

## Policies of the Bank governing the execution of orders in financial instruments

The following execution principles set out how Baader Bank Aktiengesellschaft (hereinafter the "Bank") consistently guarantees the execution of a client order in the client's best interests when the order is executed on a trading venue (i.e. organised market, multilateral trading system or organised trading system) or an execution venue other than a trading venue (i.e. systematic internaliser, market maker or other provider of liquidity).

The Bank may make the execution principles sufficiently flexible in order to meet the differing needs of individual clients. These can be found in specific order execution policies. Please ask your contact at the Bank if you are interested in individual execution policies.

### 1. Scope of application

The execution policies apply to the execution of orders for both retail and professional clients as defined by the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG). The execution principles do not apply to transactions with suitable counterparties as best execution regulations pursuant to Section 82 WpHG are not applicable in such situations according to the exemption in Section 68 WpHG.

The Bank's best execution policy only applies if, upon order placement, you do not explicitly specify an execution venue to execute your order or any trading instructions.

In the best execution of a client order where instructions have been issued, we will execute the order on the relevant domestic markets or primary exchanges and/or MTFs and/or OTFs by manually placing the order through the broker on the market with the best price and highest liquidity, or using a smart order router. Trading algorithms can also be used as the client desires in order to execute the order as best possible where orders are executed using the smart order router (e.g. VWAP, TWAP, percentage of volume, simultaneous access to market liquidity on different stock exchanges, MTFs and OTFs to reduce market influence due to the diversified execution of orders). Specific stock exchanges, MTFs, OTFs, systematic internalisers and other liquidity providers can be considered or excluded for the execution of orders in accordance with individual agreements with clients.

Client orders for trading in securities are generally not executed against the Bank's proprietary capital, but are forwarded to an execution venue. The Bank executes client orders against proprietary capital in off-market ETF trading with professional clients and suitable counterparties, provided the client does not instruct otherwise. The Bank acts as a liquidity provider in this process as the quantity requested by clients generally cannot be traded on the relevant stock exchanges, or can only be traded at a significant price disadvantage. The revenue-related quotas provided by the Bank offer without exception an improved execution in comparison with the order book depth of the reference stock exchange.

If the Bank does not have direct access to an execution venue, it will not execute the client's order itself but will forward it in accordance with these execution principles to a suitable intermediary (broker) who will execute this order in line with the Bank's instructions.

### 2. Priority of client instructions

Specific instructions from a client regarding the execution venue always take priority. The Bank will always follow client instructions in the execution of an order. The client is hereby explicitly advised that the Bank will execute orders as instructed if the client issues instructions regarding the execution venue and is thus not obliged to achieve the best result possible in accordance with these execution principles (best execution). The obligation to achieve the best result possible for the client is always considered fulfilled for client orders that are placed with instructions.

### 3. Specific information on the execution of fixedprice transactions

The Bank offers to conclude fixed-price transactions for its clients. If orders are concluded to purchase or sell financial instruments in a fixedprice trans-

action, the Bank will ensure that this takes place on market terms. There is no best execution obligation within the meaning of the WpHG. The client order can be executed by means other than a fixedprice transaction if the client so desires, provided the relevant financial instruments are traded on a stock exchange and there is sufficient liquidity to execute the order. Unless the client requests otherwise, the Bank may hold some or all of the relevant position on its books for purposes of proprietary trading.

### 4. Warehouse transactions

The Bank may defer the settlement and delivery of an executed client order on behalf of the client to a subsequent point in time when the first (partial) execution has taken place. Prior approval from the Bank and sufficient trading limits for the client are always required to execute such a warehouse transaction. Unless otherwise agreed, the costs for financing the days other than the standard value date will be invoiced to the client on the acquisition of securities. It is agreed that the settlement day is the trading day. The client ensures that it will take this information into account in its market conformity check. All transactions must be settled; netting is not possible.

