution factors specified by clients will always be paramount in ensuring best execution is provided.

2.2 Other factors when delivering best execution

When executing orders or using a dealer to deal in financial instruments over-the-counter, CLSA will check that the price quoted is fair by taking into account market data, including comparing that price with similar instruments (where available).
There may be counterparty risk when executing an order outside a trading venue. On request by the client, CLSA can provide additional information about the potential impact on the execution of orders when executing over-the-counter.

2.3 Handling client orders where multiple quotes exist or where pricing information is limited

In cases where multiple quotes exist, CLSA will generally select based upon best available price though other factors, such as liquidity, market signalling etc. will be taken into consideration which may result in the less favourable price being selected. Execution staff will ensure the traded price is inputted into the system.

In cases where pricing information is insufficient or quotes are absent, CLSA will act in what it generally believes to be in the best interest of clients. Where these situations arise, CLSA will, where possible, inform the client.

3   Application of best execution

3.1   General

The best execution obligations arise when upon instructions from a client, CLSA executes a transaction on the client's behalf that gives rise to contractual or agency obligations owed by CLSA to the client. Such contractual or agency obligations will arise where CLSA is required to exercise discretion in relation to the execution of the client's instruction or order and the client legitimately relies on CLSA in relation to the exercise of that discretion.

CLSA will consider the following factors when determining whether the client legitimately relies on CLSA to protect the client's interests:

(A)   which party initiates the transaction – where CLSA approaches a client and suggests that the client should enter into a transaction, it is more likely that the client will be placing reliance on CLSA. Where a client initiates the transaction, it is less likely that the client will be placing reliance on CLSA;

(B)   market practice and the existence of a convention to "shop around" – where the practice in the market in which a business area operates suggests a client takes responsibility for the pricing and other elements of the transaction (e.g. there is a market convention to "shop around" for a quote), it is less likely that the client will be placing reliance on CLSA;

(C)   the relative levels of price transparency within a market – if CLSA has ready access to prices in the market in which CLSA operates, whereas the client does not, it is more likely that the client will be placing reliance on CLSA, whereas if CLSA's access to pricing transparency is equal to or similar to the client's, it is less likely that the client will be placing reliance on CLSA; and

(D)   the information provided by CLSA and any agreement reached – where CLSA's arrangements and agreements with a client do not indicate or suggest a relationship of reliance, it is less likely that the client will be placing reliance on CLSA.

The characteristics of the client (including the regulatory categorization of the client) is also an important factor for CLSA to consider whether the client is relying on CLSA to deliver best execution and in providing best execution.

3.2   Application by business lines and products

1. Trading and Execution – cash equities and depository receipts (ADR/GDR)

   • When CLSA executes a client's order, CLSA takes all reasonable steps to obtain the best possible result for the client, taking into account the following range of execution factors: price, speed, likelihood of execution and settlement, size, costs, nature of the order or any other relevant execution factors.

- CLSA is responsible for determining the relative importance of each of the best execution factors set out above, taking into account of various factors e.g. nature of the order, including any specific instructions received or the characteristics of the Execution Venue.
- CLSA may discuss the order execution strategy with the client, information provided by the client may impact the execution strategy CLSA uses. CLSA's strategy may include executing orders immediately or working the orders over a period of time.
- If CLSA receives and accepts an order from the client that includes a specific instruction(s) in relation to the handling and execution of the entire order or a particular aspect(s) of the order, CLSA will execute the order in accordance with that specific instruction. This may prevent CLSA from taking steps designed and implemented to obtain the best possible result for the execution of the order. CLSA's obligation of best execution will be satisfied by executing the order in accordance with client's specific instruction.
- CLSA may execute orders on behalf of clients directly on exchanges or regulated Alternative Liquidity Pools (which could include itself or its affiliates).
- Execution Venue (See Annex 1(1)) may be selected as is appropriate in view of the size and nature of the order to obtain the best possible result for the execution.
- CLSA may use third party or affiliated broker as set out in Annex 1(1) for execution of orders. CLSA will select the Brokers based on their track records of achieving the best result in terms of the relevant execution factors. CLSA is responsible for taking adequate steps to ensure that the broker is able to satisfy CLSA's obligation to obtain the best possible result for its clients.
- When a client chooses to execute an order using CLSA's electronic trading systems, it is usual for the client to select adequate parameters for the trade to be executed and in these situations, CLSA will consider that it has met its obligations to deliver the best possible result for the client.
- CLSA may aggregate a client order with other client orders where it is unlikely that the aggregation of orders will work overall to the disadvantage of any client whose order is to be aggregated. CLSA will not aggregate a client order with a principal order.
- CLSA considers a client will not generally be legitimately relying on CLSA to provide best execution when CLSA is approached by the client for a "request for quote" i.e. when the client asks CLSA to provide a quote in a particular cash equities or CLSA will be trading with the client as a principal. The client is expected to assess CLSA's quote against those provided by other brokers.
- ADR/GDR order is sent to CLSA the same way as a cash equities order, therefore in the same way the requirements to obtain the best possible result for all clients when executing the orders apply. If a trader is asked to work an order to get the client ADRs or GRDs and does so in the market consistent with our best execution policy, CLSA will view best execution to be achieved. CLSA does not require the trader to check if the client can get a better price by buying the underlying and converting it to create the ADR.

