



MEDIOBANCA

ORDER EXECUTION AND TRANSMISSION STRATEGY

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1. Introduction

1.1. Purpose of document

The purpose of this document is to illustrate the order execution and transmission strategy (the "Strategy") adopted by Mediobanca (the "Bank"), i.e., the rules which the Bank has adopted to manage clients' orders and obtain the best possible result in their execution.

The Bank provides potential new clients with the Strategy at the client acquisition stage, along with the pre-contractual and contractual information. Clients accept the Strategy concurrently with agreeing to the contractual terms for the provision of order reception and transmission services, order execution on behalf of clients, and trading on own account.

The Bank publishes the Strategy on its official website at www.mediobanca.com, under the MiFID/Best Execution section, and informs clients of relevant changes made to the Strategy by publishing the new version on the same website. The Bank informs clients (by email or other means agreed) that a new version of the Strategy has been published on the website.

1.2. Regulatory framework

Directive (EU) 2014/65 and the regulations enacting it ("MiFID II") oblige investment firms to adopt sufficient measures to obtain the best possible result when executing clients' orders, regardless of whether or not the instruments to which the orders refer are admitted to trading and/or traded at a trading venue or otherwise.

Investment firms are bound to adopt the above measures in order to obtain the best possible execution of the clients' orders, taking due account of the following factors:

- ◆ Price of the financial instrument;
- ◆ Costs of execution;
- ◆ Speed of execution;
- ◆ Probability of execution and settlement;
- ◆ Size of order;
- ◆ Nature of order;
- ◆ Other characteristics of the order of relevance to its execution.

If the investment firms execute orders on behalf of retail clients, the best result is established in terms of "**total consideration**", i.e., in terms of the "price" of the financial instrument and the "costs" related to the execution, including all expenses incurred by the clients which are directly attributable to execution of the order.



Investment firms are required to classify the above factors in order of importance, having regard to the following aspects:

- ◆ Characteristics of the client, including whether or not it is classified as “retail” or “professional”;
- ◆ Characteristics of the client's order, including when the order includes securities financing transactions (SFT);
- ◆ Characteristics of the financial instruments covered by the order;
- ◆ Characteristics of the execution venues to which the order may be directed.

Investment firms are required to meet the obligations in terms of adopting sufficient measures to obtain the best result possible for the client if they execute an order or a specific aspect of an order, complying with the specific instructions issued by the client regarding the order or the specific aspect of the order in question.

When investment firms execute orders or decide to trade OTC products which include bespoke products, they verify the fairness of the price offered to the client by collecting the market data used in the estimate of the price of the product, and where possible compare it with similar or comparable products.

Investment firms review their order execution and transmission strategy, and also the devices they use to execute the orders, at least once a year, and assess on an ongoing basis whether material changes have occurred that could impact on the execution parameters to obtain the best terms, and consider the possibility of making changes to the execution venues or to the entities used by them to meet the requirement for execution on the best terms possible.

“Material change” for the purpose hereof is defined as a significant event which is potentially able to affect the best execution parameters, such as price, costs, speed, probability of execution and settlement, size, nature, or other characteristics of the order of relevant to its execution, that impacts on the Bank's capability to continue to systematically obtain the best possible result for the client's order execution.

1.3. Changes made

April 2026: the Strategy has been updated in order to:

i. for the execution of orders in equity instruments,

- ◆ offer clients a dynamic best execution system internal to the Bank, as an alternative to or in combination with the order execution system via brokers;



- ◆ clearly illustrate the new functioning of the Equiduct venue, which allows trading to be executed not just at the values recognized in the consolidated book, but also improved terms obtained through liquidity providers;
- ◆ specify, in Annex A, the client orders that the Bank can combine with its own proprietary orders in Capital Markets operations (Accelerated Book Building);

ii) revise the section on forex trading (FX);

iii) supplement the Glossary.

2. Scope of application

The Bank – while providing services for receiving and transmitting orders, executing orders on behalf of clients, and trading for its own account— applies the measures and rules stated in this document to obtain the best possible result for clients classified for MiFID purposes as retail and professional (the best execution obligations do not apply to clients classified as eligible counterparties), and to manage orders from clients (classified as retail clients, professional clients and eligible counterparties).

2.1. OTC (over-the-counter) trading and counterparty risk

The Bank – without prejudice to the obligations provided for under Regulation (EU) 2014/600 and the regulations enacting it (MiFIR) on trading obligations for shares and derivatives – may execute client orders OTC, i.e., outside a trading venue (regulated markets, MTFs and OTFs), only if the client concerned has provided their explicit consent to such end.

