

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 4 – Michle, Želetavská 1525/1, Postal Code 140 92, ID No.: 64948242, 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.

## **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 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 Policy contains (i) rules of best execution of Clients’ orders, (ii) rules of transmission of orders to third parties, (iii) rules of execution of orders for the Bank’s own account, and (iv) rules of execution of Clients’ orders concerning investment instruments on 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 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 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

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Obchodní rejstřík/Commercial Register:  
Městský soud v Praze, oddíl B, vložka 3608  
Směrový kód banky/Bank code: 2700  
Swift Code: BACXCZPP

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 Annex 1 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**

### ***Reception, transmission 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 on the XETRA trading platform. Specific procedures and rules for executing trades are stipulated in the Stock Exchange Rules.

The Bank also has a right to enter into a transaction on its 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 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.

### ***Reception, transmission 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, transmission 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 of Transmission 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 transmits orders of its Clients are listed at the Annex 1 of this 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 set 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. Rules for executing Clients' orders concerning investment instruments on the Bank's own account**

The Bank does not consider transactions between the Bank and the Client when the Bank purchases or sells on its own account to be a material conflict of interest potentially detrimental to a Client. Within the identifying and management of the conflict of interests the Bank has taken the following measures:

##### **A. Organizational setting**

Employees trading on the Bank's own account are separated from employees communicating with Clients, receiving orders from Clients to purchase or sell securities and making trades with Clients (the "sales employees"). Employees trading on the Bank's own account are organizationally part of the Treasury Trading (the "the trading employees"). The separation of trading and sales employees is also connected with the determination of different objectives of these employees.

In the situation when it is not possible to keep the separation of communication with Clients from trading on the Bank's own account at the level of respective sales and trading divisions, the procedure is as follows:

- (i) If a Client's order is received directly by a trading employee, the trade is transacted between such employee and another trading employee,
- (ii) if for personnel reasons the procedure defined above cannot be observed, the conflict of interests is prevented by the below given mechanisms – mechanism of a fair price for the Client and by control mechanisms.

##### **B. Mechanisms for achieving a fair price for the Client**

In case of foreign securities not traded on the PSE, execution venues are used in compliance with the Rules for Best Execution of Orders provided that the terms and conditions of a respective commission agent contract are fulfilled. This means there is no conflict of interests between the Bank and the Client in such case.

A fair price of share trades on the PSE is ensured for the Client by observing terms and conditions of a respective brokerage agreement. If the Client's order is executed by the right to act as a dealer (to purchase or sale from the Bank's own account), the trade is always made for the currently best market price, or better. With regard to the market transparency and the possibility of the clear determination of the best purchase/sale price, the dealer has an equivalent possibility of selling/purchasing within the market or of executing the Client's order. From the Client's viewpoint, it is proceeded in compliance with the Rules for Best Execution of Orders.

The fair price of bond trades on the PSE is ensured for the Client by:

- (i) observance of terms and conditions of the respective brokerage agreement if entered into between the Bank and the Client (the brokerage agreement is made with all non-professional clients and with all professional clients on demand, in addition with certain professional clients). A trading employee sells or purchases securities from a sales employee (representing the Client) always for the up-to-date best market price;
- (ii) trading based exclusively on market prices. For bonds trading a brokerage agreement with professional clients is not usual. A professional client can, however, compare, due to information available for him,

individual market prices and conclude a trade for the best price. The market transparency is ensured by the following communication channels providing an overview of up-to-date prices and allowing their comparison:

- a) independent information channels, such as Reuters and Bloomberg, to which professional clients usually have access
- b) electronic MTS trade platform for bonds trading to which professional clients can also usually have access.

A fair price with primary issues (not primary issues of the Bank's own bonds): The Bank exclusively ensures access to the auction system for Clients (government treasury bonds, government bonds) or the transmission of Clients' orders to the books of the senior manager of the issue in case of corporate securities. This represents no conflict of interests between the Bank and the Client. The Client purchases for a price he demanded or for the average auction price depending on the type of auction/subscription.