2. Equity Derivatives – OTC derivatives or structured notes with cash equities and/or ADR/GDR as underlying

OTC derivatives or structured notes involve bilateral contracts that are arranged through negotiation, with a price or quote provided to the client, often on a reverse enquiry basis. A client will decide whether to transact with CLSA on the basis of that quote/price as a consequence, CLSA does not consider that in this situation it

has received a client order unless a client has a legitimate reliance on CLSA to act on a client's behalf to protect client's interest. Often when entering into these transactions it will be necessary for CLSA to hedge its risk, in this case where the price of the hedge may be used as a reference price for the transaction, CLSA will seek to obtain best execution on the underlying hedge subject to any specific instruction. In particular, where clients are trading single name swap or similar access products in OTC format and these take into account the price achieved on the underlying hedge, CLSA will seek to obtain the best execution on the underlying hedge. Additionally, when an element of the client facing trade e.g. strike, initial price, final price is determined by reference to a benchmark at which CLSA may, but is not obliged to, choose to attempt to hedge, there is no explicit best execution obligation owed to the client as there is a specific instruction from the client in terms of the derivative strike to be at the benchmark.

3. Equity Derivatives – stock loan transactions

CLSA considers that best execution does not generally apply to stock loan transactions, on the basis that:

- CLSA is generally approached and requested by clients to provide quotes (i.e. CLSA is only acting on a RFQ basis);
- the nature of the market is such that clients will generally request quotes from a number of different dealers; and
- the nature of the market is such that clients will generally have transparency of the prices at which transactions can be effected in the market.

4. Equity Derivatives – OTC derivatives or structured notes with fund as underlying

OTC derivatives or structured notes involve bilateral contracts that are arranged through negotiation, with a price or quote provided to the client, often on a reverse enquiry basis. A client will decide whether to transact with CLSA on the basis of that quote/price as a consequence, CLSA does not consider that in this situation it has received a client order unless a client has a legitimate reliance on CLSA to act on a client's behalf to protect client's interest. Often when entering into these transactions, the underlying fund is requested by the client and an element of the client facing trade e.g. strike, initial price, final price is determined by the fund price which is provided by the relevant fund manager, CLSA considers there is no explicit best execution owed to the client.

5. FICC – cash bonds

CLSA considers that best execution generally does not apply to transactions in cash bonds, on the basis that:

- CLSA is generally approached and requested by clients to provide quotes (i.e. CLSA is only acting on a RFQ basis);
- the nature of the market is such that clients will generally request quotes from a number of different dealers (market makers) who are readily available to provide/create liquidity in the market; and
- except for illiquid cash bonds, the nature of the market is such that clients will generally have transparency of the prices at which transactions can be effected in the market.

CLSA has internal guidelines for determining when a cash bond is considered "illiquid", in which case, CLSA will take all reasonable steps to obtain the best possible result when executing client's order in relation to such cash bond. For details, please refer to the relevant CLSA internal guidelines or consult CLSA's Compliance department.

However, in certain circumstances, clients may give CLSA specific instruction in relation to an order, CLSA will follow that instruction so far as is reasonably possible when executing the trade. By following clients' specific instruction, CLSA will have satisfied its obligations to provide clients with best execution in relation to that transaction.

It should be noted that in circumstances where clients give us a specific instruction which covers one part or aspect of an order (for example, as to the choice of venue), and CLSA has discretion over the execution of the other elements of the order, then CLSA will continue to be subject to the best execution obligations in respect of the elements of the order that are not covered by clients' specific instruction.