Clients may provide such consent in the form of general agreement, or trade by trade.

The Bank executes client orders over-the-counter (OTC) in the following circumstances:

- ◆ For instruments not traded at any trading venue;¹ or
- ◆ For instruments listed on trading venues, only if the OTC execution guarantees improved or comparable conditions to those of the market; or
- ◆ If, at the time of order execution, the quantity is unavailable on the trading venue's order book and the client indicates that the most relevant factor for execution is the probability of execution; or
- ◆ In response to specific client instructions.

¹ Including financial instruments not traded at venues to which the Bank has direct/indirect access.



With regard to OTC operations, the Bank considers the prevailing factors for best execution to be the price of financial instruments and trading costs.

Prices of financial instruments are determined:

- ◆ For unlisted financial instruments: by also taking into account the market value of similar or comparable instruments, where these exist;
- ◆ For listed financial instruments: based on the instruments' market value.

The Bank carries out regular checks to ascertain that the costs charged to clients are compliant with the maximum limits defined internally.

OTC trading entails counterparty risk for the client. In particular, in cases which involve proprietary OTC trading, if the Bank were to become insolvent, it might not be able to meet its obligations in respect of trades concluded or make the relevant payments, at which point the client could lose all or part of the payments made or suffer unlimited losses. Furthermore, when the Bank is unable to pay its own debts, the client is subject to the risk of resolution measures being taken against the Bank by the authority under the terms of Directive 2014/59/EU ("bail-in"), including the early termination of contracts that have been concluded, or a reduction in their amounts or conversion to risk capital.

2.2. Trading in requests for quotes (RFQ)

In trading that follows a "request for quote" ("RFQ"), at the client's initiative, the Bank assesses whether the client is due best execution protections based on the following "fourfold test":²

- ◆ If it is the client that has launched the trade/RFQ; this can be checked by the communications with the client;
- ◆ If there is a particular market practice for the instrument in question and a convention for the client to "shop around": these factors may be observed from the historical records of trades for the instrument and/or interactions between the Bank and the client;
- ◆ If price transparency is assured in the relevant market; this can be observed from the current and historical levels of the bid/ask spread and the volumes traded on the specific market; and
- ◆ If the agreements with the client or the information provided to the client do not make clear that the client should have the benefit of such protections in RFQ trading;

If the above conditions are met, the Bank may consider that the client in the RFQ trading does not expect execution protection under the best conditions.

² Cf. European Commission working document ESC-07-2007.



If the above conditions are not met, the Bank ensures investor protection by providing prices to clients with the best execution conditions. This involves comparing the conditions/execution-quality offered by multiple counterparties/market makers.

2.3. Specific client instructions

Best execution obligations do not apply when the Bank receives specific instructions from the client, because they are considered to have been already met.

If the specific instructions regard only part of the order, Mediobanca is bound to continue applying the principles illustrated in this document with regard to every other aspect of this order not covered by the client's instruction. When the instruction given by the client refers to a specific order execution strategy (VWAP, TWAP, VP, etc.), Mediobanca applies this instruction to the execution of the order as a whole.

With regards to orders transmitted electronically by CIB Division clients and related to equity and FTP instruments, Mediobanca considers an instruction as being specific when the trading venue indicated by the client is different from the "target market". This market is determined daily by the Bank³ on the basis of information provided by a specialized info-provider which is published on its public website (www.mediobanca.com), in the MiFID/ Best Execution section.

With reference to orders exclusively for equities and ETP instruments transmitted electronically by CIB Division clients who have opted for the "Target market only" execution strategy (cf. section 7), the Bank considers any trading venue specified by the client within the electronic flow as a specific instruction.

Where there is a conflict between the client's specific instructions and the local regulations applicable to the order, the local regulation will prevail over the client's specific instruction.

3. Rules for managing client orders and allocation procedure for Equity Capital Markets and Debt Capital Markets transactions

3.1. Rules for managing client orders

Mediobanca receives orders exclusively through authorized communications systems and channels which are subject to recording, as required by the regulations in force.

³ Conversely, Mediobanca does not consider an instruction as being specific when the trading venue indicated by the client is the one regarded by the Bank as the target market.



The Bank ensures a rapid, fair, and efficient execution of retail and professional clients' orders relative to other client orders and to the Bank's own trading interests.

The Bank executes and/or transmits orders from clients classified as retail and professional which are comparable, sequentially and promptly, unless the order's characteristics or the prevailing market conditions make it impossible, or the clients' interests require it to proceed differently.

