

Disclosure statement on the Best Execution operation of Shanghai Commercial Bank

1. Background and purpose

This disclosure statement on the Best Execution operation (“Disclosure”) provides client with information on order execution and conflicts management when Client trades with Shanghai Commercial Bank (“SCB” or “the Bank”). By placing a trade order with or through the Bank, client should read carefully and understand to the contents and impact of this Disclosure. The client may contact bank staff for assistance and/or seek independent professional advice if the Client deems necessary.

SCB is an authorized institution supervised by the Hong Kong Monetary Authority under the Banking Ordinance and registered by the Securities and Futures Commission of Hong Kong for Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities. In this regard, the Bank is committed to complying with various regulatory requirements imposed by the regulators on trade execution.

2. Best execution

Best execution indicates the requirements that sufficient steps should be taken to obtain the best available terms by taking into account factors such as price, cost, speed of execution, likelihood of execution, speed of settlement, likelihood of settlement, size and nature of the order and any other relevant considerations depending on the situation when executing client orders.

3. Scope of application

When the Bank enters into agency or principal transactions with client, the obligation to deliver best execution remains with the Bank where client relies on the Bank to protect his/her interests in order execution. The Bank carries out its own assessments to determine whether client is relying on the Bank to protect his/her interests, and whether the best execution obligation is owed, by considering the below criteria:

- Does client initiate the transaction
- Is it a market convention for Client to “shop around”
- Is it a relatively transparent market
- Is disclosure made to client that no best execution is provided

The Bank uses a combination of above criterion to determine whether a client relies on the Bank to protect his/her interests, and whether best execution obligation is owed. Without such reliance, the Bank does not act on the client’s behalf regarding the activity concerned and best execution is not applicable. For details of the capacity of particular

product in which the Bank is acting as, please refer to Securities Account Mandate.

4. Execution factors

Sufficient steps should be taken by the Bank to obtain the best available terms when executing client orders, taking into account the following execution factors (the factors are not listed in order of priority):

- Price
- Cost
- Speed of execution
- Likelihood of execution
- Speed of settlement
- Likelihood of settlement
- Size of the order
- Nature of the order
- Other considerations that is relevant to execution at the time of execution

The consideration and relative importance of each best execution factor varies from case to case, the Bank chooses the best available terms at the time of execution. The market situation may lead to situation that the Bank is not able to consider all execution factors. In particular, under scenario of absence of multiple quotes, the Bank only can obtain pricing information on a best-effort basis. The Bank shall take sufficient steps to protect client's interests according to applicable policies and procedures and may disclose the limitation to client.

4.1 Execution criteria

When determining the relative importance of the execution factors, the Bank will consider the available market information and following conditions:

- The characteristics of the client
- The characteristics of the order
- The characteristics of the financial instrument
- The characteristics of the execution venue

The Bank will determine the relative importance of the best execution factors on a case-by-case basis. Thus, the best execution result of each order for client may vary.

4.2 Specific instruction

Client may instruct the Bank to take into consideration certain factors which client may consider to be of particular importance. Where client's order includes specific

instruction, the Bank will take reasonable steps to follow the instruction when executing the order. By following the instruction, the Bank will be deemed to have satisfied its best execution obligation in respect of that order. Best execution shall only apply to those aspects of that order not covered by the specific instruction.

5. Execution Venue and exclusive use of affiliates, connected parties and third parties

The Bank executes client's order of securities products either through the listed exchanges or over the counter through the Bank, its affiliates, connected parties or third parties. The Bank has set up ongoing monitoring and assessment of the execution quality of the affiliates, connected parties or third parties.

6. Conflict of interest

The Bank has put in place policies and procedures to identify situations where conflicts of interest may arise and sets out the Bank's measures for prevention or management of these conflicts given the situation that client may be charged an additional spread, mark-up, fee, commission, trading profit maybe resulted for conducting the execution that will be disclosed properly to client. In circumstances where conflict of interest arise, the Bank will manage its activities through the relevant policies, procedures and other controls it has in place to mitigate those conflicts. The Bank may also in its discretion decline to act in such circumstances. The Bank will conduct regular checks to review the quality of execution and to detect and address anomalies. The Bank will also assess whether any change is required to the execution arrangement in due course.

7. Amendment

The Bank reserves the right to amend all or any part in this Disclosure whenever is necessary and this Disclosure is subject to change without further notice.

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