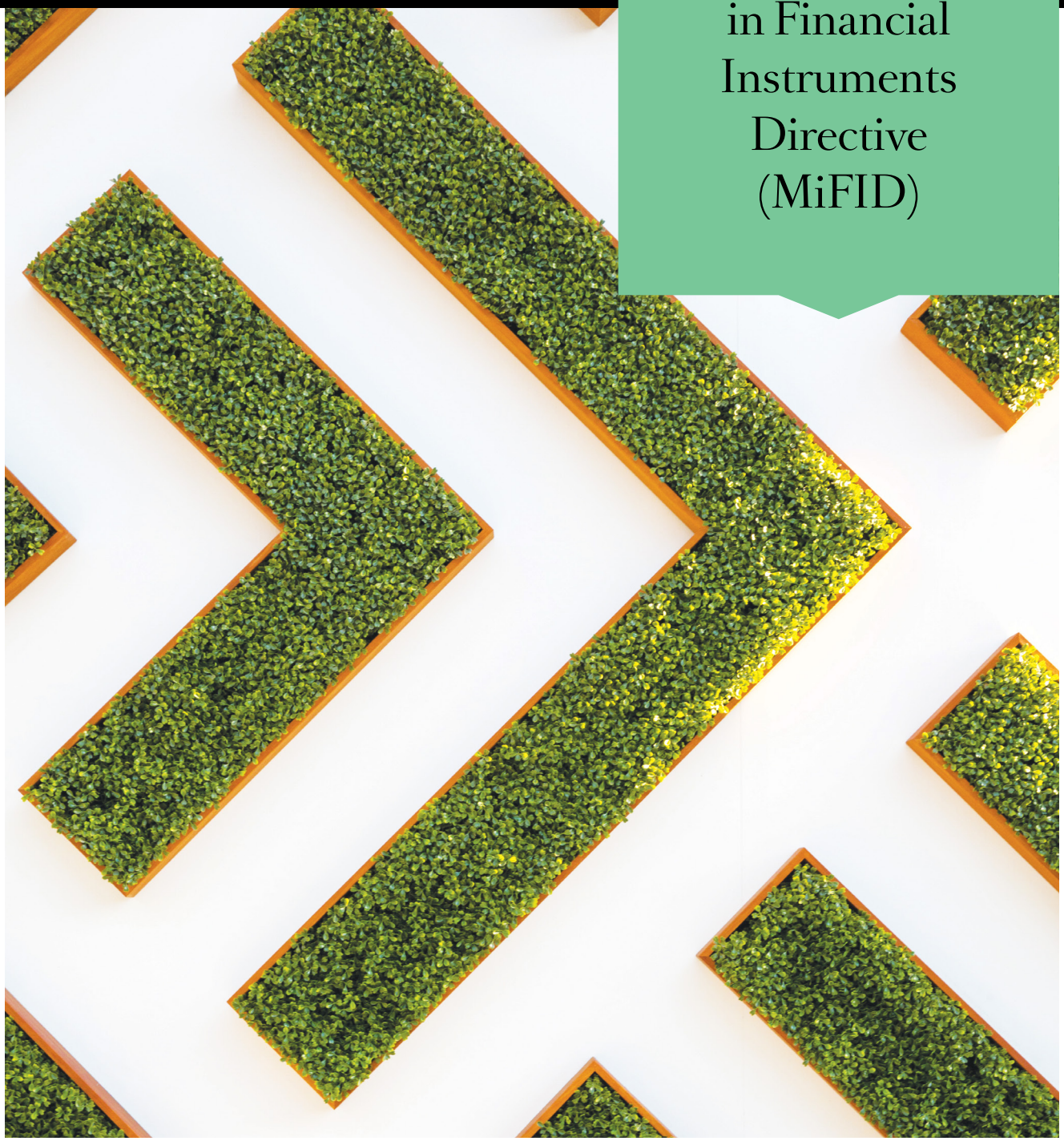
Degroof Petercam

European Markets in Financial Instruments Directive (MiFID)



MiFID II

Information for non-professional clients of Bank Degroof Petercam

August 2022

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Introduction

In 2004, the European Union took the initiative of issuing a set of rules with the aim of ensuring the integrity and transparency of financial markets and protecting investors. In force since November 2007, MiFID became the cornerstone of the European Union's regulation of investment services in financial instruments and the operation of traditional stock exchanges and alternative trading venues. Furthermore, MiFID - in force since January 2018 - helped increase competitiveness by creating a single market. MiFID also ensured a high degree of harmonised protection for investors in financial instruments.

To address the shortcomings observed during the 2008 financial crisis, the European Commission overhauled European regulations on financial markets and investment products. Accordingly, the Commission has adopted a new Directive called MiFID II and a new MiFIR Regulation (EU Regulation (EU) No. 600/2014), in addition to all European and national laws and regulations, including the related implementing measures.

MiFID II aims to reinforce the European rules:

For investors, by increasing investor protection through stricter rules on conflicts of interest and by improving the transparency of information provided by financial actors in investment services.

On the stock markets:

- by enhancing investor protection and improving conduct of business rules and the level playing field in the trading and settlement of financial instruments;
- by improving the transparency and oversight of financial markets - including derivatives markets - and by addressing some shortcomings in commodity derivatives markets.

In 2021, Europe amended the MiFID Regulation to require investment firms to take into account the sustainability preferences of investors when providing investment advice or portfolio management services.

These new rules will apply from August 2022. For a detailed overview of these new rules and principles, please refer to our special brochure **'Integrating sustainable preferences into MiFID II'**.

The purpose of this brochure is to inform you about the main provisions of the Directive affecting your relations with the Bank. The topics addressed are:

- classification of clients;
- Personal and Financial Inventory, your investment profile;
- sustainability preferences;
- investment services offered by the Bank;
- information provided by the Bank in the context of MiFID II;
- nature and specific risks of the financial instruments offered by the Bank;
- summary of the policy for order execution in financial instruments;
- information on the protection of clients' financial instruments and funds;
- information on inducements received or paid by the Bank;
- summary of the conflict of interest policy of the Bank.

1 Classification of clients

Bank Degroof Petercam has always been committed to providing a personalised service to its clients, tailored to their particular situation. This strategy is in line with the philosophy of the MiFID regulation, which obliges financial institutions to treat their clients in a manner appropriate to their situation and their experience and knowledge of financial matters.

In practice, the MiFID regulation obliges financial institutions to classify their clients into three categories, namely retail (non-professional) clients, professional clients and eligible counterparties, and to apply to these clients a protection regime adapted to their category. The distinction among these categories is based on the client's experience and knowledge of financial matters: the professional clients and eligible counterparties categories are reserved to clients with experience and in-depth knowledge of finance matters, requiring a lower level of information and protection in the context of their financial transactions.

The retail clients category is reserved to clients with more limited experience and knowledge of financial matters, requiring a higher level of information and protection.

MiFID obliges financial institutions to inform their clients of the category in which they have been placed (retail, professional or eligible counterparty).

By default, the Bank classifies all its Private Banking and Personal Financial Services (hereinafter "PFS") clients in the category of non-professional clients and therefore applies the regime specific to this client category to them unless they inform us otherwise. This classification offers to the clients the highest level of protection.

You have the right to request a different classification, i.e. "professional client" or "eligible counterparty", if you meet certain criteria defined by law.

Subject to the prior and written approval of the Bank, this change will automatically imply a reduction in the level of protection reserved by the MiFID regulation for the category of retail clients.

Please contact your relationship manager if you wish to proceed in this way.

2 Personal and Financial Inventory

In order to tailor our services and products as closely as possible to the wishes and needs of each client, the Bank has to ask you for certain information and analyse it. This is in the interest of the investor and is part of our personalised approach.

The Personal and Financial Inventory (hereinafter referred to as "PFI") enables us to collect information about your knowledge and experience in financial instruments (shares, bonds, investment funds, etc.), your financial situation, including your capacity to bear possible losses, and your investment objectives, including your willingness to take risks. All this information together constitutes your investment profile.

All this information allows us to define your level of knowledge and experience in financial instruments as well as your risk profile.

The Bank determines your most appropriate risk profile based on the answers to the PFI. You have the option of validating this profile or choosing a less risky one. Under no circumstances may you choose a riskier profile than that determined by the Bank. As we have a duty to inform you, we can help you to improve your knowledge and explain the purpose of the different questions. In no case, however, can we influence your choices or direct your answers to this questionnaire.

It is in your interest to answer all the questions as fully and accurately as possible, even if you only plan to use some of the financial instruments or investment services.

If the investment service you receive is limited to executing orders, the Bank will ensure that these are appropriate in the light of your knowledge and experience when purchasing financial instruments considered as complex within the meaning of MiFID (such as convertible bonds, non-UCITS investment funds, etc.). If not, the bank will warn you. If you insist on executing these orders in complex instruments, the bank will execute them on your sole responsibility.

If the investment service consists of managing your portfolio or giving you investment advice the Bank will ensure that the management decisions or investment advice are in line with your risk profile and your level of knowledge and experience in financial instruments.

In addition to the PFI, you will also be asked to complete a questionnaire in which we gauge your sustainability preferences.

You can use this questionnaire to decide whether to include instruments with sustainable objectives in your investment portfolio.

Notwithstanding the conditions of signature that the account holders have agreed to on the account opening application, the account holders authorise the "designated person" in the PFI questionnaire to alone issue any order to buy/subscribe or sell financial instruments and to receive investment advice. Only one account holder or agent may exercise the role of "designated person".

Each account holder has the opportunity to answer the questionnaire on his or her knowledge, but the Bank only considers the knowledge of the designated person when determining whether a transaction is appropriate or adequate. The designated person also answers the questions in the PFI "risk profile" section, which includes questions about your financial situation and risk-taking behaviour.

There are several ways in which a person can be the "designated person" on an account:

- there is only one account holder on the account. In this case, the designated person is either the account holder or a proxy with individual signing authority (for the execution of orders only) on the account.
- there is more than one account holder on the account. In this case the designated person is either one of the account holders or a proxy with individual signing authority (for order execution only) on the account.

For both of the above possibilities, the financial instruments knowledge questionnaire must be completed and signed by the designated person and the Risk Profile PFI by all holders. If the designated person is a proxy holder, he/she will also have to sign the Risk Profile PFI.

In the case of joint ownership (two or more account holders), the Bank takes into account:

- responses to questions in the PFI "risk profile" relating to knowledge and experience with financial products of the designated person;
- the financial situation as reported by all account holders in the PFI "risk profile" questionnaire or, if the financial situations of the holders differ too greatly or are otherwise inconsistent, the weakest financial situation;
- the risk profile validated by all holders and, in the event the risk profiles differ, the most defensive one.

If the PFI "risk profile" questionnaire is completed for a legal person, the Bank will take into consideration the knowledge and experience of the natural person who takes investment decisions on behalf of the legal person. The financial situation and the financial objectives will be those of the legal person.

Once you have completed and validated your questionnaire, it is no longer possible to change any answers on the questionnaire if you are not satisfied with the result of your test.

The Bank will periodically review your risk profile. You also have the option of completing a new PFI risk profile either when your financial situation and/or investment objectives changes, or at least 6 months after completing the previous PFI risk profile. In addition, you have the option of retaking the knowledge test. In this case, the Bank will send you educational material (videos on financial instruments, MiFID brochure) to help you improve your knowledge.

However, you will have to wait 15 days before you can take the knowledge test again.
If you do not complete the PFI, you will not be able to execute any purchase/subscription orders on financial instruments and will not have access to any investment service offered by the Bank.

3 Sustainability preferences

Starting 2 August 2022, the Bank will be required to collect information on your sustainability preferences in order to complete your MiFID profile.

And given the increasing importance of sustainability in our society and in the investment world, you as an investor may also have certain preferences in this area.

You can communicate your sustainability preferences by answering a dedicated questionnaire. The aim here is to ensure that the instruments recommended to you or purchased for you under asset management services are in line with your sustainability preferences.

The existing MiFID questionnaire remains the same. An additional questionnaire will be used to assess your sustainability preferences.

In any case, you should at least answer the question of whether or not you have sustainability preferences. If you do not have any sustainability preferences, you are considered a 'neutral investor', which means that your services do not change and that you can use both sustainable and unsustainable instruments in your portfolio.

However, if you do have specific sustainability preferences, the Bank will analyse these by asking additional questions about the percentage of your portfolio that you would like to invest sustainably and the type of financial instrument you would like to use for this purpose.

For more detailed information on this topic, please refer to the special brochure '**Integrating sustainable preferences into MiFID II**'.

4 Investment services proposed to clients

The Bank offers three types of investment services:

1. Investment advice;
2. Discretionary management;
3. The reception, transmission and execution of orders without the advice of the Bank.

The Bank offers a range of different services within these three types of services:

Investment advice

Investment advice means providing personal recommendations to a client, either upon the client's request or on the initiative of the Bank, on financial instruments transactions included in the investment universe followed by the Bank. The client must give its consent for each trade and may refuse to execute a transaction recommended by the Bank or, on the contrary, may request the execution of a transaction not recommended by the Bank. In other words, the final decision lies with the client. This is the main difference with discretionary management, where the Bank is solely responsible for the final investment decision.

Before offering investment advice, the Bank will assess the suitability of the financial instruments in question and determine whether they correspond to the sustainability preferences communicated by the client.
The agreement signed between the Bank and its clients describes, at a minimum:

- the rights and obligations of both client and Bank, including a description of services e.g. types of financial instruments that may be purchased and sold, and types of transactions that may be undertaken on behalf of the client.

The investment advice provided by the Bank is non-independent.
MiFID II distinguishes between two types of investment advice: "independent" investment advice and "non-independent" investment advice.

The investment advice provided by the Bank is "non-independent" within the meaning of MiFID. Indeed, some financial instruments for which the Bank may provide investment advice (such as structured products, investment funds, etc.) may be issued by entities with which the Bank has signed collaboration or distribution agreements that allow it to receive monetary or non-monetary benefits.

The Bank is fully transparent about the benefits it receives. Those benefits are described in the document sent to the client before the order is placed (see Information provided by the Bank in the context of MiFID).

The Bank offers different types of investment advice:

PORTFOLIO INVESTMENT ADVICE

In the Portfolio Investment Advice, the Bank takes a portfolio approach. This means that, in order to provide its advice, the Bank will evaluate the entire portfolio of the client and, in accordance with the client's investment profile and the contractually agreed strategy, will offer advice on a wide range of financial instruments.

Furthermore, the Bank will actively follow up on the portfolio. Hence, it will regularly monitor whether the portfolio is still in line with the predetermined investment strategy and the client's investment profile. In the event it is no longer the case, the Bank will contact the client and give advice on how to rectify the situation.

During the relationship, the client can also propose certain transactions on his own initiative. The Bank will inform the client whether the suggested transaction is in line with the client's investment profile and the agreed investment strategy.

ADVISORY PLATFORM INVESTMENT ADVICE

The Bank's Advisory Platform Investment advice follows a portfolio approach. This means that, in order to provide its advice, the Bank will evaluate the entire client's portfolio and, in accordance with the client's investment profile and the contractually agreed strategy, will offer investment advices.

The advice provided is on a limited list of financial instruments included in the "DEGROOF PETERCAM ADVISORY PLATFORM FUNDS LIST", which the client may consult at any time by sending a request to his contact person.
This service is only offered through the Advisory Platform, which is an **automated** digital tool designed to offer the client an allocation in shares of undertakings for collective investment on the basis of the client's investment profile and the agreed investment strategy. This tool also enables the client to monitor the financial instruments evolution and to place orders on the financial instruments included in the list mentioned above.

PATRIMONIAL INVESTMENT ADVICE

The Bank's Patrimonial Advice proposes also a portfolio approach. This means that, in order to provide its advice, the Bank will evaluate the entire portfolio of the client and, in accordance with the client's investment profile and the contractually agreed strategy, will propose limited investment advice.

This service is intended for clients who wish to receive advice exclusively on a investment funds included in the list "Patrimonial Offer", which the client may consult at any time.

AD HOC INVESTMENT ADVICE

Ad hoc investment advice is based on a transactional approach. This means that the Bank does not monitor the entire portfolio of the client and, when advising the client, limits itself to ensure that the product corresponds to the client's investment profile.

If the order is requested by the client in a non-complex product within the meaning of MiFID, the Bank is not required to assess whether the financial instrument is appropriate, with the result that the client does not benefit from the protection corresponding to discretionary management or investment advice.

The Bank will occasionally and only at the request of the client provide investment advice which the client is free to follow or not.

Portfolio management

Portfolio management is a discretionary and personalised portfolio management service including one or more financial instruments within a mandate given by the client to the Bank.

This agreement signed between the Bank and its clients describes:

- the rules and the investment strategy that the Bank will follow. The investment strategy to be applied is based on the investment profile defined via the Personal and Financial Inventory and the questionnaire on sustainability preferences;
- the rights and obligations of both client and Bank, including a description of services e.g. types of financial instruments that may be purchased and sold, and types of transactions that may be undertaken on behalf of the client.

Prior to any investment on behalf of the client within the framework of its discretionary management mandate, the Bank will assess whether the financial instruments are suitable for the client and are in line with the agreed investment strategy. The Bank will also determine whether the financial instruments are compatible with the client's sustainability preferences.

Personal Financial Services (reception, transmission and execution of orders)

The Bank offers order reception, transmission and execution services to clients who have opted not to benefit from advisory or discretionary management services. These services enable clients, on their own initiative, to transmit, buy and sell orders for all the financial products included in the Bank's product range.

When providing this service, if the order requested by the client relates to a non-complex product as defined by MiFID, the Bank is not obliged to assess whether the financial instrument concerned is appropriate. As a result, the client does not benefit from the protection corresponding to discretionary, or advisory management services.

If the client wishes to purchase/subscribe to a complex financial instrument as defined by MiFID, the Bank will check, using the data collected via the Personal and Financial Inventory, whether the instrument is appropriate, i.e. whether the client has sufficient knowledge and experience of this financial instrument.

The obligations of the Bank with respect to the type of investment service

The obligations of the Bank towards the client depend on whether the client has received advice from the Bank or not.

DISCRETIONARY MANAGEMENT OR INVESTMENT ADVICE

If the client has received advices through management or portfolio advice services, the Bank will carry out a suitability test for any order relating to a financial instrument. It will use the information obtained through the questionnaire and the questionnaire on sustainability preferences to carry out this assessment. More specifically, an investment product will be deemed suitable if the test indicates that:

- the proposed transaction is consistent with the client's risk profile;
- the client's level of knowledge and experience on the product(s) concerned is sufficient.
- the proposed transaction is consistent with the client's sustainability preferences.

Under no circumstances the Bank will execute an unsuitable transaction on behalf of the client in the context of discretionary management. A transaction is deemed to be unsuitable if it is not consistent with the client's investment objectives, sustainability preferences, financial situation or knowledge and experience of financial instruments.

RECEPTION, TRANSMISSION AND EXECUTION OF ORDERS

With regard to services related to the reception, transmission and execution of orders, only the appropriateness of the financial instrument needs to be tested, in case the instrument is classified as complex by MiFID. More specifically, the Bank must check whether the client has sufficient knowledge and experience relating to the complex financial instrument when making a purchase/subscription. If the client does not have sufficient knowledge and experience in the complex financial instrument, the Bank must warn the client that the transaction it wishes to execute is not appropriate.

5 Information provided by the Bank in the context of MiFID

MiFID regulates the information the Bank must provide to the client so that the client is sufficiently informed before an investment service is provided.

Information that the Bank must provide to the client upon initiation of the banking relationship

When the banking relationship is initiated, the Bank must provide the client, on a durable medium[1], various contractual documents including, inter alia, the General Operating Regulations, Bank's fee tariff, a summary of the Best Execution policy for financial instruments and a copy of this MiFID Brochure.

The client must also expressly agree that:

- the Bank is allowed to execute orders outside of a regulated market or multilateral trading facility, which may in particular be the case for orders relating to bonds, units/shares in investment funds and structured products.
- the Bank has the option of not transmitting to the market any limit orders that could not be executed immediately. In particular, this agreement allows the Bank to execute an order by tranche depending on the market development.

This express agreement is given by signing the "MiFID Consent" section of the Personal and Financial Inventory.

Information prior to an investment decision

Before taking a decision to invest in a financial product, the Bank shall inform the client of the following:

- information relating to the product, including the risks associated to it;
- information on the sustainability of the instrument is available in the special brochure 'Integrating sustainable preferences into MiFID II'.
- legal documentation relating to the product, including, for example, the key investor information (called KIID for UCITS investment funds and KID for financial products covered by the European PRIIPS Directive), the prospectus and factsheet for investment funds and the prospectus for structured products, as well as the general terms and conditions, if any.
- information relating to costs and charges which are not due to the existence of a market risk underlying the product:
  - which are recorded when the financial instrument is purchased, held or sold;
  - that the Bank receives or pays to a third party when buying or selling a financial instrument, including the nature and amount of monetary benefits or the right, commission or non-monetary benefit.

[1] Durable medium: any tool that makes it possible for the client to keep information that is personally addressed to him in such a way that this information is easily accessible for future use for an appropriate period of time and allows the reproduction of the unaltered stored data.

These costs and charges are aggregated in order to allow the client to assess the total cost, as well as the cumulative effect of these costs on the return of the product.

The information to be provided by the Bank also depends on the type of investment service the client is receiving.

- When the client receives investment advice, the Bank will provide the client with a declaration of suitability on a durable medium prior to execution of the order. This declaration of suitability summarises the advice that has been given and states that the transaction meets the following criteria:
  - it meets the client's investment objectives, including the client's risk tolerance;
  - the client is able financially to bear any related investment risks, taking into account the client's investment objectives;
  - the client has the necessary experience and knowledge in order to understand the risks involved with the transaction or in the management of its portfolio.

- if no advice is given by the Bank:
  - the Bank warns the client when the client does not have a sufficient level of knowledge and experience to execute a purchase order or subscription in complex instruments.

This information is provided to the client via the order report.

Information relating to order execution

For clients receiving investment services other than portfolio management, a confirmation is sent to the client without delay after the execution of an order on a financial instrument to inform the client that its order(s) has (have) been executed. This confirmation also includes detailed information about the transaction.

Periodic Reports

Different types of periodic report are available, depending on the type of investment service the client receives.

TYPE OF REPORT

A. Valuation Reports

A portfolio valuation report is sent to the client at least quarterly. In particular, it lists the following:

- the amount of cash assets and the most recent value of the client's financial instruments, on basis of the last average indicative price for currencies and on the basis of the last stock exchange price or the last known price for securities;
- an overview of the breakdown of the client's portfolio risk;
- the performance of the client's portfolio;
- a statement of all fees and commissions collected or received and reimbursed by the Bank.

B. Suitability Reports

A suitability report is sent to the client (except PFS) at least annually. It focuses on the suitability of the client's portfolio to its profile and investment strategy.

C Special Reports

There are two types of special reports:

- **10% decrease in the total value of a discretionary portfolio**

If necessary, the Bank will inform the client if the total value of his portfolio as valued in a valuation report has decreased by 10%, and for each multiple of 10% thereafter. This 10% decrease is calculated based on the value of the most recent valuation report.

- **10% decrease in a position held by the client**

If the client's portfolio includes leveraged financial instruments positions or any contingent liabilities transactions, the Bank will inform the client of any 10% decline from the initial value of the instrument as well as of each 10% multiple.

REPORTS BY TYPE OF SERVICE

The Bank addresses to the client invests in the service type:

- Discretionary management
  - a valuation report
  - a special reports relating to a 10% decrease in a position held by the client and a 10% decrease in the total value of the portfolio
- Portfolio Advice and Ad Hoc Advice investment advisory services
  - a valuation report
  - a suitability report
  - a special report relating to a 10% decrease in a position held by the client
- Advisory Platform and Patrimonial Advice investment advisory services
  - a valuation report
  - a suitability report
- PFS (Receipt, transmission and execution of orders)
  - a valuation report
  - a special report relating to a 10% decrease in a position held by the client

6 The nature and specific risks of the instruments offered by the Bank

This section, in accordance with the Directive, provides general information about the characteristics of the main financial instruments, part of the investment universe of Bank Degroof Petercam, and their inherent risks.

6.1. Investment universe

The Bank shall define for all instruments belonging to the different asset classes included in its investment policy if they are part of the investment universe proposed to the client. Instruments that are not part of this universe will always be excluded from the investment services provided by the bank (discretionary management, advice or execution of orders). Each financial instrument is examined on the basis of its characteristics and classified in one of the lists described below:

- The list of eligible instruments includes all financial instruments proactively offered by the by the bank. This list is composed of financial instruments selected on the basis of quantitative elements. However, part of this list is also selected on the basis of qualitative criteria and actively monitored by one of the bank's committees. Eligible instruments may be purchased under a discretionary management contract, may be advised in the context of an investment advisory contract and can of course also be purchased on the client's own initiative (without advice).
- The list of instruments that may be held includes financial instruments that are not proactively offered by the bank. The instruments on this list cannot therefore be purchased under a discretionary management contract or be the subject of advice under an investment advice contract. An investor may, however, request to purchase these instruments, without investment advice, but such purchase will be on his own initiative. These instruments may also be held in the bank, even if they are not or no longer on the list of accepted instruments.
- The list of excluded instruments (blacklist) includes financial instruments that cannot or may no longer be held in the bank.

6.2. Instruments eligible to match sustainability preferences

Investment firms may only use certain type of investments to match the sustainability preferences of an investor;

- Instruments with a minimum level of sustainability based on the principles defined in the Taxonomy Regulation;
- Instruments with a minimum sustainability level as determined by the investment firm in accordance with the rules of the Sustainable Finance Disclosure Regulation (SFDR);
- Instruments that take into account the PASI (Principal Averse Sustainability Indicators) to reduce their negative sustainability footprint on the environment, society and the human being.

For more information on these 3 types of instruments, please read our special brochure 'Integrating sustainable preferences into MiFID II'.

6.3. Bonds

PLAIN VANILLA BONDS

DEFINITION

A bond is a debt security issued by a legal person (government, company, etc.), also known as the issuer, in respect of a loan of a specific term (more than one year) and a specific amount, for which the holder generally receives periodic interest (the coupon).

The bonds are offered to the public during a subscription period (primary market). During this period, investors can subscribe the bond at the issue price. After the issue period, the bonds may be bought or sold on the secondary market at a price which will vary depending, among other factors, on the evolution of interest rates (the price will in theory be lower than the issue price if interest rates have risen since the issue; otherwise it will be higher), and on any changes in the issuer's creditworthiness since the time of issue.

At maturity, the bond is generally redeemed at par price (100% of the nominal value), unless the issuer is no longer in a position to redeem it, for example in the event of the issuer's bankruptcy. The main characteristics of a plain vanilla bond are the issuer; the currency of issue; the interest rate; the maturity (and term); the price (and yield); the amount of the issue; the place of quotation (listed or unlisted bond).

Issuers can be classified on the basis of two criteria:

- type of issuer (public authorities, supranational bodies, companies)
- the issuer's rating. The rating gives an indication of the creditworthiness of the issuer or the issue at the time it is assigned. The rating is assigned based on an in-depth analysis of the issuer or issue by an external party; the best-known rating agencies are Standard & Poor's, Moody's and Fitch.

Plain vanilla bonds belong to the following categories defined by Degroof Petercam:

- **non-complex listed bond**. Non-complex bonds are bonds without embedded derivatives or structures that make it difficult for the client to understand the risk involved. These bonds are listed, i.e. they are officially listed on a regulated market or an MTF[2].
- **Bond not listed on a regulated market or MTF**, and other bonds. Unlisted bonds are bonds that have not been issued on the public market but on the private market. In particular, they may only be subscribed by the Bank within the framework of a discretionary management mandate or by clients over a certain threshold. The characteristics of these bonds are set out in the issue contract or subscription contract. These bonds are traded over-the-counter.

The concept of "other bonds" in the category "*Bonds not listed on a regulated market or on an MTF, and other bonds*" refers mainly to callable bonds as follows. This concept does not refer to perpetual bonds that are not part of the Bank's investment universe or to convertible or subordinated bonds that represent specific categories and are explained further.

[2] An MTF (abbreviation for Multilateral Trading Facility) is an unregulated market for trading in financial instruments.

RISKS

Credit risk (insolvency risk): Credit risk is the risk that the issuer of the bond may default and be unable to honour its commitments (interest and/or principal). The quality of the issuer is important, as the issuer is responsible for the return of the invested capital.

The worse the financial situation of the issuer, the higher the risk of default (partial or full) (hence the importance of the rating).

Interest rate risk: interest rate risk is the risk of capital loss if the bond is sold on the secondary market before its maturity because the risk of a decrease in the value of an investment is caused, among other things, by an increase in market rates.

Exchange risk: Exchange risk exists for bonds denominated in foreign currencies.

Liquidity risk: risk of illiquidity may exist if the secondary market for the bonds concerned is narrow[3].

CALLABLE BONDS

DEFINITION

Callable bonds are bonds redeemable prior to maturity at the option of the issuer under the terms and conditions stated at the time of issue.

An issuer may redeem its bonds because of falling interest rates. A company that issues a call is therefore a company that wishes to refinance its debts at a more advantageous rate. To compensate the risk of early redemption of the bond for the client, the issuer will offer an interest rate that is higher than the rate offered by a conventional bond.

RISKS

In addition to the risks associated with plain vanilla bonds, there is a reinvestment risk. The client may find itself obliged to reinvest the amounts repaid to it at a lower rate.

3 A narrow market refers to a place where there are few buyers, few sellers, or both. As a result, transaction volumes are very low, which is not conducive to the optimal determination of the transaction price.

CONVERTIBLE BONDS

DEFINITION

Like plain vanilla bonds, convertible bonds have a fixed interest rate and a fixed term. The difference lies in the fact that the bondholder has the right (and not the obligation) to request, during one or more given periods and under conditions fixed in advance, that the bond be converted into existing or new shares of the issuer or, on an exceptional basis, of another company.

RISKS

In addition to the risks associated with plain vanilla bonds, there is the following risk:

Volatility risk[4]: the volatility risk of the price of a convertible bond is higher than for a plain vanilla bond because the price of the convertible bond may, in some cases, follow the share price quite closely. After conversion, the risks are the same as the risks of the share.

SUBORDINATED BONDS

DEFINITION

A subordinated bond is riskier than a non-subordinated bond because, in the event of the issuer's bankruptcy, the subordinated bond will be repaid after all other creditors have been repaid and just before the shareholders.

The additional risk incurred by the investor can be assessed on the basis of the rating of the bond, which takes into account the subordination of the bond. However the client will be offered a higher rate than for a conventional bond in order to compensate for the additional risk involved.

RISKS

The risks associated with subordinated and conventional bonds are in principle the same, but the capital risk may be higher for a subordinated bond because it will be repaid after all other creditors in the event of bankruptcy of the issuer.

[4] Volatility indicates the degree of fluctuation in the price of the financial instrument (price fluctuation) without indicating direction. This is a measure of the price fluctuation (standard deviation) in relation to its longer-term average value. High volatility means that the value is subject to large fluctuations, both positive and negative.

6.4. Listed shares

DEFINITION

A share is a co-ownership security representing a certain share in the capital of a Belgian or foreign company and entitling its holder, in proportion to its shareholding, to receive any dividends distributed by the company and, except if otherwise stipulated in the Articles of Association, to vote at the general meetings of shareholders, often in proportion to its shareholding in the company. In addition, investors benefit from the potential capital gain through the price performance created by the company.

RISKS

Capital risk: there is a significant capital risk associated with an investment in shares, as there is no capital protection mechanism.

Risk of absence of income: the risk of absence of income is clear because dividends are variable income. A company may decide, for various reasons (weak results, lack of dividend strategy, self-financing of investments, etc.), not to distribute a dividend certain years.

Liquidity risk: liquidity risk is a function of the volume of share transactions and the free float[5]. The higher the company's market capitalisation,[6] the broader and therefore more liquid the market for its shares. However, shares may experience an illiquid market.

Exchange risk: the exchange risk may be significant for shares that are denominated in other currencies, such as the US dollar. However, the company's activity also plays a role in this respect, depending on whether its results are more or less dependent on economic activity in markets outside the eurozone.

Volatility risk: the price volatility risk is significant. It depends as much on the management of the company as on the economic, microeconomic and financial context.

[5] The free float of a listed company corresponds to the proportion of its shares that can actually be traded on the stock market. It may be expressed as a value or, more frequently, as a percentage of the capitalisation.

[6] Market capitalisation is the total value of a company based on the share price and the number of shares in issue.

6.5. Investment funds

An investment fund, hereinafter referred to as a fund, is an entity that collects financial resources from various investors and invests this capital collectively in a set of diversified financial instruments based on the principle of risk diversification.

The investment policy describes how the investment objectives will be pursued: the asset classes in which the fund will be invested such as equities or bonds, regions, currencies, the minimum and maximum allocation in certain asset classes and whether the fund is actively or passively managed.

One category of funds found in many portfolios managed by the Bank is treasury funds. These funds mainly invest in short-term (generally less than 12 months) and very short-term (from a few days to 3 months) monetary instruments, such as fixed-term deposits in euro and foreign currencies, treasury certificates[7], and commercial paper[8].

Depending on the predefined income allocation, the funds are either distribution or capitalisation funds. In capital funds, the fund's income (coupons and dividends) is reinvested in the fund, while in distribution funds, part of the earned income may be distributed but without any guarantee.

The three main categories of funds distributed by the Bank are as follows:
- UCITS funds
- Non-UCITS funds
- Private Equity funds

[7] A Treasury certificate is a short-term (three months, six months or one year) negotiable debt instrument issued by the Belgian State.
[8] Commercial paper is an unsecured debt security issued by a company on a short-term basis (typically a few weeks to a year).

UCITS FUNDS

DEFINITION

UCITS (Undertakings for Collective Investment in Transferable Securities) are funds regulated by European directives. These directives impose, among other measures, investment restrictions based on a list of authorised financial instruments, reporting obligations, organisational requirements and diversification rules.

In addition, a UCITS admitted in its country of establishment may also offer its units in the other Member States of the European Union (subject to compliance with notification requirements).

Within the Bank, the UCITS funds distributed are almost exclusively open-end investment funds. These funds sometimes take the form of ETFs[9] (Exchange Traded Funds).

RISKS

The risks of UCITS are in principle identical to those of the assets in which UCITS invest. Where appropriate, we therefore refer to the risks described in this brochure for each asset class. In principle, investment diversification mitigates the risk incurred by investing in each asset class individually.

NON-UCITS FUNDS

DEFINITION

Unlike UCITS funds, non-UCITS funds or funds also known as AIFs (Alternative Investment Funds) have no restrictions on the financial instruments in which they can invest. They also have no diversification rules, so they may invest in a limited number of positions.

An AIF can be distributed to a Belgian private client once it meets the conditions set out by the FSMA, the Belgian regulatory authority.

RISKS

In addition to the identical risks faced by non-UCITS funds compared to UCITS funds, non-UCITS funds have additional risks related to the characteristics indicated above.

Concentration risk: concentration risk is the risk that arises from a lack of diversification of investments in a sufficient number of assets, asset classes, markets, or with a sufficient number of counterparties. The greater the diversification, the lower the concentration risk.

Volatility risk: non-UCITS funds may have a higher risk of volatility as these funds can potentially invest in underlying financial instruments which themselves have significant volatility.

[9] ETFs are funds traded on regulated markets like equities.

PRIVATE EQUITY FUNDS

DEFINITION

The term private equity covers a variety of types of investment, the point in common being the fact that they are private. These funds invest in unlisted companies that are therefore not very liquid or not liquid at all before maturity. The investment horizon is long term (seven to ten years or more). The purpose of this type of investment is generally to obtain high returns, but the risk of loss is also high, with losses sometimes as high as 100% of amounts invested.

Typically, Private Equity funds invest in a series of unlisted companies, pursuing a predetermined investment strategy in accordance with a number of predefined parameters. Investors in such a fund commit to contribute capital up to a certain amount defined per investors. This amount will be called gradually by the manager as and when it makes the investments. Distributions to investors are also spread over time in accordance with the sales carried out by the fund. A Private Equity fund generally benefits from a degree of diversification within a single strategy, as the manager spreads the capital across a portfolio comprising several investments.

RISKS

Risk linked to the underlying (capital loss, volatility, etc.) composing the product.

Liquidity risk: in the absence of an organised market, the investor cannot sell its units except with the agreement of a buyer and the fund manager.

6.6. Structured products and/or structured funds

A structured product is a combination of different financial instruments, including derivatives, such as swaps or options and interest rate instruments, whose purpose is to create a particular relationship between risk and a certain return model. Derivatives are generally used to earn a return whereas interest rate products are used to protect the principal, if any, at final maturity. Therefore, the purpose of structured products is to use the evolution of an underlying asset (such as a share, a basket of shares, an index, etc.) to determine the return (coupons or a capital gain) of the structured product.

In some cases, the principal is protected at maturity without any legal guarantee of capital preservation. These products make it possible to benefit from the upside potential of the financial markets with capital protection at maturity. However, there are also structured products that provide no capital protection at all or only partial capital protection at maturity.

These structured products do not have an active secondary market and will be less liquid than traditional products.

STRUCTURED PRODUCTS AND/OR STRUCTURED FUNDS **WITH** CAPITAL PROTECTION

DEFINITION

By investing in a capital protection product and/or fund, investors benefit at maturity from full protection[10] of the initially invested capital (after deduction of fees). However, capital protection only applies at maturity: investors who wish to sell their product and/or structured fund before the maturity date are not entitled to protection of the initially invested capital.

There is a difference between capital protection and capital guarantee. The issuer gives capital protection. A third party provides a capital guarantee and increases the investor's protection against the bankruptcy or default of the issuer.

RISKS

Risk linked to the underlying: (capital loss, volatility, exchange rate, etc.) composing the product.

Capital risk: In the event of bankruptcy of an issuer guaranteeing the repayment of capital, there is a risk of non-repayment of the capital.

Liquidity risk: if the secondary market for the product concerned is thin.

[10] Except in the event of the default of the issuer.

STRUCTURED PRODUCTS AND/OR STRUCTURED FUNDS **WITHOUT** CAPITAL PROTECTION

DEFINITION

An investment in a structured product and/or structured fund generally seeks to gain exposure to an underlying security with the aim of either benefiting from a potential leverage effect on the favourable performance of this security (upwards or downwards), or by offering higher (potential or guaranteed) coupons while accepting a capital risk linked to the performance of the underlying security.

The Bank may distribute this type of product and/or structured fund in the form of ETFs or ETCs[11].

RISKS

Risk linked to the underlying: (capital loss, volatility, exchange rate, etc.) composing the product.

Liquidity risk: if the secondary market for the product concerned is thin.

[11] An ETC (short for Exchange Traded Commodities) is a product traded on a regulated market (such as a share) that tracks the price of one or more commodities. They are also called commodity trackers (see Gold tracker below).

6.7. Unlisted shares

DEFINITION

An unlisted share cannot be traded on the stock market because the company has not made a public offering. It has placed its shares directly with investors who provided the funds in exchange.

The price of these shares is therefore not published and they are difficult to acquire because the holders of this type of shares are generally not known or simply do not wish to sell them.

These shares are generally issued by small or medium-sized companies and are often held by the owner-managers or their families, who do not wish to open up their company's capital to outside investors.

They are not listed on the stock market.

RISKS

Capital risk: there is a significant capital risk associated with an investment in unlisted shares, as there is no capital protection mechanism.

Price risk: It is difficult to find out the 'value' of a share in an unlisted company, as they are not listed on a stock exchange. To do this, specialists must be called in to propose a price range based on the company's accounts and all available financial and strategic information.

Liquidity risk: Find a buyer for the seller, or find a seller for the buyer. Shares in an unlisted company are mainly purchased 'privately' between two parties.

6.8. Derivative products

Derivatives are financial instruments whose characteristics and value depend on the characteristics and value of an underlying asset, usually a commodity, bond, equity, currency or index.

The main forms of derivatives include options, futures and warrants. In the section below, we will only discuss options and futures because they are the only derivatives that are included in the Bank's investment universe.

OPTIONS

DEFINITION

The option is an investment instrument that can be used for various purposes, in particular to insure against a risk, to achieve additional returns or to speculate on the upward or downward trends of assets as varied as commodities (oil, wheat, metals, gold, etc.), interest rates, exchange rates, and shares or indices. An option is a contract between a buyer (also referred to as the holder) and a seller (also referred to as the writer).

This includes:

- a **call** option that gives its holder, the buyer, the right to **buy** until a specified date a certain quantity (the size of the contract) of an asset (the underlying) at a specified price (the strike price). The counterparty, the seller of the call, undertakes to deliver the agreed quantity of the asset at the strike price if the holder of the call wants to exercise its right.
- A **put** option gives its holder the right to **sell** until a specified date or at a specified time (expiration) a certain quantity (the size of the contract) of an asset (the underlying) at a specified price (the strike price). The counterparty, the seller of the put, undertakes to buy the agreed quantity of the asset at the strike price if the holder of the put wants to exercise his right.

The option therefore gives its purchaser, who pays a premium, a right. On the other hand, it implies an obligation for the seller who, in exchange, receives a premium. The obligation lapses if the buyer does not exercise its right on the expiry date of the contract or, obviously, after the right has been exercised.

Thanks to the leverage effect, the options allow, with a relatively small amount, investors to take full advantage of:

- the increase in the price of the underlying (call purchase);
- the decrease in the price of the underlying (put purchase);

The buyer of a call may record a potentially unlimited profit.

The maximum potential profit for the buyer of a put is limited to the difference between the strike price and zero.

The potential loss is, for both the buyer of a call and the buyer of a put, limited to the amount of the premium paid.

The seller of an option (call and put) receives a premium in exchange for a possible obligation (to sell if the call is exercised, to buy if the put is exercised).

Its potential loss depends on the difference between the price of the underlying asset at the time the option is sold and at the time of exercise. In the case of short transactions, the loss can be unlimited. Selling options entails very high risk.

An option has an expiry date. If the holder of the option did not exercised its right by that date at the latest, the option becomes worthless and the seller is released from its obligation.

Degroof Petercam requires all clients entering into OTC contracts[12] to provide a margin in cash or securities to cover the risk of the position. The amount of this margin is calculated by the risk management of the Bank at the time the option is issued.

Options can be used for a number of purposes:

- in the context of non-speculative management, options allow an investor to hedge a portfolio against possible fluctuations, limiting the risk of loss strictly to the price paid for the option.
- they can also be used for more speculative purposes, to profit, for a small investment, from fluctuations in the underlying asset. In this case, because of the leverage effect, options can give rise to larger risks than those associated with equities or bonds. The risks associated with short selling options (transactions in which the underlying asset is not held) are in theory limitless.

[12] An OTC contract is an over-the-counter contract. It refers to a transaction carried out directly between a buyer and a seller, outside of a regulated market.

FUTURES

RISKS

Volatility risk: the volatility risk is significant. This risk is amplified by the leverage associated with derivatives.

Liquidity risk: the liquidity risk is low for standardised derivatives, as these products are traded on organised secondary markets. The impact on price will therefore also be small. It is more important for products that are traded OTC, where the market is restricted.

Capital risk: the buyer of an option (call and put) may lose his entire premium (the premium paid) if the market price of the underlying asset develops differently from what he expected (decrease in the market value of the asset in case of the purchase of a call, increase in the market value of the asset in case of the purchase of a put).

Risk of loss linked to how and for what purpose the option is used (see above). The leverage effect can multiply the losses when the fluctuations in the price of the underlying asset go against the expectations of the investor.

DEFINITION

A future is a standardized, exchange-listed contract to buy or sell an underlying asset (shares, bonds, foreign currencies, commodities, indexes, etc.) at a date and price specified when signing the contract. The underlying assets are paid for only upon delivery.

Unlike a buyer of an option, a buyer of a future has the obligation and not the right to execute the future. For a small investment, futures allow you to take substantial positions. This leverage effect explains why a relatively small market movement will have a proportionally larger impact on the investor's portfolio. This leverage effect can multiply the investor's gains, but it can also multiply losses when the market fluctuates in the direction opposite to the investor's expectations.

A margin system is imposed on the buyer and the seller of futures on the majority of the organised markets (margin call). For any transaction (purchase or sale), the parties must make a margin deposit, in cash or in securities, representing a percentage of the value of the contracts hold. At the end of each day's trading, contracts are revalued, giving rise to additional margin calls or margin refunds depending on the movements in the price of the future in question. If the investor does not pay the additional margins required, the intermediary may close its position.

Futures can be used for a number of purposes:

- within the scope of a non-speculative management strategy, they can be used, with limited risk, to hedge a portfolio against possible fluctuations.
- however they can also be used, for more speculative purposes, to take advantage, for a small investment, of fluctuations in the underlying asset. In this case, because of the leverage effect (see above), futures can give rise to larger risks than those associated with equities or bonds. The risks associated with short selling of futures are in theory limitless.

RISKS

Risk of price volatility because futures are a speculative investment instrument.

Risk of loss linked to how and for what purpose the future is used (see above).

Liquidity risk is low given the high negotiability of futures on organised markets.

6.9. Gold trackers

DEFINITION

The objective of gold ETCs (Exchange Traded Commodities), known within the Bank as "Gold Trackers", is to replicate the variation in commodity prices, in this case gold. An ETC represents a claim by the investor on the issuer and is linked to an underlying asset, namely gold, which serves as the Instrument's valuation element.

These investment vehicles are traded on the stock exchange markets like stocks and are sometimes backed by physical gold. The holder of the title does not have a direct ownership interest in bullion.

Although legally speaking, it is a debt instrument, a gold tracker has no final maturity and does not pay a coupon or interest. As an investor, you should bear in mind that, unlike traditional debt instruments, these instruments offer no capital protection.

RISKS

Volatility risk: the price of a gold ETC will track the price of gold, which is linked to macroeconomic, financial and geopolitical developments. As a result, you may lose some of your investment.

Exchange risk: since the reference currency for gold is the US dollar, there is a risk related to the uncertainty of the exchange rate applied against the euro.

7 Order execution policy for financial instruments

Introduction

When executing or transmitting orders in financial instruments, MiFID requires that institutions take all sufficient steps to obtain the best possible outcome for their clients taking into account a number of factors such as price, cost, speed and likelihood of execution, size and nature of the order.

Financial institutions must as well, before executing orders in financial instruments, to establish an order execution policy in which they define how they intend to fulfil their obligations in this respect, in accordance with the provisions of Directive 2014/65/EC and more particularly Article 27 (implemented in Belgian law by Article 28 of the Law of 2 August 2002).

The full execution policy of Degroof Petercam is available on its website.

At the opening of the banking relationship, the client explicitly agrees to the execution policy published on the Bank's website. In addition, the client gives its express consent to the Bank to execute orders outside a regulated market or a multilateral trading facility via its Personal and Financial Inventory.

With regard to this form of execution, it is important to note that:

- transactions will not be subject to the market's specific rules that determine the order process.
- executions will not benefit from increased pre- or post-trade transparency and liquidity that regulated markets and MTFs are required to publish.
- transactions executed outside a regulated market and an MTF may involve settlement risk, as they are exposed to counterparty risk and are not subject to the corresponding clearing and settlement rules.

Clients can obtain further information on this subject on request. information on this subject on request.

A client who wishes to deviate from this policy must transmit in writing, together with his order, a specific instruction indicating the element(s) that should not follow the policy. Unless otherwise instructed, a specific instruction (e.g.: order limit, specific place of execution, etc.) given for a particular transaction will apply only to that transaction, the client's other orders being deemed to have been transmitted for execution in accordance with the execution policy.

The acceptance and execution of orders relating to financial instruments may be subject to conditions imposed by the Bank. Where relevant, the execution conditions of certain particular transactions may be established within the scope of specific agreements.

Best Execution Policy

One of the basic principles of MiFID is the "best execution" principle. This implies that financial intermediaries must take all reasonable steps to execute clients orders in financial instruments in such a way that it enables them to obtain on a regular basis the best result taking into account price, cost, speed and likelihood of execution as well as settlement, size, nature of the order or any other consideration relevant to the execution of the order.

The Bank draws the attention of its clients that best execution involves an obligation of means. In other words, the Bank is not obliged to obtain the best possible result for each order, but to apply its best execution policy for each order.

You can obtain more information on the bank's application of its best execution policy from your usual contact person.

Execution quality criteria

As set out in its execution policy, the Bank determines the criteria it deems most appropriate to be taken into consideration in order to obtain the best execution of its clients' orders. For non-professional clients, in compliance with legal and regulatory requirements, the best possible result is mainly driven by the total price of the execution of the transaction, taking into account both the price of the financial instrument and the costs related to the execution of the transaction (such as fees paid to third parties involved in the execution of the order). The clients are informed of these costs through the summary of costs and charges that is part of the order report.

The Bank ensures the quality of execution obtained for its clients by means of various controls and reports.

Intermediaries

The Bank is not bound to execute itself the transactions which are entrusted by its clients. It may call on one or more intermediaries of its choice, whenever it deems it useful or necessary. Based on its experience, the Bank selects such intermediaries on the basis of the best quality of service and its order execution policy; it is not liable for any misconduct on the part of these intermediaries.

A list of intermediaries that the Bank may use is published on the website. This list is not exhaustive, and the Bank reserves the right to choose other intermediaries when it deems appropriate, in accordance with the order execution policy and in the best interests of its clients. You can obtain more information on the intermediaries used by the bank from your usual contact person

Execution venues

The Bank selects the execution venues that it deems best suited to ensure the best execution of orders on behalf of its clients in respect of the parameters specified.

A list of the execution venues selected by the Bank is also available on our website. The Bank nevertheless reserves the right to change the list at any time or to select other execution venues for certain particular orders in accordance with the policy and in its clients' best interests.

The Bank bases its selection of execution venues and intermediaries on the following explicit criteria, in order of importance:

- market share and liquidity, ensuring competitive prices and handling of the typical orders that the Bank wishes to execute on behalf of its clients;
- performance of execution and consistency of quality of execution criteria (total costs, speed and likelihood of execution); and
- resilience and reliability, guaranteeing stable and optimal execution results.

Review and update

The Bank regularly re-evaluates its order execution policy.

It evaluates its selection of intermediaries and execution venues at least once a year and whenever there is a significant change requiring these lists to be altered.

A list of the Bank's five largest execution venues (in terms of transaction volume) is published annually on the Bank's website. This document provides detailed execution information for each class of financial instruments. Its objective is to provide investors with a clear understanding of the practical aspects of executing orders through the Bank.

The complete version of the Bank's order execution policy for financial instruments and the lists of intermediaries and execution venues are available on our website or on request from your usual contact person in our institution.

8 Information on the protection of clients' financial instruments and funds

The Bank respects the following principles with regard to the protection of clients' financial instruments and funds:

- the Bank takes the necessary steps in the context of its activities involving the deposit of financial instruments to distinguish at all times the assets held by any given client from those held by other clients and from the Bank's own assets. It complies in particular in this context with the applicable legal provisions regarding the segregation of own and clients' assets;
- when depositing Clients' financial instruments with a third party intermediary, the Bank ensures that this third party intermediary separately identifies the clients' financial instruments from both those of the Bank and those of the third party intermediary;
- the Bank acts with prudence, care and diligence in selecting, appointing and periodically examining these third party intermediaries with which it deposits its clients' financial instruments and regarding the legal and contractual provisions governing the holding and safekeeping of these financial instruments;
- if the Bank deposits its clients' financial instruments with third party intermediaries, it does so only through intermediaries subject to the law of a Member State of the European Union or of a state with regulations covering the holding of financial instruments on behalf of third parties, unless the nature of the financial instruments requires that they are being deposited in a state that does not have such regulations. The clients' financial instruments may be deposited in a global account (omnibus account) with a third party intermediary, without being segregated in this intermediary's books, unless the country's regulations require that this has to be done.

Except in the event of gross negligence or wilful misconduct on its part, the Bank may not be held liable for damages resulting from the total or partial loss of the financial instruments deposited in the event of the negligence of the third party intermediary selected or the occurrence of insolvency proceedings against it.

The Bank does not engage in using the financial instruments it holds on behalf of a client, nor does it use these financial instruments unless the following two conditions are met:

- the client has previously given its express consent;
- the Bank's financial instruments are limited to the specific terms and conditions agreed with the client.

9 Inducements received or paid by the Bank

Within the framework of its investment services, the Bank grants/receives certain remuneration to/from third parties provided that the payment or inducement:

- is designed to enhance the quality of the relevant service provided to the client;
- does not impair compliance with the Bank's duty to act honestly, fairly and professionally in accordance with the best interests of its clients;
- is clearly disclosed to its clients (existence, nature and amount).

These inducements may consist of monetary benefits, such as a retrocession of management fees from an investment fund, or non-monetary benefits, such as information material, for example.

Before a transaction in a financial instrument is executed, the Bank informs the client of the extent and nature of the remuneration it receives/grants in respect of the relevant transaction via order reports and other specific reports provided by the Bank.

In respect of discretionary portfolio management services, the Bank may only receive and retain acceptable minor non-pecuniary benefits from third parties as described in the MiFID regulation. If the Bank were to receive a management fee retrocession from an investment fund for a fund held by a discretionary management, it will pay it back to the client and inform him accordingly.In addition, the Bank can use investment funds and clean share classes.

When the Bank receives remuneration in the context of the advisory service or the reception, transmission and execution service (PFS), the Bank shall retain the amounts received and inform the customer accordingly.

In accordance with MiFID, the amounts retained are intended to improve the quality of service to the customer. The additional services provided by the Bank to justify the Bank's retention of monetary or non-monetary remuneration and benefits received may include the supply of the periodic suitability report to investment advice clients or the inclusion of a performance table for PFS clients in the valuation report. The information to the client on the amount received and retained or received and paid is done via the valuation report sent at least quarterly.

The Bank receives research information and analyses from external analysts, which is billed internally.

10 The Bank's conflict of interest policy

This section is a summary of our conflict of interest policy. The full version can be obtained upon request from your contact person at the Bank.

The Bank establishes and develops a business relationship with its clients by acting honestly, fairly and professionally. The Bank is guided by the objective of serving the best interests of its clients. To do so, it pays constant attention to potential conflicts of interest that could affect the Bank's efforts to provide optimal services to its clients.

A conflict of interest is a conflict that arises when two or more natural or legal people have opposing interests that could result in a potential loss or disadvantage for the client. Conflicting interests could arise:

- between the Bank and the client;
- between different clients;
- within the Bank (e.g. between departments or business lines/units).
- between the Bank and other entities of the group to which the Bank belongs.

The Bank undertakes all necessary administrative, organisational and supervisory measures to identify, prevent and manage conflicts of interest.

Identification of potential conflicts of interest

To detect conflicts of interest that may arise when supplying investment services, the Bank takes into account situations in which it, one of its employees or a person directly or indirectly linked to the Bank by a control relationship:

- is likely **to make a financial gain or avoid a financial loss at the expense of the client**;
- has an interest in the result of a service provided to the client or a transaction carried out on the client's behalf and that is different from the client's interest;
- is **encouraged** by financial or other reasons **to give priority to the interests of another client or group of clients**;
- has **the same professional activity as the client**;
- receives or will receive from a person other than the client **an inducement in relation to a service provided to the client**, in any form possible (cash, goods, services), other than the standard commission or fee for that service.

Consequently, the Bank has set up an inventory of potential conflicts of interest by investment activity or service. The situations described below, which are not exhaustive, may give rise to a conflict of interest when the Bank acts on behalf of its clients (list of potential conflicts of interest):

- accepting gifts from a client or intermediary (including gifts of a non-financial nature);
- selling complex products, without sufficient explanation to clients, against the interest of a specific client;
- using confidential information obtained from a client to the advantage of the Bank or personal account of an employee;
- conducting personal transactions by an employee of the Bank when one or more clients have opposing or competing interests (e.g. causing the client to suffer losses as a result of price changes);
- incentive-based product placement;
- providing similar advice to multiple clients with competing interests;
- favouring one client (or a group of clients) over another (who will be disadvantaged) when multiple clients put the same securities up for purchase or sale by not respecting the order of receipt of the orders;
- favouring one category of clients over another by giving the benefit of more relevant advice for any reason whatsoever;
- favouring a supplier over service rendered without any good justification.

Policy for managing conflicts of interest

For each situation, activity and service identified, the Bank determines the conflicts that could occur, the organisational measures for avoiding or managing conflicts, the residual risk and the communication to be given to the client.

To prevent and avoid conflicts of interest, the Bank may, among other measures:

- monitor or prohibit the flow of information between data subjects who are engaged in activities involving a risk of conflict of interest (Chinese walls);
- prevent any direct link between the remuneration of relevant people engaged in a particular activity and the remuneration of different relevant people engaged in another activity, where a conflict of interest may arise related to those activities;
- monitor relevant people whose activities could give rise to conflicts between the interests of clients and those of the Bank;
- prevent or control the simultaneous or consecutive participation of a person involved in two or more investment or ancillary services, where such participation is likely to impair the proper management of conflicts of interest;
- ensure an appropriate degree of independence of persons engaged in the various activities involving a conflict of interest;

- require its employees to obtain the Bank's prior approval before accepting external mandates;
- put in place internal measures for the acceptance of inducements (monetary and non-monetary);
- ensure the confidentiality of information communicated by clients to the Bank's employees.

Additional measures are applied in the departments concerned to avoid specific conflicts of interest.

Procedure to be followed if a conflict of interest arises

If a conflict of interest arises, any person who notices it must immediately notify his/her direct superiors and the Compliance Department, which will inform the Management Committee. The member of the Management Committee, acting on the advice of the Compliance Department, will decide by mutual agreement on the measures to be taken.

Following a conflict of interest, the Bank may take the following measures:

- carry out the transaction giving rise to a conflict of interest while taking the necessary measures to manage the conflict of interest without prejudicing the interests of the client concerned;
- not carry out the transaction involving a conflict of interest.

The Bank undertakes to keep and regularly update a register recording the types of investment, ancillary services or specific activities for which a conflict of interest involving the risk of harming the interests of one or more clients has occurred.

Information provided to the client in the event of an insoluble conflict of interest

It is possible that the organisational or administrative measures taken by the Bank to prevent conflicts of interest, from affecting the interests of its clients, may not be sufficient to ensure, with reasonable certainty, that the risks of affecting the interests of clients, will be avoided. In such situation, the Bank shall clearly inform clients, before acting on their behalf and/or for their account, of the general nature and/or source of such conflicts of interest, as well as the measures taken to mitigate such risks, on a durable medium.

Managing conflicts of interest relating to inducements

In the context of receiving incentives, the Bank must comply with the obligation to act honestly, fairly and professionally in the best interests of its clients. MIFID II strengthens requirements and imposes restrictions on fees, commissions and non-monetary inducements paid or provided by the Bank or received from a third party in connection with the provision of investment services or related services.

The Bank complies with this obligation as follows:

- the Bank has put in place procedures to manage conflicts of interest related to product incentives;
- in certain cases (below), the Bank may receive retrocessions on funds and incentives on other products in its range. All funds will be treated in the same way and there will be no financial incentive to sell one fund (with retrocessions) compared to another (without retrocessions). The same rules apply for all other types of products;
- in the context of providing investment advisory services and discretionary management services, the Bank compares the product recommended and used with equivalent products, taking into account fees;
- the Bank trains its employees on conflicts of interest and on the adequacy element (in particular on the fact that advice must be given in the client's interest).

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