

Information on handling conflicts of interest

Commerzbank International S.A. (the “Bank”) is an internationally active universal bank and offers its Clients a full range of services for investing in securities. It also makes loans to companies and other institutions and advises them on all financing questions. The Bank aims to avoid conflicts of interest that may arise in this connection. To this end, the bank has instituted a number of precautionary measures. However, the possibility that such conflicts of interest may arise in individual cases cannot be ruled out. In such cases, the Bank always acts professionally and in strict consideration of its Client’s interests. In accordance with the provisions of the Securities Trading Act, following is detailed information about the extensive measures instituted by the Bank for handling conflicts of interest. Conflicts of interest can arise between the Bank, other companies in the Commerzbank Group, the Executive Board, the employees of the Bank or other individuals affiliated with the Bank, on the one hand, and the Clients of the Bank, on the other hand, or between Clients of the Bank.

Conflicts of interest can arise in particular

- in investment advisory services and asset management due to the Bank’s own interest in selling financial instruments;
- when receiving or issuing payments (such as placement commissions, regular sales commissions, non-cash benefits etc.) from or to third parties in connection with securities services;
- as the result of performance-related compensation of employees and brokers;
- when issuing payments to the Bank’s employees and brokers;
- other Bank business activities, in particular, the Bank’s interest in proprietary trading profits and selling the securities it issues;
- from relationships between the bank and the issuers of financial instruments, such as credit relationships, involvement in issues or cooperative arrangements;
- by requesting information that is not public knowledge;
- from the personal relationships of staff or management, or their friends, family or associates; or
- if such individuals are members of supervisory or advisory boards.

Conflicts of interest can arise whenever there are opposing commercial or business interests. The Bank makes every effort to prevent such conflicts from arising. However, this is not always possible.

The Bank therefore expects its employees to exercise care and honesty at all times, to act professionally and in accordance with the law, to observe market standards and, in particular, to observe the Client’s best interest at all times. Employees of the Bank are obliged to observe specific standards and rules of conduct.

The Bank’s integrity and quality is revealed in its professional handling of conflicts of interest. That is why there is an independent compliance office at the Bank that reports directly to the Executive Board, which is charged with monitoring, identifying, preventing and managing conflicts of interest among business lines.

Some of the specific measures the Bank has taken include:

- Creating organizational procedures to protect the Client’s interest in investment advising and asset management;
- Regulating the acceptance and granting of payments, as well their disclosure;
- Creating confidential areas by erecting information barriers, separating responsibilities and/or physical separation;
- Maintaining an insider or observation list that is used to monitor the emergence of sensitive information and prevent the misuse of insider information;
- Maintaining a blocking list that helps deal with potential conflicts of interest as a result of bans on business or advisory services or bans on publishing financial analyses;
- Disclosing to the compliance office the securities transactions of employees that could result in conflicts of interest;
- Employee training;
- The Bank shall reveal conflicts of interest that cannot be avoided to the affected Clients before conducting a transaction or offering advice.

The following points, in particular, must be observed:

When the Bank sells securities, it generally receives payments from fund companies and the investment company that issues the securities. Such payments include regular sales commissions based on sales volume that are paid to the Bank by fund companies from the management fees that they collect, as well as sales commissions paid by of the investment company issuing the security, mainly in the form of placement commissions or discounts on the issuing price. The Bank also receives front-end load fees, if they are charged on the sale of investment units or other securities. The Bank discloses such payments to its Clients. The receipt of these payments and other incentives helps the Bank to provide efficient and high-quality infrastructures for buying and selling financial instruments.

They also cover the cost of advisory services that the Bank's Clients use or can use at any time. When the Bank's Clients avail themselves of these advisory services, they always receive recommendations for financial instruments that are appropriate for them, in compliance with legal regulations. This does not exclude the possibility that certain products, particularly Commerzbank Group products, will be recommended over other products as a result of internal sales-driven measures, taking into account the suitability of the product for the Client at all times. For example, the Bank chooses from a broad range of Bank and Group products when recommending investment funds and certificates to its Clients. It also recommends the products of selected and qualified external sales partners.

When managing assets, the asset manager's discretion in decisions on buying and selling securities is based on the investment guidelines stipulated in the agreement with the Client in advance. In particular, investment decisions are based on an investment selection process that focuses on the Client's best interest. Irrespective of the foregoing, the Bank also discloses to its Clients payments it receives or makes for managing assets.

Finally, the Bank receives non-cash benefits from other service providers in connection with its securities services, such as financial analyses or other informational material, training and technical support and equipment for accessing data information and distribution systems. The acceptance of such benefits is not directly related to client services. The bank uses these benefits to provide and continually improve the high-quality services demanded by its Clients.

Some performance-based commissions and fixed fees are paid to referrers and brokers who refer Clients or certain transactions to the Bank. Furthermore, brokers may also receive payments directly from third parties, such as fund companies and investment companies that issue securities, in addition to the agent's commissions paid by the Bank.