

BP Investment Management Limited

Top 5 venues and execution quality report 2018

Introduction

BP Investment Management Limited (“BPIM”, “the Firm”) is authorised and regulated by the UK Financial Conduct Authority (“FCA”) as an Occupational Pension Scheme firm (“OPS firm”). FRN: 122340. It operates as the in-house asset manager for the UK BP Pension Fund. BPIM has one client: BP Pension Trustees Limited (“the Client”), which is the corporate trustee and legal owner of the BP Pension Fund’s assets. BPIM manages a portfolio of listed equities, property and private equity on behalf of the BP Pension Fund. The Firm also deals in spot FX and money market funds for the purposes of cash management.

The required format and content of the top five execution venues reports (‘quantitative reports’) and execution quality commentary (‘qualitative reports’) is outlined in Article 65 of the MiFID Org Regulation and Commission Delegated Regulation (EU) 2017/576 (“RTS 28”).

Top 5 execution venues by percentage of volume traded, by asset class

BPIM's dealing desk places orders with brokers on an agency basis. The firm does not direct orders to a specific trading venue (such as a public exchange, Multilateral Trading Facility, or Systematic Internaliser) and does not execute directly with such trading venues. The passive / aggressive distinction and directed orders are not relevant to the Firm, as we only place orders with brokers. The following reports list our top five brokers chosen for execution for each class of financial instruments traded.

We have categorised our transactions using classifications provided by our third-party Transaction Cost Analysis ("TCA") providers. These reflect categories of financial instruments published by the European Securities and Markets Authority ("ESMA"). Equity instruments are placed into liquidity bands based on data published by ESMA. Band 6 represents the most liquid instruments and band 1 the least liquid.

This report covers the period 1st January 2018 to 31st December 2018.

Equities – Shares & Depositary Receipts, tick size liquidity bands 5 and 6

Notification if <1 average trade per business day in the previous year	N				
Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CITIGROUP GLOBAL MARKETS LIMITED XKZZ2JZF41MRHTR1V493	23.59	21.94	n/a	n/a	n/a
HSBC BANK PLC MP6I5ZYZBEU3UXPYFY54	17.06	19.37	n/a	n/a	n/a
INSTINET EUROPE LIMITED 213800MXAKR2LA1VBM44	12.13	13.27	n/a	n/a	n/a
BARCLAYS CAPITAL SECURITIES LIMITED K9WDOH4D2PYBSLSOB484	10.39	7.02	n/a	n/a	n/a
EXANE LIMITED 213800SH9MTNZQJKP526	8.53	4.27	n/a	n/a	n/a

Equities – Shares & Depositary Receipts, tick size liquidity bands 3 and 4

Notification if <1 average trade per business day in the previous year	N				
Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CITIGROUP GLOBAL MARKETS LIMITED XKZZ2JZF41MRHTR1V493	34.94	39.45	n/a	n/a	n/a
INSTINET EUROPE LIMITED 213800MXAKR2LA1VBM44	13.93	8.63	n/a	n/a	n/a
HSBC BANK PLC MP6I5ZYBUEU3UXPYFY54	13.54	20.58	n/a	n/a	n/a
EXANE LIMITED 213800SH9MTNZQJKP526	9.1	7.98	n/a	n/a	n/a
CLSA (UK) 213800VZMAGVIU2IJA72	7.9	8.62	n/a	n/a	n/a

Equities – Shares & Depository Receipts, tick size liquidity bands 1 and 2

Notification if <1 average trade per business day in the previous year	N				
Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CITIGROUP GLOBAL MARKETS LIMITED XKZZ2JZF41MRHTR1V493	37.6	43.14	n/a	n/a	n/a
INSTINET EUROPE LIMITED 213800MXAKR2LA1VBM44	22.56	15.01	n/a	n/a	n/a
CLSA (UK) 213800VZMAGVIU2IJA72	21.22	31.76	n/a	n/a	n/a
HSBC BANK PLC MP6I5ZYZBEU3UXPYFY54	18.1	9.25	n/a	n/a	n/a
MACQUARIE BANK LIMITED 4ZHCHI4KYZG2WVRT8631	0.13	0.43	n/a	n/a	n/a

Debt Instruments (Money Market Instruments)

Notification if <1 average trade per business day in the previous year	N				
Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
BP INTERNATIONAL LIMITED G1KG00QD10NOMCMLDZ35	100	100	n/a	n/a	n/a

BPIM places orders for money market instruments with BP Treasury's internal dealing desk. BP Investment Management Ltd and BP International Ltd are both ultimately owned by BP plc. Money market instruments are used for cash management only; money market fund selection is dictated by BP Group's risk management policy.

Exchange traded products (Exchange traded funds, exchange traded notes and exchange traded commodities)

Notification if <1 average trade per business day in the previous year	Y				
Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CITIGROUP GLOBAL MARKETS LIMITED XKZZ2JZF41MRHTR1V493	96.78	25	n/a	n/a	n/a
CLSA (UK) 213800VZMAGVIU2IJA72	3.22	75	n/a	n/a	n/a

All transactions were in a single exchange traded fund.

