



Order Execution Policy

Itaú BBA International plc

Approval
1 April 2019

Code
PO-CPL-09

SUBJECT: ORDER EXECUTION

OVERVIEW: This policy sets out the rules and responsibilities for the best possible result for the execution of client orders, for those we have classified as Professional Clients of Itaú BBA International plc.

TABLE OF CONTENTS

1. INTRODUCTION
2. SCOPE
3. BEST EXECUTION
4. CLIENT INSTRUCTIONS
5. CONFLICTS AND BEST EXECUTION
6. GOVERNANCE AND REVIEW
7. TERMS OF BUSINESS
8. AMENDMENTS
9. CONTROL OF INFORMATION
10. ANNEX 1: APPLICATION BY BUSINESS AND PRODUCT
11. ANNEX 2: EXECUTION VENUES



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1. INTRODUCTION

Itaú BBA International plc ('IBBAInt') is subject to the regulatory duty of best execution for its activities with respect to financial instruments under EU Directive 2014/65/EU (as incorporated into applicable law, "MiFID II Directive").

Where best execution is applicable, IBBAInt is required to take all reasonable steps to obtain the best possible result in executing orders for its clients. IBBAInt has established this policy, related trading desk procedures, and other arrangements, designed to be sufficient to obtain the best possible results for client orders in-scope of the order execution requirements. IBBAInt is not required to guarantee that it will always be able to provide best execution on every order executed on its client's behalf.

IBBAInt does not owe its clients any fiduciary responsibilities as a result of the matters set out in this policy, over and above the specific regulatory obligations placed upon us, or as contractually agreed with you, its clients.

IBBAInt is committed to being efficient, transparent and client focused in our sales to and servicing of clients and are open to discussing with you, your precise execution requirements to see how we can accommodate them. If you have any questions about this policy, please contact your IBBAInt representative.

2. SCOPE

Under MiFID II, best execution is applicable to IBBAInt in some circumstances only. In summary, those circumstances are:

- The client is within the scope of best execution (see paragraph 2.1);
- IBBAInt is executing an order (see paragraph 2.2);
- IBBAInt is acting on the client's behalf for the purposes of best execution (see paragraph 2.3);
- Our Professional Clients legitimately rely on IBBAInt (see paragraph 2.4); and
- The order relates to a financial instrument (see paragraph 2.5).

2.1 Clients in-scope of best execution

This policy applies to the execution of orders on behalf of clients whom we have classified as Professional Clients. This policy does not apply to eligible counterparty or retail clients (Note - IBBAInt does not conduct business with Retail Clients).

References below to "IBBAInt" and "we", and to "clients" and "you", should be understood accordingly.

2.2 Executing an order

An "order" is an instruction (to buy or sell one or more financial instruments) from the client to IBBAInt that is accepted by IBBAInt and "execution" is the performance by IBBAInt of that instruction, even if (in doing so) IBBAInt is dealing on its own account with the client.

2.3 Acting on the client's behalf

For the purposes of the Order Execution Policy, in the normal course of business IBBAInt is acting on the client's behalf when IBBAInt acts to conclude agreements to buy or sell financial instruments upon the client's instructions.

Best execution applies when IBBAInt executes an order on the client's behalf. Best execution also applies when IBBAInt is transmitting orders on the client's behalf to a third party for execution.

In the normal course of business IBBAInt is also acting on the Professional Client's behalf for the purposes of best execution where the transaction results from IBBAInt quoting a price following a request-for-quote ("RFQ").

2.4 Legitimate Reliance

Based on prevailing regulatory guidance, IBBAInt takes into account (holistically in the context of the client, the market, the transaction and other relevant facts and circumstances) all the following factors, taken together to determine whether Professional Clients legitimately rely on IBBAInt with regards to the execution of the trade:

- Whether IBBAInt or the client initiates the transaction;
- Whether market practice indicates that there is an expectation of legitimate reliance (for example a convention to 'shop around' for quotes);
- The relative levels of price transparency within the market; and
- The information provided by IBBAInt about its services and the terms of any agreement between the client and IBBAInt.

We conclude that we are acting on the professional client's behalf if, having taken into account these factors, our determination is that there is legitimate reliance in respect of the quote-driven activity concerned. IBBAInt generally treat its Professional Clients as relying on IBBAInt for the best execution of trades, unless the clients has provided specific instructions (see section 4.1).

2.5 Financial Instruments

This policy only applies with respect to financial instruments within scope of the definition of financial instruments within the MiFID II Directive ("Financial Instruments") available at : <http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32014L0065>.

