

Citigold

Policy of Order Execution and Acting in the Best Interest of the Client

Information for Clients

 **citi** handlowy®

1. SCOPE OF THE POLICY

- (a) This document is addressed to Clients and contains information concerning rules of executing orders by Bank Handlowy w Warszawie S.A. (the “**Bank**”) in relation to particular categories of financial instruments and rules of acting in the best interest of the Client so as to obtain the best possible results for the Client in connection with the execution of orders for the Client and the acceptance and transmission of orders by the Bank (the “**Policy**”).
- (b) This Policy only applies to orders placed by Clients classified by the Bank as retail clients, on the basis of agreements governed by the Terms and Conditions of Investment Products (in accordance with the definition in item 2 below).
- (c) The information contained in this Policy is aligned accordingly depending on the type of the service provided by the Bank and the category of financial instrument.

2. DEFINITIONS

- (a) In this Policy, terms written in capital letters have the following meaning:

Debt Security means a bond issued by the State Treasury or another debt security issued by a local or foreign entity, including a Structured Note;

DMBH means Dom Maklerski Banku Handlowego S.A.;

Financial Instrument means a financial instrument within the meaning of Article 2.1 of the Act;

Dual Currency Investment means another derivative instrument developed on the basis of an agreement concluded between the Bank and the Client, whereunder the Client makes a specified sum of money in the base currency available to the Bank for disposal during the term of investment, and after the completion of the investment receives in return a consideration in the form of interest;

Client means a natural person being the consumer within the meaning of the Civil Code, classified by the Bank as a retail client within the meaning of Article 39c) of the Act;

Structured Note means a debt security not admitted to trading in an organized market, issued by an entity with its headquarters outside the territory of Poland, linked to a market index the behavior of which determines a potential profit to the Client;

Security means a security within the meaning of Article 3.1 of the Act;

Terms and Conditions of Investment Products means the Bank’s terms and conditions which lay down a general framework of the provision of the services by the Bank concerning specified financial instruments, including services which consist in executing orders on the Client’s account concerning the purchase or sale of Debt Securities and in respect of the conclusion of Dual Currency Investment Transaction, as well as in connection with services of the acceptance and transmission of orders to purchase and repurchase, and deliver other statements of will concerning Participation Titles, and services of the acceptance and transmission of orders to purchase or sell Securities;

Dual Currency Investment Transaction means an agreement concluded between the Bank and the Client, whereunder the Client makes a specified Investment Amount in the Base Currency available to the Bank for disposal during the Dual Currency Investment Term, and after the completion of the investment receives in return a consideration in the form of Interest on the Dual Currency Investment.

Participation Title means a participation unit in an open-end investment fund or a specialist open-end investment fund as well as a participation title in a foreign fund or an EU alternative investment fund within the meaning of the Act on Investment Funds and Alternative Investment Fund Management of 27 May 2004 as amended. This term does not encompass securities admitted to trading on a regulated market or introduced to an alternative trading system;

Brokerage Agreement means an agreement on the execution of orders by DMBH to purchase or sell financial instruments and the maintenance of investment accounts;

Act means the Act on Trading in Financial Instruments of 29 July 2005;

Foreign Security means a Debt Security issued on the basis of relevant foreign legal provisions, registered with a foreign depository system of which the Bank is a participant and in which the Bank holds open relevant accounts for its Clients.

- (b) Terms which are not defined in this Policy should be interpreted in accordance with their respective meaning assigned to them in respective legal provisions.

3. TERMS AND CONDITIONS OF ORDER EXECUTION AND ACTING IN THE BEST INTEREST OF THE CLIENT IN CONNECTION WITH THE EXECUTION OF ORDERS

3.1 Financial instruments covered by the order execution service

The Bank provides a service which consists in executing orders on the Client's account and complies with the rules of acting in the best interest of the Client in connection with the execution of the above orders in the case of the following Financial Instruments in over-the-counter trading (i.e. outside a regulated market, an alternative trading system or an organized trading platform):

- (i) Debt Securities, including Structured Notes and Foreign Securities; and
- (ii) Dual Currency Investments.

