

Best Execution Policy

Revised September 1, 2020
CLSA Securities Japan Co., Ltd.

This Best Execution Policy sets forth our policy and execution methodology for executing orders from clients under the best terms in accordance with Article 40-2 (1) of the Financial Instruments and Exchange Act (hereinafter, "FIEA").

Upon acceptance of a client order for securities listed on a financial instruments exchange in Japan (hereinafter, Exchange), and in the absence of a client instruction regarding execution, we will endeavor to execute that order in accordance with the following policy.

With respect to institutional investors, we recommend the use of the Smart Order Routing (hereinafter, SOR) as a default configuration. Unless cancelled by the client, we will execute orders via SOR, which will be brokered on the Exchanges or Proprietary Trading Systems (PTSS) or matched in CLSA's Alternative Liquidity Pool (ALP) based on the SOR determination in accordance with the SOR parameters designated by the client. Orders matched in ALP will be executed on the ToSTNet.

1. Securities covered

- (1) Shares of stock, bonds with stock acquisition rights (convertible bonds), ETFs (exchange traded funds i.e. beneficiary certificates in investment trusts linked to a stock index), REITs (investment certificates in real estate investment trusts) which are listed on an Exchange, as well as, securities constituting "Listed Share Certificates, etc.", as prescribed under Article 16-6 of the Order for Enforcement of the FIEA.
- (2) "Tradable Securities" such as Phoenix issues and bonds with stock acquisition rights (convertible bonds) etc. as prescribed under Item (iv) of Article 67-18 of the FIEA.

2. Best execution methodology

All orders received from clients shall be brokered as agency orders and we will not become a contractual party to such orders by engaging our proprietary accounts.

(1) Listed Share Certificates, etc.

Unless a client wishes to use the SOR provided by us, all orders related to Listed Share Certificates, etc. received from the client shall be brokered on an Exchange of which we are a member, or in the case where such Listed Share Certificates, etc. are listed only on Exchanges of which we are not a member, client orders shall be brokered on such Exchanges through Nomura Securities Co., Ltd., and will not be executed off-exchange including the

use of a PTS.

- ① At the time an order is received from a client, we will promptly broker on an Exchange. Orders received from a client outside of trading hours of the Exchange will be brokered on the Exchange once the trading session reopens.
- ② Agency orders to be brokered on an Exchange described in section (1) above will be executed as follows:
 - (a) If the security is listed on one Exchange (single listing), we will broker the order to that Exchange;
 - (b) If the security is listed on multiple Exchanges (multiple listing), and the client does not use SOR, we will broker the order to the Exchange designated by the client, but this will require the client to designate the Exchange.

(2) Tradable Securities (Phoenix issues)

We will not accept orders for Tradable Securities (Phoenix issues).

3. Reasons for selecting the relevant execution method

(1) Listed Share Certificates, etc.

Exchanges have high concentration of the demand from many investors and they are believed to be a superior marketplace in terms of liquidity, execution probability and execution speed, etc. in comparison with off-exchange trades. We therefore believe that execution on an Exchange should be the most reasonable method for a client. In the case where a security is listed on multiple Exchanges, we believe that it will be most reasonable for the client to execute the order on the Exchange with the highest liquidity for that security.

(2) Phoenix issues

We will not accept orders for Phoenix issues.

4. Other

(1) Notwithstanding 2 above, we will execute the following types of transactions as indicated below:

- ① A transaction where a client has specified the method of execution (i.e. by requesting us to act as a direct counterpart, by requesting us to execute the order on a specified exchange, or by requesting us to execute the order at a specific time, etc.):
Execution method as specified
- ② Execution under a discretionary trading agreement, etc.:

We do not enter into discretionary trading agreements.

- ③ Transactions in which execution method is specified under general terms, etc. such as cumulative stock investment and mini stock investment:

Such execution method

- ④ Odd-lot shares or shares less than a trading unit:

We will place the order with a financial instruments business operator that handles odd-lot shares and shares less than a trading unit

- (2) In some cases, as a result of a system failure or otherwise, we may have no alternative but to execute an order using a method other than the method that we have selected based on this Best Execution Policy. In such cases, we will endeavor to execute on the best terms possible.

- ※ The duty of best execution not only relates to price but involves the consideration of various factors including cost, speed and certainty of execution. That a trade appears after the fact not to have been executed at the best possible price does not by itself necessarily constitute a violation of the duty of best execution. The price matched when the order is routed to ALP does not necessarily guarantee a favorable price at the time of execution.