Other Instruments

Notification if <1 average trade per business day in the previous year	N				
Top five investment firms ranked in terms of trading volumes (descending order)	Proportion of volume traded as a percentage of total in that class	Proportion of orders executed as percentage of total in that class	Percentage of passive orders	Percentage of aggressive orders	Percentage of directed orders
CITIGROUP GLOBAL MARKETS LIMITED XKZZ2JZF41MRHTR1V493	43.32	59.39	n/a	n/a	n/a
CLSA (UK) 213800VZMAGVIU2IJA72	42.34	25.3	n/a	n/a	n/a
INSTINET EUROPE LIMITED 213800MXAKR2LA1VBM44	11.34	11.9	n/a	n/a	n/a
EXANE LIMITED 213800SH9MTNZQJKP526	1.96	1.52	n/a	n/a	n/a
HSBC BANK PLC MP6I5ZYZBEU3UXPYFY54	1.04	1.89	n/a	n/a	n/a

This table contains certain listed equity-like instruments such as investment trusts, and non-EU instruments such as stapled securities which do not fit into any other category or have not been assigned a liquidity tick band by ESMA.

Execution quality report

Investment firms are required to publish for each class of financial instruments, a summary of the analysis and conclusions they draw from their detailed monitoring of the quality of execution obtained on the execution venues where they executed all client orders in the previous year.

Execution factors

An explanation of the relative importance the firm gave to the execution factors of price, costs, speed, likelihood of execution or any other consideration including qualitative factors when assessing the quality of execution;

Each client order that is transacted is inherently unique in its characteristics and market conditions are never constant. The relative importance of each of the factors will vary depending on the nature of the order, the unique characteristics of the instrument, the investment intent of the portfolio manager who initiated the order, and the market conditions at the time the order was initiated.

BPIM trades only listed equities and equity-like instruments, for which the following overall approach applies. Price and costs, both explicit and implicit are usually the most important factors (“total consideration”), followed by likelihood of execution, and all other execution factors are usually of secondary importance. Depending on the nature and size of the order, the dealer may prioritise secondary factors but with the overall aim of achieving the best overall result and successful execution within an appropriate time frame. Where an instrument is less liquid, then likelihood of execution becomes a more important consideration. In general, likelihood of execution would be a more important factor for equities in lower liquidity bands, however the overall approach is the same and current market conditions and available liquidity at the time is more relevant to our approach to a specific order.

Close links and conflicts of interest

A description of any close links, conflicts of interests, and common ownerships with respect to any execution venues used to execute orders;

The Firm places orders in spot FX and money market instruments with BP Group’s internal treasury trading desk (BP International Ltd). BP International Ltd and BP Investment Management Ltd are both ultimately subsidiaries of BP PLC. Services are provided under a group arrangement. The firm has no relationships with execution venues that could create a conflict.

Execution arrangements

A description of any specific arrangements with any execution venues regarding payments made or received, discounts, rebates or non-monetary benefits received;

The Firm does not receive payments, discounts, rebates or non-monetary benefits in its trading arrangements.

Venue changes

An explanation of the factors that led to a change in the list of execution venues listed in the firm’s execution policy, if such a change occurred

The Firm’s approved counterparties are subject to an initial and ongoing due diligence process, including a review of the counterparties’ financial stability and reputation, as well as settlement performance and overall service quality. On an ongoing basis, all such counterparties are subject to a detailed monitoring process, specifically targeted on the performance of execution services and the quality of execution obtained. For further information please refer to the section on Execution Analysis below. Changes that took place during

the year were driven by changes to regional asset allocation and the balance of global coverage amongst our panel of brokers.

Client categorisation

An explanation of how order execution differs according to client categorisation, where the firm treats categories of clients differently and where it may affect the order execution arrangements;

BPIM has only one professional client, BP Pension Trustees Ltd, trustee of the BP Pension Fund.

Retail orders

An explanation of whether other criteria were given precedence over immediate price and cost when executing retail client orders and how these other criteria were instrumental in delivering the best possible result in terms of the total consideration to the client;

Not applicable. The Firm does not trade retail client orders.

Execution Analysis: execution data and tools

An explanation of how the investment firm has used any data or tools relating to the quality of execution, including any data published under Delegated Regulation (EU) 2017/575 [RTS 27];

BPIM uses independent Transaction Cost Analysis services to assist with our detailed monitoring of the quality of execution obtained. This includes analysis of broker performance in terms of micro level execution quality such as venue selection, spread capture and other metrics as assurance that brokers are providing best execution and accessing the best sources of liquidity, and the best venue for a given child order (or "fill") at any given time. This is in addition to macro-level analysis of BPIM's broker selection, overall order and average trading performance and analysis of trading outliers. The Firm would take action where a broker was consistently failing to achieve good results on this or any other basis. We believe this is currently more appropriate, meaningful and valuable for assessment of broker performance and venue selection than analysis of RTS 27 data.

BPIM has conducted a sample review of available data published under RTS 27. RTS 27 reports contain a very substantial volume of data which has been presented inconsistently by venues. Analysis would require significant resources and computer processing power, and vendor solutions are not well established. For this reason, and because BPIM does not direct orders to specific execution venues, RTS 27 data has thus far proved to be of limited benefit to the Firm.