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# ORDER EXECUTION POLICY

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Pursuant to the principles applying under Directive 2004/39/EC, on markets in financial instruments, and in accordance with the provisions of Act No. 256/2004 Coll., on Capital Market Undertakings, as subsequently amended (hereinafter referred to as the “Act”), **UniCredit Bank Czech Republic, a.s.**, having its registered office at Prague 1, Na Příkopě 858/20, Postal Code 111 21, ID No.: 649 48 242, entered in the Commercial Register maintained by the Municipal Court in Prague, Section B, file 3608 (hereinafter referred to as the “Bank”), hereby issues this Order Execution Policy.

## I. Order Execution Policy

The Order Execution Policy (hereinafter referred to as the “Policy”) is a set of rules and principles which the Bank follows when handling an order of a Client to whom a respective investment service pursuant to the Act is provided. The aim of the Order Execution Policy is to establish rules binding upon the Bank and its employees and directed to ensure that orders of the Bank’s Clients concerning investment instruments and when the Bank is performing investment services always be executed under terms agreed in advance, and in particular under the best conditions and in the best manner of execution.

The Order Execution Policy contains (i) rules on best execution of Client orders, (ii) rules for conveying orders to third parties, and (iii) execution of orders for the Bank’s own account.

Orders pursuant to this Policy include exclusively orders related to investment instruments, typically unit trust certificates, bonds, shares, derivative instruments, and the

like, and to those organisational units of the Bank which perform investment services for Clients.

## II. Rules for Best Execution of Orders

### A. General principles: Rules for the best execution of orders

The Bank undertakes always to use due professional care in order to achieve the best result for Clients when executing their orders, or orders on their own account, but always within the framework of the Bank’s practical possibilities, while incurring reasonable costs and within the scope of the global policy for execution of client orders valid within UniCredit Group, of which the Bank is a member.

Rules for best execution of orders shall be defined by the Bank as rules common for all categories of its Clients (pursuant to categorisation of Clients into retail clients, professional clients and eligible counterparties). This does not exclude, however, that a certain execution venue may require specific parameters of the order, such as, in particular, the volume, etc. (see execution venue criteria below), and therefore, such venue may be accessible only to certain groups of Clients.

**Should the Client reasonably judge based on this Order Execution Policy that he or she prefers his or her own specific instructions which differ from the rules of execution under this Policy, the Bank will execute such order in accordance with such Client’s instruction. In such case, the Bank shall not be held responsible for not observing the rules under the Order Execution Policy in the extent to which the individual instructions regarding the Client’s order differ from this Policy and, in addition, it cannot**

**guarantee that the Client's order will be executed under the best conditions. A specific order (instruction regarding the order) of the Client shall always be given preference over this Policy. The Bank is not obliged to warn the Client in this regard with every individual order that he or she submits, but it does so in general in the form of the aforementioned warning related to all such possible orders of the Client.**

An aim of this Policy's application is to determine the best execution venue for every Client order. Pursuant to legal regulations, best execution venues can include a:

- a) regulated market;
- b) multilateral trading facility (MTF);
- c) securities dealer performing systematic internalization;
- d) market maker or other liquidity provider, if it does not concern activities on a regulated market, in an MTF or for a securities dealer performing systematic internalization; or
- e) foreign execution venue whose subject of activities is similar to that of any of the execution venues listed in (a) to (d) above (hereinafter referred to jointly as **"execution venues"**).

Execution venues typically include stock exchanges, similar (electronic) market platforms of banks for counterparties or clients (multilateral trading facility), regular counterparties on the interbank or other similar market (systematic internalizers, market makers, etc.).

When determining the best execution venue, specific criteria must be taken into account in selecting the execution venue. The execution venue must ensure the best possible conditions for execution of the order and, therefore, established criteria must be applied in a certain binding order, in a certain combination, or by the weight of their importance.

Apart from the criteria given below, it is important also to take into account that every investment instrument to which an order relates is traded within the context of specific market segments and that, therefore, in addition to the application of general principles, the rules for execution of orders must be segmented by individual types of assets (see below II.B Rules for Best Execution of Orders – Principles to be applied for individual types of investment instruments).