3.2 Terms and conditions and manners of executing orders by the Bank

- (a) The Bank executes the Clients' orders concerning Debt Securities and Dual Currency Investments on condition that the Bank has concluded respective framework agreements with the Clients and in accordance with the provisions of the Terms and Conditions of Investment Products. When executing the Clients' orders, the Bank fulfils the following conditions:
 - (i) ensures that the orders are executed promptly and are thoroughly recorded and allocated;
 - (ii) executes sequentially and promptly the Clients' orders concerning particular types of Financial Instruments specified in item 3.1 unless the nature of a particular order or current market conditions make the handling of the orders in the above manner impossible or their execution would be contrary to the Client's interest; and
 - (iii) informs the Client of any and all major difficulties that might threaten the proper execution of the Client's orders, immediately after the Bank becomes aware of such difficulties.
- (b) The Bank executes the Clients' orders concerning each category of the Financial Instruments specified in item 3.1 over-the-counter (i.e. outside a regulated market, an alternative trading system or an organized trading platform). The Bank executes the Client's orders concerning:
 - (i) Dual Currency Investments which constitute the so-called products "to order", on the basis of detailed terms and conditions of transactions agreed individually with the Client. Upon concluding a given transaction, a Dual Currency Investment is created;
 - (ii) Debt Securities are sold on conditions agreed upon with the Client following the Client's enquiry about a selling price. In order to execute an order to sell, the Bank buys a Debt Security and then it may (but does not have to) conclude at a later time a transaction of selling such security to a third party. The Bank does not execute orders to purchase Debt Securities (other than the Structured Notes referred to in item (iii) below) because of the exclusion of such securities from the Bank's offer with effect from 3 January 2018.
 - (iii) In the case of Structured Notes, the Bank accepts Clients' orders to purchase only in the subscription term for Structured Notes and on the day specified in the conditions of issue delivers one subscription to the issuer for the number of Structured Notes that results from the Clients' orders. Structured Notes so purchased by the Bank to its own portfolio are then transferred to collective accounts maintained by a foreign depository system. Clients who have placed the orders are the beneficiaries of Structured Notes subscriptions in such accounts.
- (c) The execution of Orders over-the-counter is related, specifically on the part of the Client, to a risk of default, for instance in connection with the bankruptcy of or restructuring proceedings against the Bank (the so-called counterparty credit risk). At the Client's request, the Bank delivers additional information concerning consequences of concluding a transaction over-the-counter.
- (d) The Bank does not diversify per Client the manner in which it executes orders.

3.3 Acting in the best interest of the Client in connection with the execution of orders

- (a) Acting in the best interest of the Client means that the Bank takes any and all reasonable efforts that ensure the best possible results for the Client in connection with the execution of orders for the Client taking into consideration the factors and criteria discussed in the further sections of this Policy.
- (b) The Bank fulfils the requirement to take any and all reasonable efforts to ensure the accomplishment of the best possible result for the Client within the scope in which the Bank executes an order or within the scope of a specified aspect of the order in accordance with the specified instructions received from the Client concerning the order or the specified aspect of the order.

3.4 Order execution systems

- (a) The Bank uses the Bank's own portfolio as its order execution system to execute orders placed by Clients in respect of all the categories of financial instruments indicated in item 3.1 As a result, in every transaction concluded when executing a respective Order, the Bank acts as counterparty to the Client. When selecting its own portfolio as the only order execution system, the Bank intends, first and foremost, to ensure, on an ongoing basis, the highest level of the control and likelihood of the realization of the efforts taken in the best interest of the Client according to the criteria defined in further sections of this Policy.
- (b) In order to meet the requirement of acting in the best interest of its Clients, the Bank assesses the market situation on a regular basis with a view to determining whether there are alternative systems of executing orders that the Bank could use. Such assessment is based on market research, information and reports, specifically those released by investment firms on the basis of Commission Delegated Regulation (EU) 2017/576 of 8 June 2016 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to regulatory technical standards for the annual publication by investment firms of information on the identity of execution venues and on the quality of execution (RTS28).

3.5 Factors taken into consideration when acting in the best interest of the Client

- (a) In order to ensure the best possible results for the Client in respect of each of the categories of financial instruments referred to in item 3.1, the Bank considers first and foremost the price factor and treats this factor as the primary criterion. The Bank treats any non-price factors as secondary criteria.
- (b) In reference to item 3.5(a), the Bank assigns the following ranks to particular factors in relation to particular financial instruments:

Factor	Debt Security			Dual Currency Investment
	Foreign Security	Structured Note	Other Debt Security	
price	high	high	high	high
costs of order execution	low	low	low	low
transaction conclusion promptness	low	low	low	low
likelihood of order execution and settlement	low	low	low	low
size of order	low	low	low	low
nature of order	low	low	low	low
other aspects which affect order execution	low	low	low	low

The Bank informs you that the price includes the cost of order execution concerning particular financial instruments indicated above. This is why the Bank assigns a low rank to the cost of order execution.

- (c) The Bank defines the importance of the factors described in items 3.5(a) and 3.5(b) on the basis of its own experience and own assessment based on market information then available.

- (d) When executing orders or making a decision to conclude a transaction in respect of each of the categories of financial instruments referred to in item 3.1, the Bank reviews the fairness of the price proposed to the Client by gathering market data used to estimate the price for such product and, if possible, by comparing it with other similar or comparable products.
- (e) Prior to proposing the Client the purchase of Structured Notes on specified conditions as part of the provision by the Bank of the order execution service referred to in item 3.1(i), the Bank compares conditions offered by selected financial institutions which might issue such Structured Notes with market conditions and selects the offer of sale of the institution which proposes the most attractive conditions of issue for particular Structured Notes.
- (f) The Bank reserves the right to change the factors and their ranks referred to in item 3.5(a), (b) and (c) above, on the basis of the Bank's assessment of the factors which affect the Bank's ability to act in the best interest of the Client.

