

UniCredit Bank Czech Republic and Slovakia, a.s., having its registered office at Prague 4 - Michle, Želetavská 1525/1, Postal Code 140 92, identification no.: 64948242, entered in the Commercial Register maintained by the Metropolitan Court in Prague, Part B, entry 3608 (the “**Bank**”) hereby issues under the provisions of Act No. 256/2004 Sb., on Capital Market Undertakings, as amended (the “**Act**”), this published part of its rules on the conflict of interests (the “**Conflict of interest policy**”)

CONFLICT OF INTEREST POLICY

In accordance with the principles applied under Directive 2014/65/EU on markets in financial instruments and the Act within providing investment services under the licence to provide investment services (the investment firm’s licence), the Bank has created the Conflict of Interest Policy which it submits to its clients (who are or are to be provided with investment services including potential clients under the Act) and publishes through this document.

The document aims to inform clients about the principles and ways of managing conflicts of interests applied in the Bank as well as in the entire UniCredit Group whose member the Bank is, especially in identifying possible conflicts of interests, the setting of mechanisms for avoiding their occurrence and in satisfying the Bank’s duty to inform the client about the nature and source of a conflict of interests whose occurrence cannot be reliably avoided.

Where can conflicts of interest occur?

A conflict of interests can occur between:

- the Bank, its tied agents and its employees and the Bank’s clients or its potential clients;
- a person controlling the Bank, being controlled by the Bank or a person controlled by the same person as the Bank and their executives, their tied agents and the Bank’s clients or its potential clients;
- clients or potential clients of the Bank
- investment intermediaries with which the Bank provides its services and the Bank’s clients.

What can be considered to be a conflict of interests?

A conflict of interest usually occurs in a situation when the Bank and persons mentioned in the previous subsection or a person with a special relationship to the Bank is in such a position that the Bank or any such person

- can obtain a financial advantage or avoid a financial loss to the detriment of a client;
- has an interest different from the client’s interest in the result of a service provided to the client or in the result of a trade made on the client’s behalf;
- is motivated to prefer the client’s interest to the interests of another client;
- is carrying on business in the same branch as the client;
- receives or will receive an inducement from another person or on the contrary, provides a person other than the client with an inducement (see below) in relation to the service to a client and such inducement is not a usual fee for the provided service and could thus influence a procedure in providing such service.

How does the Bank control a conflict of interests?

Organizational structure and the segregation of incompatible duties

The Bank has set an organizational structure respecting the rules of segregation of incompatible duties, which means personnel segregation and system prevention of undesirable information flows between individual organizational divisions to avoid their incorrect use that might result in the possible occurrence of a conflict of interests.

Similar principles are also applied within UniCredit Group whose member the Bank is, especially by applying the Principles of Access to Conflicts of Interests Policy within UniCredit Group (the Group Conflict of interest policy).

UniCredit Bank Czech Republic, a. s.

Šídlo/Registered Office:
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IČ/Identification number: 64948242
Obchodní rejstřík/Commercial Register:
Městský soud v Praze, oddíl B, vložka 3608
Směrový kód banky/Bank code: 2700
Swift Code: BACXCZPP

System of governance and control

The Bank's system of governance and control includes organizational divisions dealing with conflicts of interests and exercising separate and independent supervision over the persons participating in the providing of investment services from time to time. They identify individual possible occurrences of a conflict of interests and propose measures which eliminate such occurrence of a conflict of interests or manage it.

System of remuneration

The Bank's system of remunerating employees is regularly monitored and set in such a manner to restrict a possible conflict of interests. All the Bank's employees are limited with regard to the receiving of gifts or advantages related to the providing of investment services.

Informing clients

Cases when it is not possible to effectively avoid a conflict of interests by means of mechanisms given above and to exclude any identified conflict of interests from the nature of the thing or for similar reasons are registered as a conflict of interests and the Bank always informs the client about its existence prior to the execution of his order. The client can decide himself whether or not he will use the required investment service provided by the Bank under such circumstances.

At the moment of giving an order concerning an investment instrument when a conflict of interests may incur in relation to such particular client and the Bank cannot avert it, the client is informed about the nature of such particular conflict of interests upon the giving of an instruction concerning the investment instrument. In other cases, when no order is given, the client is informed about a possible conflict of interests which cannot be avoided by the Bank prior to the providing of an investment or additional service.

Catalogue of conflicts of interests

Within this Policy, the Bank informs clients generally about types of conflicts of interests it has identified, it however, keeps records of individual cases of a conflict of interests that cannot be effectively averted in relation to individual particular investment instruments within respective investment services and always individually informs every client about such particular cases on the occasion of individual transactions in investment instruments.

Inducements

In accordance with legal regulations while providing investment services, the Bank must not receive, or provide a payment or other monetary or non-monetary benefit, including the research which could lead to the violation of the duty to act honestly, fairly and professionally in accordance with the best interests of its clients. Such performance is designated as an inducement and is admissible only under the specific conditions. The payment or other monetary or non-monetary benefit received from the client or from persons acting on his / her behalf or provided to the client or to the person acting on his / her behalf is not considered as the inducement.

Admissibility of inducements

The receipt of the above inducements is admissible only provided that:

- a) shall enhance the quality of the relevant service to the client and is not in conflict with the obligation of the Bank to act honestly, fairly and professionally in accordance with the best interest of the Bank's clients, or
- b) enables the provision of the investment services or is necessary for this purpose and its character is not in conflict with the obligation of the Bank to act honestly, fairly and professionally in accordance with the best interest of the Bank's clients, mainly if it is a payment for security deposit, settlement, execution venues, administrative fee or fee for legal services.