**Particular execution venues must be selected based on the following criteria shown in descending order of their relative importance:**

Criteria	Procedure and importance of criteria	Order of importance
a) Price for an investment instrument which can be achieved in the execution venue	The lowest price will be decisive when buying an investment instrument, and when selling an investment instrument the highest price will be decisive. The Bank shall evaluate pricing mechanisms of execution venues in order to decide whether the price offered by a respective execution venue is as good as that of competitors. Price depends mainly on the number of market participants, the possibility to qualify market makers, and the orientation toward the main stock exchange (reference market principle), if available.	1
b) Total fees charged to the Client	When selecting an execution venue, the Bank takes into account the total amount of fees the Client will need to pay. The lowest total amount of fees shall be decisive.	2
c) Total fees charged by the Bank to the Client	If the Client's order can be executed in more than one execution venue, and if in such case the total volume of third-party fees charged to the Client is equally favourable, then the lower amount of the Bank's own fees shall be decisive.	3
d) Quality (credibility) of the execution venue, including of the entity providing settlement	In line with its own risk management rules, the Bank will evaluate execution venues, inclusive of their settlement, by the quality of their services (depth of the market, liquidity, number of market participants, regulatory environment), trustworthiness, history, financial stability, and the like.	4
e) Speed of order execution	Priority is given to higher speed in which an order can be executed and the trade settled.	5
f) Likelihood of successful execution	The Bank shall evaluate the current market depth, liquidity, settlement algorithms, open access to suitable market segments, and the like.	6
g) Requested trade size	The Bank considers the size of a requested trade in connection with the conditions or limits existing in individual execution venues (lot sizes, over limit orders, etc.). If the volumes are sufficient, the Bank will use an execution venue's most advantageous market segment.	7
h) Type of order	The Bank will place specific orders (i.e. limit orders, stop-loss, etc.) on the market pursuant to conditions of, and within the rules defined by, the execution venue.	8

If there exist several execution venues where an order can be executed, the Bank shall proceed by applying the criteria presented above, i.e. from the most significant criteria to the less significant ones, and if at the time it can achieve a better result for the Client in one execution venue relative to its alternatives, then it will select just this execution venue.

The best possible result will be determined primarily from the viewpoint of overall performance, considering the price of the investment instrument (criterion a)) and costs for executing the order (criteria b) and c)). Where the Bank executes an order on behalf of the Client, best execution shall be determined in terms of overall performance, as represented by the price for the investment instrument and the costs related to execution, which shall include all expenses incurred by the Client that are directly related to execution of the order, including fees of the execution venue, clearing and settlement fees, and any other fees paid to third parties involved in executing the order.

The execution venues currently used by the Bank are listed at the end of this Policy. The choice of execution venues always considers, however, reasonable accessibility to the given execution venue, such as, in particular, the financial costs, technological conditions, geographical accessibility, etc.

## **B. Principles to be applied for individual types of investment instruments (asset classes) in Rules for Best Execution of Orders**

### Receiving, conveyance or execution of orders concerning domestic shares

The Bank is a member of the Prague Stock Exchange (hereinafter referred to as the "PSE"). Client orders are executed in one of the PSE segments, in particular the automated trading system (AOS) or the system supporting trades and bonds (SPAD). Specific procedures and rules for executing trades in individual PSE segments are stipulated in the Stock Exchange Rules. The Bank selects an appropriate PSE segment with regard to the nature of the order and pursuant to Stock Exchange Rules in order to achieve the best possible execution for the Client.

The Bank also has a right to enter into a transaction on its own account pursuant to Article IV.

### Receiving, conveyance or execution of orders concerning domestic bonds

The Bank is a member of the Czech Bond Dealers Club

and is a market maker on the interbank market for domestic bonds. It is also a Primary Participant in auctions for state bonds. The Bank executes orders concerning domestic bonds on the domestic interbank market. In accordance with the criteria established for selecting an execution venue, the Bank concludes a trade under the best possible conditions for the Client that can be achieved under current market conditions.

The Bank also has a right to enter into a transaction on its own account pursuant to Article IV.

### Receiving, conveyance or execution of orders concerning foreign shares, bonds, warrants, certificates and other similar investment instruments

If the Bank does not have direct access to a market upon which a respective investment instrument is quoted, it will convey the order for execution to another firm having access to such market (see the Rules for Conveyance of Orders to Third Parties).

### Execution of orders concerning securities issued by the Bank

Orders concerning securities issued by the Bank and not listed on a regulated market are executed directly in the Bank, which is the issuer of such securities. In such case, the Bank is the single execution venue.