### 5. Deviation from the execution principles in individual cases

If our traders believe a client's purchase or sales order materially deviates from typical orders in its nature and/or scope, the Bank may execute the order in the client's interests in deviation from these principles. The same applies to extraordinary market conditions or disruptions (e.g. order status). The Bank will notify the client by telephone of the differing execution of the trade without delay.

### 6. Execution of client orders in overseas futures transactions

Where futures transactions are traded exclusively on overseas execution venues, the client engages the Bank to execute its orders through an intermediary (broker). The broker executes the order in accordance with its best judgement on a futures exchange of its choosing. The potential execution venues can be found in the list on the following page under "Exchange Traded Derivatives".

### 7. Non-standard futures transactions and forward exchange contracts

Non-standard futures transactions and forward exchange contracts are concluded directly between the client and the Bank, and through an intermediate commission agent where necessary. The individual structure of the transactions and market practices mean there are no other suitable execution venues. The best execution regulations pursuant to the WpHG do not apply to any such individual agreements between the client and the Bank.

### 8. Subscription requests for new issues

The Bank executes requests for newly issued securities as best possible in accordance with these execution principles by accepting the subscription request and potentially allocating or delivering the securities. Pro-rata allocation or delivery is possible if there are several identical subscription requests. If this is not possible, securities are allocated or delivered in the order of the subscription requests.

### 9. Particular features of orders in the context of financial services

with the Bank, the Bank may, as a financial services provider, forward the order to a different execution venue from that set out in these principles in the client's interests. The Bank may make use of block orders (consolidation of smaller orders into one overall order) in the context of the financial service.

## 10. Consolidating orders and determining an average price

The Bank may choose, but is not legally obliged, to consolidate your orders and other clients' orders and divide the resulting expenses and/or proceeds among the involved clients in a manner that the Bank deems to be fair and appropriate in accordance with applicable regulations. If the overall consolidated order is not executed at the same price, the Bank may calculate an average of the expenses and/or proceeds and charge or credit a net average price to your account. Details of the average execution prices can be provided to you on request. It cannot be excluded in individual cases that order consolidation will have a negative effect on market pricing.

## 11. Bank publications

The Bank regularly publishes statistics on the five main execution venues (measured by order volume) where it executes client orders (top 5 reporting of Baader Bank). The Bank also regularly publishes information on the execution quality achieved (top 5 quality reporting). This information is published on the Bank's website <https://www.baaderbank.de/Kundenservice/Rechtliche-Dokumente-Baader-Bank-250>. Links to the execution quality reports published by the Bank's execution sites in accordance with the COMMISSION DELEGATED REGULATION (EU)2017/575 are also provided there.

## 12. Execution via trading algorithms

The Bank offers its institutional clients the opportunity to have their orders executed using the algorithmic methods set out below. These orders may be care orders (semi-automatic orders or orders placed manually via the Bank's trading desk):

**SOR:** Third-party smart order router. The liquidity available on the market is accessed using low latency technology. The user has numerous configuration options that allow it to access LIT (e.g. traditional marketplaces such as stock exchanges and MTFs) and/or DARK marketplaces (e.g. dark pools) in line with its preference.

**LIQUIDITY:** Using a liquidity-sourcing logic, LIQUIDITY takes account of the variable trading volumes, increased volatility and increased price sensitivity typically associated with less liquid and difficult-to-trade stocks. As LIQUIDITY does not follow a fixed timeframe and can match the relevant participation rate, it trades at times that it considers optimal and pauses trading at unfavourable times. LIQUIDITY can be used for LIT and DARK markets. Nevertheless, to reduce signal risks, the algorithm does not set limits in LIT markets.

**DARK AGGREGATOR:** Only uses DARK liquidity by focusing on a dark pool network. An anti-gaming function can also be activated that pauses trading when DARK AGGREGATOR detects unfavourable market conditions. The DARK AGGREGATOR algorithm does not set limits in LIT markets and it does not work towards achieving a determined rate.

