

CONFLICT OF INTEREST POLICY OF UNICREDIT BANK AG

General rules for addressing conflicts of interest

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1 Introduction

UniCredit Bank AG (hereinafter referred to as »the Bank«) provides services to retail and corporate customers, as well as to financial institutions. It is the duty of the Bank to respect the interests of all its customers and to avoid conflicts where possible. In accordance with the requirements of the German Securities Trading Act (hereinafter referred to as »WpHG«), Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 (»EC/2017/565«), the German Investment Services Conduct of Business and Organisation Regulation (»WpDVerOV«), the EBA Guidelines on internal governance (»EBA/GL/2017/11«) and Regulation (EU) 2016/1011 of the European Parliament and of the Council of 8 June 2016 (»Benchmark Regulation«), this policy sets out the measures taken by the Bank to identify and manage conflicts of interest. Details will be provided to you on request.

This Conflict of Interest Policy is also available in its most recent version on the Bank's website at

<https://www.hypovereinsbank.de/portal?view=/de/footer/rechtliche-hinweise.jsp>

Conflicts of interest within the meaning of this policy may arise between the interests of a customer on the one hand, and the interests of

- the Bank,
- other legal entities within UniCredit Group,
- members of the Bank's Management Board,
- employees of the Bank and UniCredit Group and its employees,
- contractually tied agents or other persons and parties related to the Bank on the other hand.

Furthermore, such conflicts may occur between diverging interests of two or more of our customers in the context of services rendered by the Bank to those customers.

In particular, conflicts of interest may arise

- in the areas of investment advice and portfolio management, from the Bank's own interest in the sale of financial instruments, especially of UniCredit Group's own products;
- from the execution by the Bank of securities orders (and financial instruments) without any legal instructions;
- from insurance brokerage activities as a tied agent;
- from inducements (e.g. selling commissions/portfolio-based commissions) received from or provided to third parties in connection with investment services and ancillary investment services rendered to our customers;
- from the performance-related remuneration of employees and agents;
- from the business relations of the Bank with issuers of financial instruments, e.g. in case of a creditor/debtor relationship, advice on a corporate finance strategy, participation in offerings or cooperation arrangements;
- from the provision of investment recommendations on financial instruments offered to our customers for purchase as well as from the provision of investment strategy recommendations (hereinafter referred to as »investment recommendations« in general);
- from the Bank's activities as an administrator (»administrator« refers to the person who exercises control over the provision of a reference value) for relevant reference values within the meaning of the Benchmark Regulation as conflicts of interest may arise between managers, employees, persons controlled by it, contributors and users;
- from obtaining and using information which is not publicly available;
- from personal account dealings in financial instruments by the Bank's employees;
- from operating a systematic internaliser;
- primary dealer for investment auctions and repurchases of state, supranational and agency issuers;

- within the scope of Investment Banking, conflicts of interest may arise, for example, between the Bank and the customer or between different customers if the Bank is mandated by customers who have diverging business interests, i.e. interests that are in conflict with one another;
- in the course of rendering advisory and/or financing services to customers pursuing the acquisition or divestment of companies or assets, for example if different investors seek to acquire the same target company;
- from personal relations of the Bank's employees or members of its Management Board, or parties related to such persons;
- from above-mentioned persons acting as members of supervisory boards and advisory boards.

2 General provisions

In order to avoid diverging interests from having a detrimental impact on our customers' interests while providing e.g. advisory services, order execution, portfolio management or the preparation of investment recommendations, the Bank has obligated itself and its employees to comply with the applicable laws and regulations and meet high ethical standards. We expect, at all times, integrity, diligence and honesty, lawful and professional behaviour, adherence to market standards, and in particular the consideration of our customers' interests. These interests always have priority over the interests of the Bank and its employees.

Within the Bank, an independent compliance function operates under the immediate responsibility of the Management Board. It is headed by a specifically appointed chief compliance officer. Responsibilities of this compliance function include, among other things, the early identification, prevention and management of conflicts of interest, as well as the prevention of the misuse of inside information and market abuse.

In identifying conflicts of interest resulting from rendering (ancillary) investment services or other potentially conflict-relevant services, we will take into account, among other things, whether we, our employees or any third parties directly or indirectly linked to us by control

- are likely to realise a financial gain or avoid a loss at our customers' expense,
- have an interest in the outcome of a service provided to customers or of a transaction carried out on their behalf which diverges from the customers' interest with regard to the outcome,
- have a financial or other incentive to favour the interests of a customer or a group of customers over the interests of other customers,
- pursue the same business as customers,
- receive or might receive in the future from a third party an inducement, be it in the form of commissions, fees or other cash or non-cash benefits, in relation to a service rendered to a customer, other than the standard commission or fee in favour of the Bank for that service.

