

Basic principles for dealing with conflicts of interest

Erste Asset Management GmbH (EAM) has taken the following measures to ensure that conflicts of interest between EAM itself and its clients or between clients themselves do not negatively affect the interests of clients

Conflicts of interest may arise in the EAM between

- the interests of the clients on the one hand and the interests of the EAM, its employees, the members of the management and other members of the EAM on the other hand, or
- the interests arising from EAM being part of the Erste Bank und Sparkassen Group and EAM's obligations to the investment funds it manages or EAM's obligations in regard to services of individual portfolio management
- the interests of EAM clients among themselves
- the interests of the investment funds managed by it among themselves
- the interests of the investment funds it manages and the interests relating to the services of individual portfolio management

In order to avoid these conflicts of interest as far as possible, our company implemented a multi-level organization with a corresponding distribution of responsibilities. We as a management company ourselves, as well as our employees, are obliged, in accordance with the statutory provisions, to provide investment services and additional investment services honestly, fairly, independently and professionally in the interests of our clients and to avoid conflicts of interest as far as possible. In spite of this, we have a compliance organization at our disposal, which in particular takes the following measures:

- Establishment of confidentiality areas with so-called "Information Barriers" (i.e. virtual or actual barriers to monitor or restrict the flow of information)
- Issue of guidelines for employee transactions, in particular supplementary provisions on the management of securities accounts for employees in confidential areas
- Obligation for all employees to report their transactions in financial instruments
- ongoing monitoring of all employee transactions in financial instruments
- Maintaining watch lists or restricted lists, in which financial instruments, in which conflicts of interest may arise, are included.
- Regulations regarding order acceptance and order execution
- Product testing process at the launch of products
- Rules on the remuneration system for our employees to ensure objective advice in the best interests of our clients and to prevent preferential sales of certain financial instruments from the very beginning
- Rules on the acceptance and granting of gifts and other benefits
- Ongoing training of our employees
- Obligation of all employees to report on secondary employment, shareholdings and mandates
- Continuous monitoring by Internal Audit and Compliance.

If, in individual cases, the above division of responsibilities or our compliance organization cannot avoid conflicts of interest, we will inform our clients in accordance with these principles. If necessary, we will not evaluate, advise or recommend the specific financial instrument.

Possible Conflicts of interest and their management and/or solution at EAM

Nr.	Source of potential conflict of interest	Potential for conflict and handling the conflict
1	Remuneration	<p>Conflict of interest: due to a performance-based remuneration policy, a fund manager might be driven to take excessive risks in relevant transactions in order to achieve or increase his/her own bonus entitlements.</p> <p>Dealing with and resolving the conflict of interest: with respect to all employees, the management of Erste Asset Management GmbH pursues a remuneration policy aimed at preventing any potential conflicts of interest and the abuse of insider information by them and by fund managers in particular. With fund managers, in particular, the management of Erste Asset Management GmbH desists from providing any financial incentives</p> <ul style="list-style-type: none"> • that provide for bonus payments in relation to any stock exchange transactions carried out, or • bonus payments that do not take account of the risk component and are exclusively based on performance. <p>In this context, the remuneration of employees is based on the rules and regulations of the Austrian Investment Fund Act as well as on the internal rules under the defined investment process.</p>
2	Participation in IPOs	<p>Conflict of interest: allocation of securities issues in case of participation in IPOs to investment funds of EAM considering the fact that a benefit may be drawn from significant price increases during IPOs in certain market phases, as demand often exceeds supply.</p> <p>Dealing with and resolving the conflict of interest: it is the intention of Erste Asset Management GmbH to divide the securities allocated in a fair manner among the investment funds managed by it. Generally speaking, the strategies and investment decisions of any manager responsible for a fund are based on the investment universe, as well as on the investment objective of the respective fund. Each fund manager is free to participate in any IPO that corresponds with the investment objective of his/her portfolio. As a rule, the fund manager will pass on his/her order directly to a suitable broker. In case of the management of several similar portfolios or when collecting the orders of several fund managers and in case of reduced allocation, division among the portfolios, if any, shall take place pro rata ("pro rata allocation"). This is the joint duty of the fund management and of the trading desk.</p>
3	Partial execution of orders	<p>Conflict of interest: handling the partial execution of orders</p> <p>Dealing with and resolving the conflict of interest: the pooling of orders for different funds or of orders for funds with orders for the own accounts of Erste Asset Management GmbH shall only be admissible if it is unlikely that the pooling of orders will cause any disadvantages overall. In this case, the following basic principle shall be observed: there shall be a preliminary recording of the planned transaction in adequate systems, and the transaction shall be allocated on a pro rata basis to the funds concerned. In case of the pooling of fund orders with orders for the own accounts of Erste Asset Management GmbH, those</p>