The Bank informs retail-classified clients of any relevant difficulties that could impact the proper execution of orders as soon as it becomes aware of them.

The Bank, in order to ensure that orders with price limits – for shares admitted to trading in a regulated market or traded at a trading venue – not executed immediately at the prevailing market conditions, are executed as quickly as possible, unless the client provides instructions to the contrary, publishes the orders immediately by means that are easily accessible to the other market participants. For this purpose, the Bank may transmit client orders with price limits to a trading venue. The obligation to publish orders with price does not apply in cases where the volume is high compared to the normal size for the market.

The Bank combines retail and professional clients' orders in accordance with the rules set out in Annex A.

3.2. Allocation procedure for Equity Capital Markets/Debt Capital Markets transactions

During the allocation procedure, the offering of securities – including, without limitation, Initial Public Offerings (IPO), Accelerated Bookbuilding (ABB), Reverse Accelerated Bookbuilding (RAB) and any other private placement or public offering – may give rise to situations of conflict of interests. With this in mind, Mediobanca adopts an allocation strategy which is intended to prevent such situations from arising as provided by the Directive process for order collection, allocation and post-allocation for ECM/DCM transactions.

Allocation decisions depend on various factors. It should be emphasized that expressions of interest/orders which the Bank receives from investors must be consistent with the real demand for securities that the investors concerned will actually request. Mediobanca undertakes to ensure that the allocation will be compliant with the related allocation strategy.

Investors accept the above principles and in accordance with the respective regulations and internal procedures, act in good faith to enable lawful and regular allocation.



4. Monitoring and revising the order execution and transmission strategy

Mediobanca monitors the effectiveness of its Strategy, and the quality of the execution obtained from the execution venues and brokers identified on an ongoing basis, seeking to rectify any shortcomings noted. When requested by the client, the Bank is able to demonstrate that it has executed an order in conformity with the provisions set forth in the Strategy.

The checks are intended to ascertain that:

- ◆ The correct execution mode chosen by the client (cf. section 7) has been applied to the client's order;
- ◆ The orders have been executed/transmitted at approved execution venues or with approved brokers;
- ◆ The brokers have executed the orders in accordance with the relevant strategy;
- ◆ The approved execution venues and brokers continue to guarantee the terms provided and assessed at the acquisition;
- ◆ For OTC products, that clients have been offered a fair price, checking that the costs charged to clients fall within the limits defined internally to the Bank.

Without prejudice to the foregoing, the Bank reviews the Strategy, along with the order execution devices, once a year, including on the basis of the checks described above.

The Bank also revises the Strategy under extraordinary circumstances, to incorporate changes in the performance of its activities in connection with execution services, and every time a significant change occurs which implies that it is impossible to continue to deliver the best possible result in client order execution over the long term.

If significant changes are made to the Strategy as a result of the review activities, the Bank notifies its clients of such changes by publishing the new version of the Strategy on its website at www.mediobanca.com, under the MiFID/Best Execution section. The Bank also informs its clients that the Strategy has been revised (by email or other agreed means).

5. Best execution factors and their relative importance

The Bank adopts sufficient measures to obtain best execution, taking into account the following execution factors:

- ◆ **Price** of the financial instrument;
- ◆ **Costs** associated with execution: specifically, the Bank considers the "total consideration", which consists of the sum of the price of the financial instrument itself and all costs incurred



by the client and directly attributable to execution of the order (which include execution and netting/settlement costs);

- ◆ **Probability of execution:** this factor varies depending on the structure and depth of the market on which the instrument is traded and depends on the quantity of securities involved in the order. For OTC trades, the probability of execution is one of the criteria which distinguishes the service offered by the Bank to its clients, as it depends on its willingness to execute trading on own account, and/or on the strategies adopted to execute the orders via other intermediaries;
- ◆ **Speed of execution:** this factor may vary based on the methods used to make the trade, the structure and characteristics of the market, the connection devices used, and based on other variables as well, such as the liquidity of the instrument being traded;
- ◆ **Nature of order:** certain other characteristics of an order are relevant to achieve the best execution, such as for example: i) the size of the order, which can impact on both the methods used to obtain the best execution and on other factors as well, such as price, speed and probability of execution; ii) the type of instrument: i.e. if the instruments are illiquid or highly personalized.

In defining the hierarchy of execution factors, the Bank has taken the following issues into account: client classification (retail/professional classified clients); order type/venue (orders immediately/not immediately tradable at the venues depending on market conditions); type of financial instruments to which the client orders refer (bonds/shares and similar instruments).