Managing inducements and informing clients

Inducements can represent the possible occurrence of a specific conflict of interests. The Bank manages inducements under the same conditions as conflicts of interests, including the identification, maximum elimination of inadmissible inducements, and keeps a catalogue of inducements about which it informs the clients individually in case of particular transactions in investment instruments or through the particular information document regarding the relevant product or through the particular information on its web pages. The details of inducements are available on request. The client will be

informed in detail about the amount and character of the inducement on the document which summarize total cost and charges connected to the relevant investment service.

What possible types of a conflict of interests does the Bank identify in relation to particular investment services?

Receiving and transmitting orders concerning investment instruments

In relation to an investment service of receiving and transmitting the client's order a conflict of interests can occur between individual clients. The Bank eliminates such conflict of interests by receiving and transmitting orders from individual clients exclusively based on the time priority and carries out individual orders exclusively under the Execution Policy.

Another possible conflict of interests can arise by receiving and transmitting the client's orders concerning investment instruments directly issued by the Bank or an entity being in the group with the Bank. Such conflict of interests cannot be effectively avoided and the client is informed about this fact in advance. A possible conflict of interests can occur if the orders received from the client are transmitted for execution by the Bank to the entity being in the group with it. Such conflict of interests cannot be effectively avoided. A way of transmitting orders and persons to whom the order is transmitted are given in the Execution Policy about which the client has been informed.

Execution of orders concerning investment instruments on the client's account

When providing this investment service, the same cases of a conflict of interests can occur as in case of providing an investment service of receiving and transmitting orders concerning investment instruments (see above). In addition to these conflicts of interests, another conflict of interests can occur when the client's order is executed from the Bank's own account. It is a conflict of interests which cannot be effectively avoided and which is not considered as the material conflict of interests potentially detrimental to a client. Within the identifying and avoiding the conflicts of interests the Bank has adopted relevant measures which are summarized in the Execution Policy, chapter V., about which the client has been informed.

A similar conflict of interests can occur if the client gives orders concerning investment instruments issued by the Bank in a significant relationship outside the area of providing investment services (e.g. a credit relationship, an advisory relationship, a property interest, etc.). Such possible conflict of interests is eliminated by the organizational, personnel and system separation of the trading on the client's account from the Bank's above mentioned activities.

Trading in investment instruments on own account

When trading on own account there can be a conflict of interests between the Bank and the client who gives the order concerning transactions equal to the transactions conducted by the Bank on its own account. Such conflict of interests is solved by the organizational, personnel and system separation of the trading on the client's account from the Bank's above mentioned activities and is also solved within the Execution Policy, chapter V.

Underwriting or placing investment instruments (on or without a firm commitment basis)

In case of this investment service there is a conflict of interests between the client and the issuer and both interests are represented by the Bank. Such conflict of interests is further enhanced by a conflict of interests between the client and the Bank when the Bank is motivated by placing the issuer's security¹ and simultaneously it must proceed with professional care towards the client. Such conflict of interests arising from the Bank's motivation to place a securities issue cannot be effectively eliminated by the Bank and the client will be informed about it.

The Bank solves the conflict of interests between the client and the issuer within its organizational structure ensuring the working out of a prospectus and a service to the issuer by a separate division segregated from the division trading on the client's account.

In addition to the above cases, a specific conflict of interests can also occur in the situation when the issuer is simultaneously the Bank or a member of UniCredit Group. The Bank cannot effectively eliminate such conflict of interests and will inform the client about it.

¹ If the term "security" is used in this document, it means both securities and book-entry securities unless arises otherwise from the nature of the matter.

Custody and the investment instruments management including related services

When carrying out this additional investment service, a conflict of interests can occur between the clients. The Bank prevents it by the setting of systems and internal working procedures ensuring the equal treatment of all clients.

Granting a loan to the client for the purpose of trading in an investment instrument

When granting loans, a conflict of interests can occur between individual clients. The Bank prevents it by the setting of systems and internal working procedures ensuring the equal treatment of all clients. The granting of a loan to an entity that is also a member of UniCredit Group can also be a specific case of a conflict of interests. The Bank eliminates it generally by the setting of working procedures, sample contracts and standardized loan parameters for all clients to ensure the equal position of the Bank's debtors.

Advisory activities concerning the capital structure, industrial strategy and related issues and the providing of advice, recommendations and services concerning transformation or transfers of trade companies or acquiring of the shares in corporation

When providing this additional investment service, a conflict of interests can occur between the Bank and the client if advisory is provided to an entity from the same financial group (UniCredit Group) as the Bank. The Bank cannot effectively eliminate such conflict of interests and will inform the client about it.

A conflict of interests can also occur if the Bank provides advisory activities concerning an investment instrument with the issuer of which it has a significant relationship outside the area of providing investment services (e.g. a credit relationship, an advisory relationship, a property interest, etc.).

Such possible conflict of interests is eliminated by the organizational, personnel and system segregation of employees providing advisory work from the Bank's above mentioned activities.

Investment research and financial analysis or other forms of general recommendations concerning the trading in investment instruments

When providing investment recommendations and investment research, a conflict of interests can occur between the client and the Bank. It is, however, eliminated by the Bank's organizational structure provided that the division working out an investment recommendation and investment research strictly observes the principle of independence and it is fully separated personally and informationally from the Bank's trading divisions or divisions dealing with clients. In addition to this measure to prevent the conflict of interests, the Bank has set internal rules for giving investment recommendations and investment research the observance of which is another element preventing a conflict of interests.

Foreign exchange services related to the providing of investment services

A possibility of a conflict of interests is identical to the possibility of a conflict of interests mentioned the service of receiving and transmitting or executing the client's order.

Services related to the underwriting investment instruments

A possibility of a conflict of interests is identical to the possibility of a conflict of interests mentioned with the service of underwriting or placing investment instruments (on or without a firm commitment basis).

Prague, 6 February 2020