As part of the value-added services, CLSA will provide a daily price runner ("the runs") to all its clients and the provision of runs will not be targeting a particular client. The price runner contains a list of bonds that CLSA is providing active quotes and the runs represent only an indicative bid / ask range. Client must not rely on the runs and should obtain price quotes from CLSA on a RFQ basis for their order.

6. FICC – distressed debts

CLSA considers that best execution generally does not apply to transactions in distressed debts, on the basis that,

- CLSA is generally approached and requested by clients to provide quotes (i.e. CLSA is only acting on a RFQ basis); and
- the nature of the market is such that clients are usually looking for a bargain and willing to accept a risk given the distressed debts have suffered a substantial reduction in value.

It is important to note that whenever you have provided us with a specific distressed debt order instruction, CLSA will provide quotes based solely on trader's objective analysis on issuer's credit and execute the order in accordance with the specific instruction.

7. FICC – OTC derivative transactions

CLSA considers that best execution generally does not apply to OTC derivative transactions, on the basis that:

- OTC derivative products are by nature principal to principal bilateral contracts entered into between CLSA and its clients; and
- clients would approach and request CLSA to provide them with quotes (i.e. CLSA is only acting on a RFQ basis).

8. FICC – repo transactions

CLSA considers that best execution generally does not apply to repo transactions, on the basis that:

- CLSA is generally approached and requested by clients to provide quotes (i.e. CLSA is only acting on a RFQ basis);
- the nature of the market is such that clients will generally request quotes from a number of different dealers (market makers) who are readily available to provide/create liquidity in the market; and
- except for illiquid cash bonds, the nature of the market is such that clients will generally have transparency of the prices at which transactions can be effected in the market.

CLSA has internal guidelines for determining when an underlying cash bond is considered "illiquid", in which case, CLSA will take all reasonable steps to obtain the best possible result when executing client's order in relation to such underlying cash bond. For details, please refer to the relevant CLSA internal guidelines or consult CLSA's Compliance department.

9. FICC – structured notes transactions

CLSA considers that best execution generally does not apply to structured notes transactions, on the basis that:

- CLSA is generally approached and requested by clients to provide quotes (i.e. CLSA is only acting on a RFQ basis);
- the nature of the notes transactions is such that it is a principal bi-lateral transaction entered into between CLSA and its clients; and
- CLSA only offers bespoke products[1], which means there is a limited availability of products with same or similar terms (i.e. underlying asset classes, duration and payoff structure) in the market which may be offered to clients.

4. Monitoring and Control mechanisms

CLSA has an obligation to monitor the effectiveness of its order execution arrangements and this policy. This obligation has been incorporated into CLSA's general compliance monitoring process and business procedures and policies.

CLSA assesses, on a regular basis, whether the Execution Venues listed in Annex 1 provide the best possible result for clients or whether it needs to make changes to its execution arrangements. The assessment takes into account the information on execution quality distributed by Execution Venues and Brokers where available.

CLSA conducts regular reviews and post trade checking through random sampling of transactions to ascertain whether the best possible result was obtained in respect of those transactions.

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[1] A bespoke product is a structured financial product that CLSA creates and customizes for its client and tailors to the client's needs. It allows client to specify the reference underlying assets and decide other relevant risk characteristics and that makes it highly impossible for a comparable product to be readily made available to client at the time of execution.

The performance of electronic trading algorithms against the intended benchmarks (where applicable) is ongoing and prompts a continual enhancement cycle and a feedback loop with users with respect to their usage of electronic trading tools.

5. Review of Policy

Once every two years, CLSA will review this policy and its execution arrangements. The review will focus on whether CLSA would obtain better results for its clients if it was to:

(A)   include additional or different Execution Venues or brokers;

(B)   modify the process by which Execution Venues and Brokers are selected; and

(C)   modify any other aspects of this policy and/or its execution arrangements.

CLSA will also review this policy and/or its execution arrangements whenever a material change occurs that could affect its ability to obtain the best possible result for the execution of its clients' orders on a consistent basis.

CLSA will provide staff with periodic training on best execution as well as updates on internal policies and regulatory and technology developments.

6. Client Disclosure

CLSA will provide its clients with appropriate information on this policy.

To the extent that CLSA makes any material changes to this policy, it will notify the changes to its clients by publishing an updated version of this policy on the company web-site.

