

Best Execution Policy

AS KIT Finance Europe

1. GENERAL PROVISIONS

This Execution Policy (hereinafter - the Policy) sets out arrangements for complying with the overarching best execution obligations and guidelines for execution of orders in financial instruments by AS KIT Finance Europe (hereinafter - the Company) as required by the Markets in Financial Instruments Directive 2014/65/EU ("MiFID II") and Securities Market Act of Republic of Estonia.

The Policy is approved by the Management Board and yearly reviewed. If any sufficient changes accrued affecting the Best Execution, the Management Board of the Company will not hesitate to update this Policy.

The information on Best execution is available to the Clients or potential Clients on the Company' website. If any changes are made to the best execution procedures, the Clients will be notified by means determined in the Terms and Conditions of Rendering services. The Client agrees to the best execution rules by signing the Brokerage and Custody Agreements or by entering into transaction.

1.1. Definitions

- 1.1.1. Employee - employee of the Company, Branch or Representative Office
- 1.1.2. Non-Professional - natural or legal person who owns a security or undertakes a liability for a transaction with a security, and a person who is not a Professional client.
- 1.1.3. Professional Client is
 - a credit institution, an Investment firm, a fund manager, an investment fund, an insurer or any other financial entity of Estonia or foreign country, which is subject to financial supervision;
 - the Republic of Estonia or foreign country, or a unit of local or regional self-government of Estonia or foreign country, or the Central Bank of Estonia or foreign country;
 - an international entity including the International Monetary Fund, the European Central Bank, and the European Investment Bank;
 - a financial entity whose basic business activity is investing in securities markets, trading commodities or commodity-based financial derivative instruments at its own account;
 - a large company that meets at least two of the following criteria:
 - Balance value is at least 20 million euro;
 - Net turnover is at least 40 million euro;
 - Equity is 2 million euro or higher.
- 1.1.4. Prime-Brokers – carefully selected brokers, to whom Clients' orders are transmitted.

- 1.1.5. Relevant person:
- Managers of the Company;
 - Tied agents of the Company, as well as their managers (if any);
 - Employees of the Company (including employees of the tied agents) as well as any other natural person whose services are placed at the disposal and under the control of the Company or a tied agent of the Company and who is involved in the provision by the Company of investment services and activities;
 - a natural person (not an Employee), who is directly involved in the provision of services to the Company or to its tied agent under an outsourcing arrangement for the purpose of the provision by the Company of investment services and activities;
 - a legal person, providing investment, ancillary or any other services to the Company or its tied agents based on an outsourcing agreement.
- 1.1.6. Sizable order - large order compared to the market liquidity.
- 1.1.7. Specific Instruction - order submitted by a Client with predetermined parameters.
- 1.1.8. Trading Venue - a regulated market, an MTF, a systematic internalizer, or a market maker or other liquidity provider or a third country person that performs a similar duty or function to the duties or functions performed by any of the foregoing persons
- 1.1.9. Trading terminals - terminals provided to the Clients to facilitate the DMA.

1.2. Scope of Best Execution Policy

- 1.2.1. The Policy applies to Professional and Non-Professional Clients who entered into Brokerage and Custody Agreements which set out the respective rights and obligations of the Company and the Client for provision of investment or ancillary services. This Policy does not apply to the Counterparties of the Company classified as eligible counterparties, where trades are conducted according to the agreements and standard market practices.
- 1.2.2. This Policy covers financial instruments as defined by MIFID II and offered by the Company. The Policy applies to transactions where the Company executes orders on behalf of its Clients with shares, fund units, derivatives and other financial instruments admitted to trading on a regulated market, multilateral trading facility ("MTF") or any other organized trading venue.
- 1.2.3. If the Company receives Specific Instruction from a Client, the Company will follow such Specific Instruction, which might prevent the Company from following the procedures set out in this Policy to obtain the best possible result for the customer. This Policy will, however, still be applicable for the part of the execution of the order, which is not altered by those Specific Instructions.
- 1.2.4. Best Execution does not apply to transactions where the Company acts as the counterparty at its own account and risk, based on the Client's request for a quote, or where an order is placed on negotiated terms agreed with the Client.

2. BEST EXECUTION

- 2.1. The Best Execution rules require the Company to take all sufficient steps to execute Clients' orders in the best possible way taking into account transaction price, transaction costs, speed of execution, likelihood of execution and settlement, transaction size, type of security and other order details.

2.2. The Company implements processes and procedures which, in the Company's view, sufficiently ensure that the best execution outcomes can be successfully achieved on an on-going basis. However, the Company does not guarantee the ability to provide the best execution for each transaction.

