

The summary of related documents

The summary contains statutory information related to concluding transaction with investment or hedging instruments, which the bank is obliged to disclose to clients when providing investment services.

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1. NOTICE REFERRING TO IMPORTANT FACTS RELATED TO THE ACTIVITIES OF INVESTMENT FIRMS AND THE ACTIVITIES OF PAYMENT INSTITUTION

(hereinafter referred to as "Notice")

1.1 Basic Information

Bank is notifying the Client with the following facts:

- (1) On the basis of a permission from the Czech National Bank (hereinafter referred to as "CNB"), the Bank is authorized to perform activities of an investment firm. It is authorized to sign a contract with the Client (hereinafter referred to as "Master Agreement"), because it is authorized to provide core investment services and actions and ancillary investment services necessary for the execution of the subject of the Master Agreement, primarily the following:

Core investment services:

- a) the receipt and transmission of instructions related to investment instruments,
- b) carrying out instructions related to investment instruments on the client's account. The execution of instructions related to investment instruments on the account of another person,
- c) dealing with investment services on own account,
- d) management of assets of a client under a contractual agreement with the client, if an investment instrument is part of such assets,
- e) investment advisory related to investment instruments,
- f) underwriting or placing investment instruments with the obligation of their subscription,
- g) placing investment instruments without the obligation of their subscription.
The investment service of the receipt and transmission of instructions in relation to investment instruments also comprises negotiating business with investment instruments.

Investment advisory related to investment instruments is the provision of individualized advisory, which directly or indirectly aims at the purchase, sale, underwriting, placement, payment, holding or other dealings with a specific investment instrument or instruments.

Ancillary investment services:

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

- b) provision of a loan or credit to a client in order to enable a business transaction with an investment instrument that the provider of the loan or credit participates on,
 - c) consultancy service related to capital structure, industrial strategy and related issues, as well as the provision of meetings and services related to the transformations of companies or company transfers (corporate finance)
 - d) Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments,
 - e) foreign exchange services connected to the provision of investment services,
 - f) services related to the underwriting or placing of investment instruments,
 - g) a service similar to an investment service which is related to asset value, which is connected to the value of the investment instrument as stated in § 3 paragraph, 1 letters g) to k) of act no. 256/2004 Coll., on Business Activities on the Capital Market as subsequently amended (hereinafter referred to as "Act on Business Activities on the Capital Market") and which is related to the provision of investment services.
- (2) On the basis of a permission from the CNB, the Bank is authorized to perform activities of a payment institution.
- (3) On the basis of the Master Agreement, the Bank conducts business (i.e. Agreements or Transactions) with the Client as specified in the Master Agreement. Information regarding the nature and characteristics of these investment instruments, the changeability of their prices, the Client's obligations connected to the investment instrument or created in connection to dealing with such an instrument, including possible obligations, are further described according to the nature of the given investment instrument in information brochures, which can be found on the internet address of the Bank: www.csob.cz/mifid. Information regarding investment instruments is also available in the key information disclosure document, which is provided by the Bank in accordance with the General Agreement. However, the client may always request that the Bank provide this document in writing.
- (4) Before concluding each Transaction, the Bank will provide the Client summary information about the costs and charges associated with such a Transaction as well as information about any inducements it receives from a third party in this context. At the Client's request, the Bank will itemise such costs and charges. No later than the following business day, the Bank will send the Client a confirmation of entering into the Transaction.
- (5) At least after the end of each calendar quarter, the Bank will provide the Client a statement of the Transactions entered into, listing also their up-to-date valuation.
- (6) In connection with entering into Transactions, the Bank may provide the Client investment advice; in this case it offers the Client only such Transactions where the Bank is the Client's counterparty. Where the Transaction concerns securities or dematerialised securities, the Bank will preferentially recommend instruments issued by the Bank or by members of the same business group. With regard to the limited scope described above, the activity is not considered investment advice on an independent basis within the meaning of the law. If the Bank provides

investment advice, the Client will receive information about the suitability of the Transaction, giving the Bank's recommendation and stating how it meets the preferences and characteristics of the Client. However, the Bank will not further evaluate the suitability of the recommendation in the future regardless of any change in the circumstances on the basis of which the recommendation has been given.

- (7) A certain amount of risk is connected to business according to the Master Agreement. More detailed information related to the risks connected with business according to the Master Agreement is available in information brochures, which can be found on the internet address of the Bank: www.csob.cz/mifid
- (8) All communication between the Bank and the Client according to the Master Agreement takes place in the Czech language, in the manner stated in the Master Agreement, unless a different language of communication is explicitly appointed in the Master Agreement. In situations that bear no delay, the communication with the Client may be led in the appointed language of communication by telephone/telephones with the use of the telephone number/numbers of the Client stated in the Master Agreement, or otherwise appointed by the Client.
- (9) If a malfunction of the telephone is to occur during the telephone communication between the Bank and the Client, the communication will take place using the mobile phone of the Client. If this mode of communication is also impossible, the email will be used as an alternate mode of communication. In the case that that this mode of communication is also not possible, the communication will take place via a recommended letter.
- (10) In accordance with the laws and regulations, the Bank has the obligation to record all telephone conversations or other communications related to the Agreements. The copies of these recordings and records will be available to the Client and the Client's request for five years or for seven years if the Bank is so requested by the regulator. The Bank may request the payment of the cost of providing such recordings or records.
- (11) The supervision of the Bank's activities as securities trader and a payment institution is performed by:

Czech National Bank

Na Příkopě 28, 115 03 Praha 1
www.cnb.cz

1.2 Categorization of clients and further information

- (1) In accordance with the applicable legislation, the Bank shall categorise its clients in one of the three following categories:

A) Standard (nonprofessional) client

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

B) Professional client

These are the bodies specified by the law or entities meeting certain material requirements. Persons may become a professional client at their own request provided that they meet at least some of the requirements specified by the law.

