

## Information about dealing with possible conflicts of interest

The operations of our Bank aim to ensure that a proper balance is struck between the interests of our clients, our shareholders and our employees. However, as a bank which renders a wide variety of high-quality financial services for its clients, it is not always entirely possible to exclude individual conflicts of interest.

Conflicts of interest can arise between the Bank and clients, between clients, or between the Bank, clients and employees. In addition, they are also possible between the Bank and other financial service companies. These also include other companies affiliated to the Bank. The following conflicts of interest in particular may arise at the Bank:

1. *in the field of investment consultancy and in the field of asset management arising out of the own (sales) interests of the Bank in the sale of in-house Group financial products;*
2. *in the case of trading and financial services through the coincidence of several client orders or of client orders with in-house transactions (e.g. In-house transaction profits) or other own interests of the Bank;*
3. *when drawing up financial analyses for example on securities that are offered to the client for purchase, in the event of a business relationship with the issuer of the security;*
4. *through performance-related remuneration of employees and agents;*
5. *from relationships of the Bank with issuers of financial instruments, for example in the event of a credit relationship, involvement in issues as well as in the case of cooperations;*
6. *by obtaining information that is not in the public domain (insider information);*
7. *in the event of the involvement of employees and executives on supervisory boards or advisory panels;*
8. *from private securities transactions of employees.*

Conflicts of interest may mean that the Bank does not act in the best possible interest of the client. This may cause the client to suffer a financial disadvantage.

In order to avoid possible conflicts of interest from the outset, we have implemented a series of measures.

## Measures to avoid possible conflicts of interest

### Organisational measures

In order to prevent our client services, such as e.g. consultation, order execution, asset management or financial analysis being influenced by inappropriate interests, we have organised multi-level procedures and structures with a corresponding distribution of the individual tasks. Both the Bank itself as well as our employees are bound by stringent ethical industry and professional standards. In our capacity as a securities-trading enterprise, we are obliged to render all security services and ancillary security services honestly, fairly, professionally as well as in the best interests of our clients, and are required to prevent conflicts of interest insofar as this is possible.

For this purpose we have at our disposal a Compliance Unit which exercises its duties independently and which reports directly to the Executive Board. This Unit is responsible for identifying, preventing as well as managing conflicts of interest, and for taking appropriate measures. Our employees are obliged to observe the rules of organisation and rules of procedure of the Bank within the context of their work. For example, client orders must be executed in accordance with our best execution and/or the instructions of the client. Furthermore, our employees must observe the rules governing the acceptance of gifts and other benefits. Finally, our employees

receive ongoing training with regard to acting in accordance with the regulations and are advised and monitored by compliance and the internal audit within the context of their activities.

### **Specific measures**

The following measures, inter alia, have been established. Adherence to these measures is checked on an ongoing basis by the Compliance Unit as well as by the internal and external auditors:

- 1.
1. *In-house sales interest in the Group's own financial products: e.g. inclusion of the Group's own financial products on the list of recommendations only if this is deemed appropriate on account of the quality of the products.*
2. *Receipt of several client orders: Processing of client orders in the order in which they are received by the Bank; processing of client orders before in-house transactions.*
3. *Drawing up of financial analyses: Chinese wall between the Financial Analysis Department and Private Banking. This means that the Financial Analysis Department has no knowledge of the financial products that are used on the Private Banking side; no financial analysis of financial products with whose issuers the Bank maintains a business relationship.*
4. *Performance-related remuneration of employees and agents: The remuneration system of the Bank consists to a large degree of fixed-remuneration for employees. This means there is little incentive for employees to enter into disproportionate risks for clients; agents receive commission only if this commission is designed to improve the quality of the service for the client.*
5. *Relationships of the Bank to issuers: Either certain services are not provided in respect of these issuers (e.g. drawing up of financial analyses) or the flow of information is separated (Chinese walls) between the departments in the Bank and the employees, meaning that no information can lead to a conflict of interests. The head of one department may not simultaneously be the head of another conflicting department. In the following fields the Bank goes one step further, and prevents employees from working simultaneously in both departments.*
6. *Insider information: Maintenance of observation lists or blocking lists in which financial instruments that may lead to conflicts of interest are included;*
7. *Involvement in supervisory board and advisory panels: No inclusion on recommendation lists or financial analyses relating to these companies.*
8. *Private securities transactions of employees: all employees who may encounter conflicts of interest within the context of their activities are identified and obliged to disclose all of their transactions in financial instruments.*

### **Disclosure of unavoidable conflicts of interest**

Some of the specified measures to combat conflicts of interest are not sufficient to establish adequate assurance that the interests of the client will not be damaged. To this extent there is an unavoidable risk that the client may be financially disadvantaged if the Bank acts to his disfavour in relation to a conflict of interest.

