

## Related Documents Summary (hereinafter the “Summary”)

The Summary contains documents in order to specify the terms and manner of performance of agreements, the subject of which is the purchase or sale of investment instruments (hereinafter the “**Agreement/Agreements**”). The Summary contains the information required by statutory regulations of which Československá obchodní banka, a.s. (hereinafter “**ČSOB**”) is obligated to inform the client when providing investment services. The Summary is available at the ČSOB branches and on the ČSOB website ([www.csob.cz/mifid](http://www.csob.cz/mifid)). The Summary applies to all Agreements regardless of their trade name.

### CONTENTS – List of Individual Documents

<b>A) SELECTED INFORMATION ON ČSOB AND SERVICES WHICH ČSOB IS AUTHORISED TO PROVIDE</b>	
.....	Chyba! Záložka není definována.
<b>B) CATEGORIES OF CLIENTS</b>	3
<b>C) INFORMATION ON PRINCIPLES OF THE BEST EXECUTION OF CLIENT’S ORDERS (“INFORMATION”)</b>	4
<b>D) INFORMATION ON PROTECTION OF CLIENT’S PROPERTY</b>	9
<b>E) ČSOB’S APPROACH TO INCENTIVES IN PROVISION OF INVESTMENT SERVICES AND DISTRIBUTION OF PENSION PRODUCTS</b>	10
<b>F) ČSOB’S POLICY TO ELIMINATE CONFLICT OF INTEREST IN PROVISION OF INVESTMENT SERVICES</b>	12
<b>G) INFORMATION ON INVESTOR COMPENSATION FUND</b>	14
<b>H) HOW IS THE PRODUCT SCORE DETERMINED</b>	15
<b>I) CONDITIONS FOR ACCESS TO CZECH AND FOREIGN CAPITAL MARKETS</b>	16
<b>J) TARGET MARKET</b>	24
<b>K) SUSTAINABILITY RISKS AND THEIR INCLUSION IN INVESTMENT ADVICE</b>	25

## A) SELECTED INFORMATION ON ČSOB AND SERVICES WHICH ČSOB IS AUTHORISED TO PROVIDE

ČSOB is entitled, on the basis of a licence from the Czech National Bank (hereinafter the “CNB”), to perform the activities of a securities dealer.

### Identification data:

Československá obchodní banka, a.s.

ID No.: 000 01 350

Registered office: Prague 5, Radlická 333/150, postcode: 150 57

File No.: BXXXVI 46, registered with the Municipal Court in Prague

ČSOB is entitled to enter into an Agreement with a client and, on the basis of such an Agreement, provide main and ancillary investment services necessary for the performance of the subject-matter of the Agreement, in particular:

#### a) Main investment services:

- aa) Receiving and transmitting instructions on the investment instruments.

The service includes the mediation of trades with investment instruments.

- ab) Execution of instructions concerning the investment instruments on behalf of the clients;

- ac) Trading in investment instruments on its own account, ad) investment advice concerning the investment instruments.

Investment advice concerning the investment instruments means the provision of personalised advice directly or indirectly leading to the purchase, sale, subscription, allocation, payment, holding or another disposal of particular investment instrument/s or to the exercise of the right to dispose of specific investment instrument/s.

#### b) Ancillary investment services:

- ba) Safekeeping and administration of investment instruments for the client, including custodianship and related services and excluding maintaining securities accounts by a central depositary or foreign central depositary;

- bb) Provision of credits or loans to the client in order to enable the trade with an investment instrument in which the lender participates;

- bc) Consultancy activities concerning the capital structure, industrial strategy and the related matters, as well as the provision of advice and services relating to the transformation or transfer of companies (corporate finance);

- bd) Investment research and financial analysis or other forms of general recommendation relating to transactions in investment instruments;

- be) Foreign exchange services related to the provision of investment services.

Oversight of the ČSOB's activities as the securities dealer and of the provision of services related to the purchase and sale of the investment instruments is performed by:

### Czech National Bank

#### Capital Market Supervision Division

##### Address:

Na Příkopě 28  
115 03 Prague 1

##### Contact phone and fax numbers:

Phone: 224 411 111 (telephone exchange)  
800 160 170 (inquiries free of charge)  
Fax: 224 412 404, 224 413 708

##### Email addresses:

info@cnb.cz  
podatelna@cnb.cz

The information on the supervisory authorities for the individual investment funds, the investment instruments of which are purchased and sold on the basis of the Agreement, are available in the investment funds' statutes; in the case of bonds or shares on collective bonds, further information on supervisory authorities are available in the individual relevant materials with information for the investors/clients for whom the investment services are intended.

## **B) CATEGORIES OF CLIENTS**

In accordance with Regulation 2014/65/EU of the European Parliament and of the Council (on markets in financial instruments), ČSOB is obligated to classify its clients into one of the following categories:

### **A) Standard (non-professional) client (customer)**

Such a client enjoys the highest level of protection in investments.

### **B) Professional client (customer)**

These are the entities specified by legal regulations or entities meeting certain material requirements. Persons may become professional clients at their own request, provided that they meet at least some of the requirements specified by legal regulations.

The level of protection provided to professional clients is lower with regard to their expected qualifications. The lower level of protection mainly concerns the following areas: information requirements, certain obligations related to the conclusion of transactions on behalf of the client, confirmation of transactions and statements. In addition, professional clients may not be entitled to compensation from foreign investor compensation schemes similar to the Investor Compensation Fund in the Czech Republic.

A professional client is expected to possess the required professional knowledge and experience in the area of investments to make its own investment decisions and duly evaluate the risks to which it is exposed in connection with the investment service or transaction in the investment instrument for which it is considered a professional client. In addition, a professional client is expected to have sufficient financial backing with regard to investment advice to incur the related investment risks corresponding to its investment objectives. The supply of services is not limited by client categorisation.

### **C) Eligible counterparty:**

Eligible counterparties are provided with the lowest degree of protection. These include professional clients who are automatically, or at their request, assigned the eligible counterparty status in the provision of certain main investment services.

The specific categorisation is defined in the Agreement, or the client is otherwise duly informed about it.

## **C) INFORMATION ON PRINCIPLES OF THE BEST EXECUTION OF CLIENT'S ORDERS ("INFORMATION")**

### **INTRODUCTION**

This document includes important information on the procedures and policies regarding the best execution of the client's orders in the provision of investment services and the related services. It is intended for the clients of Československá obchodní banka (hereinafter "ČSOB") to inform them about the best execution of their orders.

### **1. INFORMATION ON PRINCIPLES OF THE BEST EXECUTION OF CLIENT'S ORDERS**

ČSOB takes all the required steps to ensure that the best possible result is achieved in the execution of the client's orders. These steps are included in this document entitled "Best Execution Principles" (hereinafter the "Principles").