Mediobanca generally considers as prevailing factors:

- ◆ For retail clients: the total consideration, in terms of price instrument and execution-related costs. For large orders and/or orders which involve illiquid instruments, the execution of which may be impacted negatively by market prices, Mediobanca may consider other factors to have priority, such as speed and probability of execution;
- ◆ For professional clients: the "price" factor, in each case assigning a significant weighting to other factors, such as "speed of execution" or "probability of execution".

6. Execution venues and brokers

6.1. Direct execution or through broker

Mediobanca can execute client orders on execution venues either directly or through brokers.⁴ The Bank forwards orders to brokers for their execution in the following cases:

⁴ With regard to Mediobanca client orders on US and Canadian markets, the transmission of these orders to brokers is directly handled as follows: i) by Mediobanca during its own business hours or those of its English branch, and ii) outside of these hours, through the subsidiary Mediobanca Securities USA. The traders at Mediobanca Securities USA execute/manage Mediobanca client orders under the latter's responsibility.



- ◆ For bond instruments and certificates: on a residual basis when the Bank receives an order for an instrument that can only be traded at a venue to which it does not have direct access;
- ◆ For equities and ETP instruments: generally, except in cases where:
 - ✓ The client has chosen the “Target Market Only Strategy” (cf. section 7.1) and Mediobanca has direct access to the market; or
 - ✓ The order has been placed by the client with specific instructions requiring its execution on a particular venue where the Bank has direct access.
- ◆ For equities: generally, save in cases where the client has chosen the Bank’s “internal dynamic execution strategy”, as an alternative to or in combination with the order execution system via brokers (cf. section 7.1);
- ◆ For exchange-traded derivatives (ETDs) traded at trading venues: generally, except when Mediobanca has direct access to the venue, and is able to guarantee the same execution quality offered by brokers, or is acting as liquidity provider.

6.2. Selection of trading venues and brokers

The Bank selects the trading venues based on the following factors, which it continues to monitor over time:

- ◆ Type of instrument tradable at the venue;
- ◆ The venue's liquidity;
- ◆ Bid/ask spread levels at the venue;
- ◆ Depth of the venue;
- ◆ Fee structure applied by the venue (membership costs, connection, trading, clearing, settlement, and other administrative expenses);
- ◆ Characteristics of orders tradable at the venue;
- ◆ Client classification (retail/professional);
- ◆ Resilience of the venue and other relevant information (e.g. evidence of serious dysfunction occurring during the current year).

The Bank selects brokers based on the following factors which it continues to monitor over time:

- ◆ Reputation;
- ◆ Credit rating;
- ◆ Fee structure;



- ◆ Execution venues to which they have access (liquidity, bid/ask spread level, market depth and resilience);
- ◆ Execution strategies, which must be consistent with the Bank's Strategy;
- ◆ Clearance system.

The selection of the trading venues and brokers and/or changes to venues or brokers already selected is carried out by the business units, based on the criteria set out above, while notifying the Compliance unit of their choices.

The list of execution venues and brokers selected by the Bank for executing orders on behalf of clients is provided in Annexes B and C, respectively.

Annex B contains an indication of all the trading venues, by classes of trading instruments, which the Bank accesses directly or indirectly to execute client orders, specifying, in the "Best execution venues" column, whether or not the Bank guarantees the application of measures to ensure the best possible results at such venues, and also, in the "Best internal execution venues" column, the venues selected by the Bank to obtain the best possible result in executing client orders using the Bank's "internal dynamic execution strategy model".

For the "Equities and ETP instruments" asset class, Annex B lists the venues which the Bank accesses directly, and also the principal venues which it accesses indirectly (principal venues are defined as regulated markets and MTFs where the instruments were originally admitted to trading).⁵ The full, updated list of the non-principal venues which the Bank accesses indirectly in order to ensure best execution is available on request.

Annex B does not contain also a list of the venues used by the Bank to execute client orders on a proprietary basis.

7. Order execution model for equities, ETP instruments and derivatives

7.1 Equities/ETP instruments

To execute orders in equities and ETP instruments, the Bank may adopt: i) different "execution strategy types" (types of execution venues), and ii) different "execution models" (static internal execution, dynamic execution via broker, or dynamic internal execution model), depending on the "execution strategy type" chosen by the client, instrument class, or order characteristics.

The "**Execution strategy types**" are as follows:

⁵ Depending on the local regulations applicable to the order (e.g. US regulations), the order may be executed at a different trading venue to the ones listed, in order to obtain improved conditions.