The level of protection provided top 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 entering into 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 a professional client. In addition, a professional client is expected to have sufficient financing 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 the lowest degree of protection. They are 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.

- (2) For the purpose of classification the Bank is entitled to ask clients for their personal data, which for all natural persons are the name and surname, date of birth, personal identification number if one was appointed and permanent residence. For entrepreneurs listed in the Commercial Register these are the business company or place of business and identity number, if one was appointed.
- (3) As an investment firm, the Bank has the duty to acquire, apart from the above mentioned personal information, also information regarding the expert knowledge and experience of the Client in the sphere of investment. In cases provided by the Act on Business Activities on the Capital Market, e.g. when the Bank provides the Client with investment advisory, information about the financial background and investment targets which should be reached by the provision of the service are also required. The acquired information allows the Bank to assess whether the provision of the given investment service corresponds to the level of the Client's expert knowledge and experience in the sphere of investment including the understanding of risks related to the investment, as well as corresponding to his financial background and investment targets.
- (4) For the purpose of assessing the suitability of the service demanded by the Client, as well as the appointment of the Client into an appropriate category, a questionnaire, or another document which substitutes a questionnaire in the case of some of the investment instruments, is given to the Client. Answering the questions listed in this questionnaire or other document is the condition for the signing of the Master Agreement, with the exception when on the basis of the Master Agreement the Bank provides a given service to the Client solely at the request of the Client.
- (5) In the case when the Bank evaluates the information acquired from the Client in such a way, that the provision of the particular investment service to the Client does not correspond to the facts discovered in accordance with this article, paragraph (3), (4) above, it will inform the Client of such a finding. In such a case to service is provided only when the Client insists on the provision of a specific business and confirms this with his signature. In such a case the Bank holds no responsibility for the possible losses of the Client.
- (6) A pledge of secrecy applies to all information from the Client according to principles set out in

legislation. Information from the Client is handled, safe kept and archived in accordance with the principles set out in legislation. (Act no. 101/2000 Coll., On the Protection of Personal Information, as subsequently amended, complete wording under no. 525/2004 Coll., and act no. 499/2004 Coll. on Archiving and Document Services and on the change of some acts as subsequently amended)

- (7) The Bank would like to inform the Client about the possibility of other costs arising in connection to businesses in accordance with the Master Agreement, including taxes, the payment of which the Bank does not provide. The tax system related to business according to the Master Agreement adheres to the present principles set out in legislation of the Czech Republic, especially the current Law on Income Tax. The subject of the income tax of natural persons or legal entities are the incomes according to the relevant regulations of the Law on Income Tax. This law will also set the rules for income tax exemption. The regime of taxations of the incomes or profits of individual clients depends on the current tax regulations and the client's situation, which needn't be the same for everyone. The bank does not offer tax advisory.
- (8) When providing services according to the Master Agreement, the Bank is obliged to use all expert care which is necessary for the maintenance of the Client's rights in accordance with the principles set out in legislation.
- (9) The Bank is obliged to inform the client about possible known risks connected to business according to the Master Agreement and is entitled to refuse a Client's instruction which could negatively affect the client's financial situation. It is further obliged to inform the Client about possible risks which could be connected to a desired service or instruction and the possible protection against these risks. Detailed information about the facts in this paragraph can be found in the information brochures on the Bank's internet pages: www.csob.cz/mifid.
- (10) If problems arise while processing the client's instructions, the Bank immediately informs the Client of these problems. The communication in such a case will take place in the standard manner, in the way described in the Master Agreement, unless the Client and the Bank explicitly agree upon a different mode of communication for these instances.
- (11) The Client agrees that the Bank is entitled to group his instructions with the instructions of other customers. The Bank is entitled to group the Client's instructions with the instructions of other clients. The Bank is generally entitled to carry out a Client's instruction or a transaction on its own account together with an instruction from another client in a way that the grouping of instructions is not disadvantageous for clients, whose instructions are to be grouped, otherwise the client, whose instruction is to be grouped, must be informed that the grouping of this instruction could be to his disadvantage, if such a disadvantage can occur. The possible grouping of instructions does not have an effect on the fees the Client is charged in connection to the services provided on the basis of the Master Agreement.
- (12) The Bank may refuse the provision of a desired service, either partially or completely, if a conflict of interests could arise between the Bank and the Client or the Client and other customers of the Bank. The Bank is obliged to inform the Client about such a situation without delay and demand an agreement from him, or an instruction regarding the consequent procedure. In such a case, the communication will take place in the standard manner, in the way described in the Master Agreement.
- (13) When providing investment services in relation to discharging the subject matter of the Master Agreement, there exists a risk of a conflict of interests, which could negatively affect the interests of clients. When providing investment services according to the Master Agreement, measures are taken to ensure the observance of rules of conduct towards clients including the obtainment of information from clients and procedures consisting mainly of judging the appropriateness of a

service demanded by the Client and in some cases also appointing a Client into an appropriate category, warning the Client about the inappropriateness of a demanded service, keeping secrecy about acquired information, setting the inside control system of the Bank and separating some activities, which ensure the provision of investment services to the Client on the basis of the Master Agreement and all this leads to the decrease of such a risk.