The best execution of client's orders does not include the obligation of ČSOB to execute each individual client's order under absolutely optimal conditions. It means compliance with the procedures and rules for the execution of the client's order with a goal to ensure that the best possible result is achieved for the client's orders. For that purpose, ČSOB has introduced and maintains organisational structures, procedures and rules.

Through the steps specified above and summarised in these Principles, ČSOB complies with the regulatory requirements arising, in particular, from the directive on markets in financial instruments (MiFID II), the Capital Market Undertakings Act (hereinafter the "Capital Markets Undertakings Act")<sup>1</sup> and the related legislation.

The Principles shall apply to the "standard" clients (i.e. those categorised as retail clients) as well as the professional clients within the meaning of the Capital Market Undertakings Act (with the exception of clients specified in Section 2a(1) of the Capital Market Undertakings Act).

The Principles do not apply to the eligible counterparties (within the meaning of Section § 2a(1) and Section 2d of the Capital Market Undertakings Act). However, the Principles do apply with regard to the eligible counterparties in the provision of the investment service of individual portfolio management.

Execution of client's orders means acting to conclude an agreement to buy or sell an investment instrument specified in Section 3 of the Capital Market Undertakings Act or a structured deposit within the meaning of Section 2(1)(r) of the Capital Market Undertakings Act (hereinafter jointly as the "Product") on behalf of the client, including the conclusion of an agreement to sell a Product issued by ČSOB or by a member of the ČSOB Group or KBC at the moment of its issuance (i.e. in the case of issues). Execution of client's orders also means concluding transactions or entering into derivatives on ČSOB's own account where it is apparent that the client approaches ČSOB with confidence in the best provision of the services (see below for more details).

The Principles do not apply to the cases that do not concern the execution of client's orders, and ČSOB is thus not obligated to comply with the best execution procedures and rules. Specifically, ČSOB may not proceed in accordance with these Principles if all the following conditions are met:

- the transaction is initiated by the client (in particular, a professional client);
- the market in the relevant Product is transparent, i.e. there are multiple banks or securities dealers on the market which are prepared to make an offer to conclude a transaction concerning the relevant Product at the request of the client;
- the circumstances of conclusion of the transaction demonstrably show that the client itself has determined the conditions on the market; and
- there is no contractual obligation of ČSOB to meet the best execution requirements (i.e. an agreement constituting a special relationship of confidence between the client and ČSOB).

Where ČSOB has no specific instructions from the client, it will seek to execute the order in accordance with the procedures and rules specified in these Principles.

### **2. ACCESS TO THE BEST EXECUTION**

#### **2.1. BEST EXECUTION PRINCIPLES**

A number of factors are considered with the goal of the best execution of the orders of ČSOB's clients. In particular, in the case of a retail (standard) client, the best execution shall be determined with regard to the total costs, which include the price of the Product and the costs relating to the execution. In addition to the total costs, the key factors in executing client's orders also include liquidity, speed, the likelihood of execution and

<sup>1</sup> Act No. 256/2004 Sb., on capital market undertakings, as amended.

settlement, size, nature or any other consideration relevant to the execution of the order.

In order to determine the relative importance of the individual factors, ČSOB takes into account the following criteria:

- a) the nature of the client, including its classification as a retail (standard) client or a professional client;
- b) the nature of the client's order;
- c) the nature and the characteristics of the Product that is the subject of the order, including cases where the order also concerns securities financing transactions ("SFT");
- d) the nature of the execution venues to which the order in question can be directed.

Under certain circumstances, other factors may be more important for the execution of the client's orders. For example, this could apply to the orders that exceed, or do not meet, the standard size of transactions or those that concern non-liquid Products. In such a case, ČSOB may execute the order on the basis of other factors it may consider relevant with a goal of achieving the best possible results for the client.

With regard to the products traded outside a regulated market, a multilateral trading facility (MTF) or an organised trading facility (OTF) (i.e. typically OTC derivatives and other OTC products), ČSOB seeks to achieve the best possible result for the client by verifying the correctness of the price proposed to the client:

- a) according to the collected market data used for the estimated price of the Product; and
- b) if possible, by means of comparison with similar or comparable Products.

In this case, ČSOB has no obligation to request quotes from other market participants.

The correctness of the price is also regularly and systematically verified through internally set-up control procedures after the transaction is concluded.

## 2.2. EXECUTION VENUE

The execution venue can be a regulated market, a multilateral trading facility, an organised trading facility, a systematic internaliser, a market maker, or another liquidity provider or a foreign execution venue whose subject of business is similar to the subject of business of any of the execution venues specified above.

ČSOB typically executes client's orders by dealing on its own account. This means that ČSOB executes the client's order by concluding a transaction with the client on its own account. In such a case, ČSOB is the execution venue, i.e. the place for the execution of the order.

Under certain circumstances, ČSOB may also make use of other execution venues, e.g. to execute an order that is not typical for ČSOB.

ČSOB regularly evaluates whether the execution venues included in these Principles deliver the best results for the client or whether the methods of executing orders need to be modified in this regard.

Execution venues used by ČSOB:

- a) ČSOB
- b) An issuer of collective investment securities (usually ČSOB Asset Management a.s., KBC Asset management N.V., KBC Asset management S.A., KBC Fund Management Limited), or ČSOB if it enters into the transaction itself under an agreement with the issuer.
- b) MTF (e.g. Bloomberg MTF)
- c) OTF

## 2.3. SPECIFIC INSTRUCTION CONCERNING EXECUTION OF ORDERS

If ČSOB receives a specific instruction from the client regarding the execution of an order, it executes the order in accordance with that instruction. In such a case, ČSOB may, within the boundaries specified in the order, deviate from these Principles and proceed differently than as set out by the rules specified herein.

**PLEASE NOTE: A specific client instruction may – with regard to certain elements contained in such an instruction – prevent ČSOB from taking the steps adopted and implemented by ČSOB in its Principles to achieve the best possible result of executing such orders for the client.**

## 2.4. CONFLICT OF INTEREST

- (1) When providing investment services, ČSOB identifies and manages conflicts of interest between ČSOB and its clients or between its individual clients in accordance with the principles set out in legal regulations.
- (2) Since ČSOB is a member of a business group, it identifies and manages conflicts of interest with respect to all foreseeable circumstances that may lead to a conflict of interest due to the structure of a business

group and the business conducted by its members.

- (3) ČSOB manages the above-mentioned conflicts of interest so as to avoid any adverse impact on the client's interests.
- (4) If it is impossible to fully exclude a potential conflict of interest, ČSOB will adopt any and all measures necessary to prevent such conflict of interest and its negative impact on the client's interests. However, if this process is not sufficient to reliably prevent an adverse impact of the conflict of interest on the client's interests, ČSOB will take measures to mitigate the risk of the negative impact on the client. In such a case, ČSOB will inform the client about the nature and source of the conflict of interest before the investment service is provided to enable the client to make an informed decision.
- (5) In connection with directing client's orders to a specific execution venue or entering them in a specific execution venue, ČSOB accepts no incentives that could result in the violation of the requirements and rules managing the conflict of interest.