Despite the ongoing controls of employees conducted by the Bank, it may be the case that employees deliberately circumvent the measures that have been taken to prevent conflicts of interest, or negligently fail to observe these, and that misdemeanours are not discovered by the Bank. It is conceivable, for example, that employees deliberately or unconsciously:

- fail to process client orders in the order in which they were received, for example to favour a specific client;
- information is improperly exchanged between employees of different departments, even though a Chinese wall exists between these;

- Employees enter into disproportionately high risks for a client, even though no financial incentive for this exists on account of the substantial fixed-income;
- Employees execute a transaction in a security that is on the Bank's restricted list, in order to procure a personal benefit by using available insider information;
- Employees do not disclose their private securities transactions, meaning that the Bank is unable to identify specific wrongful behaviour on the part of an employee.

If the Bank obtains knowledge of further conflicts of interest concerning the client, it shall disclose these to the client in good time.

## Further important information

In conjunction with the sale of securities, it is generally the case that we receive benefits (portfolio payments) from investment fund companies and security issuers. In addition, we may also be granted transaction commission payments such as issue and redemption premiums.

The Bank specifically receives the following incentives:

Trailer fees (in particular from custodians)

Issue premiums from investment funds

The client shall be subsequently informed about the precise value of the incentives. As these incentives are paid to the Bank on an ongoing basis, the client shall be informed at least once per annum about the actual level of the received payments. The purpose of the incentives is to improve the quality of the services for the client. They do not undermine the obligation of the Bank to act in the best possible interest of the client. So long as it collects these incentives, the Bank shall render the following quality-boosting measures for the client:

- Volksbank AG – securities field
  - o Personnel costs
  - o Personnel-related material expenditure
  - o Imputed rent
  - o Office, building operation
  - o Maintenance
  - o Insurance policies
- Consultation and offers concerning third-party products
  - o Access to third-party products in the field of investment consultancy (e.g. acquisition of research for third-party investment funds,...)
- Access at competitive prices to a broad spectrum of additional support for clients
  - o Online banking (securities field)
  - o Detailed cost statement
  - o Apsys securities account information
  - o Portfolio illustrator
- Other e.g.:
  - o Employee training costs (e.g. external training courses)
  - o High quality information for clients (e.g. client events)
  - o High quality information for employees

Finally, we receive minor benefits in kind from other securities companies in conjunction with our securities activities, such as generic information about financial instruments, training courses, conferences and entertainment of acceptably minor value.

We use these benefits to render our services in the high quality which you demand, and to improve these on an ongoing basis. As the benefits are drawn by the Bank on an ongoing basis, the clients are informed at least once per annum about the drawn benefits.

We sometimes make performance-related commission payments and provide fixed remuneration to third parties who mediate clients or individual transactions, with or without reference to a specific transaction.

We specifically offer the following commission:

Retrocessions  
Finders fee

This commission is used by issuers to improve the quality of their services vis-à-vis clients.

Monetary incentives that the Bank receives in conjunction with the asset management are reused as quickly as reasonably possible and in full for the client. The Bank shall inform the client accordingly about reused monetary incentives.

In derogation of the above, the Bank accepts the aforementioned minor benefits in kind from third parties that are designed to improve the quality of the asset management services for the client and that are acceptable and proportionate in respect of their scope and nature.

Information pertaining to the receipt or the granting of benefits is also contained in our General Terms and Conditions of Business. We are pleased to provide our clients with further details upon request.

In the case of asset management, in your capacity as a client you have delegated to us the management and consequently also the decisions relating to the purchase and sale of financial instruments. This means we take the decisions pertaining to purchases and sales within the framework of the investment guidelines agreed with you, without obtaining your consent for this purpose. This constellation may reinforce an existing conflict of interest. We implement suitable organisational measures to offset the resulting risks, in particular an investment selection process which focuses on client interests.

## **Note**

At your request we shall provide you with further information about these principles concerning the handling of possible conflicts of interest.