Financial Instruments include but are not limited to: transferable securities (such as shares and bonds), money market instruments, units in collective investment undertakings, exchange-traded and OTC derivatives, whether cash or physically settled, including futures, options and swaps. Financial Instruments do not include spot FX.

The application of this policy to particular types of financial instruments is described further in Annex 1.

3. BEST EXECUTION

3.1 Best execution principle

When best execution is applicable, the following principle ('best execution principle') applies to IBBAInt's conduct: **we take all reasonable steps to obtain the best possible result for our clients, taking into account the execution factors, on a consistent basis.**

The application of the best execution principle involves the exercise of commercial judgement in the context of available market information. Other firms may exercise their judgement differently and reach a different conclusion as to how the best execution principle might be applied. The diversity of the markets in which we operate and of the transactions that clients carry out means that the steps that we take to apply the best execution principle may vary. In particular, these steps may vary significantly depending on whether (for example) the client requests IBBAInt to quote a price at which we are willing to trade as counterparty or the client requests IBBAInt to execute an order with reference to a third party

execution venue. In certain circumstances, our discretion in applying the best execution principle is necessarily limited. For example, there may only be a single venue for execution of the transaction concerned.

Aside from the explicit best execution rules explained in this policy, we have an overriding duty to act honestly, fairly and professionally in accordance with the best interests of our clients. It is under this duty that, even for activities or products that are technically outside of the best execution regime, we always endeavour to act in the best interests of our clients.

3.2 Execution factors

In applying the best execution principle, IBBAInt takes into account the following “execution factors”:

- price;
- costs payable by the client as a result of the execution. E.g. credit charge; fees and commissions;
- speed of execution and settlement;
- likelihood of execution and settlement;
- size of the transaction; and
- nature of the transaction and any other consideration that is relevant to execution.

3.3 Relative importance of execution factors

The execution factors are not listed in any particular order of priority. In assessing the relative importance of the execution factors for a specific scenario, IBBAInt takes into account the market information that is available to us and the characteristics of:

- the client;
- the transaction;
- the financial instrument that is the subject of the transaction;
- the execution venues over which the transaction can be executed;
- other criteria as we consider relevant to the application of the best execution principle.

The outcome for the client may vary depending on our prioritisation of these execution factors in applying the best execution principle.

For Professional Clients, in applying the best execution principle in the normal course of business, price merits a high relative importance. In considering price, we also consider the steps that we may reasonably take to minimise the market impact of execution. The application of the best execution principle is subject to prevailing market conditions and our understanding of the Professional Client’s preferences. Therefore, there may be circumstances in which we conclude that other execution factors are as important, or more important, than price in applying the best execution principle.

The application of the best execution principle is neither a guarantee that the best price will be obtained nor a guarantee that the transaction will be executed in full.

Whenever there is a specific instruction from a client, IBBAInt will execute the order following the specific instruction – (see section 4.1).

We have a degree of discretion in how to apply the different execution factors and this may result in a range of different permissible approaches to executing clients orders. In determining what is the best possible result for a client, we will not compare the results that could be achieved for you the clients on the basis of this policy and fees with results that might be achieved for you such client by another investment firm on the basis of that firm’s execution policy or a different structure of commission or fees,

nor will we compare the differences in the commissions or fees that we charge to different clients which are attributable to the nature of the services that we provide to each client.

In all cases the application of the best execution principle is subject to any instruction given by you, the client, in relation to a particular trade or trades where the weighting of the execution factors may differ. Such agreement may be on an order by order basis, or may be agreed on a systematic basis.

3.4 Execution Venues

Our execution venues include:

- stock exchanges and other regulated markets;
- multilateral trading facilities ('MTFs');
- organised trading facilities ('OTFs');
- systematic internalisers;
- market makers (including, Itaú Unibanco S.A and affiliates where we internalise relevant orders, brokers, banks and investment firms);
- other liquidity providers, such as broker cross networks and electronic trading platforms; and
- non-EEA entities performing a similar function to any of the above.

Execution venues can include venues of which we (IBBAInt) are a direct member or participant and venues that we access through third party brokers or dealers.

A list of the execution venues on which we place significant reliance for each available product is set out in Annex 2. This list is not exhaustive. IBBAInt may use other venues where it is appropriate to do so under this policy. This list is not static. IBBAInt include in this policy those execution venues that we believe could enable us to obtain on a consistent basis the best possible result for the execution of orders based on our ongoing monitoring of the effectiveness of (a) our execution arrangements, (b) this policy and (c) past execution results.