### **3. MONITORING AND UPDATING**

ČSOB continuously monitors and verifies, at least on an annual basis, the effectiveness of its organisational arrangements, procedures and rules for the best execution of client's orders to identify and correct any deficiencies. In particular, ČSOB regularly verifies and evaluates whether the execution venues specified in these Principles continue to enable ČSOB to obtain the best possible result for the clients on a consistent basis and remedies any deficiencies.

ČSOB will inform its clients of any material changes in its organisational arrangements, procedures and rules for the best execution of client's orders, including any changes in these Principles.

### **4. DEMONSTRATION OF THE BEST EXECUTION OF CLIENT'S ORDER**

The client is entitled to request ČSOB to prove that it has executed or is currently executing the client's orders in accordance with these Principles.

### **5. CLIENT'S CONSENT WITH PRINCIPLES AND TRADING ON OTC MARKET**

By submitting an order for the execution to ČSOB (including by concluding a transaction with ČSOB), the client consents to these Principles.

These Principles enable the execution of the client's order outside a regulated market, a multilateral trading facility and an organised trading facility (i.e. on an OTC market) under the terms and conditions specified by the applicable legal regulations and these Principles. Since the order is not executed by a central counterparty on an OTC market, there may be an increased counterparty risk.

The client expressly agrees that the client's order may be executed on an OTC market under the conditions specified above.

The client may ask ČSOB for additional information on the Products, executing orders, these Principles and any other issues related to the best execution of orders.

At the client's request, ČSOB will provide additional information on the execution of an order on an OTC market and the consequences thereof.

### **6. BEST EXECUTION ACCORDING TO TYPE OF PRODUCT**

With regard to the diverse nature of the individual types of Products, ČSOB has introduced policies according to which the orders related to these types of Products are executed.

This chapter outlines such policies.

- The rules and procedures described in these Principles do not prohibit ČSOB from acting otherwise if it believes that adherence to the standard procedure in accordance with these Procedures would not deliver the best result for the client in the relevant specific case. It is an exceptional situation that may occur under extraordinary circumstances such as low liquidity, volatility due to political, economic or social events or publication of financial data or in the case of an adverse change in the creditworthiness of the issuer of the relevant Product.
- In the case of an emergency, e.g. a system failure, ČSOB may not be capable of executing the order in accordance with the procedures described herein. Under such exceptional circumstances, ČSOB will seek to execute the order in the manner that is most favourable to the client.
- The competitive and fair price is checked for financial market products (i.e. all the Products except collective investment securities). In the case of a failure to meet the specified internal rules, ČSOB will



proceed in accordance with a pre-determined escalation procedure, in which the systems implemented to ensure the best execution of orders are verified, and any identified deficiencies are corrected.

## **6.1. BONDS, STRUCTURED SECURITIES AND MONEY MARKET INSTRUMENTS**

With regard to bonds, structured securities and money market instruments, ČSOB approaches executing orders from retail and professional clients in the same way.

Typically, these include bonds, structured securities and money market instruments issued by ČSOB, i.e. ČSOB is the issuer of such Products (typically, investment certificates). In this case, ČSOB itself is the execution venue as the Product issued by ČSOB is not inherently available in other venues. The client's order is thus executed by ČSOB with the conclusion of a transaction on its own account. With a goal to achieve the best execution of the client's order, ČSOB has set up internal models for determining the competitive and fair price; such models are subject to internal verification.

With regard to orders concerning bonds, structured securities and money market instruments that have not been issued by ČSOB, ČSOB generally executes such orders in such a venue that provides sufficient liquidity for the relevant Product.

ČSOB may use the multilateral trading facility of Bloomberg (BMTF) as another execution venue for this type of Product. In order to execute the client's orders regarding this particular type of Product, ČSOB has chosen BMTF because this system usually enables the comparison of prices from multiple counterparties for the specific Product. ČSOB then chooses the quotation that is best for the client among the quotations shown in BMTF. In addition, the Bloomberg system also includes the ALLQ (ALL QUOTES) function, which enables the participants using this function to display and respond to the indicative supply and demand prices. ČSOB may be one of such participants and may therefore use this function to request binding quotes at the client's request. Consequently, this has a positive impact on the price and speed of the execution of the order; however, there is no guarantee of liquidity for all the products traded by the BMTF.

With regard to the above, ČSOB considers BMTF an execution venue through which it is possible to execute the client's orders concerning bonds, structured securities and money market instruments that are not issued by ČSOB under the best conditions on a consistent basis.

If ČSOB concludes that none of the above-mentioned options meets the internally defined criteria for sufficient liquidity, the client's order will be executed on the OTC market. The crucial factors, i.e. liquidity, price and costs, are considered when executing the client's order in this manner.

## **6.2. COLLECTIVE INVESTMENT SECURITIES**

With regard to collective investment securities, ČSOB approaches executing orders from retail and professional clients in the same way.

ČSOB will generally execute orders concerning collective investment securities by itself on the basis of contractual arrangements with the issuer, or it will forward such orders to an intermediary of the transfer of such a product.

In general, the securities of collective investment funds are bought for an amount that equals their current value announced upon the decisive date specified in the statute/prospectus of the fund; this amount may be increased by a mark-up. The securities of collective investment funds are redeemed for a price that equals its current value applicable upon the date on which ČSOB has received the application of the unit holder for the redemption of the unit certificate; this amount may be reduced by a mark-down. The value of the securities of the specific collective investment fund in the client's portfolio on a certain date represents the value of the client's share in the assets of the relevant undertaking upon the given date. The value of a security of a collective investment fund is known only after the closing prices of the securities held in the portfolio of the undertaking are received and processed. In general, this method of measuring the price of collective investment securities ensures compliance with the requirement for executing orders on terms most favourable to the client.

If it is not feasible to forward the order to an intermediary of the transfer, ČSOB will choose an alternative method of execution of the order, provided that the best result principle is respected as much as possible with regard to the price and the costs.

## **6.3. DERIVATIVES TRADED ON REGULATED MARKET, IN MULTILATERAL TRADING FACILITY AND ORGANISED TRADING FACILITY**

With regard to the derivatives traded on a regulated market, in a multilateral trading facility or an organised

trading facility, ČSOB approaches executing orders from retail and professional clients in the same way.

The transactions in these derivatives will be generally placed on the most liquid market.

#### **6.4. OTC DERIVATIVES**

With regard to the OTC derivatives, ČSOB approaches executing orders from retail and professional clients in the same way.

The derivative transactions entered into on the OTC market include various options, forwards, swaps and their combinations. These products are traded on the OTC market, i.e. outside a regulated market, a multilateral trading facility or an organised trading facility.