When providing investment services the Bank identifies and manages conflicts of interest between itself and its clients or between the clients themselves, in accordance with the principles set out in legislation.

Being a member of a group of businesses, the Bank identifies and manages conflicts of interest likewise with respect to all predictable circumstances, which can initiate conflicts of interest resulting from the structure of the group of businesses and the subject of enterprise of its members.

The above mentioned conflicts of interest must not negatively affect the interests of customers.

If, despite the adopted measures it is not possible to reliably prevent a negative impact of conflicts of interest on the interest of the Client, the Bank shall inform the Client about the nature or source of the conflicts of interest prior to the provision of the investment service.

More information about the issues connected to conflicts of interest and the specification of measures which the Bank takes in order to prevent such conflicts, are available in the document "Approach of ČSOB to managing of Conflicts of Interest when offering Investment Services" which can be found on the internet page www.csob.cz/mifid.

- (14) In relation to offering services according to the Master Agreement the Bank may accept from third persons other than clients or provide such third persons with financial obligations, which either allow or are necessary for the provision of investment services according to the Master Agreement or they contribute to an improvement of services provided to clients and are provided under such conditions as not to endanger the fulfillment of the Bank's obligation to act with expert care including the duty to act in the best interest of the Client.
- (15) The agreements about the existence and conditions of security interests or rights of lien of the Bank are stated in the Master Agreement or another contractual document referring to investment instruments.
- (16) The Client may submit a complaint or grievance in accordance with the ČSOB Complaint Procedure, which defines the method of communication of the Client, a potential client or other person and the Bank in cases where the Client submits a complaint or grievance to the Bank. The purpose of the Complaint Procedure is to define the required content of complaints and grievances, the procedures related to submission of complaints and grievances by the Client to the Bank and the conditions of the handling of complaints and grievances by the Bank. The Complaint Procedure is published on the Bank's website (www.csob.cz) and is also available to clients at each of the Bank's outlets.

The Complaint Procedure shall apply to complaints and grievances under the Master Agreement, provided that such complaints and grievances are submitted in writing to the following address:

Československá obchodní banka, a. s.
Radlická 333/150
150 57 Praha 5
Financial Markets
Attn.: Head of the Financial Markets Department

In accordance with the ČSOB Complaint Procedure, this Notice provides the following details on complaints and grievances:

a) The requisites of complaints and grievances

- aa) A complaint is a submission by the Client in the event that the Client believes that the Bank has failed to comply with the contractual provisions or has acted contrary to legislation.
- ab) A grievance is a submission by the Client against the form and content of any information provided to the Client or, as the case may be, against any actions or conduct of the Bank's employees etc.
- ac) Each complaint or grievance submitted must contain the following information about the Client and about the subject matter of the complaint or grievance:
 - name, surname and date of birth of an individual or name / commercial name and ID No. of an individual – businessman or a legal entity or IPPID of an electronic distribution channel Client
 - contact address or telephone no. or e-mail address where the Bank may ask for more details on the complaint or grievance concerned;
 - account no., if the Client has an account kept with the Banks;
 - accurate description of the matter being complained about accompanied by relevant data and documents (e.g. an account statement, a copy of a payment order, a contract/agreement or other information).
- ad) The Bank may invite the Client to supply further documentation related to the complaint or grievance concerned. The Client is obligated to provide the necessary assistance during the proper process of handling the complaint or grievance concerned. An incomplete complaint may be completed by the Client within ten (10) calendar days after delivery of a request for completion. If the Client fails to complete the complaint on the Bank's request, the Bank will handle the complaint on the basis of incomplete data if possible, otherwise the Bank will put the complaint aside.

b) Time limits

- ba) The time limit for handling a complaint or grievance is thirty (30) days after delivery of the complaint or grievance to the Bank. The time limit for handling a complaint regarding payment services is 15 business days after its delivery to the Bank. The time limit for correction or completion of the complaint is not included in the 30-day time limit. If it is not possible to handle the complaint or grievance within the 30-day time limit, the Bank shall inform the Client in writing about the reasonably expected date of handling the complaint or grievance.
- bb) The Bank shall inform the Client in writing or by e-mail about the handling of the complaint or grievance, unless a different method of providing this information is individually agreed with the Client.
- bc) The costs associated with the handling of complaints and grievances submitted by clients shall be borne by the Bank, unless the schedule of charges specifies otherwise.

c) Appeal options

- a) If the Client is not satisfied with the way in which its complaint or grievance has been handled, the Client may refer in writing to the Bank's registered office. In the case of disputes between the Client and the Bank in transfers of funds in the area of payment systems and disputes between the issuers and users of electronic means of payment, the Client may refer to a financial arbitrator. This shall not affect the Client's right to refer the matter to a court.

d) Time limits for submission of complaints and dismissal of complaints by the Bank

- da) A complaint must be submitted without undue delay after the Client becomes aware of the reasons for a complaint, but no later than during the limitation period specified by the applicable legislation.
- db) The Bank will dismiss a complaint, if:
- the Bank documents that it has acted in the matter concerned in accordance with the relevant contractual provisions and/or legislation
 - the limitation period has expired
 - proceedings have commenced before a financial arbitrator or a court in the matter concerned
 - a decision has already been made by a financial arbitrator or a court in the matter concerned