7. Roles of the Operational and control functions

CLSA has implemented a Best Execution Committee comprising of senior management which is responsible for overseeing best execution arrangements to protect clients' best interest, ensure fair treatment and to minimise conflict of interest.

Responsibility for monitoring day to day activities with respect to Best Execution lies with the relevant desk who will assess execution quality against appropriate metrics and reference benchmarks.

The compliance department samples transactions to review the quality of execution and detect and address anomalies.

The Internal Audit department will undertake periodic audits which may include a review of execution quality.

4   Annex 1

CLSA may use the following Brokers and Execution Venues in respect of transactions in financial instruments falling within the Instrument Class:

1. Cash equities and depositary receipts

Country	Brokers	Execution Brokers & Execution Venues
Australia	CLSA Australia Pty. Ltd. CLSA Global Markets Pte Ltd.	Australian Securities Exchange Ltd, (ASX) CHI-X Australia
China	CLSA Limited CLSA Global Markets Pte Ltd.	Fortune CLSA Securities CITIC Securities Shanghai Stock Exchange (SSE) Shenzhen Stock Exchange (SZSE)
Hong Kong S.A.R.	CLSA Limited CLSA Global Markets Pte Ltd.	The Stock Exchange of Hong Kong Limited (HKEX) CLSA Limited (Alternative Liquidity Pool)
India	CLSA India Private Limited CLSA Global Markets Pte Ltd.	Bombay Stock Exchange Limited (BSE) National Stock Exchange of India Ltd. (NSE)
Indonesia	CLSA Limited CLSA Global Markets Pte Ltd.	PT CLSA Sekuritas Indonesia Indonesia Stock Exchange (IDX)
Japan	CLSA Singapore Pte Ltd CLSA Global Markets Pte Ltd.	CLSA Securities Japan Co., Ltd SBI JAPANNEXT Co., Ltd. CLSA Securities Japan Co., Ltd (Internal Crossing Engine).

Country	Brokers	Execution Brokers & Execution Venues
		Tokyo Stock Exchange, Inc. (TSE) Chi-X Japan
Korea	CLSA Securities Korea Ltd CLSA Global Markets Pte Ltd.	Korea Exchange (KRX)
Malaysia	CLSA Limited CLSA Global Markets Pte Ltd.	CLSA Securities Malaysia Sdn. Bhd Bursa Malaysia Berhad (KLSE)
Philippines	CLSA Limited CLSA Global Markets Pte Ltd.	The Philippine Stock Exchange, Inc. (PSE)
Singapore	CLSA Limited CLSA Global Markets Pte Ltd.	CLSA Singapore Pte. Ltd. Singapore Exchange Limited (SGX)
Taiwan	CL Securities Taiwan Co. Ltd. CLSA Global Markets Pte Ltd.	Taiwan Stock Exchange Corporation (TWSE)
Thailand	CLSA Limited CLSA Global Markets Pte Ltd.	CLSA Securities (Thailand) Ltd The Stock Exchange of Thailand (SET)
USA	CLSA Americas LLC CLSA Global Markets Pte Ltd.	New York Stock Exchange (NYSE) National Association of Securities Dealers Automated Quotations (Nasdaq) American Express (Amex) New York Stock Exchange Market New York Stock Exchange Archipelago Exchange (NYSE ARCA)

Country	Brokers	Execution Brokers & Execution Venues
		Investors Exchange (IEX)
		BATS EDGA
		BATS EDGX
		BIDS
		Level Alternative Trading System (ATS)
		UBS Alternative Trading System (ATS)
		Deutsche Bank Super Cross (SuperX)
		Bank of America Merrill Lynch InstinctX (BAML InstinctX)
		Morgan Stanley Pool (MS Pool)
		Credit Suisse Crossfinder (CS Crossfinder)
		Goldman Sachs **Sigma** X (Goldman SigmaX)
		Barclays LX
		JP Morgan Cross
		Virtu Matchit (FKA KCG Matchit)
		Instinet Cross Border Xpress (Instinet CBX)
		Integrated Technology Group POSIT (ITG Posit)
		CrossStream (Fidelity Capital Markets crossing network)
		BlockCross (recently merged with Instinet)
		Liquidnet