2.3. In order to fulfil best execution requirements the Company has implemented the following procedures:

2.3.1. Selection of suitable Prime-Brokers and other execution counterparties

2.3.2. Selection of suitable Trading venues

2.3.3. Clients Classification

2.3.4. Assessment of order execution arrangements.

2.4. Prime-Brokers and execution counterparties Selection

2.4.1. The Company selects its Prime-Brokers for each asset class by their adherence to best execution services, width of the product offering, availability of technical solutions and the cost structures that enable better pricing for the Company's Clients. The Company regularly conducts reviews of the Prime-Brokers' ability to provide Best Execution and their ability to enable the Company to fulfil its obligations under regulatory requirements and this Policy.

2.4.2. Selected Prime-brokers are subject to approval by the Management and Supervisory Board.

2.4.3. Other execution counterparties are subject to the compliance control performed by compliance department and credit limit approval by Risk management of the Company. The list of counterparties is regularly reviewed and yearly updated. To achieve the Best Execution in the OTC market, the counterparty for order execution is selected from the list on ad hoc basis of their indicative pricing, costs and the Company's past experience in trading particular products with these market participants.

2.5. Trading Venue Selection

2.5.1. The Company selects suitable trading venue for order execution applying sufficient effort to ensure that the best result for the Client will be achieved.

2.5.2. For exchange-traded products, the default venue choice is the regulated exchange due to highest transparency and most competitive pricing given the Company's scale and frequency of transactions. In case of fragmented markets, the Company relies on algorithms provided by its Prime Brokers, which in turn, are selected if committed to best execution.

2.5.3. For over-the-counter products, the Company takes into consideration the liquidity and likelihood of execution and settlement as well as other circumstances relevant to the selection of MTF, OTF, Market maker or Systematic internalizer for the specific order. The Company has a limited list of venues for instruments such as structured products, OTC derivatives and others OTC products.

2.5.4. The list of selected venues for exchange-traded and OTC products is available on the Company's website.

2.6. Client Classification

- 2.6.1. Retail Client's best execution result, in the absence of specific instructions, is considered on the basis of total costs that consist of security price and direct commissions. Direct commissions are transaction-related expenses such as exchange commissions, settlement fees and third-party commissions. When the Client's commission for conducting and settlement of the transaction is predetermined by the Brokerage Contract, only the price is considered.
- 2.6.2. For a Professional client the best execution assessment is more complex and includes consideration of factors such as speed of execution, transaction volume, order type and type of security.

2.7. Assessment

- 2.7.1. When executing clients' orders, the Company takes into account the following information for determining the importance of factors referred to the best execution:
- Market price of the security
 - Peculiarities of the financial instrument
 - Trading hours of markets
 - Speed of execution of the transaction
 - Market depth and liquidity
 - Likelihood of the transaction or settlement
 - Size of the order
 - Transaction execution costs
 - Order types
 - Specific instructions by the Client
 - Client type
 - Impact on the market
 - Other circumstances affecting the efficient execution of order (including the current market conditions)
- 2.7.2. Depending on the circumstances, the Company keeps the right to determine the degree of significance of each factor.
- 2.7.3. The total cost factor is most important for the Retail Client.
- 2.7.4. The factors such as speed and the likelihood of settlement, the type of the order and other factors are less important than the volume of the order, the speed of execution and total cost for the Professional Clients.

3. ORDER HANDLING

3.1. Direct Market Access

- 3.1.1. The Clients who have direct market access (DMA) place the orders filled electronically at market bid-offer prices visible to other market participants. In this case, the Company deems that it fulfills its best execution responsibilities by providing the facilities for best execution, while the Client has submitted Specific order and determined the appropriate price, quantity and other parameters of an order to gauge the likelihood of an order being filled given the market conditions.

3.1.2. The Company does not use own automated order routing systems or algorithmic order execution solutions. If the order is transmitted to the Prime Broker, the Company ensures that automated order routing systems or algorithmic order execution solutions take into account transaction costs along with the fee or rebate for taking/adding liquidity when determining where to route the Client's order if execution on multiple exchanges is available.

3.2. Exchange-traded securities

3.2.1. Orders communicated to the Company by means other than Trading terminals for exchange-traded securities are directly transmitted to the regulated trading venue unless instructed otherwise or the Company is sufficiently confident that the volume of the Client's order is large relative to liquidity available (Sizable order) in the regulated market.

3.2.2. The Company may route an order to a single trading venue or automated order routing systems or algorithmic order execution solutions provided by the Prime Broker depending on the characteristics of the order.

3.2.3. The Company will clearly notify the Client by email or phone on the opportunity to execute the order out of the regulated market or MTF.

3.3. Over-the-Counter (OTC) Securities

3.3.1. For the OTC securities the Company relies on indicative pricing by various counterparties, price disseminations by market data providers as well as own knowledge and analysis to determine reasonable price of a particular instrument to achieve the best execution.

3.3.2. The Company requires its employees dealing with the Clients' orders to compare at least three counterparties for the factors relevant to the Client's order specified in point 2.7

3.3.3. In case of absence of interest to the security specified in the order among the available Counterparties, the order may be transmitted to other company belonging to KIT Finance Group for execution.