Prospective clients or clients interested in entering into OTC derivatives are presumed to contact various banks or securities dealers to obtain information on the price of such Products. ČSOB has procedures in place to ensure that the price of these Products is created competitively and fairly using up-to-date market data. In the pricing, ČSOB relies on internal models, which are subject to internal verification requirements using market data.



## D) INFORMATION ON PROTECTION OF CLIENT'S PROPERTY

The investment instruments of the clients may be held by third parties – sub-custodians/depositaries on behalf of ČSOB. When selecting a sub-custodian/depositary, ČSOB proceeds with due professional care, in particular, taking into account the sub-custodian/depositary's experience and reputation on the financial market and legal requirements governing the management of the client's investment instruments with the sub-custodian/depositary, which could adversely affect the client's rights.

In case the client's investment instruments are held on behalf of ČSOB by sub-custodians/depositaries, ČSOB shall be liable for damage caused by such sub-custodians/depositaries if it has failed to exercise due care during their selection process or failed to supervise their activities sufficiently. In such cases, the legitimate claims of the clients shall be settled by ČSOB. The insolvency of the sub-custodian/depositary may result in the client being prevented from handling the investment instruments for a transitional period. In the case of foreign jurisdictions, the consequences listed below may also occur.

The investment instruments of the clients are commonly held with the sub-custodians/depositaries on the client collection accounts, i.e. accounts where the investment instruments of the clients are maintained collectively. These accounts are commonly maintained in the name of the banks/custodians. If it is permitted under the law governing the sub-custodian/depositary and the operating rules governing the sub-custodian/depositary, the accounts may be designated and maintained as customer accounts. The client is entitled to the relevant investment instruments on the client collection account, which correspond to the balance on the client's asset account with ČSOB.

The management of the client's investment instruments deposited with foreign sub-custodians/depositaries is governed by the relevant foreign legislation and the local business or market practices. This procedure determines the nature of the account (whether it can be maintained as a customer account), the rights of the client associated with the client's investment instruments and the depositary's rights to the investment instruments held by the depositary. **In such cases, there is a risk that the investment instruments of the clients held on accounts not designated as customer accounts will become a part of the bankruptcy assets in the case of insolvency of the sub-custodian/depositary; in such cases, the relevant receivables will have to be claimed in the insolvency proceedings.** However, such risk is significantly limited by the fact that the bank keeps follow-up records in the form of asset accounts on behalf of the individual clients (see above). The statements from such records serve as proof of the client's ownership title to the relevant investment instruments.

Foreign jurisdictions governing the sub-custodians/depositaries generally provide protection to the clients by separating the assets of the clients from the assets of the custodian/depositary. If the sub-custodian/depositary becomes insolvent, the client's assets will not become a part of the bankruptcy assets. However, it is possible that some jurisdictions (in particular, in non-EU countries) do not provide sufficient means to differentiate the assets of the clients from the assets of the sub-custodian/depositary or, for some reason, such distinction cannot be made (e.g. if the depositary violates its obligations and does not keep due records). **In such a case, there is a risk that the investment instruments on a customer account might be included in the bankruptcy assets, and ČSOB will recover such investment instruments through the sub-custodian/depositary in bankruptcy proceedings in favour of the client as a creditor without preferential rights for the settlement of its receivables.**

The client's rights to the investment instruments held by sub-custodian/depositary in non-EU countries may differ accordingly.

To secure the due debt of the client with respect to ČSOB, ČSOB may exercise a lien on the investment instruments and funds of the client entrusted to ČSOB by the client on the basis of an agreement for the provision of investment services. ČSOB's lien arising in such cases expires under the conditions stipulated by legal regulations.

ČSOB is entitled to unilaterally set off any client's debts against the debts of ČSOB, regardless of the place of payment and currency of any of the client's debts (for such purpose, ČSOB is entitled to make the necessary conversion into any currency), and notify the client of any such offset after its implementation without undue delay.

Sub-custodians/depositaries may, in some cases, have collateral, security interest or offset rights set in place for the client's investment instruments held by sub-custodians/depositaries on client collection accounts, i.e. accounts where the investment instruments of the clients are maintained collectively.

## **E) ČSOB'S APPROACH TO INCENTIVES IN PROVISION OF INVESTMENT SERVICES AND DISTRIBUTION OF PENSION PRODUCTS**

### **1. INTRODUCTION**

This document presents general information on payments and other transactions received and provided during the provision of investment services (hereinafter the "Incentives") by Československá obchodní banka, a.s. (hereinafter "ČSOB"). ČSOB provides investment advice and mediation of other investment services to its clients intending to invest in unit certificates of collective investment funds and other investment instruments. ČSOB does not charge the client the costs of investment advice; instead, ČSOB receives one-off or regular Incentives from third parties. To ensure the distribution of investment instruments by third parties, ČSOB provides Incentives to its distributors. ČSOB ensures that such received and provided Incentives increase the quality of the relevant investment services and that they do not affect its obligation to act with due professional care and in the best interests of its clients. ČSOB achieves this primarily through measures to ensure compliance with the rules of conduct towards the clients, setting of the ČSOB's internal control system and separation of certain activities ensuring the provision of the investment services to the clients.

The client will be informed of the specific amount of Incentives for the provision of investment services in the regular information on the product intended for the client.

### **2. GENERAL INFORMATION ON INCENTIVES**

ČSOB accepts Incentives in the form of commissions and other monetary benefits from investment companies managing collective investment funds, securities dealers, providers of investment services of management of client's assets, bond issuers and other third parties. ČSOB also provides Incentives to third parties managing the distribution of investment instruments. The Incentives may be provided as one-off Incentives in connection with the purchase of investment instruments, or they may be regular.

ČSOB also accepts and provides non-monetary incentives to third parties, in particular, in the form of organisation and participation in conferences, marketing materials, and other activities consisting of information about products and promotion of cooperation provided to the sales network. ČSOB accepts free macroeconomic analyses from certain entities authorised to provide investment services.

ČSOB also receives and provides operational incentives, i.e. incentives received from, or provided by, third parties, which enable the provision of the investment services or which are necessary for that purpose, and their nature is not in contradiction with the obligation to act with professional care. Such incentives include, for example, payments to the organiser of a regulated market or settlement system for the provision of its services, fees for external audits, accounting and legal services and advice, subscription fees, fees for the services of a depositary, and fees for the use of paid information services. In connection with a specific campaign, the costs actually incurred for the promotion of the products may be covered by another company from the ČSOB/KBC Group up to the amount of the pre-determined budget for the campaign.