		responsible must not proceed in any way that is detrimental to the fund or the customers. If partial executions take place in this case, the funds and/or the customers must be basically given priority over transactions for the own accounts of Erste Asset Management GmbH during the allocation of the pertaining transactions.
4	Organizational Structure	<p>Conflict of interest: using companies of the Erste Bank und Sparkassen Group as counterparties for transactions might cause higher bank charges for the customers.</p> <p>Dealing with and resolving the conflict of interest: the Best Execution Policy of Erste Asset Management GmbH forms the basis of transacting business with companies of the Erste Bank und Sparkassen Group. EAM shall decide on the choice of the counterparty through which the transactions are settled for the fund, according to objective criteria and exclusively taking account of the interests of investors and of the integrity of the market, with the care of a prudent and conscientious manager. It shall give orders exclusively to counterparties that, from an overall perspective, guarantee the best possible protection of customer interests. If transactions are handled through "affiliated companies" for investment funds, Erste Asset Management GmbH shall apply special care. In this context, Best Execution means that the transaction of business must be evaluated according to the criteria of price, quality (research, settlement service etc.), operational risks and internal costs, and that the selection of partners will be based on these aspects. Accordingly, not the cheapest but the best bidder will be selected.</p>
5	Sub-funds	<p>Conflict of interest: within the scope of (fund of) fund management, appropriate own investment funds are primarily used to cover the "investment fund" securities category, supplemented by products from third-party suppliers.</p> <p>Dealing with and resolving the conflict of interest: in selecting sub-funds for investment funds of EAM, sub-funds from the existing investment funds of Erste Asset Management GmbH will primarily be selected, provided that they are appropriate for the respective investment fund. If the use of own investment funds as sub-funds is not in the customers' best interest, the products of third-party suppliers will be used. In selecting the eligible external sub-funds, EAM will consider the results of the fund selection process of Erste Asset Management GmbH. The selection of funds is governed by a clearly structured, objective and reasonable process without any restrictions regarding individual investment companies, where own funds are subject to the same criteria as third-party funds.</p>

6	Portfolio Management	<p>Conflict of interest: Erste Asset Management GmbH, has a concession for the management of investmentfunds according to the Austrian investmentfund act (InvFG 2011) and a concession for the management of alternative investmentfunds according to §3 paragraph 2 Z 31 InvFG 2011, and in addition, a concession for investment advice concerning finance instruments and for discretionary portfolio management („extended concession“). Thereby it could come to a conflict of interests for the purposes of a non-equal treatment of fund customers and discretionary portfolio customers.</p> <p>Dealing with and resolving the conflict of interest: Investmentfunds / single customer's portfolios or also parts of investmentfunds and single customer's portfolios are managed within the unit “Asset Management” under the rules of equal treatment. Besides, it is considered that every investmentfund and every single customer's portfolio is defined as a separate asset and is treated with equal standing or equally. This is important in particular during the order process, where every order for an investmentfund or a single customer's portfolio is placed separately or the relative order size per fund / single customer's portfolio has to be fixed in advance. Internal transactions between funds and/or single customer's portfolios which contradict the principles of the equal treatment are not permitted. These regulations are documented on in the „Asset Management Rulebook“ of EAM.</p>
7	Seed Capital for new funds	<p>Conflict of interest: during the launch of investment funds, the seed capital for said investment funds is provided by the (funds of) funds of Erste Asset Management GmbH in individual instances. Investment funds of EAM may also be purchased by another fund (of funds) of Erste Asset Management GmbH at some later date. After the launch of the investment fund and/or after investment, the fund (of funds) may exit the sub-fund again, with corresponding fee charges on the sub-fund.</p> <p>Dealing with and resolving the conflict of interest: acquisition of investment funds of Erste Asset Management GmbH through (funds of) funds of Erste Asset Management GmbH may take place if the fund to be acquired is in line with the investment strategy of the acquiring fund. During any later sale, the interests of the investment fund to be sold will be considered in the best possible manner within the scope of the strategy of the fund (of funds), based on an individual evaluation of interests.</p>
8	Custody Bank	<p>Conflict of interest: the custody banks of Erste Asset Management GmbH, currently Erste Group Bank AG, are part of Erste Bank Group, just like Erste Asset Management GmbH. This might cause higher charges for the investment funds and/or the customers.</p> <p>Dealing with and resolving the conflict of interest: the fees for keeping securities accounts as well as transaction costs, as customary in the market, will be charged to the investment funds. The fees/costs charged will be negotiated by Erste Asset Management GmbH with the depositary bank in regular intervals. In case of mutual funds and/or big investor/special funds, a differentiation of</p>

