

Guidelines for the handling of conflicts of interest and benefits

Conflicts of interest

Preamble

It is not always possible to entirely avoid conflicts of interest when providing securities services, conducting investment activities, and providing other related services. Conflicts of interest can arise between Schoellerbank AG, relevant persons (including members of management and employees of Schoellerbank AG), or contractually bound brokers or other persons who are directly or indirectly under the control of Schoellerbank AG on the one hand and the customers of Schoellerbank AG on the other, or between the individual customers of Schoellerbank AG.

In such cases, it must be ensured that these conflicts of interest are recognised and treated in accordance with these guidelines. Schoellerbank AG is a member of UniCredit Group, so this guideline also addresses all circumstances that may lead to a conflict of interest due to the structure and business activities of other group members.

How can conflicts of interest arise?

- In the course of investment advice and asset management due to Schoellerbank AG's own interest in the sale of financial instruments, and particularly the group's products.
- When receiving or granting consideration (e.g. sales commissions/trailer fees) from/to third parties in connection with securities services and ancillary services.
- Due to performance-based remuneration of employees that conflicts with the obligation to protect the interests of the customers.
- Due to relationships between Schoellerbank AG and issuers of financial instruments, the existence of a credit relationship, or in connection with collaborations.
- Due to the disclosure of financial analyses pertaining to financial instruments that are offered to customers for sale.
- Due to the acquisition of information that is not publicly known.
- Based on personal relationships of the employees or the Management Board members of Schoellerbank AG or their related parties.
- Due to the participation of these persons in supervisory and advisory boards.
- When deciding on the general range of financial instruments and services that Schoellerbank AG would like to offer or recommend.
- When deciding on the range of sustainable financial instruments and asset management variants that Schoellerbank AG would like to offer or recommend to its customers.

Schoellerbank AG's objective is to recognise conflicts of interest in the bank and to avoid them whenever possible. If a conflict of interest cannot be avoided based on the organisational and administrative measures defined at Bank Austria, Schoellerbank AG's top priority is to resolve such a conflict in the interest of the customers.

Measures for the recognition and prevention of conflicts of interest at Schoellerbank AG

1) Compliance Organisation

In order to fulfil the applicable legal obligation, a Compliance Organisation was established and a Compliance Officer appointed pursuant to the Austrian Securities Supervision Act 2018 (Wertpapieraufsichtsgesetz 2018; WAG 2018) and Commission Delegated Regulation (EU) 2017/565 of 25 April 2016. In addition to preventing the misuse of inside information and market manipulation, one of the core responsibilities of the Compliance Organisation is to recognise and manage conflicts of interest and to continuously monitor the measures defined at Schoellerbank AG and adapt them when necessary.

2) Organisational structure

Schoellerbank AG defines responsibilities and powers of authority within the framework of its organisational structure in order to prevent any potential conflicts of interest. The organisational chart is regularly adapted to the current organisational structure and also serves as the basis for the definition of the individual confidentiality zones at Schoellerbank AG.

3) Independence

Employees of Schoellerbank AG who perform securities services/ancillary services at the same time or immediately after one another in which potential conflicts of interest could arise or who are involved in such services must perform these activities as independently as possible.

Bank Austria takes appropriate measures in order to prevent potential conflicts of interest in such cases – for example, the segregation of duties.

4) Chinese walls/confidentiality zones

Setting up so-called Chinese walls between the different confidentiality zones that have been defined at Schoellerbank AG ensures that the dissemination of confidential information is limited to only the extent needed for conducting the bank's business (exceptions require special approval). The confidentiality zones are adapted to the organisational changes within the bank on an ongoing basis.

5) Abstaining from transactions

If a conflict of interest cannot be prevented despite the organisational and administrative measures taken by Schoellerbank AG, it is the duty of Schoellerbank AG to resolve this conflict of interest in the interest of the customers. This solution can also take the form of disclosing the conflict to the customer or abstaining from a potential transaction.

6) Disclosure

If the organisational and administrative precautions taken by Schoellerbank AG are not sufficient to reasonably ensure that the risk of harm to customer interests is avoided, Schoellerbank AG discloses the type and cause of the conflicts of interest, the associated risks, and the measures taken to mitigate these risks to the customer before conducting transactions for the customer. Schoellerbank AG will only make such a disclosure if no other solution is possible. The scope is oriented towards the categorisation of the customer so that he/she can make his/her decision regarding the service on an informed basis. The disclosure is made in a way that ensures banking secrecy is maintained.

7) Prioritisation

Customer interests take precedence over the interests of Schoellerbank AG and those of its employees.

8) Market abuse

Appropriate guidelines and conduct standards are established at Schoellerbank AG that serve in fulfilling the legal obligation to prevent market abuse (insider trading and market manipulation) by Schoellerbank AG and its employees.

9) Guidelines for employee transactions (broker transactions) and reporting obligation for mandates

Guidelines have been adopted that govern employee transactions and are aimed at preventing conflicts of interest between the customers of Schoellerbank AG and the employees of Schoellerbank AG or ensuring that a solution that is in line with the customers' interests is found. This includes the fact that the acceptance of employment contracts, advisor or executive management positions, foundation board appointments, business shares, equity interests in joint ventures, or similar positions within or outside of the Bank Austria group must be reported and require approval.