Country	Brokers	Execution Brokers & Execution Venues
		Coda Markets Automatic Trading Station – ATS (Parent company is PDQ enterprises)
New Zealand	CLSA Limited CLSA Global Markets Pte Ltd.	Craigs Investment Partners Limited NZX Limited (NZX)
Bangladesh	CLSA Limited. CLSA Global Markets Pte Ltd.	BRAC EPL Stock Brokerage Ltd. Lanka Bangla Securities Ltd. Dhaka Stock Exchange Limited (DSE)
Sri Lanka	CLSA Limited. CLSA Global Markets Pte Ltd.	John Kheells, Stockbroking Colombo Stock Exchange (CSE)
Vietnam	CLSA Limited. CLSA Global Markets Pte Ltd.	Saigon Securities (SSI) Ho Chi Minh Securities (HCM) Ho Chi Minh Stock Exchange (HOSE or HSX) Hanoi Stock Exchange (HNX)
Pakistan	CLSA Limited. CLSA Global Markets Pte Ltd.	BMA Capital Alfalah Securities Intermarket Securities (IMS) Arif Habib Limited Pakistan Stock Exchange Limited (PSX)
Other Global Markets ADx	CLSA Global Markets Pte Ltd. ITG Europe Limited. Kepler Cheuvreux	The Egyptian Exchange (CAI), Boursa Kuwait (KUW), Bourse De Valeurs Casa blanca (CAS), Muscat Stock Exchange (MUS),

Country	Brokers	Execution Brokers & Execution Venues
		Doha Securities Market (DSM),
		Abu Dhabi Securities Exchange (ADX
		Dubai Financial Market (DBX),
		NASDAQ Dubai (DIF),
		Vienna Exchange (Xetra) (VIE),
		Euronext – Brussels (ENB),
		Cyprus Stock Exchange (CYS),
		Euronext – Amsterdam (PRA),
		Copenhagen Stock Exchange(CPH),
		Helsinki Stock Exchange (HEL),
		Euronext – Paris (ENX),
		German exchange (Xetra) (GER),
		Athens Stock Exchange (ATH),
		Budapest Stock Exchange (BUD),
		Irish exchange (Xetra) (ISE),
		Tel Aviv Stock Exchange (TLV),
		Milan Stock Exchange (MIL),
		Euronext – Amsterdam (ENA),
		Oslo Stock Exchange (OSL),
		Warsaw Stock Exchange (WSE),
		Euronext – Lisbon (ENL),
		Bucharest Stock Exchange (BUH),
		Johannesburg Stock Exchange (JNB),

Country	Brokers	Execution Brokers & Execution Venues
		Sistema De Interconexion Bursatil Espanol (MAD),
		Stockholm Stock Exchange (STO),
		Swiss Exchange (SWX),
		SWX Europe (VTX),
		Istanbul Stock Exchange (IST),
		BATS Europe(BTE),
		Chi-X Stock Exchange (CIX),
		London Stock Exchange (LSE),
		Turquoise Exchange (TRQ),
		Equiduct Exchange (EQD),
		Bulgarian Stock Exchange (BLG),
		Zagreb Stock Exchange (ZAG),
		Tallinn Stock Exchange (TLX),
		Euronext - NYSE Arca Europe (NAE),
		Sao Paolo Stock Exchange – B3 (SAO)
		Ljubljana Stock Exchange (LJU),
		Nordic Growth Market Exchange (NGM),
		PLUS Markets (PLS),
		Luxembourg Stock Exchange (BIL)

The vast majority of equities transactions would be effected by executing through a Broker in the market to which the relevant order relates.

2. Bonds

This instrument class includes all bonds including but not limited to treasury bonds, corporate bonds, sovereign and quasi sovereign bonds and currency bonds. In respect of transactions in instruments falling within this instrument class, CLSA, through CSIGM will generally be acting in principal capacity. CLSA Limited could also provide broker dealing and other ancillary services as an agent in certain circumstances.

Venues	Other
MarketAxess MTF	OTC voice trades
Bloomberg MTF	
SGX	
Tradeweb	

3. Money market instruments

This instrument class includes certificates of deposit. In respect of transactions in instruments falling within this instrument class, CLSA will act in a principal capacity.

Venues	Other
MarketAxess MTF	OTC voice
Bloomberg MTF	
SGX	
Tradeweb	

4. Over-the-counter derivatives

This instrument class includes all OTC derivative transactions. In respect of transactions in instruments falling within this instrument class, CLSA will act in a principal capacity.

Venues	Other
Reuters FXALL	OTC voice
Bloomberg FX Go	
Citi Velocity	
Single Dealer Platform offered by Banks	