3.3.4. Provisions for Sizable orders set out in point 3.7 also apply to the OTC products.

3.4. Carrying out client orders

3.4.1. The Company shall satisfy the following conditions when carrying out clients' orders:

3.4.1.1 ensure that orders executed on behalf of the Clients are promptly and accurately recorded and allocated;

3.4.1.2 carry out otherwise comparable Clients' orders sequentially and promptly unless the characteristics of the order or prevailing market conditions make this impracticable, or the interests of the clients require otherwise;

3.4.1.3 promptly inform a retail client about any material difficulty relevant to the proper processing of orders.

3.5. Aggregation and allocation of orders

3.5.1. The Company may aggregate a Client's order with another Client's order.

3.5.2. The Company does not carry out a Client's order or a transaction for own account in aggregation with another Client's order unless the following conditions are met:

- it is unlikely that the aggregation of orders and transactions will work overall to the disadvantage of any client whose order is to be aggregated;
 - it must be disclosed to each client whose order is to be aggregated that the effect of aggregation may work to its disadvantage in relation to a particular order;
- 3.5.3. The aggregation could be disadvantageous in relation to a specific order.
- 3.5.4. An aggregated order that has been executed will be allocated on the basis of average price.
- 3.5.5. Where an aggregated order has only been partially executed, the share allocation will be proportionate to the relative size of the order.
- 3.5.6. Where a Client's order has been aggregated with a transaction for the Company's own account and the aggregated order is only partially executed, the allocation will normally give priority to the customer.
- 3.5.7. In case of aggregated transactions for own account with one or more Clients' orders the Company shall not allocate the related trades in a way that is detrimental to a Client.

3.6. Settlement of an executed order

- 3.6.1. Back Office of the Company is responsible for the overseeing or arranging the settlement of an executed order.
- 3.6.2. Employee responsible for the settlement should take all reasonable steps to ensure that any client securities or client funds received in settlement of that executed order are promptly and correctly delivered to the account of the appropriate client.

3.7. Sizable order

- 3.7.1. If the order submitted by the Client is above a certain threshold, the Company will treat it as Sizable order.
- 3.7.2. The execution of a sizable order may increase volatility and affect liquidity of the market, which will prevent the implementation of the procedure for the best execution.
- 3.7.3. The Company keep the right to execute the order in parts and decide on proportions to avoid market fluctuations.
- 3.7.4. Sizable orders may diverge based on the type of instrument, place of execution and market conditions; therefore, the volume and the procedure for sizable orders are not specified in this Policy.

3.8. Low liquidity products

- 3.8.1. The Company will notify the Client on significant price fluctuation and the fact that the best execution rules cannot be honored for orders placed in instruments whose liquidity is low or which are not traded on a regulated market.
- 3.8.2. The Company will advise the Client to find the counterparty for the transaction her/himself and will assist in settlement.

3.9. Order transmission failures

- 3.9.1. Technical problems may result in IT infrastructure failure and restrict the ability of the Company to receive, transmit and execute Clients' orders.

- 3.9.2. Should this situation occur, the Company must notify the Clients by means determined in the Terms and Conditions of Rendering Investment Services.
- 3.9.3. All employees must act in accordance with the Business Continuity Policy and Plan to restore the ability of the Company to provide services.

3.10. Other provisions

- 3.10.1. The misuse of information related to pending Client's orders is prohibited. The Company takes all reasonable steps to prevent the misuse of such information by any of its Relevant persons.
- 3.10.2. The Company or its Relative persons are prohibited to receive any remuneration, discount or non-monetary benefits for routing Clients' orders to a particular trading venue or execution venue, which would infringe the requirements on conflicts of interest.
- 3.10.3. The information misuse and conflict of interest are regulated by the Internal Policy of the Company.

4. COMPLIANCE AND CONTROL

- 4.1. The Company conducts regular checks of compliance with Best Execution Policy including:
 - 4.1.1. assessment of compliance with regulatory changes;
 - 4.1.2. assessment of substantial changes which may damage the ability of the Company to achieve the best possible results upon the execution of Clients' orders;
 - 4.1.3. assessment of execution venues and prime brokers to ensure compliance with Best Execution rules;
 - 4.1.4. assessment of quality and competence of employees in performance of their functions.
- 4.2. If incompliance to the Best Execution Policy or regulatory requirements is detected, it should be recorded and resolved in the incident management system - JIRA in accordance with the Incident management Policy of the Company.
- 4.3. Control over implementation of Best Execution Policy is exercised on a regular basis by the Management Board, Compliance Officer and Internal Auditor in accordance with their powers and in line with Legislative Acts and the Terms of Reference.
- 4.4. The Head of Brokerage department is responsible for the investigation and elimination of shortcomings and timely updates of this Policy..
- 4.5. Approved by the Management Board of AS KIT Finance Europe as of 14.10.2013, revised and approved with amendments by the Management Board of AS KIT Finance Europe 04.09.2017.