		fees/costs charged may occur. However, this will take place within the ranges customary for such fund categories in the market.
9	Erste Group products	<p>Conflict of interest: in fund management, issues by companies of Erste Bank und Sparkassen Group (e.g. shares of Erste Bank Group AG) may be employed apart from other products.</p> <p>Dealing with and resolving the conflict of interest: the scope for the use of sector products is determined by the respective interests of the investment funds and the compatibility with the funds' investment objectives and investment strategies, as well as the applicable investment regulations and investment limits. Within the scope of the investment process, additional criteria along the lines of investor interests have been formulated, which must be met for any investment in an issue of Erste Bank und Sparkassen Group to be considered eligible.</p>
10	Redemption of shares	<p>Conflict of interest: when there is a narrowness of the market, shareholders of a fund wish for their shares in the fund to be redeemed. The securities included in the fund have a varying degree of liquidity, or part of them can only be sold at markdowns.</p> <p>Dealing with and resolving the conflict of interest: in case of the disposal of securities for the redemption of share certificates, fund managers shall take care to maintain a balanced composition of the portfolio structure even after the disposal. Disposal of securities at markdowns shall only be possible to a limited extent, and the markdowns must not be significant. Otherwise other, legal steps shall be considered, which may ultimately lead to suspension of the redemption of fund units.</p>
11	Loss Cases	<p>Conflict of interest: in case of losses incurred by a fund and to be reimbursed by Erste Asset Management GmbH, the latter is interested in keeping the amount of loss as low as possible, as opposed to the shareholders, who are interested in the amount of loss being as high as possible (high amount of damages). The same applies to losses in funds where the fund management has been outsourced to third parties, which that third party must reimburse.</p> <p>Dealing with and resolving the conflict of interest: the loss shall be calculated in consultation with the auditor.</p>
12	Low market liquidity	<p>Conflict of interest: in situations of low market liquidity, Erste Asset Management GmbH might consider to have other EAM funds invest in the fund with lower liquidity in order to improve the latter's liquidity.</p> <p>Dealing with and resolving the conflict of interest: acquisition of shares in EAM funds with lower liquidity may only be considered for such other EAM funds, if this does not cause any impairment of the interests of the shareholders of both funds, if said acquisition is in line with the investment strategy of the absorbing fund and is covered by the investment guidelines.</p>
13	Outsourcing	<p>Conflict of interest:</p> <p>Erste Asset Management (EAM) may transfer tasks to other service providers (e.g. delegation of fund management). Companies from the Erste Bank Group may also be used for this purpose. It is possible that contractors may carry out</p>

		<p>other activities that have a conflict of interest with the task delegated by the Management Company.</p> <p>Dealing with and resolving the conflict of interest:</p> <p>When delegating tasks to third parties, the Management Company takes into account the interests of investors and subjects all service providers to a detailed examination ("due diligence").</p> <p>All commissioned service providers are obliged to take appropriate measures to identify conflicts of interest in connection with the commissioned activity, establish internal principles to avoid the conflicts of interest identified and disclose unavoidable conflicts of interest to EAM.</p> <p>Any remuneration received by the EAM for transactions it undertakes on behalf of a fund will be passed on to the relevant investment funds.</p> <p>In addition, when outsourcing tasks, care it has to be insured that fees customary in the market are charged.</p>
14	Sustainability Criteria	<p>Conflict of interest: Exclusion criteria for investing for sustainable funds could result in lower performance for investors compared to traditional products.</p> <p>Dealing with and resolving the conflict of interest:</p> <p>Exclusion criteria in sustainable fund management are communicated transparently to the public. In accordance with legal requirements, the needs and expectations of customers are taken into account in the sales process.</p>
15	Sustainability Criteria	<p>Conflict of interest: In the course of exercising voting rights, conflicts could arise in connection with companies associated with Erste Bank Group.</p> <p>The following companies were identified by Erste Asset Management GmbH as affected: Erste Group Bank AG and Vienna Insurance Group AG</p> <p>Dealing with and resolving the conflict of interest:</p> <p>For these companies Erste Asset Management will abstain from exercising voting rights to avoid conflict of interest. The list of affected companies will be reviewed annually, in advance of the main season.</p>
16	Sustainability Criteria	<p>Conflict of interest: In connection with the management of sustainable funds, internal analyses concerning the investment in Erste Group Bank AG could be influenced.</p> <p>Dealing with and resolving the conflict of interest:</p> <p>Erste Group Bank AG is excluded from internal ESG analyses.</p>
17	Private Equity Funds of Funds	<p>Conflict of interest: Erste Group Bank AG („EGB“) could act as creditor to a company in one of its subfund portfolios. This influences the creditworthiness of the company.</p> <p>Dealing with and resolving the conflict of interest:</p> <p>To exclude this case, all investments are coordinated with potential lenders of EGB Erste Bank and are also subject to ongoing monitoring.</p>
18	Private Equity Funds of Funds	<p>Conflict of interest: Employees of Erste AM could invest in companies which are also part of a subfund portfolio, or a subfund fund acquires shares in a company in which an employee already has a stake. This leads to a conflict of interest between employees and investors.</p> <p>Dealing with and resolving the conflict of interest:</p>

		<p>This case is ruled out by clear regulations for secondary employment and participations. At the beginning of employment, all employees must report existing participations or have new participations approved.</p>
--	--	--

Publication and update of these guidelines

The present guidelines for handling conflicts of interest of EAM are published on the Website of EAM. If required, they will be reviewed immediately, but at least once annually, as to their up-to-datedness, and adjusted accordingly.