IBBAInt regularly assesses the venues that are available and, following any such assessment, may update the list in Annex 2. In cases of market turbulence or systems failure, IBBAInt may not be able to access the venues on this list.

In selecting an execution venue for the execution of a transaction, we take into account in respect of the venue concerned:

- price;
- cost of execution;
- liquidity available for the financial instrument concerned;
- speed of execution;
- reliability of the venue;
- continuity of trading;
- creditworthiness of the venue;
- quality of any related clearing and settlement facilities; and
- such other factors as we consider relevant to the application of the overarching principle.

We may from time to time execute orders on execution venues that are not included in Annex 2 with a view to satisfying the best execution obligation.



Order Execution Policy

Itaú BBA International plc

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For certain products we may conclude that we can comply with our Best Execution Obligation by using IBBAInt as the sole execution venue.

All factors listed above are given equal importance when selecting the execution venue, and ItaúBBAInt takes steps to avoid discriminating unfairly between execution venues.

Orders may be executed in tranches over a period of time (up to several days) or on more than one execution venue in order to minimise market impact and achieve the best result.

3.5 Consents

3.5.1 Order Execution

IBBAInt are required to obtain its clients consent to the Order Execution Policy, prior to the execution of any orders. Clients are deemed to have consented to the Order Execution Policy where they have, following receipt of the policy, subsequently given orders to IBBAInt for execution, except in the situation where an express consent is required.

3.5.2 OTC transactions

IBBAInt may execute transactions in financial instruments that are admitted to trading on an execution venue that is a regulated market or MTF outside of that regulated market or MTF. We apply the overarching principle in making such a decision, subject to any specific instruction given by the client. If the client does not provide its prior express consent ("OTC Consent") to this, we may not be able to apply the overarching principle and may decline to accept the order concerned.

The OTC markets are decentralised, fragmented and have low pre-trade transparency, because the counterparties generally do not make the prices quoted available to a broad market. Rather, these prices are negotiated on a bilateral basis with the counterparties. These counterparties often have proprietary holdings in these instruments, for which they quote prices. The choice of counterparties for OTC markets is often limited. In many cases, as the products are only offered by a limited number of counterparties, there is not much transparency in terms of liquidity or price. Clients will also bear a potentially higher counterparty risk when trading OTC. Counterparty risk is the risk that a counterparty in a derivatives transaction will default prior to expiration of the trade and will not make the current and future payments required by the contract.

3.6 All-in price

As a counterparty, price given by IBBAInt will be an all-in price. An all-in price is a price that includes any spread and/or margin above the price at which IBBAInt may be able to transact in the market. We may take into account a number of factors in quoting an all-in price, including:

- the risk that IBBAInt assumes under the transaction;
- operational costs;
- counterparty, capital, and funding related costs;
- fees and costs that arise during the execution and life of the transaction;



Order Execution Policy

Itaú BBA International plc

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Code
PO-CPL-09

- the level of service provided to the client;
- other relevant factors identified through the relationship with client; and
- any pre-agreed fee/spread charges.

The relative contribution of each of these factors may vary from transaction to transaction. IBBAInt will disclose the spread and/or margin policy to our clients before we agree to a transaction, and confirm all costs and charges arising from the transaction post-trade.

3.7 Close-outs

In accordance with the terms of a contractual relationship between IBBAInt and the client, we may exercise a power to terminate such relationship upon the occurrence of an event of default in respect of which the client is the defaulting party or a similar event. In exercising this power (including, without limitation, by unwinding or otherwise terminating any client position or enforcing any security), we act for our own account to protect our interests and do not, for the purposes of best execution, act on the client's behalf. Therefore, best execution does not apply in this case. This is without prejudice to the terms of the contractual relationship concerned.

4. CLIENT INSTRUCTIONS

4.1 Specific Instructions

If we receive an order from you that includes a specific instruction or specific instructions in relation to the handling and execution of the entire order or a particular aspect or aspects of the order (including selecting a particular execution venue, executing at a particular price or time or through the use of a particular strategy) then, subject to our legal and regulatory obligations, we will execute your order in accordance with that specific instruction.

This means that, to the extent of the specific instruction or instructions, our obligation of best execution will be satisfied by executing the order in accordance with your specific instruction. Where the specific instruction covers only a portion of an order (for example, as to the choice of venue), and we have discretion over the execution of other elements of the order, then we will continue to be subject to the best execution obligation in respect of the elements of the order that are not covered by your specific instruction. **Specific instructions may prevent IBBAInt from applying the best execution principle to the elements covered by those instructions.**

5. CONFLICTS AND BEST EXECUTION

IBBAInt has established procedures that are designed to identify and manage conflicts of interest. In relation to best execution in particular:

5.1 Payment for order flow

Payment for order flow ("PFOF") is the practice of a firm that executes client orders receiving commissions both from the client originating the order and from the counterparty with whom the trade is executed. IBBAInt does not enter into PFOF arrangements.