### **3. COLLECTIVE INVESTMENT FUNDS**

ČSOB intermediates the issue and redemption of shares in investment funds (unit certificates and shares in funds). For this activity, it retains the entry fee paid by the investor, and it also receives a share from the collected management fee (a fixed management fee paid by a collective investment fund to the investment firm managing it; the specific amount of the fee is specified in the statutes of the relevant collective investment fund) from the investment companies or from other distributors of such investment companies if it acts as a sub-distributor. This incentive amounts to 35-60% of the management fee, depending on the extent of the ancillary services provided in connection with the distribution of the unit certificates/shares in the investment funds; the amount is determined for each fund individually.

ČSOB also uses third parties for the further distribution of the investment funds. In the case of distribution via Česká pošta, s. p., Česká pošta receives 80% of the entry fee and an amount corresponding to 50-70% of the continuous charges. In the case of distribution via Patria Finance, a.s., Patria Finance retains 100% of the entry fee and, in addition, is provided by ČSOB an incentive of 40-55% of the management fee; the amount is determined for each fund individually.

### **4. MEDIATION OF AGREEMENTS WITH SECURITIES DEALERS**

In the event that the client (customer) concludes an Agreement with another securities dealer with ČSOB as an intermediary, ČSOB will receive an incentive from such a dealer in the amount of 30% of the fees paid by the client to such securities dealer for the period of one year as of the conclusion of the Agreement after deducting

the costs directly related to the fulfilment of the securities dealer's obligations with respect to the client.

## **5. MEDIATION OF AGREEMENT ON MANAGEMENT OF CLIENT'S ASSETS**

In connection with the mediation of agreements on the provision of this investment service, ČSOB regularly receives an amount corresponding to the share of the remuneration for the management of the individual portfolios (i.e. management fee) from the provider of such service, and such share is determined from the part of the managed assets of the clients – private individuals who have demonstrably concluded the management agreement through ČSOB. The amount of such incentive is 60% of the management fee received by the provider of this investment service.

## **6. OTHER INVESTMENT INSTRUMENTS**

For some of the existing third-party bond issues issued before 31 December 2011, ČSOB receives regular Incentives of up to 1.00% p.a. of the nominal volume. For bond issues issued from 1 January 2012, ČSOB does not accept any regular Incentives, but it may accept and provide one-off Incentives of up to 2.00% of the nominal volume.

## **7. PENSION PRODUCTS**

For the mediation of pension or supplementary pension savings and the associated activities, ČSOB receives an incentive in the amount of 7% of the average wage in the national economy announced by the Ministry of Labour and Social Affairs from ČSOB Penzijní společnost, a.s., for the 1st-3rd quarters of the previous calendar year.

## F) ČSOB'S POLICY TO ELIMINATE CONFLICT OF INTEREST IN PROVISION OF INVESTMENT SERVICES

### 1. INTRODUCTION

When providing its services, ČSOB pursues honest, fair and professional conduct in accordance with the best interests of its clients. Protecting the interests of all clients is a priority of ČSOB. With the increasing complexity and the range of offered products provided by Československá obchodní banka, a.s. (hereinafter "ČSOB") to its clients in the area of investment services, and taking into account the number and specifics of the clients to whom ČSOB provides its services, the risk of situations where ČSOB and its clients, including potential clients, may get into a conflict of interest increases accordingly. For these reasons, ČSOB identifies and manages the conflicts of interest in the provision of investment services in accordance with the principles stipulated by legal regulations and takes the necessary measures to mitigate any negative impacts on the client's interests. Since ČSOB is a member of a business group (the KBC Group), it also identifies and manages conflicts of interest with respect to all foreseeable circumstances that may lead to a conflict of interest due to the structure of the business group and the business conducted by its members. ČSOB's approach to conflicts of interest also complies with the principles applied by the KBC Group.

#### The principles of conflict of interest management are mainly based on

- Directive of the 2014/65/EU of the European Parliament and of the Council on markets in financial instruments,
- Regulation (EU) 596/2014 of the European Parliament and of the Council on market abuse,
- Regulation (EU) 2016/1011 of the European Parliament and of the Council on indices used as benchmarks in financial instruments and financial measures or to measure the performance of investment instruments,
- Commission Delegated Regulation (EU) 2017/565 supplementing Directive 2014/65/EU of the European Parliament and of the Council with regard to organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive,
- Act No. 256/2004 Sb., on capital market undertakings, as amended,
- Decree No. 308/2017 Sb., detailing certain rules for the provision of investment services, as amended (effective from January 2018).

In ČSOB, the rules for conflict of interest management are mainly laid down by the **Policy concerning the Conflict of Interest in the Provision of Investment Services** (hereinafter the "Policy"), which covers the specific conflicts of interest that may occur in the provision of investment services between

- ČSOB, including its executives, employees and tied agents, and the clients or prospective clients of ČSOB;
- KBC, the companies controlled by KBC and the companies controlled by ČSOB, their executives, employees and tied agents and the clients and prospective clients of ČSOB;
- the clients or prospective clients of ČSOB;
- investment intermediaries through which ČSOB receives the order to purchase or sell securities and their clients.

#### The Policy specifies the conflict of interest areas as well as the measures to eliminate their negative impact on the interests of the clients of ČSOB.

In general, a conflict of interest may arise, for example, from a situation where the investment service provider or an employee, tied agent or investment intermediary thereof:

- could gain financial benefits or avoid financial loss to the detriment of the client;
- could have an interest in the outcome of the service provided to the client/the transaction carried out that is different from the client's interest in the outcome of the service/transaction;
- could be motivated to favour the interests of one client or a group of clients over the interests of another client or group of clients;
- conducts business in the same field as the client (i.e. the client is a competitor of the investment service provider).
- receives or would receive an incentive from, or provides or would provide an incentive to, another person than the client in connection with the service provided to the client.

**The above-mentioned conflicts of interest are managed by ČSOB so as to avoid any adverse impact on the client's interests.**

## 2. ČSOB'S CONFLICT OF INTEREST MANAGEMENT PROCEDURES

In order to manage any impending conflicts of interest in the development, modification and marketing of new investment instruments, ČSOB evaluates whether a new conflict of interest may arise in connection with the launch of an investment product or service. ČSOB also follows the same procedure when regularly revising the investment products and services offered by ČSOB. If it is impossible to fully exclude a potential conflict of interest, ČSOB will adopt any and all measures necessary to prevent such conflict of interest and its negative impact on the client's interests. However, if this process is not sufficient to reliably prevent an adverse impact of the conflict of interest on the client's interests, ČSOB will take measures to mitigate the risk of the negative impact on the client.

ČSOB has implemented organisational and administrative measures for the prevention and management of conflicts of interest in the provision of investment services, in particular:

### Policies

- ČSOB Employee Code of Ethics, the purpose of which is to lay down and promote corporate values, including fair conduct of employees in the interest of the clients;
- the Code of Ethics of Traders in Financial Markets;
- Conflict of Interest Policy for the Provision of Investment Services;
- Policy concerning Incentives in the Provision of Investment Services (detailed information on ČSOB's policies regarding incentives in the provision of investment services available at [www.csob.cz/mifid](http://www.csob.cz/mifid));
- Market Abuse Prevention and ČSOB Employee Personal Trading Policy (containing the rules aimed against insider dealing, market manipulation and another misuse of confidential information and the requirements for employee personal trading);
- ČSOB Gift and Hospitality Policy (specifying the rules for the receipt of gifts and hospitality by the employees).

