

# EXECUTION POLICY

Pursuant to rules applied by Directive 2004/39/EC on Markets in Financial Instruments and in accord with provisions of Act No. 256/2004 Coll. on Business Activities on the Capital Market, as amended (further referred to as the “Act”),

**UniCredit Bank Czech Republic, a.s.**, registered office in Prague 1, Na Příkopě 858/20, postcode 111 21, identification No.: 649 48 242, entered in the Commercial Register maintained with the Metropolitan Court in Prague, Part B, entry No. 3608 (the “Bank”)

hereby issues this Execution Policy

## I. Execution Policy

The Execution Policy (the “Policy”) is a set of rules and principles which the Bank follows when handling the order of the Client to whom the respective investment service pursuant to the Act is provided. The aim of the Execution Policy is to set rules binding on the Bank and its employees, aimed to ensure that orders of the Bank’s Clients concerning financial instruments in performing investment services by the Bank be always executed under pre-agreed terms, particularly under the best conditions and in the best manner of execution of the respective Client’s orders.

The Execution Policy contains (i) the rules of the best execution of Client orders, (ii) rules of transmission of orders to third persons a (iii) execution of orders on own account.

Orders pursuant to this Policy include exclusively the orders related to financial instruments, typically unit trust certificates, bonds, shares or derivative instruments, etc., and those organizational divisions of the Bank which perform investment services for Clients.

## II. Rules of Best Execution of Orders

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

The Bank undertakes to always use the 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, spending adequate costs and within the scope of the global policy for execution of client orders, applied by the UniCredit Group, of which the Bank is a member.

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

**Should the Client reasonably guess based on this Execution Policy that he prefers his own specific order, which differ from execution rules of this Policy, the Bank will execute such order in line with such Client’s instruction. In such case the Bank shall not be held responsible for not observing the Execution Policy rules to the extent to which the individual instruction regarding the Client’s order differs 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 be always given preference over this Policy. The Bank is not obliged to warn the Client about this risk with every individual order lodged by him, but it does so in general in the form of**

**the aforementioned warning related to all such possible orders of the Client.**

The aim of this Policy application is to find the best execution venue for every Client's order. Pursuant to legal regulations, the best execution venues include the following:

- a) regulated market,
- b) Multilateral Trading Facility (MTF),
- c) investment firm performing systematic internalization,
- d) market maker or other liquidity provider, unless the activities on the regulated market, in the MTF or activities for the investment firm performing systematic internalization are concerned, or
- e) foreign execution venue whose subject matter of activities is similar to that of any of execution venues listed in subsection (a) to (d), (further 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 factors must be taken into account in order to select the best execution venue. The execution venue must guarantee the best possible conditions for the execution of the order and therefore, the factors must be applied in a certain binding order, in a certain combination of such factors, or depending on their importance and significance.

Apart from the below given factors, it is important to take regard to the fact that every financial instrument, which the order concerns, is traded within the framework of specific

**Particular execution venues must be selected based on the following factors ordered in a descending way by their relative importance and significance:**

Factor	Procedure and the factor importance	Order of importance
a) Price of an financial instrument which can be achieved in the execution venue	When buying a financial instrument, the lowest price will be relevant. On the contrary, when selling a financial instrument, the highest price will be relevant. The Bank shall assess pricing mechanisms of execution venues in order to decide whether the price offered by the respective execution venue is as good as that of competitors. The price depends mainly on the number of market participants, on the possibility to authorize market makers and orientation on the main stock exchange (a rule of the reference market), if available.	1
b) Costs – total volume fees charged to the Client	When selecting an execution value, the Bank takes into account total fees which the Client will have to pay. The lowest total volume of fees shall be relevant.	2
c) Total own fees charged to the Client	If the Client's order can be executed in more than in one execution venue, and if in such case the total volume of third person fees charged to the Client was equally favourable, the lower volume of own fees shall be relevant.	3
d) Quality (credibility) of the execution venue and the person charged with the settlement of the order	In line with own risk management rules, the Bank will assess execution venues, including the settlement, by the quality of their services (depth of the market, liquidity, number of market participants, regulatory environment), credibility, history, financial stability, etc..	4
e) Speed of execution of the order	Higher speed in which the order can be executed and the trade settled, shall have the priority.	5
f) Likelihood of execution	The bank shall assess the current depth of trading opportunities, liquidity, settlement algorithms, opened suitable market segments, etc.	6
g) Required size of a trade	The Bank takes regard to a size of the required trade in connection with conditions or limits effective in individual execution venues (lots, orders over the limit, etc.) If the size is sufficient, the Bank will use the most advantageous market segments of execution venues.	7
h) Nature of order	The Bank will place specific orders, i.e. limit orders, stop loss etc. on the market pursuant to conditions and within the rules defined by the execution venue.	8

market segments and therefore, along with the application of general rules, the rules of execution of orders must be diversified by individual types of assets (see subsection II.B Best Execution Rules – rules for individual types of financial instruments).

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

The best possible result will be primarily selected from the viewpoint of the total consideration representing the price of the financial instrument (factor a)) and costs for execution of the order (factor b) and c)). Where the Bank executes an order on behalf of the Client, the best possible result shall be determined in terms of the total consideration, representing the price of the financial instrument and the costs related to execution, which shall include all expenses incurred by the Client which are directly related to the execution of the order, including execution venue fees, clearing and settlement fees and any other fees paid to third parties involved in the execution of the order.

