



## Information about dealing with conflicts of interests

### 1. General principles

In the course of providing its services, European Depository Bank SA places great importance on protecting the interests of its clients and the shareholders of the funds and special funds managed by the Bank as a depository.

As a private bank that – among other things – provides a wide range of investment services for its clients and provides financing to businesses, it is not always possible to preclude conflicts of interest. We may also encounter potential conflicts of interest while exercising our role as a depository for investment funds. In light of this, we have drawn up our own principles (hereafter the “Principles”) governing how to avoid conflicts of interest and how to proceed if a conflict of interest arises. These Principles comply with applicable legislation and regulatory pronouncements.

As a result of the Markets in Financial Instruments Directive (MiFID/MiFID II), the existing rules on dealing with conflicts of interest, which focus on avoiding conflicts of interest and executing client orders while safeguarding the client’s interests where such conflicts are unavoidable, have been supplemented by the Conflict of Interest Policy. This Conflict of Interest Policy also applies when exercising our role as a depository for investment funds.

The Bank’s independent Compliance function, which has regular contact with other departments of the bank, is responsible for conflict of interest management. The Compliance function’s duties also include processing and responding to any client queries about potential conflicts of interest.

When a department of the bank discovers an occurring or potential conflict of interest, it shall report the conflict of interest in writing and bring it to the attention of the Chief Compliance Officer. In cooperation with the Bank’s management, the Chief Compliance Officer shall bring about an acceptable solution for all parties, whereby client interests are considered the top priority.

Finally, the Chief Compliance Officer shall present the overall process to management for approval. Internal Audit shall be informed of the decision by way of a memorandum.

The aforementioned overall processes, including the memoranda, shall be documented by the Legal & Compliance department, recorded in a conflict of interest register and subject to regular review. The other departments shall be involved in ensuring that the solutions decided upon are also subject to technical review by them to ensure that such solutions are up to date. The departments shall justify operational changes in writing and report them to the Chief Compliance Officer.

Members of management and the Supervisory Board who are affected by a conflict of interest shall inform the entire management/ the Supervisory Board immediately and on their own initiative. The procedures governing this provide that such members should generally refrain from making decisions that may give rise to a conflict of interest, and from making decisions for which an objective and independent appraisal cannot be given.

The “Information about dealing with conflicts of interests” guidelines have been shared with our existing clients as part of the client information required under MiFID II.

MiFID and MiFID II have expanded the relevant fund legislation and the existing regulations, as well as standardising new conflict management rules, so that the provision of investment services and the exercising of the role of a depository are not compromised by conflicts of interest in the future. Conflicts of interest must now be disclosed if they cannot be prevented by appropriate measures. In both our clients’ interests and our own, we have drawn up various measures designed to prevent such situations to the greatest extent possible. However, even a wide range of mea-

asures cannot fully exclude the possibility of conflicts of interest arising in individual cases. An open and honest handling with this fact in mind is the basis for a fair business relationship. Because of our internal work processes, instructions, controls and checks, we prevent any conflicts of interest from affecting our clients.

### 2. Conflicts of interest

Above all, conflicts of interest can arise through various areas of activity and investment services, as well as through collaboration with affiliated undertakings. Conflicts of interest may arise in the following relationships (among others):

- Client – Bank
- Client – investment service provider
- Client – affiliated undertaking
- Client – employee
- Client – other client

The aim of identifying potential conflicts of interest is to determine to what extent the Bank, its employees or any undertaking linked to the Bank by control while rendering (ancillary) investment services or while exercising the role of a depository:

- may achieve a financial advantage at the expense of clients or prevent a loss to clients’ detriment (financial advantage);
- have an interest in the outcome of a service provided for clients in relation to a transaction executed for such clients where such an interest does not correspond to the clients’ interest in the outcome (deviating interest);
- are financially or otherwise induced to place the interests of a client or a client group above the interests of other clients (inducement);
- pursue the same business as clients (competition); or
- receive, or may receive, in relation to the service, an inducement from third parties beyond the standard commission or fee (inducements).

All investment service companies are required to prevent identified conflicts of interest, and must therefore implement controls to ensure that clients’ interests are sufficiently considered. Control measures include (among others) precautions to effectively prevent and check information exchange; ensuring that employees’ remuneration is independent of both the remuneration of other employees with different areas of responsibility, and company performance; preventing employees’ activities from being inappropriately influenced; and having a separate monitoring procedure for employees in fields that are particularly susceptible to conflicts of interest.

Conflicts of interest shall be controlled and monitored through the aforementioned measures by the Bank’s Legal & Compliance department, which shall comply with specific guidelines relating to independence, organisational structure and conduct.