- ◆ **Target market only** – the most liquid market identified daily based on historical data on volumes traded⁶ (accessible through the “internal static execution model”);
- ◆ **Lit venue only** (no dark venue)- (accessible through the “Dynamic execution via broker model”, or “dynamic internal execution model”);
- ◆ **Lit venue only** (no dark venue) & **Systematic Internalizer** – (accessible through the “dynamic execution via broker model”);
- ◆ **Dark and lit venues** (accessible through the “dynamic execution via broker model” or “dynamic internal execution model”);
- ◆ **Dark, lit venues and Systematic Internalizer** (accessible through the “Dynamic execution via broker model”);

Or alternatively, irrespective of the above types of strategy, and for equities only:

- ◆ **Equiduct (Apex)**, for the execution of orders that do not contain execution strategies using algorithmic strategies (accessible directly, or through the “Dynamic internal execution model”);
- ◆ **Equiduct (Zenith)**, for the execution of orders that contain execution instructions using TWAP, VWAP or VP algorithmic strategies (accessible directly).

Equiduct⁷ aggregates the quotations provided by the official stock markets (Borsa Italia, Xetra, Euronext – Paris, Lisbon, Amsterdam and Brussels) and by the various alternative markets or Multilateral Trading Facilities (CBOE Europe, Turquoise, Equiduct), creating a “consolidated book” which represents the liquidity available for the stock. The consolidated book thus provides a full overview of the liquidity visible on the trading venues for a particular instrument. Equiduct ensures that clients have the possibility to trade at the values shown in the consolidated book for the maximum amount shown, unless improved terms can be obtained through the use of liquidity providers.

Client orders may only be executed directly by the Bank on **Equiduct (Apex)** if the following conditions are met:

- A. The financial instrument must be quoted on Equiduct, and have one of the following venues as its principal trading venue:
 - ◆ Euronext (Milan, Paris, Lisbona, Amsterdam and Bruxelles)
 - ◆ Xetra;
- B. The order must refer to an instrument that is in the trading phase on the target market;

⁶ Mediobanca identifies the “target markets” for all financial instruments traded on a daily basis, based on reporting provided daily by a specialist info-provider. Mediobanca publishes and updates the list of “target markets” daily on its own official website at www.mediobanca.com (MiFID).

⁷ Equiduct (<http://www.equiduct.com/home/home.asp>) is a segment of the regulated market operated by the Berlin stock exchange (Börse Berlin – <http://www.boerse-berlin.com>), which combines latest-generation technology with an innovative operating model to guarantee dynamic best execution on share markets for its clients.



- C. The order must not contain execution instructions using algorithmic strategies;
- D. The size of the order must be below the threshold identified for each instrument in the relevant file published on the Bank's official website (MiFID/Best Execution/Equiduct Apex instruments).

If the above conditions are met, the orders are transmitted to Equiduct and remain in the market until they are executed, cancelled or revoked.

If the above conditions are not met, or if the Equiduct market is not available, the orders are addressed to the trading venue identified on the basis of the "Execution strategy type" and "Execution model" chosen by the clients.

The clients' orders may be executed by the Bank directly on **Equiduct (Zenith)** exclusively if the conditions set forth under letters A) and B) are met (Equiduct Apex), and only if:

- ◆ The orders contain execution instructions using TWAP, VWAP or PART algorithmic strategies;
- ◆ The size of the orders generated using the algorithmic strategies is below the threshold identified for each instrument, contained in the file published on the Bank's website (MiFID/Best Execution/Equiduct Zenith instruments).

If the above conditions are met, the orders are sent to the best execution venue between Equiduct and the target market.

If the above conditions are not met, or if the Equiduct market is unavailable, the individual orders generated by the algorithm are addressed to the trading venue identified based on the "Execution strategy type" and "Execution model" chosen by the clients.

The "**Execution models**" are:

- ◆ "**Internal static execution model**" (**equities/ETP instruments**) applicable only on the most liquid market, and only in cases where the "execution strategy type" is "Target market only".
- ◆ "**Dynamic execution via broker model**" (**equities/ETP instruments**) applicable in the venues listed in Annex B in column "Access Mode" indicated as offering "Indirect access" (and in the other non-principal venues to which the Bank has indirect access via brokers), in cases where the "execution strategy type" is "Lit venues only" or "Dark and lit venues", with or without Systematic Internalizer);

Even under this model the Bank can execute orders directly, i.e. without going through brokers, if they are:

- ◆ Orders of a size which, at the time of execution, are not available on the markets' trading book, for which execution has been requested for the entire quantity; the Bank may exercise such orders directly as direct counterparty, hence OTC where permitted (cf. section 2.1), or via an MTF, at prices in line with market prices;