The execution venues currently used by the Bank are listed at the end of this Policy. Execution venues were selected depending on the difficulty to enter in the respective execution venue, such as the financial costs, technical background, geographical accessibility, etc.

## **B. Principles to be applied to individual types of financial instruments (classes of assets) set in Best Execution Rules**

### Reception, transmission or execution of orders concerning domestic shares

The Bank is a member of the Prague Stock Exchange (the “PSE”). Client orders are executed in one of the PSE segments, particularly the automated trading system (AOS) or the system supporting trades and bonds (SPAD). Particular procedures and rules of executing trades in individual PSE segments are stipulated in the Stock Exchange Rules. The Bank selects a suitable PSE segment in terms of the nature of the order and pursuant to Stock Exchange Rules in order to achieve the best possible result for the Client.

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

### Reception, transmission or execution of orders concerning domestic bonds

The Bank is a member of the Czech Bond Dealers Club and a market maker on the interbank market of domestic bonds, it is also a Primary Participant in state bonds auctions. The Bank executes orders concerning domestic bonds on the domestic interbank market. In line with the factors set for selection of the execution venue, the Bank transacts the trade under best possible conditions for the Client which can be achieved under current market conditions.

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

### Reception, transmission or execution of orders concerning foreign shares, bonds, warrants, certificates and other similar financial instruments

If the Bank does not have access to the market on which the respective financial instrument has been listed, it will transmit the order for execution to other firm having an access to such market (see the Rules of Transmission of Orders to Third Persons).

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

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

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

### Reception, transmission or execution of orders concerning unit certificates of the collective investment fund

Orders concerning unit certificates of collective investment funds are transmitted directly to the unit certificate issuer or to its distributor – investment firm or intermediary.

### OTC trades in derivative instruments

These are trades transacted between the Bank and the Client on an individual basis. The Bank executes this trans-

action on own account (see details in Rules of Executing Orders on Own Account).

### III. Rules of Transmission of Orders to Third Persons

If the Bank does not have a direct access to the market on which the financial instruments regarding which the Client gave an order are traded, the Bank will transmit such order to a third person who may be exclusively the person having the licence to execute investment services, i.e. an investment firm or a bank. Such third person is obliged to have its own execution policy implemented, on the observing of which the Bank has the right to rely. Third persons to whom the Bank transmits orders of its Clients are listed at the end of the Execution Policy and it shall be subject to equal monitoring and evaluation as other execution venues.

### IV. Execution of Orders on Own Accounts

If the Bank is a single execution venue for the respective financial instrument (e.g. OTC derivatives, or the issue of own financial instruments), the trade with the Client transacted against own account capital of the Bank is the result of mutually agreed individual parameters. The offer of the Bank shall be based on current market situation and, as appropriate, on a credit scoring of the Client and other similar individual quantities which can be evaluated differently by different investment firms. From the Client's viewpoint, the Bank itself is the execution venue and the factors relevant for the execution of the order shall be set by agreement of contracting parties.

The Bank has the right to settle the Client's order against own account capital, however, it shall be always obliged to observe rules regulating the conflict of interest and the conditions of the execution of the Client's order must always correspond to the best execution.

### V. Specific Cases

To avoid any doubts, the Bank states that it offers certain financial instruments to the Client only as the person authorized by a third person, e.g. portfolio management, some unit certificates, etc. In such case, the execution policy of such third person shall be relevant for the Client.

### VI. Final Provisions

The Bank regularly examines the effect of its rules of the execution of orders, particularly the quality of execution of orders by a third person (execution venue), and eliminates discovered shortcomings without undue delay. The rules of execution of orders are examined by the Bank immediately after any significant change which may have impact on the ability to achieve, by executing an order, the best possible result for the Client, but no less than once a year.

At request of the Client the Bank shall prove that it is executing or that it executed his order or orders in line with this Execution Policy.

This Execution Policy expressly stipulates that the Bank has the right to execute Client's orders also off the regulated market or Multilateral Trading Facility.

#### List of execution venues

Interbank bond market

Deutsche Bank AG - 6 Bishopsgate, London EC2P 2AT, United Kingdom

Deutsche Bank Autobahn

BCPP, a. s. (Prague Stock Exchange) - Rybná 14, 110 05 Praha 1, Česká Republika

Bayerische Hypo- und Vereinsbank AG - Am Tucherpark 16, 80538 Munich, Germany

Pioneer investiční společnost, a. s. - Karolinská 650/1, 186 00 Praha 8, Česká Republika

Banque BNP Paribas -16, Bd des Italiens, 750 09 Paris, France

Bank Austria Am Hof 2, 1010 Wien, Österreich

RBC Dexia Investor Services Limited 77 Queen Victoria Street, London, United Kingdom

Fortis Bank SA - Montagne Du Parc 3, Brussels 1000, Belgium

HSBC Bank plc, Luxembourg - 8 Canada Square, E145HQ London, United Kingdom

**List of third persons to whom orders are transmitted**

Bayerische Hypo- und Vereinsbank AG - Am Tucherpark 16, 80538 Munich, Germany

UniCredit CAIB Poland S.A. - ul. Emilii Plater 53, 00-113 Warsaw, Polska

UniCredit Bank Hungary Zrt. - Akademia utca 17, Budapest, Hungary

HSBC Bank plc, pobočka Praha - V Celnici 10, 117 21 Praha 1, Česká Republika

Bank Austria AG - Am Hof 2, 1010 Wien, Österreich