### Rules

- of the ČSOB's Anti-Corruption Programme;
- for the protection and handling of internal and other confidential information regarding clients and their orders and transactions;
- for dealings with clients;
- for trading in financial markets;
- for executing orders;
- for contribution of the PRIBOR reference rate;
- for remuneration;
- for product development, modification and marketing.

### Organisational and Administrative Measures

- to prevent unauthorised sharing of internal and other confidential information about clients between ČSOB units and employees performing activities which may mutually represent a conflict of interest, and between ČSOB and other companies from the ČSOB Group or the KBC Group and other persons (the "Chinese wall" principle);
- to prevent market manipulation and the abuse of internal or other confidential information about the clients;
- setting up a system of employee remuneration so that the remuneration of an employee is independent from the performance-based remuneration of any unit of ČSOB, ČSOB Group or KBC Group whose interests may be in mutual conflict and so that honest and independent conduct of such employee is ensured;
- to ensure mutual independence of the individual units of ČSOB that may be in mutual conflict of interests in terms of separate management (the controlling and reporting lines);
- to control the activities of an employee by another independent employee (the four-eyes principle);
- for group-based management and mitigation of any conflict of interest arising from the membership of ČSOB in the KBC Group.

If, despite the rules and measures implemented, the adverse effect of a conflict of interest on the client cannot be reliably and completely prevented, ČSOB will inform the client of the nature and origin of the conflict of interest prior to the provision of the investment service and allow the client to make an informed decision.

For the avoidance of doubt, ČSOB hereby informs its clients and other parties interested in investment services of the existence of potential conflicts of interest generally arising from the nature of banking activities and

ČSOB's membership in the KBC Group. Such potential conflicts of interest, which ČSOB manages in accordance with the principles above, arise from the fact that ČSOB:

- distributes investment instruments issued by ČSOB or other companies within the KBC Group;
- arranges the issues and/or distributes the investment instruments of the issuers to which it, at the same time, provides other financial services.

## **G) INFORMATION ON INVESTOR COMPENSATION FUND**

### **1. COMPENSATION FUND AND ITS BASIS**

The investment instruments held by ČSOB on behalf of the clients are, under certain circumstances, protected by the Investor Compensation Fund (hereinafter the “**Compensation Fund**”). The Compensation Fund is a legal entity that provides a guarantee scheme from which compensation is paid to the clients of a securities dealer that is unable to meet its obligations to the clients. The Compensation Fund is not a state fund. The obligation to pay a contribution to the Compensation Fund applies to each securities dealer, including ČSOB. These funds are one of the sources for the assets of the Compensation Fund.

### **2. COMPENSATION FROM COMPENSATION FUND**

The Compensation Fund provides compensation for 90 % of the non-released client assets, up to the amount corresponding to EUR 20,000 for each client of each securities dealer. The compensation is determined on the basis of the value of the assets upon the date on which the Compensation Fund has received the relevant notice from the Czech National Bank.

Compensation claims and payment. The Compensation Fund publishes notifications of an inability of the securities dealer to meet its obligations to its clients. Clients must present their claims within the period stipulated by legal regulations. The compensation from the Compensation Fund must be paid within 3 months as of the verification of a claim and the calculation of the amount of compensation. The Czech National Bank may extend the deadline in exceptional cases. The client's right to compensation from the Compensation Fund is limited by the lapse of 5 years as of the due date of the client's claim for compensation from the Compensation Fund.

### **3. NOTICES AND OTHER INFORMATION**

Please be advised that the information above serves only for informative purposes. Detailed information can be found in Act No. 256/2004 Sb., on capital market undertakings, as amended, and on the website [www.gfo.cz](http://www.gfo.cz).



## H) HOW IS THE PRODUCT SCORE DETERMINED

Each investment and savings product (e.g. unit certificates issued by the collective investment funds, bonds, etc.) offered to the clients by ČSOB has a “product score”, which expresses the risk level of the product.

As of 16 July 2012, the ČSOB/KBC Group uses a unified methodology for the assessment of the risks of investment and savings products and subsequent determination of product score. This methodology takes into account other key factors affecting the risk level of the product besides the volatility of the financial product on the market over time.

The product score is determined as the weighted average of the following factors:

- **Probability of repayment of the invested amount** (original value of the investment)
- **Credit risk** associated with the product (risk of the issuer or risk of the counterparty)
- **Diversification** (distribution of funds within a product to reduce risk)
- **Market risk** (risk of a change in the price of the instrument due to a change in market conditions, e.g. the economic cycle, political influences, the situation of specific companies, etc.)
- **Currency risk**
- **Liquidity** (how quickly a financial product can be converted into cash at an affordable price and in an acceptable time)
- **Associated risks** (complexity of the product, risks specific for a given country, etc.)

Financial products are assigned with a **product score** on a scale of 1-7, while level 1 corresponds to the lowest risk (but not an absence of risk) and level 7 corresponds to the highest risk.

The product score is a new term replacing the previously used term “risk level”, which was used by ČSOB only for selected investment instruments and which was based solely on the volatility of the investment instrument over time, or the benchmark volatility for new products (comparative indicator of return on investment).

The product score is indicated in the information materials available for the investment and savings products on the website concerning the given product and upon request at the ČSOB's branches. Due to the legal requirements, the information materials and the Key Information for Investors document also indicate the SRRI indicator (see below).

### SRRI (Synthetic Risk and Reward Indicator)

SRRI illustrates the changing value of a unit certificate or share of the fund and thus the risk rating of the investment. It is derived solely from the development of the value of the investment in the currency of the fund and, therefore, has limited use for the forecast of future risk development of such an investment. The implementation of this indicator is based on the legal regulations in connection with EU Directive UCITS IV. The indicator is intended to enable the comparison of the risk of investment funds within the European Union. The indicator may differ from the product score determined in accordance with the internal methodology of ČSOB. Synthetic risk and reward indicator is provided in the Key Information for Investors document, which replaces the simplified fund's statute and is available on the websites of the individual funds offered by ČSOB.