1.3 Information about the Guarantee Fund of Investment Firms

- (1) The Guarantee Fund **and its basis** the investment instruments held by the Bank on behalf of the clients are protected by the Investor Guarantee Fund (hereinafter the "Guarantee Fund") under certain circumstances. The Guarantee Fund is a legal entity that provides a guarantee scheme from which compensation is paid to the clients of an investment firm that is unable to meet its obligations to the clients. The Guarantee Fund is not a state fund. The obligation to pay a contribution to the Guarantee Fund applies to each investment firm, including the Bank. These funds are one of the sources for the assets of the Guarantee Fund.
- (2) **Compensation from the Guarantee Fund.** The Guarantee 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 investment firm. The compensation is determined on the basis of the value of the assets on the date on which the Guarantee Fund has received the relevant notice from the Czech National Bank.
- (3) **Compensation Claim and Payment** The Guarantee Fund publishes notifications of an investment firm's inability to meet its obligations to its clients. Clients must present their claim within the period specified by law. The compensation from the Guarantee Fund must be paid within 3 months 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 Guarantee Fund is limited by the lapse of 5 years from the due date of the client's claim for compensation from the Compensation Fund.

- (4) **Notices and other information.** Please be advised by the Bank that the above-mentioned information is only general. Detailed information can be found in Act No. 256/2004 Coll. on capital market undertakings, as amended, and on the website www.gfo.cz.

1.4 The Insurance of Funds

- (1) When dealing with the Client's financial assets the Bank is obliged in connection to the Master Agreement to take such measures as to protect the Client's rights to these assets and especially to exclude the use of these assets for business on its own account or the account of another client, unless agreed otherwise with the Client. These measures do not relate to the Client's deposits at the Bank including the balances on the current, deposit or other account of the Client with the Bank.
- (2) The provision of article III. does not apply to the Client's financial assets, the dealing with which follows the appropriate regulations of act no. 21/1992 Coll., on Banks, as subsequently amended, which regulates the activity of the Deposit Insurance Fund, which is part of Guarantee Fond.

1.5 Payment System

- (1) Prior to conclusion of the Master Agreement the Client was provided with pre-contractual information and the Accounts and Payments Terms and Conditions and it was informed by the Bank about the following:
- a. the Bank (commercial name, registered office, branch office address, electronic address used for communication with the Client)
 - b. the method of communication between the Bank and the Client
 - i. the means of communication between the parties and the technical requirements for the Client's equipment for such communication;
 - ii. the manner and time limits of providing information or making information available;
 - iii. the language in which the Master Agreement is to be concluded and the language in which the communication between the Bank and the Client will take place during the term of the Master Agreement;
 - iv. the manner which Bank informs Client in case of suspicious unauthorized or fraudulent use of payment instrument;
 - v. the Client's right to obtain, on request, information and the terms and conditions of the Master Agreement.
 - c. The Master Agreement and its terms and conditions:
 - i. the method of modifying the Master Agreement;
 - ii. the data on the duration of obligation resulting from the Master Agreement = for an indefinite term;
 - iii. the termination right of obligation resulting from the Master Agreement and consequences and conditions of termination = the Bank's right to terminate Transactions early and set the Early Termination Date;
 - iv. the fact that the Bank's proposal for modification of the Master Agreement is deemed accepted under the terms set forth in section 152 (3) of the Payment System Act;
 - v. information on the governing law of the Master Agreement and on the powers or jurisdiction of courts;
 - vi. information on the method of out-of-court settlement of disputes between the Client and the Bank and on the Client's option to file a complaint to a supervisory authority.

- d. The Client's and the Bank's responsibility under the Master Agreement
 - i. if a Client is to be issued a payment instrument, about the description of the measures to be adopted by the Client to protect the Client's security elements and about the method in which the Client is to report the loss, theft, abuse or unauthorised use of the payment instrument, and about the conditions under which the Bank may block the payment instrument if so agreed;
 - ii. the terms under which the Client will bear the loss resulting from an unauthorized payment transaction, including information on the amount up to which the Client will bear this loss;
 - iii. information on the method and time limit for notification of an unauthorized or incorrectly executed payment transaction to the Bank;
 - iv. the Bank's responsibility for an unauthorized payment transaction;
 - v. the Bank's responsibility for incorrect execution of a payment transaction;
 - vi. the terms of refund of the amount of an authorized payment transaction executed at the recipient's initiative;
 - vii. the terms under which the provider recipient is authorized to carry out corrective settlement under the act on banks or under the act on credit unions
- e. The payment service provided:
 - i. a description of the payment service;
 - ii. information or unique identifier the provision of which is a precondition for the proper execution of the payment order;
 - iii. the form and procedure of handing over consent to the execution of the payment transaction and withdrawal of such consent;
 - iv. information on the moment of acceptance of the payment order according to § 158 and on the moment close to the end of a business hours according to § 158 of the Payment System Act, (if agreed)];
 - v. maximum time limit for execution of the payment service;
 - vi. [(if agreed) information on the limitation on the total amount of payment transactions executed by using a payment instrument for a certain period according § 163 of the Payment System Act,];
 - vii. information on the remuneration that the Client is obligated to pay to the Bank and information on whether this remuneration is composed of several individual items plus a breakdown of these items;
 - viii. information on interest rates and exchange rates that are to be applied or information on the method of calculation of interest or conversion of currencies and the relevant day and index or basis for the determination of a reference interest rate or a reference exchange rate, if a reference interest rate or a reference exchange rate is used;
 - ix. [(if agreed) information on the fact that the Bank may, at any time, unilaterally and without prior notice modify the parties' agreement on interest rates according to § 152 (5) of the Payment System Act and exchange rates according to and further information related thereto];
- f. information on the fact that the Bank is entered in the list/register of providers, the Bank's registration number or other information allowing for identification of the Bank in such list/register;
- g. the name and registered office of the body that supervises the Bank's payment services activities.