5.2 Transmission and intra-group reliance

IBBAInt may transmit an order to a third party for execution. This third party may be a “connected party” – that is, an entity that is a member of Itaú Unibanco S.A companies or affiliates. Alternatively, this third party may be an entity that is not a connected party. We are required to act in accordance with the best interests of our clients when transmitting client orders to third parties for execution. This means we apply the best execution principle in making a decision to transmit a client order, subject to any specific instruction given by the client. This does not mean that the standards of execution that apply to us necessarily apply to the third party. If we have a connected party in the place in which the financial instruments concerned are traded, then we may transmit the order to that connected party for execution. We consider that reliance on connected parties in these circumstances is in the interest of clients because (amongst other things) certainty of execution is increased and communication is enhanced.

6. GOVERNANCE AND REVIEW

6.1 Monitoring

IBBAInt monitors the arrangements described in this Statement in order to identify any deficiencies and to assess whether we need to make any changes. IBBAInt evaluates, on a risk basis, transactions in orders to which best execution applies and compliance with this policy through post-execution benchmarking and analysis. This monitoring includes the monitoring of the performance of connected parties and other third parties to whom we transmit client orders.

6.2 Policy Review

IBBAInt will review this policy at least annually to consider whether this policy and IBBAInt’s best execution arrangements include all reasonable steps to obtain the best possible result for the execution of orders. Specifically, it will review:

- whether to exclude or to include additional or different execution venues;
- whether to assign different relative importance to the Execution Factors; and
- whether to modify any other aspects of this policy and/or the best execution arrangements.

IBBAInt will also conduct a review whenever a material change occurs that could affect IBBAInt’s ability to comply with the best execution obligation. What is material will depend on the nature and scope of any change.

7. TERMS OF BUSINESS

Professional Clients should refer to IBBAInt’s Terms of Business for Professional Clients and Eligible Counterparties, where best execution is also addressed. The execution policy referred to in those Terms of Business is the Order Execution Policy described in this Statement.

8. AMENDMENTS

IBBAInt may amend this Order Execution Policy from time to time. When we make a material change to the Order Execution Policy, we inform clients by publishing an updated version of it on our website. This Policy updates and replaces our prior policies on order execution.



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9. CONTROL OF INFORMATION

Deadline for review: 01/04/2020

Version: 2

Attention to specific rules? No Yes – MiFID II – completely revised Execution Policy, which has been cancelled.

Prepared by: Compliance

Approved by: Executive Committee



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10. ANNEX 1: APPLICATION BY BUSINESS AND PRODUCT

10.1 Corporate Sales Desk: FX derivatives

FX transactions that are derivatives are Financial Instruments. We consider that best execution will apply to transactions in FX derivatives for Professional Clients.

However, we note that for certain transactions, for example, orders for FX NDFs, forwards and swaps, these can involve highly prescriptive specific instructions from you as to how you require the trades to be executed and this will limit the duty of best execution to those matters which are not covered by specific instructions.

10.2 Corporate Sales Desk: other derivatives (e.g. interest rate derivatives)

Other derivative transactions (e.g. interest rate swaps) are Financial Instruments. We consider that best execution will apply to transactions in derivatives for Professional Clients.

However, we note that for certain transactions, e.g. interest rate swaps, these can involve highly prescriptive specific instructions from you as to how you require the trades to be executed and this will limit the duty of best execution to those matters which are not covered by specific instructions.

10.3 Corporate Sales Desk: Spot FX

Spot FX is not a Financial Instrument and so will not be covered by the best execution rules. We are subject to a regulatory obligation to treat you fairly as well as to manage any conflict of interest to which we may be subject.



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11. ANNEX 2: EXECUTION VENUES

11.1 Foreign exchange and non-FX derivatives

Execution venues accessed by IBBAInt for FX and non-FX derivatives are:

- Bloomberg
- 360T
- FXAll
- Itaú Unibanco S.A, affiliates or branches established outside the European Economic Area where we internalise the order.

If we take an order in an over-the-counter derivative, the execution venue will be IBBAInt or the relevant swap execution facility where the product is traded.

Orders will be executed manually by traders who will receive appropriate training on this policy.