3.6 Waiver of the obligation to act in the best interest of the Client

- (a) The determination of detailed conditions by the Client on which an order is to be executed for any of the categories of financial instruments referred to in item 3.1 may preclude the Bank from obtaining the best possible results for the Client to the extent of such detailed conditions. Specifically, such a situation may occur when the Client has specified such conditions as:
 - (i) price;
 - (ii) costs connected to the execution of the order;
 - (iii) transaction conclusion promptness;
 - (iv) likelihood of order execution and settlement;
 - (v) size of order and its nature;
 - (vi) other aspects which affect order execution.
- (b) In the event of an order for which the Client specifies its execution conditions, specifically when the Client submits detailed instructions as to the manner of execution, the Bank is obliged to act in the best interest of the Client to the extent of such detailed conditions defined by the Client.

3.7 Miscellaneous

- (a) The provisions concerning the Bank's obligations to act in the best interest of the Client are not applicable to orders to purchase Structured Notes on the primary market. Such orders are always executed in accordance with detailed conditions specified by the Client, including the conditions concerning the Structured Note purchase price, which is always the issue price set by the issuer of Structured Notes.
- (b) The Bank executes the Client's orders concerning the financial instruments described in item 3.1 over-the-counter (a regulated market, an alternative trading system or an organized trading platform) if the Bank has obtained to this effect an express consent from the Client.

4. TERMS AND CONDITIONS OF THE ACCEPTANCE AND TRANSMISSION OF ORDERS AND ACTING IN THE BEST INTEREST OF THE CLIENT IN CONNECTION WITH THE ACCEPTANCE AND TRANSMISSION OF ORDERS

4.1 Financial instruments covered by the order of accepting and transmitting orders

The Bank renders services which consist in accepting and transmitting orders within the following financial instruments:

- (a) Securities which are the subject-matter of the service consisting in accepting and transmitting orders rendered by DMBH, the types of which are defined in the document presented to the Client entitled "MiFID - Information Brochure", and
- (b) Participation Titles.

4.2 Terms and conditions and manners of accepting and transmitting orders by the Bank

- (a) The Bank accepts and transmits orders concerning:
 - (i) Securities indicated in item 4.1(a) to DMBH only. The Bank renders the above service provided that an agreement has been concluded with the Client on the provision of services by the Bank which consist in accepting and transmitting orders to buy or sell securities and in accordance with the provisions of the Terms and Conditions of Investment Products, and if the Client has entered into a Brokerage Agreement with DMBH;
 - (ii) Participation Titles to a respective transfer agent, investment fund company or manager in the EU that represents a given fund - the issuer of Participation Titles if the Bank has entered into a respective agreement with the Client on the provision of such a service and in accordance with the provisions of the Terms and Conditions of Investment Products, and taking into consideration the fund's articles of association, an information prospectus or an issue prospectus.
- (b) Subject to the provisions of the subsequent sentence, the Bank accepts and transmits orders promptly and in the order of their receipt. In the case of orders concerning Participation Titles, the Bank transmits accepted orders to a given fund within the deadlines envisaged in such fund's regulations and provisions.
- (c) The Bank shall accept and transmit each of the Client's orders in an individual manner (no combination and transmission of Clients' orders as one joint order).

4.3 Acting in the best interest of the Client in connection with the acceptance and transmission of orders

- (a) For the purpose of providing the service of the acceptance and transmission of orders under the conditions which are the most beneficial for the Client, the Bank, when accepting and transmitting the orders:
 - (i) ensures that its employees are prepared to service the Client professionally; and
 - (ii) ensures uniform treatment of the Clients of the same category in the scope of adopted classification, i.e. category of Retail Client and Professional Client.
- (b) In respect of the Securities indicated in item 4.1(a):
 - (i) When accepting and transmitting an order to DMBH, the Bank identifies a parameter being the shortest time from the acceptance of the order to its effective transmission to DMBH, as the key factor dependent on the Bank, considered by the Bank in its efforts to act in the best interest of the Client and obtain the best possible results for the Client by assigning the highest possible rank to it.
 - (ii) As regards the choice of DMBH as a brokerage house cooperating with the Bank, to ensure the best possible conditions of service provided to its Clients, the Bank considered the following criteria:
 - promptness of transmitting the orders to a brokerage house,
 - assurance of due security and safety for the transmitted instructions and orders,
 - automated testing of the coverage and promptness of the transmission of funds from a bank account to a brokerage house,
 - reduction to the minimum of the Client's transaction costs related to the execution of the Client's orders.Cooperation with DMBH is periodically reviewed by the Bank with a view to optimizing the above criteria.