2. ČSOB'S APPROACH TO LIMITING CONFLICTS OF INTERESTS IN THE PROVISION OF INVESTMENT SERVICES

2.1 Introduction

When providing investment services, Československá obchodní banka, a. s. (hereinafter “ČSOB”) acts honestly, fairly and professionally in accordance with the best interests of its clients. Protection of interests of all clients is a priority of ČSOB. With expansion of the complexity and range of the products offered to its clients in the area of investment services, and with growing number of clients to whom ČSOB offers its services, and their specific requirements, there is also a growing risk of situations when ČSOB and their Clients, potential Client included, could get to mutual conflict of interest. That is the reason why, when providing investment services, ČSOB identifies and manages conflicts of interest in accordance with the principles established by law and adopts necessary measures in order to mitigate potential negative impacts on the interests of the clients as much as possible. As ČSOB is a member of the KBC Group, it also identifies and manages conflicts of interest with regards to all foreseeable circumstances that could give rise to conflicts of interest resulting from the structure of the business group and the lines of business of its members. ČSOB's approach towards conflicts of interest is also in line 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) No 596/2014 of the European Parliament and of the Council on market abuse,
- Regulation (EU) of the European Parliament and of the Council 2016/1011 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 as regards organisational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive,
- Act No. 256/2004 Coll. on capital market undertakings, as amended,
- Decree No. 308/2017 Coll. 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 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 between them;
- investment intermediaries through whom ČSOB receives the order to purchase or sell securities and their clients.

The Policy specifies a number of 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 to the interests of another client or another 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 clients' interests.

2.2 ČSOB Procedures for managing conflicts of interest

In order to manage potential conflicts of interest, when developing, modifications and marketing of new investment instruments and services, ČSOB assesses whether new conflicts of interest could arise through the launch of the investment product or service on the market. The same process is followed during regular revisions of the investment products and services that ČSOB is already offering. If it is impossible to fully exclude a potential conflict of interest, ČSOB will adopt any and all measures necessary to prevent this 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 introduced organizational and administrative measures to prevent and manage conflicts of interest when providing investment services, those being primarily:

Policies:

- ČSOB Group Employee Code of Ethics, the purpose of which is to lay down and promote corporate values, including fair conduct by the employee 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 Inducements in the Provision of Investment Services (detailed information about the ČSOB policies regarding inducements in the provision of investment services is available at www.csob.cz/mifid);
- Market Abuse Prevention and ČSOB Employee Personal Trading Policy (containing the rules aimed against insider dealing and market manipulation 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 concerning:

- the ČSOB anti-corruption programme;
- the protection and handling of internal and other confidential information regarding clients and their orders and transactions;
- dealings with clients,
- trading in financial markets,
- executing orders,

- contribution of the PRIBOR reference rate,
- remuneration,
- 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 it the remuneration of an employee is independent from the performance-based remuneration of the 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 an employee is ensured,
 - to ensure mutual independence of the individual units of ČSOB that may be mutual conflict the separate management (the controlling and reporting lines),
 - to control the activities of an employee by another employee (the four-eyes principle);
- with a view to group-based management and mitigation of any conflict of interest arising from the membership of ČSOB in KBC Group

In case that even in spite of adopted regulation and measures, it would not be possible to reliably and sufficiently prevent the detrimental influence of a conflict of interests on the interests of a client, ČSOB will inform the client of the nature and source of the conflict of interest before providing any investment services and thus allow them to make an informed decision.

In order to prevent any uncertainty, ČSOB hereby informs its clients and potential clients of the existence of potential conflicts of interest that generally arise from the nature of bank activities and the membership of ČSOB in the KBC Group. These potential conflicts of interest, which ČSOB manages in accordance with the abovementioned principles, arise from the fact that ČSOB

- distributes investment instruments issued by ČSOB or other companies from the KBC Group,
- arranges issues and/or distributes the instruments of issuers to whom it also provides other services of a financial nature.

3. INFORMATION ABOUT THE PRINCIPLES OF THE BEST EXECUTION OF CLIENT ORDERS (“INFORMATION”)

3.1 Introduction

This document includes important information about the procedures and policies regarding the best execution of the client 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 obligations.

3.2 Information about principles the best execution of client orders

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

The best execution of client orders does not mean the obligation of ČSOB to execute each individual client order under absolutely the best conditions. It means compliance with the procedures and rules for client order execution with a view to ensure that the best possible result is achieved for client 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 Act¹ 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 (except the 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 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 agreement to sell a Product issued by ČSOB by a member of the ČSOB Group or KBC at the moment of its issuance (i.e. in case of issues). Execution of client 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 (for details see below).

The Principles do not apply to cases that do not concern the execution of client orders, and ČSOB is thus not obliged 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 one);
- the market in the relevant Product is transparent, i.e. there are multiple bank or investment firms on the market who are prepared to make an offer to enter into the relevant Product at the request of the client;

- the circumstances of entering into 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 with the procedures and rules specified in these Principles.