### Which product is considered potentially suitable for investors?

For clients to whom investment advice for purchasing of investment instrument is provided in the form of **transaction-based access**, the **product score** of the investment instrument is compared with the **client's investment profile**, which is determined on the basis of the completion and subsequent evaluation of the ČSOB's investment questionnaire. You can find the model diagram of the potential suitability of the investment for the individual groups of clients below. **The SRRI indicator is not used for such a purpose.**



## I) CONDITIONS FOR ACCESS TO CZECH AND FOREIGN CAPITAL MARKETS

### List of Definitions

broker delivery instruction	information passed on between brokers, who share who their custodians (local agents) are, who will negotiate an agreement and conclude a deal
CET	Central European time
Claim	Claim of a coupon or a dividend by a market participant from another participant. Penalty for the incurred loss.
Custodian	Manager of securities, usually a bank. The custodian does not take any investment decisions, but based on the client's instructions clears the trades concluded by the client or its broker, paying coupons or dividends, voting at general meetings or exercising other rights resulting from the client's securities and held on the client's asset account with the custodian.
Ex-date	The first business day on which the securities are traded without a certain right, i.e. the working day after the decisive date. Cases where the securities were traded on the ex-date or after this date and the securities were cleared earlier than on the record-date or cases where the securities were traded before the ex-date and cleared on the record-date or later, will be dealt with by a claim. In these cases, the claim for a coupon or dividend (determined by the ex-date) and the actually paid coupon or dividend are inconsistent.
GDR/ADR	Global deposit certificates issued in accordance with U.S. laws and traded on international markets.
local agent	see custodian
Local custodian	An institution, usually a bank, providing custody services not only to traders but also to global clients (custodians) that do not have a branch office in the country of the local agent.
OTC	Over-the-counter market, in most cases by telephone
Paying agent	A bank or another organization empowered by the issuer to pay dividends or interest.
Payment date	The day when the paying agent pays the revenues.
Record date	The paying agent pays the dividends or coupons based on the position in the central depository on this date.

SD	Settlement Date
T+n	nth business day after day T
TD	Trade day
VSM	Freely convertible currency, i.e. a currency quoted against the CZK
ZKT	Foreign capital market
ISMA	International Securities Market Association International Securities Market Association – association of banks and broker houses stipulating the rules for trading on capital markets
LCP	Certificated securities
KM	Capital market
Custody	Securities Custody Department of ČSOB
Private banking	Private Banking Department of ČSOB

The conditions for the individual markets are available upon request according to the list of markets below.

### Individual Markets

Contact the Private Banking Department of ČSOB for more information on these and other markets.

Belgium bonds  
Belgium shares  
Bulgaria  
Czech Republic  
Czech Republic LCP  
Denmark  
Estonia  
European market  
Finland  
France  
Hong Kong  
Croatia  
Indonesia  
Ireland  
Italy bonds  
Iceland  
Japan bonds  
Canada  
Lithuania  
Latvia Luxembourg  
Hungary  
Germany  
Netherlands bonds  
Norway  
Poland  
Portugal  
Austria  
Romania  
Russia  
Greece  
Singapore  
Slovakia  
Slovenia  
Spain  
Sweden bonds  
Switzerland  
Turkey  
US bonds  
United Kingdom

Foreign market:

**Belgium  
Shares****General information:**

Currency: Euro  
(EUR)  
Time zone: CET  
Stock exchange: Brussels Stock Exchange  
BXS

**Terms and Conditions for Settlement of Trades:**

Central Depository: Caisse Interprofessionnelle de Depot et de Virements de Titres  
CIK

Settlement cycle: T+3

**Broker delivery Instruction:**

ČSOB's Clearing Agent: **CLEARSTREAM Banking, Luxembourg**  
Custodian's local agent: **ING Belgium SA/NV**  
Custodian's account details: **CLEARSTREAM Banking, Luxembourg BBL A/C  
No. 1003-00-02**  
ČSOB's account details: **CSOB A/C No. 80445**

**Deadlines for the settlement of instructions:**

Deadline for sending the settlement instructions **17:00 SD-1**

*(without payment or without FX and in the case of an amount of less than USD 100 thousand or equivalent):*

Deadline for sending the settlement instructions **12:00 SD-2**

*(with FX or in the case of an amount of more than USD 100 thousand or equivalent):*

The bank confirms the execution of the FX operation: **17:00 SD-1**

The bank confirms the settlement of the instruction by: **18:00 SD**

**Information on withholding tax rates for securities management:**

Withholding tax: Interest  
Dividends 15%

**Note:**

Foreign market:

Czech Republic

**General information:**

Currency: Czech crown  
(CZK)  
Time zone: CET  
Stock exchange: Prague Stock Exchange (RMS)  
BCPP

**Terms and Conditions for Settlement of Trades:**

Central Depositary: SCP, KB (SCP)

Settlement cycle: T+1 ... T+30 (T+0)

**Broker delivery Instruction:**

ČSOB's Clearing Agent: **ČSOB Praha**

Custodian's local agent: **ČSOB Praha**

Custodian's account details:

ČSOB's account details: **BCPP 928**

**Deadlines for the settlement of instructions:**

Deadline for sending the settlement instructions **12:00 SD-1**  
(without payment or without FX and in the case of an amount of less than USD 100 thousand or equivalent):

Deadline for sending the settlement instructions **10:00 SD-2**  
(with FX or in the case of an amount of more than USD 100 thousand or equivalent):

The bank confirms the execution of the FX operation: **12:00 SD-1**

The bank confirms the settlement of the instruction by: **18:00 SD**

**Information on withholding tax rates for securities management:**

Withholding tax:	Interest	15%
	Dividends	15%

**Note:**

**It is necessary to open an account for the beneficial owner with SCP or UNIVYC. Sample power of attorney will be sent upon request.**

Foreign market:

Czech Republic  
LCP**General information:**

Currency: Czech crown  
(CZK)  
Time zone: CET  
Stock exchange: N/A

**Terms and Conditions for Settlement of Trades:**

Central Depositary:

Settlement cycle:

**Broker delivery Instruction:**

ČSOB's Clearing Agent: **ČSOB Praha**  
Custodian's local agent: **ČSOB Praha**  
Custodian's account details: **Na Poříčí 24, 110 00 Prague 1**  
ČSOB's account details: **ČSOB Praha**

**Deadlines for the settlement of instructions:**

Deadline for sending the settlement instructions **12:00 VD-3**  
(without payment or without FX and in the case of an amount of less than USD 100 thousand or equivalent):

Deadline for sending the settlement instructions **12:00 VD-3**  
(with FX or in the case of an amount of more than USD 100 thousand or equivalent):

The bank confirms the execution of the FX operation:

The bank confirms the settlement of the instruction by:

**Information on withholding tax rates for securities management:**

Withholding tax: Interest  
Dividends

**Note:**

**The client submits the instructions for the settlement of certificated securities (LCP). By default, the bank submits the LCP for the pay-off.**

**In case the client does not wish to pay off the LCP, the client must inform the bank of the required steps within the deadline specified above.**



Foreign market:

Ireland

**General information:**

Currency: Euro  
(EUR)  
Time zone: CET-1  
Stock exchange: Irish Stock Exchange  
ISE