- ◆ Orders issued as high-touch orders: the Bank may issue such orders directly on trading venues (through Iceberg orders or by allocating part of the order at an opening or closing auction) when it feels it can obtain the best execution for its client.
- ◆ **“Dynamic internal execution model” (equity instruments only)**, applicable at the trading instruments that have as main negotiation markets one of the following venues:
 - ◆ **Euronext (Milan, Paris, Lisbona, Amsterdam and Bruxelles);**
 - ◆ **Xetra**

The venues on which the model apply are listed in Annex B in the column entitled “Internal Best Execution venues” (including Equiduct), only in cases which involve i) “Execution strategy type”: “Lit venues only”, or “Dark and lit venues”; or ii) orders to be executed without algorithmic strategies”.

This model is based on an algorithm integrated into the Smart Order Router (SOR) system, which assesses the quality of the execution offered by the individual trading venues listed in Annex B in the column headed “Internal best execution venues”, by considering the following factors/parameters in real time (for retail and professional client orders):

- ◆ 98% for the “price and costs” factor;
- ◆ 1.9% for the “probability of execution” factor;
- ◆ 0.1% for the “speed of execution” factor.

The SOR system also takes account of the following aspects:

- ◆ The liquidity of the financial instrument traded: this parameter is considered implicitly in the “probability of execution” factor;
- ◆ The size of the order: as this can affect other factors, such as the strike price or the speed or probability of execution.

It should be noted that the SOR system, in managing orders, may, based on their characteristics, intervene in certain parameters (by entering or changing a price limit; setting the validity as “Immediate-Or-Cancel”). If the order cannot be executed immediately, the algorithm routes it to the historically most liquid venue, and throughout the order's duration, monitors the market conditions at the other venues on an ongoing basis, and tries to move it if the conditions for its execution occur at one of them.

In cases where the “execution strategy type” is “Dark and lit”, the algorithm first of all checks the possibility of execution on the “dark venues” at “mid-point” with “Immediate-Or-Cancel” validity.

The “Dynamic internal execution model” is used in combination and/or as an alternative to the “Dynamic execution via broker model”. More specific, in the case of orders on instruments that do not have Euronext (Milan, Paris, Lisbon, Amsterdam and Brussels) and Xetra as their main reference venue, or when there are technical problems in using the internal model, or alternatively if clients ask for orders to be executed using algorithmic strategies, the Bank adopts the “Dynamic execution via broker model”, based on the “Execution strategy type” chosen by the client.

Order Execution and Transmission Strategy



* * * * *

Without prejudice to the foregoing, Mediobanca:

- ◆ Applies exclusively the following strategies to **Mediobanca Banking Division** clients (retail or professional):
 - ◆ For equities: the "Lit venue only" "Execution strategy type", along with the "Dynamic internal execution model" as an alternative to and/or in combination with the "Dynamic execution via broker model";
 - ◆ For ETP instruments: "Lit venue only" "Execution strategy type", along with the "Dynamic execution via broker model".

For Mediobanca Private Banking clients, the total consideration constitutes the principal execution factor, regardless of the type of instrument being traded;

- ◆ For clients of the **Corporate & Investment Banking Division** (including interconnected clients), allows them to choose, both when opening their account and during the ongoing arrangement, between the "Execution strategy types" (including Equiduct) and the "Execution models" listed above.

Unless specified otherwise by the Corporate & Investment Banking Division's clients, the Bank always applies the "Dark and lit venues" strategy and the "Dynamic execution via broker" model.

For the Corporate & Investment Banking Division's clients, the Bank primarily considers the "price" factor, along with the "speed of execution" and "probability of execution" factors.

7.2 Derivative instruments admitted to trading

For the execution of orders in derivative instruments admitted to trading on trading venues, the Bank uses brokers, save in cases where it has direct access to the venue, in which case the Bank may execute the order directly as well. Given that **such instruments are generally traded at a single trading venue, the orders are executed at the venue concerned.**

8. Order execution model for debt instruments and certificates

For bond instruments and certificates the Bank generally adopts an "Dynamic internal execution model" (AOR), which checks:

- ◆ If the financial instrument is tradable at only one trading venue to which it has access; in which case the Bank directs the order straight to that venue;
- ◆ If the financial instrument is tradable at more than one trading venue, the Bank selects, in accordance with the order's characteristics and market rules, the best venue to which it

Order Execution and Transmission Strategy



has direct access, based on their respective conditions at the time the order is received (according to the internal dynamic execution model), and:

- ◆ *If the order can be executed immediately*, the Bank executes the order based on dynamic best execution criteria and sends the result of the trade to the client. The order may be executed in whole or in part;
- ◆ *If the order or part of it cannot be executed immediately*, the Bank publishes the order at the reference venue (chosen based on having the highest liquidity). In this case the order may become executable at a later stage and therefore:
 - ◆ If the order is subsequently executed in full or in part at the same venue where it was published (the reference venue), the Bank sends the client confirmation of the results of the trade;
 - ◆ If the order or part of it becomes executable at a later stage at an alternative venue included in the Strategy, the Bank activates the function to move the order to the venue offering the best trading conditions compatible with the order. Once the order has been moved to the alternative venue:
 - i) If it is not executed: the order is published at the reference venue;
 - ii) If it is executed in part: the unexecuted part of the order continues to be published at the alternative venue where the partial execution took place;
- ◆ If the order does not become executable at any venue within the time limits set by the client, the Bank informs the client that the transaction has not been executed.
- ◆ The "Dynamic internal execution model" is based on an algorithm integrated into the Automated Order Routing (AOR) system which assesses the quality of the execution offered by the individual trading venues listed in Annex B in the column headed "Internal best execution venues", considering the following factors/parameters in real time (for retail and professional clients):
 - ◆ 98% for the "price and cost" factor;
 - ◆ 1,9% for the "probability of execution" factor;
 - ◆ 0,1% for the "speed of execution" factor.

The order management system also takes the following factors into account:

- ◆ The liquidity of the financial instrument traded: this parameter is considered implicitly in the "probability of execution" factor;
- ◆ The size of the order: insofar as this may affect other factors, such as execution price and/or speed or probability of execution.

The Italian regulated markets and Multilateral Trading Facilities selected by the Bank listed in Annex B are able to offer competitive trading conditions and high liquidity levels,



guaranteeing coverage of the majority of the range of instruments currently and historically traded by clients.

Unless a different instruction is given by the client, the Bank shall take into account the possibility of executing the order either on trading venues other than those highlighted in the above paragraph (that allow trading in Request for Quote) or OTC (cf. section 2.1 above), on the condition that prices are lower than those offered by the said venues. With regard to interconnected clients such assessment is only conducted when the volume of the order is above the thresholds agreed with the client.

9. Order execution model for forex trading

At the client's specific request, Mediobanca offers to the possibility of settling orders in a different currency to the one in which the financial instrument is denominated. The order is executed, where possible, by negotiating price and exchange rate directly with selected market makers.

10. Glossary



Term	Definition
Systematic Internalizer ("SI")	Pursuant to Article 4(1), point 20 of Directive 2014/65/EU, Systematic Internalizers are investment firms which, on an organized, frequent and substantial basis, deal on own account when executing client orders outside a regulated market, an MTF or OTF, without managing a multilateral facility.
Market maker	Pursuant to Article 4(1), point 7 of Directive 2014/65/EU, a market maker a person who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against their own proprietary capital at prices defined by them.
Regulated Markets ("MR")	Pursuant to Article 4(1), point 21 of Directive 2014/65/EU, multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems.
Multilateral Trading Facilities ("MTF")	Pursuant to Article 4(1), point 22 of Directive 2014/65/EU, an MTF is a multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract in accordance with Title II of this Directive.
Organized Trading Facilities ("OTF")	Pursuant to Article 4(1), point 23 of Directive 2014/65/EU, an OTF is a multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract.
Execution venues	As defined by MiFID (Directive 2014/65/EU), an MR, MTF, OTF, SI, market maker or another liquidity provider.
Trading venues	Pursuant to Article 4(1), point 20 of 24 of Directive 2014/65/EU, an MR, MTF or an OTF.
OTC	Execution of orders outside of a trading venue.
Lit venues	Execution venues/platforms that offer pre-trading transparency.
Dark venues	Execution venues/platforms that do not offer pre-trading transparency, normally used for orders of significant size.
Equities	Pursuant to Article 4(1), point 44, letter a) of Directive 2014/65/EU, equities are defined as: shares in companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in respect of shares.
	ETF (Exchange-Traded Funds), pursuant to Article 4(1), point 46 of Directive 2014/65/EU, are defined as: a fund of which at least one unit or share class is traded throughout the day on at least one trading venue and with at least one market maker which takes action to ensure that the price of its units or shares on the trading venue does not vary significantly from its net asset value and, where applicable, from its indicative net asset value.
ETP instruments	ETN (Exchange Traded Notes), pursuant to Article 4(1), point 44, letter b) of Directive 2014/65/EU, and Commission Delegated Regulation (EU) 2017/583, Annex III, Table 2.4, are defined as: a debt instrument issued against a direct investment by the issuer in the underlying or underlying derivative contracts. The price of an ETN is directly or indirectly linked to the performance of the underlying. An ETN passively tracks the performance of the underlying to which it refers.