For the early identification and prevention of conflicts of interest, the Bank takes the following measures, among others:

- establishment of organisational procedures for the protection of customers' interests in the course of investment advice, securities' offerings and portfolio management;
- regulations for the acceptance and granting of inducements, as well as for their disclosure and, if the acceptance of inducements paid to the Bank is not justified, for their disbursement to the customer;
- regulations on sales targets and remuneration. The Bank is required to design, implement and monitor sales targets in such a way that the interests of our customers are not adversely affected. To this end, the Bank maintains a sales targets register, which facilitates the detection, documentation and monitoring of potential conflicts of interest caused by sales targets in the context of

investment advice rendered. The compensation systems of the Bank are designed to ensure that the remuneration of its employees does not interfere with its customers' interests;

- establishment of areas of confidentiality by implementation of information barriers, segregation of responsibilities and/or physical separation (»Chinese Walls«);
- maintenance of an »insider list« and a »watch list« which facilitate the monitoring of sensitive information inflow, as well as the prevention of abuse of insider information and other compliance-relevant information;
- maintenance of a »restricted list« of issuers and securities related to them, which serves to avoid potential conflicts of interest within UniCredit Group by restrictions on its sales, trading, research and other market-based business activities;
- as part of its Investment Banking activities, the Bank has established a conflict of interest management process with the objective of identifying, documenting and eliminating potential conflicts at the earliest possible stage by means of a dedicated conflict register;
- if the Bank is acting as an administrator within the meaning of the Benchmark Regulation (see chapter 1), it will take appropriate steps to avoid or settle any conflicts of interest;
- the Bank maintains a register for the logging of outside business interests and additional occupations of its employees;
- in order to avoid conflicts of interest of its management or staff holding mandates with companies outside UniCredit Group (e.g. a seat on a supervisory board), the Bank has established regulations and a formal internal approval process for such activities;
- specific regulations are in place with respect to the Bank's shareholdings in other companies in order to prevent conflicts of interest within the Bank;
- the Bank has established internal guidelines on pricing, placement and allocation of issuances;
- the Bank conducts regular control activities through the compliance function (e.g. on-going monitoring of the Bank's proprietary business and personal account dealings of its employees);
- in addition, the Bank conducts risk-oriented review and control activities through the compliance function focussing on the implementation of and adherence to regulatory requirements;
- the Bank maintains policies and procedures in relation to investment recommendations designed to prevent or manage conflicts with the interests of those persons to whom investment recommendations are disseminated. The disclosure of conflicts of interests is contained either directly in the disclaimer section of each investment recommendation or can be accessed via a link embedded in the recommendation;
- the Bank has dedicated processes for the assessment and approval of new products;
- the Bank provides regular training to its employees;
- the Bank has in place internal operating instructions, compliance guidelines and policies (e.g. guidelines for gifts and entertainment, guiding principles for personal securities dealings and personal real estate transactions);
- the Bank restricts the internal information flow according to the »need-to-know principle«, for example through constraints on IT access rights;
- the Bank maintains a whistleblowing system which enables UniCredit Bank AG's employees – also anonymously – to call its attention to fraudulent behaviour and financial crime, among other things;
- the Bank has defined an escalation process for identified conflicts of interest, in case no mutual consent on the management of such conflicts can be reached between the involved internal parties, as well as for potential reputational risk, which may entail escalation up to board level.

The Bank has established organisational and administrative arrangements deemed to be sufficient to ensure that the risk of interference with a customer's interests is managed and avoided in most cases. Where the measures to prevent or manage a

conflict are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the customer will be avoided, the Bank will abstain from the transaction causing the conflict. In very limited circumstances, the Bank will disclose to the customer the general nature and sources of the conflict of interest, as well as the resulting risks and the steps undertaken to mitigate such risks, before undertaking business on his/her behalf, so that the customer can take the decision in respect of the service offered on an informed basis. Disclosure will only take place if no other possibility to solve the identified conflicts of interest exists. If a customer classification pursuant to WpHG exists, such disclosure will take into account the customer's classification as a retail customer, a professional customer or an eligible counterparty. It is to be made in a meaningful, but anonymised manner in order to maintain business secrecy, banking secrecy and, where applicable, German data protection law vis-à-vis other customers.

Under chapter 3, you will find more detailed information

3 Specific information

3.1 Inducements

Inducements within the meaning of this policy are any fees, commissions or other monetary benefits, as well as all non-monetary benefits and the provision of analyses/investment research.

In case one-off or on-going monetary inducements are received by the Bank in relation to services provided to its customers, it will inform the concerned customers, on an individual basis, before each transaction is concluded and at least once a year, about the actual amount of the inducements received or granted. The Bank discloses both monetary inducements (e.g. commissions and followup commissions) and non-monetary inducements (e.g. invitations to training events) to the customer. Non-monetary benefits received or provided by the Bank in connection with services rendered to the customer will be specified and disclosed separately. Non-monetary inducements consist of product information materials, analyses, training events, customer events or technical support. The Bank will provide more detailed information concerning monetary and nonmonetary inducements to its customers upon request.