**VWAP:** The algorithm attempts to minimise the difference between the current and the target volume-weighted average price in consideration of the specific timeframe. It also endeavours not to influence the market/pricing. It uses data analysis to predict volume trends.

**TWAP:** The algorithm trades orders evenly over a previously defined timeframe and also endeavours not to influence the market/pricing.

**ARRIVAL PRICE (implementation shortfall logic):** The algorithm attempts to achieve the arrival price by determining an optimum timeframe that balances influences on the market/prices and price risk. Different levels of urgency allow the user to determine how aggressive the strategy is.

**PERCENTAGE OF VOLUME (POV):** The algorithm anticipates and dynamically responds to traded volumes in order to bring the orders in line with a specific participation rate.

**TARGET CLOSE:** The algorithm trades orders over a timeframe where the price is as close as possible to the daily closing price.

## 13. Execution outside a trading venue

In addition to securities exchanges, the Bank can trade client orders or proprietary trading positions resulting from a client order with a different trading partner outside a trading venue, unless the client instructs otherwise. It must be noted in this context that the Bank cannot influence how this trading partner trades its position.

## 14. Review of the execution principles

The Bank will review the execution principles at least once a year in accordance with statutory requirements. If there are clear indications of significant

market changes that mean that client orders can no longer be executed consistently in the client's best interests on the execution venues determined in accordance with the execution principles, the Bank will also review and amend these execution principles as required during the year. The Bank will publish the findings of the review and any material changes made on its website. The Bank will regularly monitor the effectiveness of the execution principles so that it can update them whenever needed.

## 15. Best execution criteria

When executing your orders for the purchase or sale of financial instruments as defined in the WpHG, the Bank takes all measures to achieve the best possible result for you in the execution process in consideration of the order type and the features of the financial instrument and the execution venue. The Bank naturally follows your express instructions in this process. The Bank generally considers the following factors in the selection of execution venues:

### 15.1 General static trading venue features:

- Quality of the technical connection (latency)
- Investor protection
- Number of trading participants
- Clearing systems
- Back-up systems

### 15.2 General dynamic trading venue features:

- Price of the financial instrument
- Waiting period until the trading venue opens
- Remaining trading time until the trading venue closes
- Order execution fees
- Liquidity of the trading venue on the last trading day
- Speed of execution
- Likelihood of execution and settlement

### 15.3 Trading venue features for each cluster of financial instruments<sup>1</sup>:

- Price quality
- Speed of execution
- Likelihood of execution (execution guarantees)
- Partial execution rate
- Liquidity

We have allocated potential execution venues to the following groups of financial instruments:

Group	Potential execution venues
German equities	Berlin, Düsseldorf, Frankfurt, Gettex, Hamburg, Hanover, Munich, Stuttgart, Tradegate, Xetra
Foreign equities	Berlin, Düsseldorf, Frankfurt, Gettex, Hamburg, Hanover, Munich, Stuttgart, Tradegate, Xetra
Bonds that can be traded on the stock exchange	Berlin, Düsseldorf, Frankfurt, Gettex, Hamburg, Hanover, Munich, Stuttgart, Tradegate, Xetra
Bonds that can be traded on the stock exchange (Foreign currency)	Frankfurt, Gettex, München, Stuttgart
Bonds that cannot be traded on the stock exchange	Interbank trade
Funds/ETF's	Berlin, Düsseldorf, Frankfurt, Gettex, Hamburg, Hanover, Munich, Stuttgart, Tradegate, Xetra
Participation certificates	Berlin, Düsseldorf, Frankfurt, Gettex, Hamburg, Hanover, Munich, Stuttgart
Warrants	Berlin, Düsseldorf, Frankfurt, Gettex, Hamburg, Hanover, Munich, Stuttgart, Xetra
Certificates	Berlin, Düsseldorf, Frankfurt, Gettex, Hamburg, Hanover, Munich, Stuttgart, Xetra
Subscription rights	Berlin, Düsseldorf, Frankfurt, Gettex, Hamburg, Hanover, Munich, Stuttgart, Tradegate, Xetra

<sup>1</sup> All securities must be distinguished according to their type and grouped into suitable clusters of financial instruments, whereby one financial instrument can be in several clusters. The following selection and evaluation criteria can be used when grouping securities into a cluster of financial instruments: Product category, product sub-category, quotation, issuer, country, trading currency and index membership.