3.3 Approach to the best execution

3.3.1 Principles of the best execution

A number of factors are considered with a view to the best execution of the orders of a ČSOB client. 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 execution. In addition to the total costs, the key factors in executing client orders also include liquidity, speed, likelihood of execution and settlement, size, nature or any other consideration relevant to the execution of the order.

In order to determine the relative importance of the different 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 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 transaction (“SFT”);
- d) the nature of the execution venues to which the order in question can be directed.

Other factors may be more important for executing the client orders. For example, this could apply to 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 view to achieving the best possible results for the client.

As regards 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 estimate of the price of the Produce; 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 entered into.

3.3.2 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 business is similar to the business of any of the execution venues specified above.

ČSOB typically executes client orders by dealing on its own account. It means that it executes the client order by entering into a transaction with the client on own account. In such a case, ČSOB is the execution venue.

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 result for the client or whether the method 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.
- c) MTF (e.g. Bloomberg MTF)
- d) OTF

3.3.3 Specific instruction regarding order execution

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 in these Principles.

NOTICE: 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 it in its Principles to achieve the best possible result of executing such orders for the client.

3.3.4 Conflict of interests

- (1) When providing investment services ČSOB identifies and manages conflicts of interest between itself and its clients or between the clients themselves, in accordance with the principles set out in the legislation.
- (2) Being a member of a group of businesses, ČSOB identifies and manages conflicts of interest likewise with respect to all predictable circumstances, which can initiate conflicts of interest resulting from the structure of the group of businesses and the subject of enterprise of its members.
- (3) ČSOB manages the above-mentioned conflicts of interest so as to avoid any adverse impact on the clients' interests.
- (4) If it is impossible to fully exclude a potential conflict of interest, ČSOB will adopt any and all measures necessary to prevent this 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 orders to, or entering them in a specific execution venue, ČSOB accepts no inducements that could result in the violation of the conflict of interest management requirements and rules.

3.4 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 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 on a consistent basis the best possible result for the clients, and any deficiencies are corrected.

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

3.5 Demonstration of best execution of client's instruction

The client is entitled to request ČSOB to demonstrate that it is executing or has executed his instruction in accordance with these principles of best execution

3.6 Client consent with the Principles and with trading on an OTC market

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

These Principles enable the execution of the client 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 laws and 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 about 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 about executing an order on an OTC market and the consequences thereof.

3.7 Best execution according to the 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.

This chapter outlines such policies.

- The rules and procedures described in these Principles do not prohibit ČSOB from acting otherwise if it does not believe 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 the publication of financial data or in case of an adverse change in the creditworthiness of the issuer of the relevant Product.
- In case of emergency, e.g. a system failure, ČSOB may not be capable to execute 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 case of 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 any deficiencies identified are corrected.

3.7.1 Bonds, structured securitised debt and money-market instruments

As regards bonds, structured securitised debt and money-market instruments, ČSOB approaches executing orders from retail and professional clients in the same way.

Typically, these are bonds, structure securitised debt 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 because the Product, issued by ČSOB, is not inherently available in other venues. The client order is thus executed by ČSOB by entering into a transaction on its own account. With a view to the best execution of the client order ČSOB has set up internal models for determining the competitive and fair price; such models are subject to internal verification.

As regards orders concerning bonds, structure securitised debt 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 Products. In order to execute client orders regarding this particular type of Products, ČSOB has chosen BMTF because this system usually enables the comparison of prices from multiple counterparties for the specific title. ČSOB then chooses the quote that is best for the client among the quotes shown in BMTF. In addition, the Bloomberg system also includes the ALLQ (ALL QUOTES) functions, 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 initiative of the client. 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 on a consistent basis to execute client orders concerning bonds, structured securitised debt and money-market instruments that are not issued by ČSOB under the best conditions.

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

3.7.2 Collective investment securities

As regards 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 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 undertakings are bought for an amount that equals their current value announced on the determining date specified in the statute/prospectus of the fund; this amount may be increased by a mark-up, which is specified in the statute/prospectus of the fund. The securities of collective investment undertakings are redeemed for a price that equals its current value applicable on the date on which ČSOB has received the application of the unit holder for redemption; this amount may be reduced by a mark-down which is specified in the statute/prospectus of the fund (for the benefit of the fund to cover the costs). The value of the securities of the specific collective investment undertaking in the client's portfolio on a certain date represents the value of the share of client in the assets of the relevant undertaking on that date. The value of a security of a collective investment undertaking 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.

3.7.3 Derivatives traded on a regulated market, in a multilateral trading facility and an organised trading facility

As regards 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.

3.7.4 OTC derivatives

As regards 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 investment firms to obtain information about 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.

4. ČSOB'S APPROACH TO INCENTIVES IN THE PROVISION OF INVESTMENT SERVICES AND PENSION PRODUCT DISTRIBUTION

4.1 Introduction

The purpose of this document is to provide general information about payments and other performances received and provided in the course of the provision of investment services (hereinafter referred to as “incentives”) by Československá obchodní banka, a. s. (hereinafter referred to as “ČSOB”). ČSOB provides investment advice and the brokerage of other investment services to its clients who are planning to invest into collective investment fund unit certificates and into other investment instruments. ČSOB does not bill its clients for the costs of the provision of investment advice; instead, it 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 these incentives received and paid by it increase the quality of the investment service concerned and that this does not in any way concern its obligation to act with a professional care in the best interest of its clients. This is achieved, above all, through measures aimed at ensuring adherence to rules governing client treatment, by the set-up of ČSOB's internal control system and by the separation of certain activities aimed at the provision of investment services to clients.

The client will be informed about the specific amount of incentives in the provision of an investment service, based on regularly informing the client of the product.

4.2 General information about inducements

ČSOB receives incentives in the form of commissions and other financial performance from investment companies managing collective investment funds, from securities traders, providers of client asset management investment services, from bond issuers, and other third parties. ČSOB also provides incentives to third persons distributing investment instruments. Incentives may be one-off, connected to the purchase of a particular investment instruments, or can be regular.

ČSOB also accepts and provides to third parties non-monetary inducements, in particular, in the form of organising and participating in conferences, marketing materials, and other activities consisting in informing the sales network about products and promoting cooperation.

ČSOB also receives and provides operational inducement, i.e. inducements received from, or provided by, third parties, which enable the provision of the investment services or are necessary for that purpose and their nature is not in contradiction with the obligation to act with professional care. Such inducements include, for example, payments to the organiser of a regulated market or settlement system for the provision of its services, fees for external audit, 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 expended on product promotion may be paid by another company from the ČSOB/KBC Group, up to the amount of the campaign budget set in advance.

4.3 Collective Investment Funds

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

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

4.4 Brokerage of the Conclusion of an Agreement with a Securities Trader

If a client (customer) enters into an agreement commissioning the purchase or sale of a security from/to another securities trader through ČSOB, ČSOB receives an incentive from the trader amounting to 30% of the fees paid to the securities trader by the client for one year after the conclusion of the commissioning agreement, minus any costs immediately related to the performance of the securities trader's obligations to the client.

4.5 Brokerage of the Conclusion of an Agreement on the Management of a Client's Assets

In connection with the brokerage of the conclusion of an agreement on the provision of this investment service, ČSOB regularly receives from the provider of the service an amount corresponding to a share in the remuneration for the management of individual portfolios (so-called management fee), which share is determined from that part of the assets under management that were invested by clients – individuals who demonstrably entered into a management agreement through ČSOB. The remuneration amounts to 60% of the management fee received by the investment service provider.

4.6 Other Investment Instruments

With respect to certain existing third-party bond issues issued before or on 31 December 2011, ČSOB receives regular incentives of up to 1.00% p.a. of their nominal volume. With respect to bond issues issued from 1 January 2012 on, ČSOB does not receive any regular incentives, but may receive and provide one-off incentives of up to 2.00% of the nominal value.

4.7 Pension Products

ČSOB receives an incentive amounting to 3.5% of the average salary in the national economy, as announced by the Ministry of Labour and Social Affairs with respect to the first to third quarters of the previous calendar year, from ČSOB penzijní společnost, a. s., for the brokerage of pension or supplementary pension savings and related activities.

5. INFORMATION ON PROTECTION OF CLIENTS' PROPERTY

Pursuant to Article 38(6) of Regulation (EU) No 909/2014, central depositaries and their participants publish the levels of protection and costs associated with individual types of accounts opened in the central depositary's records.

Central securities depositaries in the Czech Republic (hereinafter "CSDs") open accounts for their participants that allow the aggregate separation of the clients (hereinafter "omnibus accounts") and accounts that allow the separation of individual clients (hereinafter "individual accounts").

Central depositaries keep a central register of book-entry securities and a separate register of investment instruments (Sections 92 and 93 of Act No. 256/2004 Coll., on capital market undertakings (hereinafter the "Capital Market Undertakings Act")).

The central register records book-entry and immobilized securities with whose issuer the central depositary concluded an Issue Register Agreement.

The type of records determines the type of account which may be opened in the register related to the central or separate register maintained by the central depositary (Section 94 of the Capital Market Undertakings Act).

The CSD will allow the opening of an owner's account (Section 527 of the Civil Code) and a client account (Section 528 of the Civil Code).

An account may be opened only on the order of a central depositary participant (Section 95a(1a) of the Capital Market Undertakings Act), except for the issuer's technical account opened by the CSD.

An owner's account is an account that records the book-entry securities of the person for whom the account was opened. The owner of the book-entry security is deemed to be the person in whose owner's account such book-entry securities are registered.

A client's account is an account that records the book-entry securities of entities which have entrusted the book-entry securities to the person for whom the account was opened. The person for whom the client account was opened is not the owner of the book-entry securities registered in that account.

A client's account may be opened only for a person authorized to maintain the register, as referred to in Section 92(2) or Section 93(3) of the Capital Market Undertakings Act. An entity that maintains a register linked to the central register tracks the details in the owner's accounts. An entity that maintains a register linked to the separate register tracks the details in the owner's accounts, or client accounts for legally defined entities.

ČSOB will use aggregate client separation unless the client specifically requests that its account be separated from other clients. Where ČSOB applies aggregate client separation, it holds securities belonging to multiple clients in one omnibus securities account in the CSD/Short-Term Bond System. However, ČSOB will not hold any of its own securities in the same omnibus account. An omnibus account is set up as a client account in the name of ČSOB. In the case of a client account, ČSOB keeps related records, within the framework of which it establishes securities accounts for its clients where it maintains the securities held in the omnibus account. Should ČSOB ever become insolvent, securities of clients held in individual accounts or in omnibus accounts shall not form part of ČSOB's assets and shall not be used to satisfy ČSOB's creditors. In the event of insolvency, the insolvency administrator shall be obliged to release these securities to the clients of ČSOB without undue delay.