**Terms and Conditions for Settlement of Trades:**

Central Depository: Central Bank of Ireland (CBI) through Euroclear Operations Centre (EOC) for government bonds  
CREST for shares  
Settlement cycle: T+3

**Broker delivery Instruction:**

ČSOB's Clearing Agent: **HSBC**  
Custodian's local agent: **HSBC**  
Custodian's account details: **CREST no: BH01 ref: 777329**  
ČSOB's account details: **CSOB**

**Deadlines for the settlement of instructions:**

Deadline for sending the settlement instructions **16:45 TD+1**  
(without payment or without FX and in the case of an amount of less than USD 100 thousand or equivalent):

Deadline for sending the settlement instructions **16:45 TD+1**  
(with FX or in the case of an amount of more than USD 100 thousand or equivalent):

The bank confirms the execution of the FX operation: **12:00 TD+4**

The bank confirms the settlement of the instruction by: **18:00 SD+1**

**Information on withholding tax rates for securities management:**

Withholding tax: Interest 0%  
Dividends 15%

**Note:**

*The buyer is obligated to pay the stamp duty in the amount of 1% of the amount of the transaction, only in the case of shares.*

Foreign market:

Luxembourg

**General information:**

Currency: Euro  
(EUR)  
Time zone: CET  
Stock exchange: interbank non-exchange market  
OTC

**Terms and Conditions for Settlement of Trades:**

Central Depository: CLEARSTREAM Banking, Luxembourg

Settlement cycle: T+1 ... T+30

**Broker delivery Instruction:**

ČSOB's Clearing Agent: **CLEARSTREAM Banking, Luxembourg**  
Custodian's local agent: **CLEARSTREAM Banking, Luxembourg**  
Custodian's account details: **CLEARSTREAM Banking, Luxembourg**  
ČSOB's account details: **CSOB A/C No. 80445**

**Deadlines for the settlement of instructions:**

Deadline for sending the settlement instructions **12:00 SD-1**

*(without payment or without FX and in the case of an amount of less than USD 100 thousand or equivalent):*

Deadline for sending the settlement instructions **12.00 SD-2**

*(with FX or in the case of an amount of more than USD 100 thousand or equivalent):*

The bank confirms the execution of the FX operation: **by the end of the day on which the conversion took place**

**(SD-1 most often)**

The bank confirms the settlement of the instruction by: **18:00 SD**

**Information on withholding tax rates for securities management:**

Withholding tax:	Interest	0%
	Dividends	15%

**Note:**

## J) TARGET MARKET

For better management of products, the MiFID II regulation requires the issuers of investment instruments and their distributors to determine the target market for the investment instruments. The target market means the offering of the investment instruments only to those clients for whom the instruments were intended by their issuer. ČSOB acts as the issuer and distributor. ČSOB creates the investment product and offers, recommends or sells it to the client.

The target market is evaluated with respect to the individual client and the specific transaction. When determining the target market for its investment products, ČSOB follows a list of categories defined in the general procedures of the European regulations, namely: the type of clients to whom the product is intended, knowledge and experience of the clients, their financial situation with respect to the ability to bear losses, risk tolerance and compatibility of the risk and reward ratio of the product with the target market, financial targets and needs of the clients. For this reason, ČSOB may request from the client further information beyond the current requirements.

We can evaluate the target market as positive, negative or neutral. If we evaluate the target market as positive, we will sell the investment product to the client. If we evaluate the target market as negative, we will not offer the relevant investment product to the client in accordance with the applicable regulations. If we evaluate the target market as neutral, we will inform the client thereof in advance. However, a neutral target market is not considered an obstacle to selling an investment product if the client insists on buying it.

Following the evaluation of the target market, ČSOB is obligated to provide the client with information on whether the sale of the investment instrument is in accordance with the target market or not. The rules for the definition of the target market cannot be equated with the obligation to determine the adequacy or suitability of the investment instrument for the client. These two areas of obligations exist separately and may intersect.

However, in the case of investment advice (both for transactions and portfolios), if the investment instrument or investment portfolio is assessed as suitable for the client, its target market is considered positive. If the investment instrument or investment portfolio is assessed as unsuitable for the client, its target market is considered neutral. If no investment advice is provided, the target market cannot be fully evaluated as the bank lacks information on the client's investment objectives, financial background and the client's approach to investment risk. In such a case, the bank evaluates only some of the categories defined above, namely the type of client for whom the product is intended and the knowledge and experience of the client. If the investment instrument is adequate to the client's knowledge and experience with investment instruments and services, its limited target market is considered positive; if the investment instrument is not adequate to the client's knowledge and experience with investment instruments, the limited target market is considered neutral. If the client refuses to complete the investment questionnaire, the bank cannot assess the adequacy of the investment instrument and whether it is positive or neutral for the target market.

For each transaction, we also evaluate whether the client's investment term (the maximum period of time for which the client intends to hold the investment) corresponds to the investment term of the investment instrument or investment portfolio. If the client's investment is sufficiently long-term with respect to the selected investment instrument or investment portfolio, its target market will be evaluated as positive. If the client's investment term is shorter, the target market will be evaluated as negative, and it will not be possible to complete the transaction.

## K) SUSTAINABILITY RISKS AND THEIR INCLUSION IN INVESTMENT ADVICE

### Sustainability Risks and Their Nature

When providing investment advice, ČSOB proceeds in accordance with the principles of social and environmental responsibility. Such principles, for example, prohibit us from investing in companies that act as manufacturers in the arms industry, manufacturers of nuclear weapons, companies associated with a real risk of violation of human rights or violation of environmental protection (hereinafter the “ESG Principles”).

Sustainability is an important topic for ČSOB, which makes it an integral part of its investment strategy. ČSOB will continue to expand its range with products complying with the ESG Principles.

### Return on Investment Product

The return on an investment product may be adversely affected by risk factors such as environmental and social events (e.g. environmental disasters or human rights violations and the resulting negative publicity). Should such an event occur, it can have a negative impact on the resulting product performance.

### ČSOB's Investment Policy

ČSOB continuously evaluates the underlying investments at the level of the issuer, but also at the level of asset allocation and at the regional sector level. As a part of such continuous evaluation, ČSOB also takes into account the principles of sustainable development and selects the appropriate investment products. ČSOB does not evaluate the individual products in terms of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (hereinafter the “SFDR”).

### Investment Advice

One of the prerequisites for the implementation of the ESG Principles into investment advice is the data from the product creators concerning the sustainability risks. ČSOB regularly evaluates such data, and if it is evaluated as relevant in relation to the provision of investment advice, it will inform the client thereof in accordance with the directive on markets in financial instruments (MiFID II).

More information on the provision of investment services is, within the meaning of SFDR (information on the ESG Principles, etc.), available on the ČSOB website <http://www.csob.cz/portal/csob/informace-pro-klienty-dle-mifid>.