## 16. Weighting

Criteria are weighted using the client classification provided by the client in advance (retail or professional client). The Bank must take the total fee into account as a priority in accordance with Section 82 WpHG when executing or forwarding a client order. The total fee generally comprises the **price** for the financial instrument and all **costs** associated with the order execution.

The costs to be taken into consideration when calculating the total fee include

- the charges and fees at the venue where the transaction is executed,
- fees paid to third parties involved in the order execution,
- clearing and settlement costs and taxes and other public charges,

as well as commissions or fees that the Bank invoices the client for an investment service. The criterion "likelihood of execution and settlement", which may affect the total fee, is also taken into account. The criterion "likelihood of execution and settlement" covers the following qualitative factors (trading times at the individual trading venues, trade monitoring, access to trading venues, provision of trading technology).

For orders with no instructions that are placed electronically, by telephone, by fax or by email, the Bank proceeds as follows in order to achieve the best possible execution:

For delivery clients (the transaction is settled through a third-party institution by delivery against payment as a client deposit is not held at the Bank):

Price	75%
Costs	0%
Likelihood of execution and settlement	25%

For deposit clients:

Price	50%
Costs	25%
Likelihood of execution and settlement	25%

## 17. Best execution for orders which do not contain any instructions regarding the stock exchange

### 17.1 Direct comparison procedure

The direct comparison procedure (referred to as "direct comparison" in the following) is used for a selected number of financial instruments ("order classes"). The procedure takes place as follows: on receipt of order, the or-

der books for the trading platforms cleared for the direct comparison in line with the Bank's order execution policy are considered and a consolidated order book is compiled, with the order then being placed on the trading platform where the best execution can be achieved whilst taking into account the fees involved.

The direct comparison is undertaken for the following order classes:

- German index shares (order volume below thresholds defined by us)
- Non-German index shares (order volume below thresholds defined by us)
- Exchange-traded bonds
- Investment funds (order volume below thresholds defined by us)
- Warrants (order volume below thresholds defined by us)
- Certificates (order volume below thresholds defined by us)

Should the direct comparison fail to lead to a result (e.g. all stock exchanges closed, order limit above or below the market quotes, order volumes greater than the volumes of the market quotes) then this is deactivated for the order class in question and the securities order is passed to the "script processing" procedure and is then processed and evaluated anew.

### 17.2 Script processing procedure

In script processing (hereinafter "script processing"), potential trading venues are ranked based on the abovementioned features and through the formation of classes (market properties). Within classes, venues are ranked on a scale of 1 (worst) to 10 (best). In script processing, either all trading venue features or a sub-quantity thereof are used and these are ranked using the above weighting in accordance with our assessment. Trading venues beneath a limit previously defined by you may be excluded. The sum of all weighted trading venue features taken into account for each trading venue is calculated using the formula

Chosen trading venue – max. (ranking HP1; ranking HP2; ...; ranking HPn), where

- Ranking HPx = sum (HPM1 \* g1; ...; HPMm \* gm)
- HP = Trading venue
- HPM = Trading venue feature
- g = Weighting

The order is placed at the trading venue with the highest determined value. All trading venue features used and their classes are also stored in log files for subsequent verification purposes.

Above and beyond legal requirements, orders for trading in investment fund units with no instructions are also processed in the above manner. It is also possible to process these orders directly through the management company or the depositary on the basis of special instructions.