### **C. Control mechanisms**

#### The current control with liquid securities

- a) Control of the fact whether the Bank's securities trades are made based on the market conditions is currently performed by the Risk Management (MRCM). In case of liquid securities the control is made by means of the system monitoring various price resources and volatility of individual securities; based on the defined algorithms the system calculates the maximum spread of market prices.
- b) Any breach of the market conformity (the excess of the permitted spread of market price) discovered by the system is sent by the MRCM employees to MRMA employees for examination. The MRMA will examine the trade based on market data from independent systems (Reuters, Bloomberg).
- c) If a non-market price is confirmed by the MRMA, the situation is explained directly by the employee who has concluded the transaction concerned.
- d) If the explanation of an employee who has concluded the transaction is not satisfactory, superior employees are immediately informed with respect to the significance of the discovered excess.

#### Regular control with non-liquid securities

In case of non-liquid securities the conformity of the trade price is calculated individually based on credit spreads, the level of interest rates and by comparison with similar bonds by respective risk management divisions. If any breach of the market conformity is discovered, the way how the Bank solves the situation is similar to that with liquid securities.

- a) In case of a purchase/sale of non-liquid securities between Clients and/or counterparts (the so-called back to back), there is no conflict of interests although the trade is concluded via the Bank's own account.
- b) In case of a purchase/sale of non-liquid securities from the Bank's own account there is a conflict of interests between the Bank and the Client and the Bank will inform the Client about this fact upon the conclusion of the transaction by means of an employee making such transaction.

### **D. Further measures rooted in internal rules**

Ban on the front running under respective procedures or internal rules.

### **VI. Specific Cases**

To avoid any doubts, 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.

### **VII. 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 Policy expressly stipulates that the Bank is entitled to execute Clients' orders also off a regulated market or multilateral trading facility.

Prague, April 11, 2013

**Annex 1**  
**List of execution venues and third parties to which orders are transmitted**

Allianz Global Investors Europe GmbH, Mainzer Landstrasse 11-13, 60329 Frankfurt am Main, Germany
Baader Bank - Weißenstephaner Straße 4, 85716 Unterschleißheim, Germany
Banque BNP Paribas, 16, Bd des Italiens, 750 09 Paris, France
BNP PARIBAS ASSET MANAGEMENT LUXEMBOURG, 33, rue de Gasperich, L-5826 Howald-Hesperange, Grand Duchy of Luxembourg
Burza cenných papírů Praha, a.s. - Rybná 14/682, 110 05 Praha 1, Czech Republic
Brown Brothers Harriman (Luxemburg) S.C.A. - 2-8 Avenue Charles de Gaulle, L-2014 Luxembourg, Luxembourg
CACEIS Bank Deutschland GmbH - Lilienthalallee 34-36, 80939 Munich, Germany
Conseq Investment Management, a.s. - Rybná 682/14, 110 05 Praha 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
FINECO - Piazzale Francesco Durante 11, 301 31 Milan, Italy
Franclin Templeton International Services S.A. – 26, boulevard Royal, L-2449, Luxembourg
HSBC Bank plc, Luxembourg – 8 Canada Square, E145HQ London, United Kingdom
HSBC Securities Services (Luxembourg) S.A. – 40, avenue Monterey, L-2014 Luxembourg, Luxembourg
Kepler Capital Markets - 112 Avenue Kleber, 75016 Paris, France
interbank bond market
Pioneer Asset Management, a.s. - Želetavská 1525/1, 140 00 Praha 4, Czech Republic
Raiffeisen Centrobank AG - Tegetthoffstraße 1, 1010 Wien, Austria
RBC Dexia Investor Services Limited – 77 Queen Victoria Street, London, United Kingdom
RBC Dexia Investor Services Bank S.A. - 14, Porte de France, L-4360 Esch-sur-Alzette, Luxembourg
Société Générale Securities Services - Via Benigno Crespi 19/A, 20159 Milan, Italy
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. - Nagymező utca 44, Budapest, Hungary
UniCredit CA IB Poland S.A. - ul. Emilii Plater 53, 00-113 Warsaw, Poland