10) Reporting conflicts of interest

The following applies in general: Conflicts of interest and suspected conflicts of interest must be reported to the Compliance Officer without exception. This officer must document the report together with the time and contents of the report, the individual filing the report, and the measures taken. The Compliance Officer can also order the documentation of conflicts of interest in individual cases.

11) Remuneration

The remuneration rules of Schoellerbank AG are designed so that the remuneration paid to an employee is in no direct relationship with the remuneration paid to or the earnings generated by other employees whose activities represent a conflict of interest with the activities of the employee in question.

12) Accepting gifts

No employee of Schoellerbank AG may solicit or accept gifts or benefits from third parties for themselves or for relatives that could impair their independence.

13) Execution policy/Allocation for issues

Schoellerbank AG has defined and implemented an execution policy that lays out the rules according to which the bank executes customer orders. It also defines Schoellerbank AG's allocation procedure for issues. The handling of employee orders by Schoellerbank AG is specified in the "Guidelines for personal transactions of employees of Schoellerbank AG" in the Compliance Manual and in the Securities Compliance Manual. When customer orders and orders from Schoellerbank AG employees or proprietary orders for Schoellerbank AG are received at the same time, the customer order must be given higher priority and must be executed preferentially.

14) Capital market prospectuses

Special disclosure obligations in the capital market prospectus apply to potential conflicts of interest in connection with public offers and listings of securities.

15) Disclosure for package services

If a securities service is offered together with another service or product as part of a package or as a condition for the same agreement or the same package, Schoellerbank AG must inform the customer whether the different components can be purchased separately from each other. Schoellerbank AG must also separately indicate the costs and fees for each component.

16) Inappropriate influence

Schoellerbank AG has taken organisational measures to prevent persons from having an inappropriate influence on the manner in which other persons who are potentially in a conflict of interest conduct activities that are related to securities or ancillary services. These must be updated regularly, and the Compliance Organisation must verify that they are followed. This assessment is based on the current organisational chart for Schoellerbank AG with responsibilities and powers of authority, which is provided to the Compliance Organisation.

17) Control

Compliance with the guidelines is monitored by Bank Austria's Compliance Officer and audited by Internal Audit.

Guidelines for the handling of conflicts of interest and benefits

Benefits – Consideration

Because Schoellerbank AG has chosen to provide non-independent investment advice, the bank may also continue to accept consideration. In this context, consideration is any fees, commissions, or other monetary or non-monetary benefits rendered by a third party. These are shown to the customer in the cost report. Low-value non-monetary benefits are listed generically in the paragraph about “low-value non-monetary benefits” and are not shown in the cost report. MiFID II permits the retaining of consideration for non-independent investment advice when this consideration is intended to improve the quality of the services for the customers, when it does not impair the fulfilment of the bank’s obligations, and when this consideration is invested in quality improvement measures. Quality improvement measures are assessed within the bank, and this assessment is documented.

In the event that the level of quality improvement measures is insufficient, consideration that exceeds these measures may not be retained and must be passed on to the customers.

Low-value non-monetary benefits

The investment firm and its employees may receive low-value non-monetary benefits in connection with the rendering of securities or ancillary services. Non-monetary benefits can be considered to be of low value when these are reasonable and appropriate in that it is unlikely that the investment firm accepting them will give rise to a conflict of interest vis-à-vis the customer. Some examples of low-value non-monetary benefits are:

- Product issuers pay the fees for participation in conferences or training seminars for customers of the investment firm, and the investment firm can offer these conferences or seminars to its customers.
- Product issuers pay participation fees to employees of the investment firm for meetings or seminars or pay for their meals.
- Product issuers provide the investment firm with access to minor analyses or market commentary. Product issuers provide information to the investment firm that the investment firm can publish for its customers under its own name.

This list is not exhaustive.

Trailer fees in connection with securities and other assets

Trailer fees are payments in connection with securities and other assets that are made to Schoellerbank AG in return for taking products or services of the issuer into consideration when providing services to the customer. These fees are intended to provide Schoellerbank AG with the means to

- expertly manage the assets in its safekeeping and/or to
- make a material contribution to the product development of assets (market observation, market analysis, development of solution strategies, development of product ideas, development of reallocation strategies, communication and negotiations with issuers, etc.).

However, Schoellerbank AG has no obligation related to follow-up consultation associated with this.

Amount of the trailer fees in funds dealing

Schoellerbank AG receives the standard trailer fees of between 0.0 to 1.3% p.a. of the customer holdings from the fund companies for the management of the customer holdings. Because of the very different calculation methods used by the fund companies from case to case and because of the regular changes made to the calculation methods, it is not possible to disclose the exact trailer fees here. Schoellerbank AG will provide more details to the customer upon request. If the scope of the consideration cannot yet be determined at the time of the disclosure, the customer will be informed of the manner of calculation. Schoellerbank AG receives no trailer fees, kick-backs, or retrocessions in connection with fund units from Schoellerbank Invest AG that are managed in customer portfolios under Schoellerbank fund asset management mandates. Any trailer fees for fund units from other fund companies held under asset management mandates are credited to the customer’s assets.

Amount of the trailer fees in bond dealings with UniCredit Bank Austria AG

Schoellerbank AG receives trailer fees from the issuer for these transactions ranging from 0.0 to 1.0% p.a. of the nominal amount of the holdings for product development and for managing the customer holdings.