The participant who ordered the opening of an account in the CSD register is obliged to pay the fees set out in the CSD Price List. For the most significant fee for maintaining book-entry securities, the price list does not distinguish between omnibus and individual accounts. The price list considers the volume of securities, type of security or investment instrument and in which central depository register they are registered. Clients can find information on the current fees and amounts charged by the CSD on the websites of the respective central depositories (www.cdcp.cz and www.cnb.cz/cs/financni_trhy/SKD).

The legal relationship of the owner of the asset account is based on the provisions of Section 94 of the Capital Market Undertakings Act, which state that the asset account is opened on the basis of an agreement between the beneficiary of such an account and an entity authorized to open it. The person authorized to open an account in the CSD register is the CSD participant. The legal relationship between the central depository and its participant is governed by Czech law. The central depository has no legal relationship with the account owner.

Insolvency proceedings initiated against a CSD shall be governed by Czech law. In the event that insolvency proceedings are initiated against a CSD, the provisions of Article 38 of CSDR apply, according to which a central depository may not use securities that do not belong to it for any purpose. In principle, the central depository is not the owner of the book-entry securities recorded in the register maintained by the central depository in the asset accounts of other owners.

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

In the event that the client's investment instruments are held on behalf of ČSOB by sub-custodians/depositories, ČSOB is liable for damage caused by such sub-custodians/depositories 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/depository 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 generally held with the sub-custodians/depositories in client collection accounts, i.e. accounts where the investment instruments of the clients are maintained together (omnibus accounts). These accounts are usually maintained in the name of the banks/custodians. If it is permitted under the law governing the sub-custodian/depository and the operating rules governing the sub-custodian/depository, the omnibus accounts may be designated and maintained as customer accounts. The client is entitled to a proportionate part (number/volume) of investment instruments held in the customer's sub-custodian/depository collection account, which corresponds to the balance recorded in the asset account at ČSOB. The client may request a separate customer account with a foreign sub-custodian/depository through ČSOB.

The management of the client's investment instruments deposited with foreign sub-custodians/depositories 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 depository's rights to the investment instruments held by the depository. In such cases, there is a risk that the investment instruments of the clients held in accounts not designated as customer accounts will become a part of the bankruptcy assets in the event of the insolvency of the sub-custodian/depository;

in such cases, the relevant receivables will have to be claimed in the insolvency proceedings. However, such risk is significantly limited if the Bank keeps follow-up records in the form of asset accounts on behalf of individual clients. 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 clients by separating the assets of the clients from the assets of the sub-custodian/depositary. If the sub-custodian/depositary becomes insolvent, the client's assets will not become a part of its 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 custodian/depositary or, for some reason, such a distinction cannot be made. In such a case, there is a risk that the investment instruments in 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 a sub-custodian/depositary in non-EU countries may differ accordingly. Therefore, ČSOB does not use sub-custodians/depositary in jurisdictions that do not allow it to meet the requirements for their due separation from the funds or financial instruments of the sub-custodian or ČSOB. In the event that such a sub-custodian is used, the ČSOB front-office employee for Custody will inform the client that the MIFID II provisions do not apply.

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 the legal regulations.

ČSOB is entitled to unilaterally offset 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 a purpose, ČSOB is entitled to make the necessary conversion into any currency), and notify the client of any such an 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 custodians/depositaries in customer collection accounts, i.e. accounts where the investment instruments of the clients are maintained collectively.

Sub-custodians/depositaries may not exercise collateral, security interest, or offset rights against the client's investment instruments or funds in order to recover debts that do not relate to the client or the provision of services to the client. In the event that the client's investment instruments or funds are located in a third country whose law requires the custodian to be able to exercise collateral, security interest, or offset rights against the client's investment instruments or funds in order to recover debts that do not relate to the client or the provision of services to the client, and ČSOB must enter into an agreement which creates such rights for the custodian, ČSOB must notify the client thereof and of the risks associated with such an arrangement.

In the case of UCITS/AIFMD fund assets, the authorized sub-custodian/depositary must maintain a strict separation of the assets from these funds by always separating the ČSOB client assets (i.e. funds) from its own assets and ČSOB assets so that it is always clear that the given assets belong to ČSOB clients. It is necessary for the ČSOB client (i.e. the fund or investment company) to disclose its UCITS/AIFMD assets and confirm the relevant asset separation instruction. In the case of UCITS/AIFMD, custody risks need to be monitored particularly closely throughout the custody and information chain. Where the insolvency law or judicature does not recognize UCITS/AIFMD asset separation in the event of an insolvency of a third party, the management or investment company of the fund in question will be informed immediately.

6. POLICY ON EXERCISING VOTING RIGHTS AND OTHER TYPES OF SHAREHOLDER ENGAGEMENT

ČSOB does not act as a voting advisor but executes the instructions of its clients regarding the exercise of shareholders' rights only in the "execution" mode. According to the client instructions executed on the basis of the agreement on the custody and management of securities, ČSOB provides, among other things, representation at general meetings and implementation of all other types of "corporate events", i.e., for example, subscriptions, redemptions, mergers, splits, etc., independently of the client's instructions or the voting method of ČSOB itself. The share of votes of ČSOB is usually negligible.

Companies in which ČSOB's ownership interest is substantial (usually 100% or decisive) are not companies whose shares are admitted for trading on the European regulated market. The list of these companies is regularly published on the ČSOB website as an annex to the annual or semi-annual reports.

As a result, pursuant to Section 127 (h) of Act No. 204/2019 Sb., ČSOB does not publish information pursuant to Sections 127f and 127g (1).