Examples of potential conflicts of interest are:

- relationships with issuers or service providers, as well as the involvement (where applicable) of employees, managers and directors on the management, supervisory boards or advisory boards of these issuers or service providers;
- the involvement of employees, managers and directors on the management or supervisory boards of investment companies;
- obtaining information that is not public knowledge, as well as information on personal relationships between employees, managers, directors or persons associated with them (including service providers);
- our activities, especially the Bank’s interest in making a profit when



- trading on its own account;
- relationships with affiliated undertakings (see below);
- employee transactions;
- granting inducements to our employees and agents;
- receiving or granting inducements (such as placing/trail commissions and non-cash benefits) from or to third parties;
- the choice of service providers;
- performance-related remuneration of employees and agents;
- investment services;
- our relationships with issuers of financial instruments, such as the existence of credit relationships and involvement in issuing, where there is a collaboration;
- relationships between the Bank (as the depository) and the investment fund, as well as between the depository's other clients; and
- the assumption by the Bank (as the depository) of further permissible functions, such as acting as the point for receiving and transmitting orders concerning one or more financial instruments, or acting as a registrar and/or transfer agent.

### 3. Principles of the Conflict of Interest Policy within the Group

Within the scope of the Conflict of Interest Policy's guidelines, attention should also be paid to conflicts of interest that arise in relation to the organisational structure and business activities of affiliated undertakings of which the investment services company is aware, or should be aware.

*In order to prevent a situation whereby an undertaking deals to the benefit of an affiliated undertaking and simultaneously to the disadvantage of a client, the Bank has taken the following steps (among others):*

- There are effective information barriers (Chinese walls) between Group undertakings, which prevent the Group's interests from coming into conflict with each other;
- Furthermore, there is a Bank-wide regulation stipulating that each affiliated undertaking is essentially independent in its decision-making and deals according to its own business principles;
- There is a strict separation of duties between the Trading Desk and Settlement departments;
- There is a strict separation of duties between internal departments, such as the depository, the registrar and transfer agent, and the Trading Desk;
- Furthermore, the extensive guidelines for dealing with other types of conflicts of interest also apply to conflicts of interest with affiliated undertakings.

As an example, such conflicts of interest may arise between our Bank, other undertakings within our Group, our management, our employees or other persons associated with us, and our clients, as well as between our clients.

### 4. Principles relating to other conflicts of interest

In order to prevent extraneous interests from influencing (among others) order execution or the duties of the depository or the registrar and transfer agent, we have bound our employees to high ethical standards. We expect diligence, integrity, lawful and professional behaviour, compliance with market standards, and, in particular, due regard for clients' interests, at all times.

At our Bank, there is an independent Compliance function under the direct responsibility of management. This function is tasked with identifying, preventing and managing conflicts of interest. Every contractual arrangement that involves the provision of inducements or incentives of any kind whatsoever shall be presented to the Chief Compliance Officer and checked by him/her for compliance with the MiFID regulation. Contracts governing the holding of an office or mandate within the Group are excluded from this requirement.

*Specifically, we adopt the following measures:*

- Creating organisational procedures to protect the interests of shareholders in an investment fund;
- Forwarding and disclosing inducements;
- Introducing a Remuneration Policy;
- Introducing Best-Execution Rules;
- Four-eyes checks;
- Internal directives regarding matters such as gifts and indemnities granted to our employees;
- Establishing confidentiality (Chinese walls) by constructing information barriers, separating responsibilities, and/or dividing our physical space in accordance with the need-to-know principle;
- Drawing up insider and/or watch lists where required, in order to monitor sensitive information flows and to prevent inside information from being misused;
- Drawing up a blacklist in order to counter potential conflicts of interest by way of prohibitions on transactions, trading or financial analyses;
- Disclosing to the Compliance department securities transactions carried out by employees who may encounter conflicts of interest as part of their activities;
- Being meticulous with hiring decisions and training our employees regularly;
- Adhering strictly to the depository's independence policy with regard to investment funds, as a result of which we do not carry out any of the functions of a management company, investment company and/or alternative investment fund manager;
- Functionally and hierarchically dividing the exercising of our functions as an investment-fund depository and our other functions, such as acting as a registrar and/or transfer agent;
- Disclosing unavoidable conflicts of interest to the clients/third parties concerned before concluding a transaction or providing a service;
- Disclosing newly identified and verified conflicts of interest to the clients/third parties concerned, including such conflicts that arise during an existing business relationship.

We usually receive inducements from fund management companies and securities issuers when distributing securities. Such inducements include sales-based trail commissions, which are paid to us by fund management companies from the management fees collected by them; and distribution fees, which are paid by securities issuers in the form of placing commissions, corresponding discounts on the issue price, or trail commissions. We shall inform our clients in the event of any inducements being received or granted, and we shall forward such inducements to our clients without deduction.

### 5. Procedure in the event of non-compliance with these provisions

Any non-compliance with the above provisions shall be brought to the attention of the entire management via the Chief Compliance Officer. Management shall then work together to impose appropriate internal sanctions and external measures to ensure compliance with regulatory law and the protection of client interests.