

Policy for Execution of Client Orders

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1. Execution Policy for Orders of Professional Clients

1.1. Scope

This policy sets out the key steps Erste Securities Polska (referred to as ESP in the following) has taken to ensure that the best possible result for its clients is obtained when executing their orders. The following **execution standards solely apply to professional clients** as defined under the Act on Trading in Financial Instruments from dated July 29th 2005 (Journal of laws 2014, item 94 as further amended) (see Annex 2.3 for the definition of professional clients).

According to the Ordinance of Minister of Finance from 24th of September 2012 on the mode and conditions of conduct of investment firms, banks as referred in article 70 section 2 of the act on trading in financial instruments, and custody banks (hereinafter referred to as the “Regulation”) investment firms have to take all sufficient steps to obtain the best possible result for their clients when executing client orders.

The requirements of the Regulation on best execution are one of the key objectives of investor protection. These requirements apply inter alia to investment firms who receive and transmit client orders or execute such orders (a list of financial instruments in scope of the requirements can be found in Annex 2.4). Client orders, which ESP receives, transmits, or executes as well as transactions, which ESP executes, will be referred to as orders in the following.

The execution policy is an integral part of the customer relationship between ESP and the client. Client has to give its prior consent to this policy before ESP executes its orders. In addition, Client’s consent shall be deemed to be given repeatedly when the Client place orders with ESP.

1.2 Execution Standards

ESP executes orders according to the following standards:

- a) Erste takes all sufficient steps to obtain the best possible result for the execution of client orders on a consistent basis, but not on a single order basis. ESP places orders at execution venues, which it deems suitable for this purpose. For the selection of the execution venues, ESP considers those execution factors which enable ESP to obtain the best possible result for the client.
- b) When executing orders, ESP takes into account the classification of the client as professional client.

- c) If there is a specific client instruction, ESP executes the order according to the specific instruction (see section 1.9). The client should note that any specific instructions may prevent ESP from taking the steps it has designed and implemented to obtain the best possible result for the execution of those orders in respect of the elements covered by those instructions.
- d) ESP receives and transmits orders as an agent to other entities for execution on a commission basis (see section 1.6) or executes orders either directly at a trading venue (see Annex 2.3).
- e) ESP does not execute client's orders against its own book.
- f) When choosing third parties for transmission of orders for execution (referred to as broker in the following), ESP applies a standardised selection procedure. ESP assesses on a regular basis whether the connected brokers have effective execution policies and arrangements in place, which ensure best execution on a consistent basis in line with this policy and the Regulation. If needed, any deficiencies are corrected (further details are provided in section 1.6).
- g) ESP reviews this policy at least annually (see section 1.13) and informs its clients about any material changes to this policy.
- h) ESP will demonstrate to its clients, at their request, that it has executed their orders in accordance with this policy or their specific instructions.

1.3 Execution Standards per Class of Financial Instruments

1.3.1 General

- a) **Execution venues** include regulated markets (RM), multilateral trading facilities (MTF), organised trading facilities (OTF), systematic internaliser (SI), and other liquidity provider. The choice of the execution venue can have a direct impact on the best possible result ESP obtains when executing client orders.
- b) Annex 2.3 provides a list of execution venues selected by ESP, where client orders are executed. Selection criteria as well as risks are described in section 1.4. Sell orders are usually executed in the country of the custodian of the financial instrument due to the settlement fees related to the execution of the orders. This also applies to the selling of subscription rights.

1.3.2 Shares and Exchange Traded Funds (ETFs)

- a. Orders for shares and ETFs are directly placed at or transmitted through brokers to execution venues for execution.
- b. In general, ESP executes orders in shares and ETFs on a commission basis. For shares the trading venue obligation applies according to the Regulation EU 600/2014. ESP therefore executes orders for shares primarily at the corresponding home exchange since there, the best possible result can be obtained on a consistent basis due to the higher trading volumes. Deviations from this general rule may occur for single financial instruments. The term home exchange refers to the regulated market, where the shares were listed first (usually the stock exchange of the country, where the issuer is domiciled).

1.3.3 Bonds

- a. Bonds are traded by ESP on a commission basis on an execution venue.
- b. ESP does not trade bonds on own account through an internal execution venue (systematic internaliser or other liquidity provider).
- c. ESP does not offers, in capacity as liquidity provider, the possibility to directly buy or sell bonds (including zero coupon bonds) at current market prices.

1.3.4 Investment Funds

- a. Following specific instructions of the client ESP executes orders to buy or sell units of investment funds through a trading venue on a commission basis.

1.3.5 Certificates and Warrants

- a. ESP offers the purchase of certificates and warrants on a commission basis on trading venues or outside of a trading venue.
- b. ESP does not act as systematic internaliser or other liquidity provider, and hence does not offer the possibility to directly buy or sell certificates or warrants at current market prices. ESP thereby does not executes orders on own account in a systematic way.

1.3.6 Exchange-Traded Derivatives

- a. Exchange-traded derivatives (ETDs), such as options and futures, are standardised derivative contracts traded on a regulated market (RM).
- b. ETDs can be based on different underlyings, such as interest rates, equity (indices), currencies, or commodities.
- c. ESP has access to Warsaw Stock Exchange through its direct membership and through its affiliates, indirect access to Eurex and Budapest Stock Exchange. Other markets are accessed via brokers.

1.4 Execution Factors per Class of Financial Instrument

1.4.2 General

- a. For obtaining the best possible result for its clients, ESP takes into account different execution factors when selecting the execution venue:
 - price
 - costs
 - speed of execution
 - likelihood of execution
 - other relevant factors
- b. The costs taken into account by ESP for the selection of the execution venue include, for example, execution venue fees, taxes, fees for brokers, or clearing and settlement fees.
- c. Further information about the execution criteria and their meaning as well as a description of the market conditions for each class of financial instruments is outlined in the following. Execution factors are ranked according to their relative importance, where criteria with highest priority are described first.

1.4.3 Shares and Exchange Traded Funds (ETFs)

- a. Shares and ETFs are primarily traded on a trading venue. The following execution factors are taken into account by ESP to obtain the best possible result for the client:

Factors	Description
Price/costs, speed of execution, likelihood of execution	<p>ESP assesses, which of the different execution venues obtain the best possible result with respect to the traded price on a consistent basis.</p> <p>ESP takes into account all costs relating to the execution of orders which could arise for the client. These include, for example, fees for execution venues, brokers, or clearing systems as well as taxes.</p> <p>In order to ensure highest likelihood and speed of execution, ESP takes into account the different trading volumes at the respective execution venues.</p>
Qualitative factors	<p>In addition, ESP takes into account qualitative factors, such as:</p> <ul style="list-style-type: none"> • the possible impact of the order volume on the execution price • the necessity of timely and prompt execution • the type of financial transaction (including the consideration and decision where the transaction should be executed) • secure and fast access to execution venues and brokers

	<ul style="list-style-type: none"> • the reliability of clearing systems • available emergency procedures
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1.4.4 Bonds

- Bonds are traded on an execution venue. ESP does not trade bonds against the own book. Thereby, the factors price and costs as well as likelihood and speed of execution usually are of highest importance.
- The following execution factors are taken into account by ESP Group to obtain the best possible result for the client:

Factors	Description
Price/costs, speed of execution, likelihood of execution	<p>ESP assesses, which of the different execution venues obtain the best possible result with respect to the traded price on a consistent basis.</p> <p>ESP takes into account all costs relating to the execution of orders which could arise for the client. These include, for example, fees for execution venues, brokers, or clearing systems as well as taxes.</p> <p>In order to ensure highest likelihood and speed of execution, ESP takes into account the different trading volumes at the respective execution venues.</p>
Qualitative factors	<p>In addition, ESP takes into account qualitative factors, such as:</p> <ul style="list-style-type: none"> • the possible impact of the order volume on the execution price • the necessity of timely and prompt execution • the type of financial transaction (including the consideration and decision where the transaction should be executed) • secure and fast access to execution venues and brokers • the reliability of clearing systems • available emergency procedures

1.4.5 Investment Funds

- ESP executes orders to buy or sell units of investment funds through a trading venue on a commission basis only.
- Client orders for investment funds may be executed by ESP on regulated markets (if such units are listed). Currently ESP does not offer purchase of investment funds directly from fund management companies.

- c. In case where client orders are executed on a trading venue following a specific instruction of the client, the same execution factors are used as for shares and ETFs (see section 1.4.3).

1.4.6 Certificates and Warrants

- a. Certificates and warrants are traded on trading venues. ESP does not trade certificates and warrants directly with the issuer.
- b. The following execution factors are taken into account by ESP to obtain the best possible result for the client:

Factors	Description
Price/costs, speed of execution, likelihood of execution	<p>ESP assesses, which of the different execution venues obtain the best possible result with respect to the traded price on a consistent basis.</p> <p>ESP takes into account all costs relating to the execution of orders which could arise for the client. These include, for example, fees for execution venues, brokers, or clearing systems as well as taxes.</p> <p>In order to ensure highest likelihood and speed of execution, ESP takes into account the different trading volumes at the respective execution venues.</p>
Qualitative factors	<p>In addition, ESP takes into account qualitative factors, such as:</p> <ul style="list-style-type: none"> • the possible impact of the order volume on the execution price • the necessity of timely and prompt execution • the type of financial transaction (including the consideration and decision where the transaction should be executed) • secure and fast access to execution venues and brokers • the reliability of clearing systems • available emergency procedures

1.4.7 Exchange-Traded Derivatives

- a. Orders in futures and options are traded on the trading venue where the financial instrument is listed.
- b. In the exceptional case of listings on multiple trading venues, Erste seeks an instruction from the client.

1.5 Primary Market

- a. ESP offers the subscription or purchase of shares, bonds, warrants, and certificates issued by selected issuers (on a commission basis) for a fixed (issue) price.

1.6 Brokers

- a. In case where ESP does not have membership of the venue, orders are transmitted to brokers for execution.
- b. In order to ensure that the best possible result is obtained on a consistent basis, ESP exclusively chooses brokers which offer a high quality of service and effective arrangements for best execution.
- c. The selection of brokers can have a direct impact on the execution price and costs and consequently, on the overall costs. Therefore, the execution factor overall costs is an important criterion in the selection process of brokers. In addition to the criteria mentioned in section 1.4.2, ESP takes into account the range of tradeable products as well as the broker's ability to settle client transactions.

1.7 Using a Single Execution Venue

- a. Where only one execution venue can be nominated for execution, ESP ensures that this execution venue is capable of providing the best possible result for the execution of client orders on a reliable basis.
- b. Where ESP transmits orders relating to particular financial instruments to only one execution broker, ESP will assure itself, that the broker's execution arrangements are in line with ESP's execution policy and that the best possible result is obtained on consistent basis.

1.8 Costs and Fees Paid to Third Parties

In general, different fees can incur for the execution of client orders, which are outlined in the following.

- a. Trading venue fees: These are the fees published by the respective trading venue, which incur in case of a market access.
- b. Broker fees: In case where ESP is not a member of particular venue, fees incur for brokers providing the required market access.

- c. Settlement fees: These are fees of external settlement agents, clearing houses or custodians relating to the settlement and custody of financial instruments.
- d. Taxes: These can incur for a trading venue as well as for a single financial instrument only.
- e. Fees of ESP: These fees are shown as own expenses.

1.9 Specific Client Instructions

- a. Where there is a specific instruction from the client regarding the execution venue or other aspects of the order, ESP will execute the order following the specific instruction. The client should note that any specific instructions may prevent ESP from obtaining the best possible result for the execution of those orders in respect of the elements covered by those instructions.
- b. Where there is no specific instruction from the client, ESP executes the order according to the present execution standards.

1.10 Electronic Access

- a. Where orders are placed by the client using an ESP electronic access system, the client may select several (or all) key characteristics of the order execution (such as price, size, execution venue, and timing), which equals a specific instruction by the client. Where the client chooses to select all relevant information it is no longer possible for ESP to ensure the best possible result for the execution of the respective order. In this case ESP is acting on the client's behalf, but does not owe best execution.
- b. In cases where the client does not choose all characteristics of the order execution, Erste will execute the order, with regard to the remaining characteristics, in accordance with its execution policy.

1.11 Aggregation and Allocation of Orders

- a. When executing orders on behalf of clients, ESP may, where possible and reasonable, aggregate orders with other clients. ESP will only aggregate orders where it is unlikely that this approach would work to the overall disadvantage of any client affected by this aggregation. However, in line with legal provisions, it is noted that the aggregation may work to the client's disadvantage in relation to a particular order.
- b. In case where aggregated orders are only partially executed, proportional allocation is used.

- c. In order to govern and ensure the fair aggregation and subsequent allocation of orders, ESP has developed and effectively implemented guidelines for aggregation and allocation of orders.

1.12 System Failures and Other Unexpected Events

- a. In case of unexpected events (e. g. system failures), ESP may have to deviate from its execution policy and choose alternative ways for order execution. Also in this case, ESP will attempt to obtain the best possible execution. In the course of trading restrictions, single stock exchanges might become unavailable for placing of orders. In this case, ESP will, if possible, inform its clients of such restrictions upon reception of their orders through their Sales Department, the homepage of ESP.

1.13 Monitoring and Review of the Execution Policy

- a. The selection of execution venues according to this policy is annually reviewed by ESP. In addition, a review is carried out in case of indications that essential criteria in favour of a particular execution venue have become invalid. ESP will inform its clients about material changes relating to its execution policy.
- b. ESP developed procedures and practices to review the obtained execution quality. These reviews are based on the execution factors per class of financial instruments listed in section 1.4. The best possible execution venue for a particular financial instrument is determined based on a numerical scoring model. There, the execution factors are assigned different weights and are evaluated using the scoring model. The execution venue with the highest score is chosen as execution venue.
- c. The reports of the quality of execution published by the execution venues serve as input parameters for the evaluation by ESP.

1.14 Top 5 Reporting and Quality of Execution Report

- a. ESP publishes, on an annual basis, for each class of financial instruments, the top five investment firms in terms of trading volumes where it transmitted or placed client orders for execution in the preceding year and information on the quality of execution obtained.
- b. The reports are published on the website of ESP.

1.15 Final Provisions

- a. The policy is an integral part of the agreement concluded between ESP and the Client.
- c. ESP reserves the right to make changes to the Policy, in particular those resulting from changes in the regulations regarding trading in financial instruments.
- d. Information about the change of the Policy and about the content of the changed Policy is communicated to Client by giving him an amended Policy or sending it to the Client at the address from the Client Information Card with acknowledgement of receipt or by electronic means, to the e-mail address indicated in the Client Information Card, at least 14 days before the changes are implemented.
- e. A Client who does not agree to the change may terminate the agreement concluded with ESP.
- f. Lack of Client's declaration of intent to terminate the agreement within 14 days from the day on which the Client receives information about the change of the Policy it is considered as consent to changes in the Policy.

2 Annex

2.3 Execution Venues

Financial Instruments	Country	Execution Venue	Access
Shares and exchange traded funds	Erste Group		
	Austria	Vienna Stock Exchange	own access Erste Group ¹
	Germany	Xetra Frankfurt	own access Erste Group ¹
		Börse Frankfurt	own access Erste Group ¹
	Slovenia	Ljubljana Stock Exchange	own access Erste Group ¹
	Croatia	Zagreb Stock Exchange	own access Erste Group ¹
	Czech Republic	Prague Stock Exchange	own access Erste Group ¹
	Hungary	Budapest Stock Exchange	own access Erste Group ¹
	Poland	Warsaw Stock Exchange	own access Erste Group ¹
	Romania	Bucharest Stock Exchange	own access Erste Group ¹
	Slovakia	Bratislava Stock Exchange	own access Erste Group ¹
	Europe		
	Belgium	Euronext – Brussels	broker
	Denmark	NASDAQ OMX – Copenhagen	broker
	Finland	NASDAQ OMX – Helsinki	broker
	France	NYSE Euronext – Paris	broker
	Germany	Börse Frankfurt	broker
		Börse Stuttgart	broker
		Tradegate	broker
		Börse München	broker
		Börse Berlin	broker
		Börse Hamburg	broker
		Börse Hannover	broker
	United Kingdom	London Stock Exchange	broker
	Italy	Borsa Italiana	broker
	Netherlands	Euronext Amsterdam	broker
	Norway	Oslo Bors	broker
	Sweden	Nasdaq Stockholm	broker

¹ This refers to the use of entities within the Erste Group (being Erste Group Bank AG and its subsidiaries and affiliates) including but not limited to Ceska Sporitelna A.S., Slovenska Sporitelna A.S., Erste Investment Hungary Zrt., Banca Commerciale Romania S.A., Erste Bank a.d. Novi Sad, Erste Bank Croatia, Erste Securities Polska S.A. and their respective EU branches and affiliates.

	Switzerland	SIX Swiss Exchange	broker
	Spain	Bolsa de Madrid	broker
	Greece	Athens Stock Exchange	broker
	Ireland	Irish Stock Exchange	broker
	Luxembourg	Borse de Luxembourg	broker
	Portugal	NYSE Euronext – Lisbon	broker
	Eastern Europe		
	Estonia	NASDAQ OMX – Tallinn	broker
	Latvia	NASDAQ OMX – Riga	broker
	Lithuania	NASDAQ OMX – Vilnius	broker
	Russia	Moscow Exchange	broker
	North America and Latin America		
	Brazil	BM&F BOVESPA	broker
	Canada	Toronto Stock Exchange	broker
	Chile	Bolsa de Comercio de Santiago de Chile	broker
	Mexico	Mexican Stock Exchange	broker
	USA	New York Stock Exchange	broker
		NASDAQ	broker
	Middle East and Africa		
	Turkey	Borsa Istanbul	broker
	Israel	Tel Aviv Stock Exchange	broker
	South Africa	Johannesburg Stock Exchange	broker
	Asia Pacific		
	Australia	Australian Securities Exchange	broker
	Hong Kong	Hong Kong Stock Exchange	broker
	India	BSE	broker
	Indonesia	Indonesia Stock Exchange	broker
	Japan	Tokyo Stock Exchange	broker
	Malaysia	Bursa Malaysia	broker
	Philippines	Philippine Stock Exchange	broker
	Singapore	Singapore Stock Exchange	broker
	South Korea	Korea Exchange	broker
	Thailand	The Stock Exchange of Thailand	broker
Bonds	Poland	Warsaw Stock Exchange	own access Erste Group ¹
	Germany	Börse Frankfurt	broker
		Börse Stuttgart	broker
		Börse München	broker
		Börse Berlin	broker
		Börse Hamburg	broker
	Austria	Vienna Stock Exchange	own access Erste Group ¹
Certificates and warrants	MTFs	MTF Bloomberg	own access Erste Group ¹
		MTF MarketAxess	own access Erste Group ¹
	Poland	Warsaw Stock Exchange	own access Erste Group ¹
	Germany	Börse Stuttgart	broker
		Xetra Frankfurt	own access Erste Group ¹
		Börse Frankfurt	own access Erste Group ¹

	Austria	Vienna Stock Exchange	own access Erste Group ¹
		Erste Group	
		issuers (OTC)	
Exchange-traded derivatives	Germany	Eurex	own access Erste Group ¹
	Hungary	Budapest Stock Exchange	broker
	Poland	Warsaw Stock Exchange	broker
	rest of the world	other stock exchanges	broker

2.4 Definition of Financial Instruments

Source: MiFID II (Directive 2014/65/EU), Annex I Section C

1. Transferable securities
2. Money-market instruments
3. Units in collective investment undertakings
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash
5. Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event
6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market, a MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 of this Section and not being for commercial purposes, which have the characteristics of other derivative financial instruments
8. Derivative instruments for the transfer of credit risk
9. Financial contracts for differences
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Section, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF
11. Emission allowances consisting of any units recognised for compliance with the requirements of Directive 2003/87/EC (Emissions Trading Scheme).

2.5 Glossary

Professional Client

A client who possesses the experience, knowledge and expertise to make its own investment decisions and to properly assess the risks that it incurs.

Retail Client

A client who is not a professional client. ESP does not provide investment services to retail clients.

Regulated Market (RM)

A multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly.

Multilateral Trading Facility (MTF)

A multilateral system, operated by an investment firm or a market operator, which brings together multiple third-party buying and selling interests in financial instruments – in the system and in accordance with non-discretionary rules – in a way that results in a contract, which is no RM.

Organised Trading Facility (OTF)

A multilateral system which is not a regulated market or an MTF and in which multiple third-party buying and selling interests in bonds, structured finance products, emission allowances or derivatives are able to interact in the system in a way that results in a contract.

Trading Venue

This includes regulated markets, MTFs, and OTFs.

Systematic Internaliser

An investment firm which, on an organised, frequent systematic and substantial basis, deals on own account when executing client orders outside a regulated market, an MTF or an OTF without operating a multilateral system.

Market Maker

A person who holds himself out on the financial markets on a continuous basis as being willing to deal on own account by buying and selling financial instruments against that person's proprietary capital at prices defined by that person.

Execution Venues:

Include:

- 2.6 Trading venues (RM, MTF, OTF)
- 2.7 Systematic internaliser (SI)
- 2.8 Market maker
- 2.9 Other liquidity provider

Broker

A firm which receives and transmits orders for execution to specific execution venues.