- (iii) When accepting and transmitting an order to DMBH, the Bank has no impact on the costs related to the execution of order, the price of security, the likelihood of transaction conclusion and settlement, the promptness of transaction conclusion, the size of order or any other aspects which may have an effect on the execution of a respective order.
 - (iv) The rules of acting in the best interest of the Client on the part of DMBH applied while executing orders received from the Bank, are defined in DMBH's separate policy "Policy of Execution of Orders Placed by the Clients of Dom Maklerski Banku Handlowego S.A." made available to the Clients prior to the conclusion of a Brokerage Agreement and which can also be found on the website www.dmbh.pl.
 - (v) The Bank accepts and transmits orders regarding Securities for which the main execution venue is an organized market in Poland, including:
 - (A) stock market - place of execution: Giełda Papierów Wartościowych w Warszawie S.A ("GPW"),
 - (B) regulated OTC market - place of execution: BondSpot S.A. ("BondSpot"),
 - (C) alternative trading system ("ATS") - organized by GPW or BondSpot.
 A foreign regulated market can act as a special order execution system for a service that consists in executing orders concerning financial instruments quoted on foreign regulated markets and the Bank itself by acting on the interbank market in the case of treasury bonds.
 - (vi) The Bank accepts subscriptions for Securities offered in a public and non-public offer, based on agreements concluded by DMBH with the issuer of the Securities. In this regard, acting in the best interest of the Client consists in delivering the complete set of information to the Client concerning a given issue and its conditions, and taking any and all activities required from an entity that accepts subscriptions specified in respective issue documents for a given Security.
- (c) In the case of Participation Titles:
- (i) When accepting and transmitting an order to a transfer agent, investment fund company or a manager from the EU which represents a given fund - the issuer of Participation Titles, the Bank has no impact on the costs related to order execution, subject to item (ii) below, the price of Participation Title, the likelihood of transaction conclusion and settlement, the promptness of transaction execution, the value of order or any other aspects which affect order execution.
 - (ii) The Bank agrees with investment fund companies or managers from the EU on the rates of a handling fee collected in connection with the distribution of given Participation Titles which cannot be higher than an amount defined in the articles of association of given funds. The above fee affects the total cost related to order execution referred to in item (ii) above and is due and payable to the Bank.
 - (iii) The rules of executing an order to purchase or sell Participation Titles of a respective fund are defined in the articles of association of a given fund and the Bank is not responsible for such rules and does not participate in the process of executing a respective order.

4.4 Waiver of the obligation to act in the best interest of the Client

The determination of detailed conditions by the Client on which an order accepted by the Bank is to be transmitted for any of the categories of financial instruments referred to in item 4.1 may preclude the Bank from obtaining the best possible results for the Client to the extent of such detailed conditions.

5. CLIENT'S RIGHTS, MONITORING OF THE EFFECTIVENESS OF THE POLICY AND REVIEW OF THE POLICY

- 5.1 The Client receives this document prior to the conclusion of an agreement on the provision of services by the Bank which consist in executing orders or accepting and transmitting orders, and confirms in writing the receipt of the document and the acknowledgement of the Policy by delivering a respective statement contained in the agreement. In the case of Clients who have concluded the agreement on the provision of services by the Bank which consist in executing orders or accepting and transmitting orders prior to the effective date of the Policy, such confirmation of the Client's receipt of this document and the acknowledgement of the Policy is made in writing/orally (whichever Access Channel is specified in the Terms and Conditions of Investment Products) at the moment of placing the first order to which the provisions of the Policy apply. The text of this document is also available on the Bank's website www.citihandlowy.pl.
- 5.2 At the Client's reasonable and proportionate request, the Bank provides information concerning the Bank's strategy and Policy, describes a review process and demonstrates to the Client that the order was executed in accordance with the policy of order execution implemented by the Bank.
- 5.3 When executing orders for Retail Clients, the Bank provides information to them concerning the Policy applied in this regard, including information on total costs incurred by them, along with a link to the recent data concerning the quality of execution.
- 5.4 The Bank monitors on an ongoing basis the effectiveness of the implemented measures and Policy.
- 5.5 The Bank shall review the policy of order execution established pursuant to Article 66 of the Commission Delegated Regulation 2017/565 or arrangements related to order execution at least annually. In addition to the periodical review, the Bank also reviews the Policy when a material change occurs having a permanent effect on the Bank's ability to continue to obtain the best possible results for the Client within the order execution systems defined in this Policy.
- 5.6 Information on the amendment of the provisions set out in this Policy is published on the Bank's website www.citihandlowy.pl or delivered to the Client in the form of a Durable Medium.

www.citigold.pl

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