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		<p>ETC (Exchange Traded Commodities), pursuant to 4(1), point 44, letter b) of Directive 2014/65/EU, and Commission Delegated Regulation (EU) 2017/583, Annex III, template 2.4, are defined as: a debt instrument issued against a direct investment by the issuer in commodities or commodities derivative contracts. The price of an ETC is directly or indirectly linked to the performance of the underlying. An ETC passively tracks the performance of the commodity or commodity indices to which it refers.</p>
Derivatives		<p>Pursuant to Article 2, point 29 of Regulation (EU) No. 600/2014, derivatives are defined as: those financial instruments defined in Article 4(1), point 44), letter c), of Directive 2014/65/EU, and referred to in Annex I, section C.</p>
Debt instruments	financial	<p>Pursuant to Article 4(1), point 44, letter b) of Directive 2014/65/EU, these are defined as: bonds or other forms of securitized debt, including depository receipts in respect of such securities.</p>
Certificates (securitized derivatives)		<p>Pursuant to Article 4(1), point 44, letter c) of Directive 2014/65/EU, certificates are defined as: any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures.</p>



11. Annex A – Procedure for order aggregation and allocation

Order aggregation and allocation

According to Article 68 of Commission Delegated Regulation 2017/565 supplementing Directive 2014/65/EU (MiFID II), investment firms shall not carry out a client order or a transaction for own account in aggregation with another client order unless the following conditions are met:

- ◆ It is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated;
- ◆ It is disclosed to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order;
- ◆ An order allocation policy is established and effectively implemented, providing for the fair allocation of aggregated orders and transactions, including how the volume and price of orders determines allocations and the treatment of partial executions.

Where an investment firm aggregates an order with one or more other client orders and the aggregated order is partially executed, it shall allocate the related trades in accordance with its Order assignment strategy.

Mediobanca may aggregate client orders, provided it checks carefully that the following conditions have been met:

- ◆ That the orders are of the same type (e.g. sale, acquisition, exchange, etc.);
- ◆ That the orders regard the same financial instrument;
- ◆ That the orders present the same execution strategy (specifically, the same execution venues);
- ◆ Same execution parameters (e.g. "fill or kill" orders);
- ◆ Same specific instructions – same algorithm strategy (VWAP, TWAP, VP);
- ◆ For VWAP or TWAP strategies, same expiry periods;
- ◆ For volume participation strategies, same participation rates.

Finally, it should be noted that aggregation is not permitted in the following cases:

- ◆ Orders presented on different working days or with different periods of validity;
- ◆ Orders which make provision for different execution venues.

The allocation procedure must also comply with the following principles:

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- ◆ In cases which involve full execution of an aggregated order, the assignment must be made based on the characteristics of the individual clients' orders;
- ◆ In cases which involve partial execution of an aggregated order, the assignment must be pro rata to the volume for each individual order without any damage to any client whose orders have been aggregated;
- ◆ In cases where the order is executed at a better price than the limit price originally set by the client, the entire profit will go to the client themselves;
- ◆ In cases where orders are made at different times and aggregated subsequently, the first order will contribute to form the result of the aggregated order only for that portion which has not yet been executed at the time when the orders are aggregated (it being understood that the orders will be executed in a timely manner and in sequence: if client A makes an order at 9:00 and client B makes another at 9:10, with aggregation starting from 9:10, any results obtained in relation to client A's order between 9:00 and 9:10 will be assigned to client A alone and not shared pro rata with client B).

Furthermore, client order aggregation will be carried out strictly at the execution venue itself. For this reason Over-The-Counter (OTC) trades are not permitted.

Pursuant to Article 69 of Commission Delegated Regulation No. 2017/565, which supplements Directive 2014/65/EU (MiFID II), the Bank may also aggregate transactions for own account with one or more client orders as part of Capital Markets operations (Accelerated Book Building), provided that the reallocation of the various transactions is not in any way detrimental to any of the clients.

In the event of partial execution of client orders aggregated with transactions for own account, the Bank allocates the transactions executed to clients before to those of the Bank. The trades executed can be allocated pro rata to the Bank as well, if compliant with the order allocation strategy; without aggregation it would not have been possible to execute the order on such advantageous terms, or it would not have been possible to execute it at all.

The procedure set out in Annex A will be revised annually in conjunction with the revision of the Strategy itself.