In relation to the brokerage of financial instruments and custody accounts, the Bank may receive one-off or on-going payments from third parties, e.g. from financial investment management companies. The customer will be informed about the specific payments in due time before the respective transaction has been concluded. For insurance brokerage activities, remuneration in favour of the Bank is included in the insurance premium

3.2 HVB Portfolio Management

Under a HVB portfolio management agreement, the customer delegates the administration of securities, accounts and commodities, including decisions regarding the purchase and sale of financial instruments, commodities and foreign exchange, to the Bank as his/her asset manager. This means that, within the framework of the investment principles and based on a specific investment profile agreed upon with the customer, the Bank takes decisions about the purchase and sale of financial instruments, commodities and foreign exchange without obtaining the customer's separate approval for each transaction.

This situation may heighten an existing or create a new conflict of interest. The Bank counters the resulting risks through appropriate organisational, procedural and contractual measures.

It may be in the Bank's interest to purchase financial instruments in the context of HVB portfolio management if the Bank has special benefits arising from such a purchase.

To address this risk,

- HVB portfolio management is organisationally segregated from investment banking, trading desk and proprietary trading;
- HVB portfolio management is independent in its investment decisions;
- in relation to HVB portfolio management services, the Bank may not accept or retain benefits by any third party; non-monetary benefits may exceptionally be accepted only if they are minor, are capable of enhancing the quality of the service, are of a scale and nature not to impair the best interest of the customer, and are clearly disclosed to the customer before the service is provided;
- the Bank will disburse any monetary benefit paid by any third party in the context of HVB portfolio management services to the entitled customers as soon as reasonably possible after receipt; the Bank will inform its customers about any fees, commissions or monetary benefits transferred to them, such as through the periodic reporting statements provided to the customers;
- HVB portfolio management will not purchase financial instruments issued by UniCredit Group except derivatives used for risk hedging.

Another typical conflict of interest in the context of HVB portfolio management may arise from performance-related remuneration agreements. In this context, there could be the risk that the Bank employee responsible for portfolio management would incur disproportionate risks in order to achieve the highest possible performance which, in turn, will result in increased remuneration. This factor is accommodated by:

- organisationally segregating investment advice and HVB portfolio management;
- not allocating the resulting profits to the portfolio management unit;
- an internal allocation and performance monitoring of all asset management portfolios;
- a detailed risk- and performance controlling of the portfolio management strategy/model portfolios.

In order to generate high transaction-related provisions, it may be in the Bank's interest to generate a high transaction turnover in HVB portfolio management or to select execution venues delivering the highest provisions. To counter this risk, the following measures are applied:

- only a flat rate price model is offered (no transaction-related provisions);
- in order to achieve the best possible execution of a customer's orders, execution principles for transactions in financial instruments have been defined and implemented.

3.3 Resolution of Banks and Creditor Participation (bail-in)

In response to experiences during the 2008 financial crisis, many states adopted rules and regulations according to which banks in danger of default can be duly resolved in future without cost to taxpayers. This leads to shareholders and creditors of banks possibly having to participate in their losses in the event of a bank's resolution. The objective is to facilitate the resolution or winding-up of a bank without the use of public funds.

The legal basis for the relevant resolution procedure and measures is the Bank Recovery and Resolution Directive (»BRRD«), Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund (»SRM Regulation«) and – for Germany – the Act on the Recovery and Resolution of Institutions and Financial Group (Sanierungs- und Abwicklungsgesetz, »SAG«).

If all conditions for resolution are fulfilled, the responsible national resolution authority can adopt – already prior to an insolvency – extensive resolution actions that may have an adverse impact on the Bank's shareholders and creditors, for example in the form of a creditor participation, also referred to as a »bail-in«.

Those potentially affected by a bail-in are shareholders and creditors of the Bank, i.e. persons who hold financial instruments issued by the Bank (e.g. equities, bonds or certificates) or, as a contractual partner of the Bank, have contractual receivables against the Bank (e.g. certain deposits or individual transactions under a Master Agreement for Financial Derivatives Transactions).

Whether a shareholder or creditor will be affected by the resolution action of the bail-in will depend on the scope of the measure ordered and on the class to which the creditor's financial instrument or debt receivable is assigned. Within the scope of a bail-in, financial instruments and receivables are assigned to different classes and drawn on for liability according to a statutory ranking (referred to as a liability cascade).

Further details on the possible resolution actions, in particular on the bail-in and the liability cascade, can be obtained from the »Note on resolution of banks and creditor participation (bail-in)«, which is available as a printable version in any branch of the Bank and also on the Bank's internet website (www.hypovereinsbank.de/bankenabwicklung), as well as on the internet website of the German Bundesanstalt für Finanzdienstleistungsaufsicht (Federal Financial Supervisory Authority, »BaFin«). https://www.bafin.de/SharedDocs/Veroeffentlichungen/DE/Merkblatt/BA/mb_haftungskaskade_bankenabwicklung.html.

The Bank manages the possible conflict of interest resulting from its own interest in the issuance and sale of products to which the bail-in may be applicable and the potentially ensuing shareholder or creditor participation in the Bank's resolution through such measures as disclosure to the investors, a suitability assessment, a preliminary approval process for new products, as well as by appropriate training of sales staff responsible for customer relationship management.