In the case of orders concerning securities issued by the Bank and listed on a regulated market, the respective regulated market will be the execution venue. The Bank does not register such issues on more than one regulated market.

### Receiving, conveyance or execution of orders concerning unit certificates of a collective investment fund

Orders concerning unit certificates of collective investment funds are conveyed directly to the issuer of the unit certificates or to its distributor, a securities dealer or intermediary.

### OTC trades in derivative instruments

These are trades transacted between the Bank and the Client on an individual basis. The Bank concludes such transactions on its own account (see details in Executing Orders on the Bank's Own Account).

## **III. Rules for Conveyance of Orders to Third Parties**

If the Bank does not have direct access to a market upon

which are traded the investment instruments concerning which the Client has submitted an order, the Bank will transmit such order to a third party which solely may be a person or entity having a licence to perform investment services, i.e. a securities dealer or a bank. Such third party is obliged to have implemented its own execution policy, upon the observance of which the Bank is entitled to rely. Third parties to whom the Bank conveys orders of its Clients are listed at the end of this Order Execution Policy and they shall be subject to the same monitoring and evaluation as other execution venues.

#### IV. Executing Orders on the Bank's Own Account

If the Bank is the single execution venue for a given investment instrument (e.g. OTC derivatives, or issues of its own investment instruments), a trade with a Client concluded against its own account results from mutually agreed individual parameters. The Bank's offer ensues primarily from the current market situation and, as appropriate, on a credit scoring of the Client and other similar individual quantities which can be evaluated variously by different dealers. From the Client's viewpoint, the Bank is itself the execution venue and the criteria relevant for execution of the order are established by agreement of the contracting parties.

The Bank is entitled to settle the Client's order against its own account, but it shall be always obliged to observe rules regulating conflicts of interest and the conditions of executing the Client's order must always correspond to best execution.

#### V. Specific Cases

To exclude any possibility for doubt, the Bank states that it offers certain investment instruments to Clients only on the authorisation of a third party, e.g. portfolio management, some unit certificates, etc. In such case, the execution policy of such third party shall be relevant for the Client.

#### VI. Final Provisions

The Bank regularly examines the effect of its rules for execution of orders, and in particular the quality of order execution by a third party (execution venue), and ensures that any deficiencies are eliminated without undue delay. The rules for execution of orders are examined by the Bank immediately upon any significant change which may have impact on the ability to achieve the best possible result for the Client when executing an order, but in no case less than once per year.

At the Client's request, the Bank shall demonstrate that it is executing, or that it has executed, his or her order or orders in accordance with these rules of order execution.

This Order Execution Policy expressly stipulates that the Bank is entitled to execute Clients' orders also off a regulated market or multilateral trading facility.

#### List of execution venues and third parties to which orders are conveyed

Burza cenných papírů Praha, a.s. (Prague Stock Exchange) – Rybná 14/682, 110 05 Prague 1, Czech Republic
Brown Brothers Harriman (Luxembourg) S.C.A. – 2-8 Avenue Charles de Gaulle, L-2014 Luxembourg, Luxembourg
CACEIS Bank Deutschland GmbH – Lillienthalallee 34-36, 80939 Munich, Germany
Conseq Investment Management, a.s. – Rybná 682/14, 110 05 Prague 1, Czech Republic
Deutsche Bank Autobahn - Deutsche Bank AG, London Branch – Winchester House, 1 Great Winchester Street, London EC2N 2DB, United Kingdom
Fastnet Luxembourg S.A. – 31, allée Scheffer, L-2520 Luxembourg, Luxembourg
HSBC Securities Services (Luxembourg) S.A. – 40, avenue Monterey, L-2014 Luxembourg, Luxembourg
Interbank bond market
Pioneer Asset Management, a.s. – Karolinská 650/1, 186 00 Prague 8, Czech Republic
RBC Dexia Investor Services Bank S.A. – 14, Porte de France, L-4360 Esch-sur-Alzette, Luxembourg
UniCredit Bank AG – Arabellastrasse 12, 81925 Munich, Germany
UniCredit Bank AG, New York Branch – 150 East 42nd Street, New York, NY 10017, United States
UniCredit Bank Austria AG – Schottengasse 6-8, 1010 Vienna, Austria
UniCredit Bank Hungary Zrt. – Nagymezo utca 44, Budapest, Hungary
UniCredit CA IB Poland S.A. – ul. Emilii Plater 53, 00-113 Warsaw, Poland