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Bank Winter
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Investment-related information - disclosure of risk in securities transactions and creditor participation („bail-in")

The information provided herein is intended to serve as basic information for your investments in money and capital market instruments, allowing you to determine and keep investment risk within limits. In addition, the risk disclosures are meant to be of use when providing verbal advice, although they cannot replace the personal interview between you and your account manager.

We therefore ask you to read this document carefully. Your account manager will be happy to answer any questions you may have.

Financial instruments are designed and sold to meet the needs of an identified target market of end clients within the relevant category of clients. This is duly taken into account in the relevant investment service.

Risk is the failure to achieve an anticipated yield on the capital invested and/or suffering the loss of the capital invested, up to its total loss. Depending on the nature of the product, on the markets and the issuers, a number of different reasons can give rise to such risk. This risk cannot always be determined ahead of time, which is why the explanations provided below should not be regarded as conclusive.

The risk arising from the credit standing of the issuer varies from case to case, and the investor should thus pay particular attention to such risk.

The description of the investment products is based on standard product features. The configuration of the individual product at hand is decisive. The present description can thus not replace the investor's close scrutiny of the specific product.

As a rule, the following needs to be considered when investing in securities:

- In every investment, the potential return depends directly on the risk involved. The higher the potential return, the higher the risk will be.
- Furthermore, irrational factors (investor sentiment, opinions, expectations, rumours) may likewise influence the share price and thus the return on your investment.
- Spreading an investment over several different securities reduces the risk of the investment as a whole (principle of risk diversification).
- Each client is responsible for ensuring the proper payment of tax on their investments. The credit institution is not permitted to advise on tax matters outside the scope of its investment advice.

1 General investment risk

Currency risk

With foreign currency transactions, the return on and the performance of the investment depend not only on the local yield on investment in the foreign market, but also greatly on the performance of the foreign currency with respect to the investor's reference currency (e.g. the euro). A change in the exchange rate can therefore either increase or decrease the return and value of the investment.

Transfer risk

Transactions involving foreign countries (e.g. foreign borrowers) entail the additional risk - depending on the specific country - that political action or exchange control may make the realisation of the investment difficult or impossible. Also, problems may occur when processing an order. In foreign-currency transactions, the currency may end up no longer being freely convertible as a result of such action.

Country risk

Country risk is the credit risk of a country. When the country in question has a political or economic risk, all the partners residing in that country may be adversely affected.

Liquidity risk

The option of selling or settling an investment at a fair market price at all times is called negotiability (= liquidity). A market is considered liquid when investors are able to sell their securities without an average-sized selling order (relative to the market's normal trading volume) leading to noticeable price fluctuations that make it impossible to execute the order or only allow execution at a substantially different price level.

Credit risk

Credit risk refers to the possibility of the counterparty's default, i.e. the possibility that a partner may be temporarily or permanently unable to meet liabilities such as dividend payments, interest payments, repayment of principal, etc. Alternative terms for credit risk are borrower risk or issuer risk. This risk can be assessed using what are called "ratings". Ratings are used to assess an issuer's credit standing. Rating agencies assign the ratings, paying particular attention to credit and country risk. The rating scale ranges from "AAA" (best credit standing) to "D" (worst credit standing).

Interest rate risk

Interest rate risk results from the possibility of future interest rate movements in the market. During the term of fixed-interest bonds, a rise in interest rates will cause prices to drop, whereas a decline in market interest rates will cause prices to increase.

Price risk

Price risk is the risk of potential changes in the value of individual investments. In the case of transactions involving future transfer of ownership (e.g. foreign exchange forwards, futures, writing of options), price risk may make it necessary to post collateral (a margin) or to raise the existing margin, i.e. to tie up liquid assets.

Economic and regulatory risks

Investments in securities may be significantly affected by economic and regulatory measures. These include, in particular, government interventions such as sanctions, tariffs, export or import bans, capital controls, trade restrictions, expropriations, or other political measures. Such measures can lead to significant losses in value, liquidity shortages, or even total loss. These risks are particularly present in investments with an international component or in certain sectors and countries. Investors should be aware that such measures can be taken at short notice and without prior warning.

Currency risk

Securities (e.g. bonds and stocks) are eligible for segregation in the event of the custodian bank's insolvency. However, delays or restrictions in asserting claims may occur during custody—particularly abroad or through international central depositories. Differing legal systems, technical or administrative issues (e.g. erroneous entries) may lead to temporary losses or delays in accessing assets. When held in custody abroad, the securities are subject to the legal system and customs of the respective place of custody. Attachments, enforcement measures, or other interventions against foreign custodians may result in access to the securities being impossible or only partially possible until the conclusion of the proceedings.

Deposit protection / Investor compensation

Securities are not protected deposits within the meaning of the ESAEG and therefore, there is no deposit protection for securities investments. Claims arising from securities services may be subject to investor compensation to the extent provided by law (current maximum amount EUR 20,000). In particular, market value losses and the risk of insolvency or other default by the issuer are not covered.

Risk of total loss

The risk of total loss is the risk that an investment becomes worthless, for instance because it is devised as a right that is subject to a time limit. A total loss is especially likely to occur when the issuer is no longer in a position, for financial or legal reasons, to meet their payment obligations (insolvency). The risk of total loss also arises when issuers of securities find themselves in financial straits and the authorities in charge resort to resolution instruments, cancelling the shares of shareholders, for example, or using the bail-in option for unsecured bonds, which may lead to a complete write-off of the bonds' face value.

Inflation risk

The term inflation describes a general increase in prices on the market. If the price level rises in an economy, purchasing power falls, which leads to a loss in the value of capital assets. Such a price increase is expressed as a percentage as an inflation rate or as an absolute value in a price index. The price increase can refer to a specific market segment and a specific period of time. A well-known inflation indicator in Europe, for example, is the Harmonised Index of Consumer Prices (HICP), which refers to certain goods and services purchased by private households.
Inflation risk is the risk that the value of a capital asset will fall due to the loss of purchasing power caused by price increases on the market. Since the price level is influenced by many factors, it is not possible to predict how high inflation and consequently the loss in value will be in certain periods of time.

To compensate for inflation, wages, salaries, pensions, etc. are usually adjusted annually to maintain purchasing power. Investors invest their capital assets in various investment options, such as savings accounts, bonds, funds, etc., in order to best compensate for the loss of value due to inflation through interest, dividends and similar income distributions.

Sustainability risk

Sustainability risk is defined as an event or condition in the areas of environment, social affairs or corporate governance, the occurrence of which may have or has the potential to have a material adverse effect on the value of the investment.

Climate risks also count as sustainability risks. Climate risks include all those risks that arise as a result of climate change or are exacerbated as a result of climate change. A distinction is made here between physical risks and transition risks. Physical risks of climate change result directly from the consequences of climate change, for example an increase in the average global temperature, more frequent natural disasters and extreme weather events such as floods, heat or drought periods, storms and hail.

Transition risks are risks posed by the transition to a carbon-neutral and resilient economy and society, which could lead to a devaluation of assets, such as changes in the political and legal framework conditions in the real economy (introduction of a CO_2 tax, changes in building regulations and zoning etc.), technological developments (e.g. renewable energies) and changes in consumer behaviour. These risks can have an impact on the value and performance of investments of all categories (stocks, bonds, investment funds, etc.),

Sustainable investments can be just as risky as traditional investments. Please note the risk information for each type of investment.

Buying securities on credit

Buying securities on credit comes with an increased risk. The credit obtained must be repaid regardless of whether the investment is a success or not. Any credit costs that are incurred further reduce the return on the investment.

Order placement

Buying or selling orders placed with the bank must specify at least the following: the type of investment, the quantity/notional, the price and the time period over which the instruments are to be bought/sold.

- Price limit

If you add the instruction "at best" (no price limit) to an order, you accept any possible price; as a result, you will be unable to anticipate how much capital you will be expected to invest or, as the case may be, how much you will earn. A buy limit puts a cap on the purchase price and thus the amount of capital to be employed; no purchases will be made above the price limit. A sell limit stipulates the lowest acceptable selling price; no deals will be carried out below this price limit.

N.B.: A stop-market order is only activated when the price established on the exchange matches the chosen stop-limit. From the moment of activation, the order is valid as a "market order," meaning without a price limit, until it can be executed. The actual price achieved can therefore deviate significantly from the chosen stop-limit, especially with thinly traded stocks and/or in cases of very rapid price changes.

- Time limit

You may stipulate that your order should expire once a certain time limit is reached. The period of validity for unlimited orders depends on the practices of the respective stock market. For any other additional instructions, please consult with your account manager.

Execution and pricing risks

Depending on the trading venue and market structure (e.g., fragmented or over-the-counter markets), price transparency may be limited, trading may be suspended, orders may be erroneous due to technical or input errors, or there may be discrepancies between the actual and expected price. For stop/market orders, the execution may deviate significantly from the last visible price. Further details can be found in the product-specific chapters (e.g., ETPs) and in the bank's execution principles.

Guarantees

The word guarantee can be used in different senses. On the one hand, it is understood to mean the commitment a third party other than the issuer undertakes to pay the issuer's liabilities. On the other hand, it may designate the commitment undertaken by issuers themselves to provide a specific payment irrespective of the trends of certain indicators that would otherwise determine the amount of the liability. Guarantees may involve a wide range of different other conditions.

Capital guarantees are usually valid only at maturity (redemption), which is why price fluctuations may well occur until such time. The quality of a capital guarantee essentially depends on the guarantor's credit standing.

Tax issues

Your account manager will be happy to advise you on general tax matters relating to the various investments. You should ask your tax advisor to help you assess the effects of an investment on your personal tax situation.

Risk at stock exchanges, particularly secondary markets (e.g. Eastern Europe, Latin America, etc.)

There is no direct connection to most stock exchanges in secondary markets, i.e. all orders need to be forwarded by telephone. Errors and delays may occur.

In some secondary stock markets, limited buy and sell orders are generally not available. Therefore, limited orders can only be placed after consulting with the broker on site by telephone, which may lead to delays. Sometimes, such limits may simply be ignored.

In various stock exchanges it is difficult to obtain information on current prices, making any up-to-date assessment of current client positions difficult. If a security is no longer listed in a stock exchange, the sale of these securities may no longer be possible via the relevant stock exchange. A transfer to another stock exchange may likewise be problematic. The opening times of some stock exchanges in secondary markets are well out of line with Western European standards. Short trading hours of three or four hours per day, for example, can lead to bottlenecks and the non-execution of orders.

2 Bonds

Definition

Bonds (= debentures, annuities) are securities by which the issuer (= borrower, issuing firm) accepts an obligation towards the holder (= creditor, buyer) to pay interest on the capital received and to redeem the bond according to the agreed terms. Alongside bonds in the narrow sense, there are debt securities that differ substantially from the above-mentioned characteristics and the description provided below. Please refer to the description of debt securities in the section "Structured products". Especially in the present context, product-specific risk is determined not by the designation as bonds or debentures but by the specific configuration of the individual products.

Return

The return on a bond consists of interest paid to the bond holder plus any difference between the purchase price and the realisable selling price/redemption price.

It is therefore possible to anticipate the return only if the bond is held until redemption. In the case of variable interest rates, the return on a bond cannot be calculated in advance. Yield (at maturity), which is calculated according to established international standards, is used as an indicator/reference for the return. Where a bond offers a yield that is substantially higher than that of bonds with comparable maturities, specific reasons are likely responsible, such as an elevated credit risk. When a bond is sold prior to redemption, the realisable selling price cannot be anticipated; the return may therefore turn out to be higher or lower than the yield originally estimated. Any transaction costs charged need to be deducted from the overall return as well.

Credit risk

There is a risk that borrowers defaults on all or part of their obligations, e.g. in the event of insolvency. The debtor's credit standing must therefore be taken into account when deciding on an investment.

An indication for assessing the borrower's credit standing is the “rating” (= evaluation of the borrower's credit standing) by an independent rating agency. An AAA rating represents the best credit standing; the lower the rating (e.g. B or C), the higher the credit risk - but the rate of return on the security (risk premium) will presumably also be higher due to the costs resulting from the borrower's higher default risk (credit risk). Investments with a comparable BBB rating or higher are called "investment grade" investments.

Price risk

If a bond is held to maturity, the investor is paid the redemption price as stated in the bond terms. In this regard, please consider - if provided in the terms of issue - the risk of early termination on the part of the issuer. If a bond is sold prior to maturity, the investor is paid the market rate (price). This rate is determined by supply and demand, which in turn also depend on the current level of interest. The price of fixed-rate securities, for example, will fall if the interest on bonds with comparable maturities rises. Conversely, bonds will gain in value if the interest on bonds with comparable maturities falls. A change in the borrower's credit standing may also affect the price of bonds. When the interest rate curve is levelling out or flat, the price risk of bonds whose interest rates are aligned to capital market interest rates of floating-rate notes are markedly higher than those of bonds whose interest rates depend on money market interests.

"Duration" indicates the price change of a bond in response to a change in the interest rate. The duration depends on the bond's time-to-maturity. The greater the duration, the stronger a change in general interest rates will impact the price, either in a positive or in a negative way.

Liquidity risk

The negotiability of bonds may depend on a variety of factors, including the volume issued, time-to-maturity, stock exchange practices and the market situation. It may be difficult or impossible to sell a bond under certain circumstances, in which case it must be held to maturity.

Bond trading

Bonds are generally traded in the stock exchange or over the counter. Your bank will generally advise you on the purchase and selling prices of certain bonds on request.

However, there is no entitlement to negotiability.

For bonds traded in the stock market, the prices quoted in the stock exchange may vary substantially from over-the-counter prices. Adding a limit will cap the risk of weak trading.

Call option and repurchase limit

Subordinated bonds may not be called at the bond holder's discretion. Before any issuer rights to call or repurchase subordinated bonds may be exercised, approval must be obtained from the competent authorities.

2.1 Several specific types of bonds

Subordinated bonds ("Tier 2")

These Tier 2 instruments are typically issued by credit institutions. These bonds create direct, unconditional, unsecured, and subordinated liabilities for the issuer with a minimum term of five years. Creditors have no right of redemption. In the event of the issuer's liquidation or insolvency, the claims of Tier 2 bondholders are subordinated to the claims of non-subordinated bond holders.

High-yield bonds

High-yield bonds are securities where an issuer with low credit standing (= debtor) accepts an obligation towards the holder (creditor, buyer) to pay fixed or variable interest on the capital received and to redeem the bond according to the agreed terms.

Convertible bonds for home loans

Convertible bonds for home loans are issued by home loan banks and have the purpose of financing homes (new construction and refurbishment). Such bonds certify the claim to payment of capital and interest in the form of a convertible bond. According to the terms of the bond, they can be converted into participation rights of a home loan bank (= redeemed). Once converted, the rank of the participation rights corresponds with that of ordinary shares. Payments on participation rights depend on the profit made; there is no follow-up payment for remuneration not paid in individual years. Currently, tax incentives are available for convertible bonds for home loans. Prior to purchase, applicability of such incentives should be verified.

Secured and unsecured bonds

Classic senior bonds are considered first-ranking claims that are serviced first in the event of insolvency of the issuer (debtor). This means that investors (creditors) with these securities have a higher chance of recovering their invested capital in the event of insolvency than investors who have invested in subordinated bonds or equity-related securities of the issuer, for example.

Bonds can be secured or unsecured. Secured bonds are better off than unsecured bonds because certain assets are earmarked to cover them in the event of the issuer's insolvency. On the other hand, they have a lower chance of yield compared to unsecured bonds.

Other specific types of bonds

For other specific types of bonds, including bonds with options, convertible bonds and zero coupon bonds, please consult with your account manager.

3 Shares

Definition

Shares (stock) are securities that evidence equity interest in a company (stock corporation). The shareholder's main rights are to receive a share in the company's profits and to vote in the general meetings of shareholders (with the exception of preferential shares).

Return

The return on investments in shares consists of the dividend payments and price gains/losses and cannot be anticipated with certainty. The dividend is the profit distributed based on a resolution of the general meeting. The amount of the dividend is quoted either as an absolute amount per share or as a percentage of the notional. The profit from the dividend relative to the share price is called the dividend yield. Generally, this yield is substantially less than the dividend expressed as a percentage.

The greater part of returns from investments in shares is usually achieved from the stock's performance/price trend (see Price risk).

Price risk

A share is a security usually traded in the stock exchange. Generally, a price is determined daily on the basis of supply and demand. Investments in shares may lead to substantial losses.

In general, the price of a share depends on the business success of a given company as well as the general economic and political environment. Besides, irrational factors (investor sentiment, public opinion) may also influence the share price and thus the return on an investment.

Credit risk

As a shareholder, you hold an interest in a company. That interest may become worthless, particularly in case of insolvency.

Liquidity risk

In the case of securities with low trading volumes (especially over-the-counter trading), negotiability may be problematic. Even when a share is listed in several stock exchanges, there may be differences in the negotiability at the different international stock markets (e.g. an American share listed in Frankfurt).

Share trading

Shares are traded in the stock exchange and, in certain cases, over the counter. When trading in the stock market, it is necessary to take into account the rules and practices of the specific stock exchange (units of trading, types of orders, currency regulations, etc.). Shares listed in different stock markets in different currencies (e.g. a US share listed in euros at the Frankfurt Stock Exchange) entail both a price risk and a currency risk. Your account manager will be happy to advise you. When buying a share at a foreign stock market, it must be noted that foreign stock markets always charge "third-party fees" in addition to the usual banking fees. Your account manager will be happy to advise you on the exact amount.

4 Investment funds

4.1 Domestic investment funds

General

Austrian investment fund shares (investment certificates) are securities that securitise joint ownership in an investment fund. Investment funds invest the shareholders’ funds in accordance with the investment fund's investment strategy, adhering to the principle of risk diversification. Traditional investment funds are typically subdivided into three main types: bond funds, equity funds and mixed funds, which invest in both bonds and equity shares. Investment funds may invest in domestic and/or foreign securities.

The investment range of domestic investment funds includes not only securities but also money market instruments, liquid financial assets, derivatives and other investment fund shares.

Furthermore, distributing investment funds are distinguished from non-distributing when it comes to taxes. Unlike a distributing investment fund, a non-distributing fund accumulates returns and reinvests these in the investment fund. In umbrella funds, returns are invested in other domestic and/or foreign investment funds. Guarantee funds involve a binding commitment - relating to disbursements during a certain time period, repayment of the capital or performance - on the part of a guarantor appointed by the management company.

Return

The return on investment funds consists of the annual dividends and the change in the fund's calculated value and cannot be anticipated. The trend in value depends on the investment policy established by the fund terms and the market trend of the fund's individual asset components. Depending on the composition of an investment fund, the risk disclosure for bonds, shares and options should be observed.

Price / valuation risk

Investment fund shares may usually be returned at the redemption price at any time. In the event of exceptional circumstances, redemption may be temporarily suspended until the assets of the investment fund have been sold and the proceeds have been received. Should many unit-holders decide to return their unit certificates all at the same time, the investment fund - if no relevant arrangements are provided for in the fund terms - may suspend redemption of investment fund units due to a liquidity bottleneck. Any such suspension must be implemented in strict compliance with legal requirements and also require notification of the Financial Market Authority (FMA) as well as a public announcement. The purpose of such a suspension is to give the investment fund an opportunity to raise additional liquidity. If unsuccessful, the investment fund may be closed. Your account manager will inform you of any costs payable and, as the case may be, the execution date for your buying or selling order. The term of an investment fund depends on the fund terms and is usually unlimited. Please note that, unlike with bonds, there is generally no redemption and thus no fixed redemption price in the case of investment fund units. When investing in a fund the risk is determined by the investment policy and the respective performance of the investment fund's assets. **The possibility of a loss can generally not be ruled out.** Although the investment can usually be redeemed at any time, investment funds are investment products that generally pay off only if held for a lengthy period of time.

Just like equities, investment funds can be traded in stock markets: they are then known as exchange-traded funds (ETF). It must be pointed out that an investment fund qualifies as an ETF only if the management company has entered into an appropriate agreement with a market maker. Prices that form at the relevant stock market may vary from the redemption price. In this respect, risk disclosures for equities should be taken into account.

Tax effects

Depending on the type of investment fund, returns are taxed differently.

4.2 Foreign investment funds

Foreign investment funds are subject to legal requirements applicable in other (EU) countries, which may vary from the regulations applicable in Austria. In particular, prudential law in other countries (outside of the EU) may be less strict than in Austria. What also needs to be taken into account is that the investment funds available in other (EU) countries may be different than those available in Austria, such as fund structures under company law. Such investment funds are geared towards supply and demand and not towards the intrinsic value of the investment fund, which is why they are comparable to equities. