

Enclosure 1 of the Rules on Providing Investment Services, adopted at the meeting of the Executive Board held on 22 January 2019 (No. EB_2_19/5).

ORDER EXECUTION POLICY AND ORDER EXECUTION ASSIGNMENT

Banca Intesa ad Beograd

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I INTRODUCTORY REMARKS AND THE MEANING OF SPECIFIC TERMS

Article 1

This Policy represents a mechanism which ensures undertaking of all reasonable steps with the aim to achieve the best possible results in the process of execution of the clients' orders, taking into account the elements and criteria stated further in the text.

This policy is applied on the service of order execution as well as the acceptance and transfer of orders on behalf and for the account of the client during mediation in purchase and sales of financial instruments that the Authorized bank provides for their clients, in accordance with the provisions of positive regulations, Rules in providing investment services of the Authorized bank (hereinafter referred to as the Operating Rules) and other internal acts of Banca Intesa ad Beograd.

The provisions of this Policy refer to small and professional clients.

In the process of providing services of receipt and transfer of orders, as well as assigning of the execution of client's orders, the Authorized bank shall act with the care of a good expert and strive to protect clients' interests in an adequate manner.

Article 2

Achieving of the most favourable outcome for the client implies that the Authorized bank act with the care of a good expert and in accordance with the provisions of this Policy, positive regulations, Operating rules and other internal documents of Banca Intesa ad Beograd

If the Authorized bank receives an explicit instruction (which represents the integral part of the order) such order will be executed in accordance with this instruction, regardless of the elements and the criteria regarding the most favourable order execution, with respect to the limitations of the technical and operational infrastructure. In these situations there is no obligation of the Authorized bank to act in accordance with this Policy for the purpose of achieving the most favourable outcome for the client.

Article 3

The aim of this policy is to determine:

- Criteria for determination of the relative significance of different elements of order execution relevant for determination of the most favorable outcome for the client;
- Elements and criteria for setting the trade location, in order to achieve the most favorable outcome for the client;
- Types of transactions and circumstances in which the Authorized bank can deviate from the methods foreseen by this Policy in order to achieve the most favorable outcome for the client;

- Measures and actions in terms of acting upon the order of the client;
- Measures for monitoring the efficiency of actions and mechanisms for execution of the client's order at the most favourable conditions.

Provisions of this Policy do not replace provisions of the Contract or Regulations defining the referred area. Any issue not regulated by this Policy shall be resolved by implementation of the provisions from the Operating rules and the General Terms and Conditions of Banca Intesa ad Beograd.

Article 4

Certain terms stated in this Policy have the following meaning:

Authorized bank – in terms of the Law on the Capital Market (hereinafter referred to as: the Law) which regulates the market of capital, it represents organizational unit of Banca Intesa a.d. Beograd, authorized for providing investment services and activities defined by the authorization of the Committee for Securities (hereinafter referred to as: the Committee). The Authorized bank shall execute investment services independently or by using other systems of Banca Intesa ad Beograd, that is, using the combination of these systems.

Client – any individual or legal entity to whom the Bank provides investment and/or ancillary services, classified as a small client or a professional client.

Order – expression of will of the client communicated to the Authorized bank, ordering that the bank buy or sell financial instruments.

Execution of orders for the account of the client – implies activities related to conclusion of the agreements for purchase or sale of one or more financial instruments for the account of the client.

Durable medium – paper or any other means enabling keeping of the data in digital format in such a way to insure access, processing and comprehensiveness of the data at least until the term stipulated by the regulations.

Regulated market – multilateral system organizing or managed by the market organizer enabling and easing the merger of interest of third parties for the purchase and sale of financial instruments in accordance with their obligatory rules, in the manner resulting in conclusion of contracts related to financial instruments included in trade according to own rules in the system, has a license and regularly conducts business in accordance with the Law.

Multilateral Trade Platform (MTP in further text) – is a multilateral system organizing, that is, managed by the market organizer or investment company, enabling and easing merger of interests of third parties for purchase and sale of financial instruments in accordance with their obligatory rules and in the manner leading to conclusion of contracts, in accordance with the Law.

Market regulator – is an entity managing, that is, executing activities related to functioning of the regulated market; market regulator can also be the regulated market itself.

OTC market – secondary market for trade with financial instruments which does not necessarily need a regulator, and whose trade system includes negotiation between the seller and the purchaser of financial instruments with the intention to close transaction.

Clearing – the procedure of determination of mutual obligations of the purchaser and the seller of financial instruments for the purpose of exchange of financial instruments and money.

Settlement – the execution of transaction through the final transfer of financial instruments and money between the seller and the purchaser.

I RELEVANT ELEMENTS AND CRITERIA FOR DETERMINATION OF THE MOST FAVOURABLE EXECUTION

Article 5

In executing orders, the Authorized bank shall take all reasonable steps required for the achievement of the most favourable outcome for the client, taking into consideration the following elements:

- The price of the financial instrument;
- Expenses, speed and the possibility of execution
- Expenses, speed and the possibility of settlement;
- Size, type and the nature of the order
- Other circumstances relevant for execution of the order.

The Authorized bank shall determine the relative importance of the aforementioned elements, taking into account the following criteria:

- Client's characteristics, including the classification to professional and small clients;
- Characteristics of the client's order;
- Characteristics of the financial instrument that the order refers to;
- Characteristics of trade location in which the order can be executed.

When the Authorized bank executes the order of a small client, the achievement of the most favourable outcome is determined primarily in relation to the total transactions expenses.

Total transaction expenses include the price of the financial instrument and all expenses related to the execution, which includes the fee for trade location, clearing and settlement fee, Authorized bank fee and other fees of Banca Intesa ad Beograd, as well as all other fees payable to third parties, included in the order execution.

In order to additionally protect the interest of small clients, the Authorized bank can also take into account the properties of an order and the probability of execution with the purpose of securing the most favourable outcome for the small client.

In executing the order of a professional client, the Authorized bank can additionally take into account the market influence or the financial instrument type, transparency as well as all other circumstances for which they can evaluate that they enable the most favourable execution of the order in given case.

Article 6

The Authorized bank will consider that for the client, it is the most favourable to execute an order on the regulated market or MTP being the regular member of, also taking into consideration transaction expenses. When the Authorized bank receives from the client explicit instructions for order execution, they will, if possible, execute the order according to given instructions, where they can also take the steps stipulated by this Policy when it is not contrary to specific instructions of the client, for the purpose of achieving the most favourable outcome for the client.

It will be considered that by execution of the order according to specific instructions of the client, the Authorized bank has fulfilled their obligation of achieving the most favourable outcome, even though the real outcome does not have to be the most favourable for the client in this specific case.

II ORDER EXECUTION LOCATION

Article 7

Location of the execution of orders for purchase/sale of financial instruments can be:

- Regulated market
- Multilateral market platform (MTP)
- OTC market.

Information on locations of the order execution in which the Authorized bank executes orders for each individual type of financial instrument is available at the website and in the premises where the client's orders are received. For the small clients, it is also available on durable media.

The Authorized bank reserves the right of updating the aforesaid list.

Article 8

In providing services of execution and/or reception and transfer of orders on behalf and for the account of the client, the Authorized bank shall select the location of execution that provides the most favourable outcome.

The Authorized bank shall act in accordance with the request of the professional client when the client's interests are primarily oriented towards the speed of order execution and/or the speed of order settlement.

If the Client delivers the order to the Authorized bank in terms of financial instrument rated in only one location of execution, the Authorized bank shall execute, that is, transfer the order (directly or indirectly) to the execution location, which will be considered achievement of the most favourable outcome for the client.

If the Authorized bank receives the order in terms of financial instrument rated in two or more regulated markets or MTP in which they are a direct member, the Authorized bank shall execute the order in the market which ensures the most favourable total cost of transaction, taking into account all relevant circumstances in terms of type and size of the referred order.

Article 9

The orders for purchase and/or sale of financial instruments being the subject of trade on the market in which the Authorized bank is not a direct member, the Authorized bank will transfer to third parties (investment companies) having direct or indirect access to that market, acting in the best interest of the client and in accordance with the professional rules.

The order from Paragraph 1 of this Article can also be executed outside of the regulated market or MTP.

The Authorized bank can execute orders of the client through another member of the organized market if:

- It does not condition payment of fees and other expenses from the client in the amount higher than the fees the client would pay if the service was provided by the Authorized bank;
- Cannot cause unnecessary business risk to the Authorized bank;
- Cannot significantly harm the quality of internal control;
- Enables supervision of the Commission.

With the purpose of fulfilment of obligations from Paragraph 1 of this Article, the Authorized bank shall take the measures to:

- Secure the achievement of the best possible effect for the client keeping in mind the factors relevant for the execution of the order and the criteria based on which the significance of those factors is determined;
- Secure acting per strict instructions of the client in accordance with the article 6 of this Policy.

The Authorized bank can execute the orders of the clients – this Article, via third parties, and they will consider their access to order execution, establish their ability of access in accordance with the principles established by this Policy, and monitor the quality of execution of orders transferred to that party. In selection of the third party, the Authorized bank shall primarily apply the following criteria:



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- Compliance of operations of that entity with the standards and principles accepted in the EU countries, in accordance with the directives and other regulations aranging this area, which includes the principle of the most favourable order execution;
- If this entity has the knowledge, capability, means and necessary approvals for professional execution of the entrusted work;
- Number of markets which that entity has access to (direct and/or indirect) and the trade volume in those markets;
- Financial strength, reputation and stability of that entity.

Before the transfer of the order to third parties the Authorized bank will:

- Conclude a written contract with the third party regulating mutual rights and obligations, particulary the following:
 - Methods and the period to which the order is transferred to that entity;
 - Obligations of that entity to keep confidential information regarding the Authorized bank and its clients;
 - Supervision over the execution of the given order;
 - Third party obligations:
 - Manage risks connected to the entrusted operations in adequate manner;
 - Keep records of personal transactions and deliver it to the Bank on demand;
 - Inform, on timely basis, the Authorized bank about all the circumstances influencing the efficient execution of the entrusted work in accordance with the relevant procedures;
 - Fully cooperate with the auditors, the Commission or other relevant bodies regarding the entrusted work;
- Determine methods for evaluation of third party's efficiency regarding the entrusted work and the measures applied when it is estimated that the entity is not able to handle the work efficiently and in accordance with the relevant regulations;
- Define measures for securing continuity of business operations regarding the tasks entrusted to third parties and secure that the termination of the contract with the third party has no negative effect on the continuity and quality of services the Authorized bank offers to their clients;
- Secure that the assignment of operation does not significantly affect the quality of internal control and the supervision over the business of the Authorized bank.

The Authorized bank is obliged make sure that the assignment of receipt and transfer of orders to third parties avoids the following consequences:

- Change of conditions under which the Commission provided the Authorized bank with the license for providing investment services;



- Transfer of responsibility of the management of the Authorized bank to another entity;
- Change of relationship of the Authorized bank towards the client;
- Creation of unnecessary additional business risk for the Authorized bank, Banca Intesa ad Beograd or the client;
- Violation of internal control quality;
- Violation of the possibility of supervision over the business in accordance with relevant rules.

If the execution of the order requires engagement of a third party that does not necessarily need to implement the principle of achieving the best possible outcome for the client, the Authorized bank shall warn the client, in advance, that they cannot guarantee the most favourable execution of the order and state the reasons.

Article 10

The Authorized bank shall not calculate their fees according to the method which would unjustifiably discriminate one or more execution locations.

III CLIENT'S ORDER TREATMENT

Article 11

The Authorized bank shall assure efficient and correct execution of client's orders according to the time of order acceptance, unless the regulated market has determined different schedule in accordance with their rules.

For the purpose of the efficient and accurate execution of clients' orders, the Authorized bank shall take the following measures and actions:

- Information from the order to be executed for the account of the client should be entered into the orders book without delay and accurately;
- Accept the client's orders in accordance with the contractual documentation, unless they estimate that there are circumstances which make the order unacceptable;
- Execute client's orders according to the time of acceptance of the order by the Authorized bank and without delay, unless the prevailing conditions on the market disable action or in case that the interest of the client orders different action;
- Execute similar orders of the client without delay and in accordance with the time of acceptance, unless the prevailing conditions on the market disable it or if the interest of the client orders different action;
- Transfer the client's orders according to the time of acceptance by the Authorized bank and without delay, in accordance with the possibilities allowed by the technical and operational infrastructure of the Authorized bank and the third party;

- Record data on execution location or transfer of orders to third party duly and without delay;
- Correctly and without delay record data on order execution for the account of the client;
- Classify orders executed for the account of the client, accurately and without delay;
- Take over all activities required in order to ensure that all financial instruments or monetary funds of the client received during the settlement of obligations per executed order are timely and orderly transferred to the account of the appropriate client;
- Inform the client on the realization of the order;
- Inform the client, without delay, on potential significant difficulties regarding the execution of the order, immediately after observing them;
- During the entire process, the Authorized bank shall continuously monitor the acceptability and the correctness of the order, in accordance with the applicable regulations and the market practice.

When the order of the client with the limit for the purchase or sale of the financial instrument included in trade on regulated market or MTP cannot be executed immediately, keeping in mind the prevailing conditions on the market, the Authorized bank shall take over the measures for order execution in the shortest possible period, unless the client has delivered different instructions to the Authorized bank.

Article 12

The Authorized bank can execute the client's order by joining it to another accepted order so that:

- Efficient classification of orders is achieved;
- The possibility that joining orders could affect the interests of any client whose order is joined are minimized;
- All clients whose orders are being joined are warned that such joining might harm client's interest as compared to the individual order.

The Authorized bank can join dealer's order of Banca Intesa ad Beograd to one or more accepted orders of the client so that:

- Orders are not classified in a manner that would harm any client;
- In case of partial execution of the joined order, dealer orders are classified in a way that the clients have prevalence over Banca Intesa ad Beograd, unless it can be proved that without the combination of dealer order with the accepted client's orders:
 - It would not be possible to execute the accepted client's order at such favourable terms;
 - It would not be possible to execute an order at all;

- Disable repeated classification of dealer orders executed in combination with the accepted orders of the client in the manner that could affect the client.

Article 13

In trading with financial instruments for the account of Banca Intesa ad Beograd, the Authorized bank shall act in accordance with the aforesaid measures and actions.

Article 14

The Authorized bank shall not abuse the information related to still unexecuted order of the client and will take all reasonable actions with the intention to prevent any misuse of such information by the employees of the Authorized bank, that is, Banca Intesa ad Beograd, in accordance with the internal acts regulating management of conflict interest in providing investment services.

IV ISSUES REGARDING ORDER EXECUTION

Article 15

The Authorized bank is obliged to provide the client, upon their request, with the data clearly demonstrating that the client's order has been executed in accordance with this Policy and the explicit directions of the client.

The clients can submit the request from Paragraph 1 of this Article to the Authorized bank at:

- 1) Post address:
Banca Intesa a.d, Beograd – Authorized bank
Milentija Popovića 7b
11070 Novi Beograd
Serbia or
- 2) e-mail:
broker@bancaintesa.rs.

V PROVIDING INFORMATION ON THE POLICY OF EXECUTION AND THE ASSIGNMENT OF ORDER EXECUTION AND CLIENT'S CONSENT

Article 16

Prior to providing services to a new client, the Authorized bank will provide the client with the Contract to be signed, with all additional documentation, including this Policy, Operating rules and the Rules on Tariff. It will be considered that the client has been acquainted and in consent with this Policy on timely basis, when they sign the aforesaid Contract related to all transactions via the Authorized bank.

If the client wishes to give their consent to this Policy for each transaction individually, or in case that each transaction requires explicit consent of the client, they shall deliver such consent in written form to the Authorized bank, before the order execution.

Before accepting and execution of the order the Bank shall do the following:

- Acquaint the client with this Policy, and deliver it on a durable medium to a small client;
- Acquaint the client with the possibility of execution of order out of the regulated market, that is MTP, in the cases foreseen by this Policy.

Article 17

The Authorized bank shall publish this Policy according to the method defined in Article 2 of the Operating rules.

VI REVISION AND UPDATE OF POLICY, COMING INTO EFFECT

Article 18

The Authorized bank shall continuously monitor the efficiency of this Policy, especially in relation to the quality of order execution, they will estimate, at least once a year, if the envisaged measures ensure the achievement of the most favourable outcome for clients and revise this Policy if necessary.

Article 19

The Authorized bank shall notify the clients of all material changes of this Policy, in the manner defined by Article 2 of the Service providing Operating rules.

It will be considered that the client has accepted the amendments of this Policy if, after their publication in the manner described in Paragraph 1 of this Article, the client delivers the order to the bank, unless the client has informed the bank of the contrary.

Article 20

This Policy is the integral part of the Rules in Providing Investment Services. This Policy shall come into effect and be implemented from 01 April 2019.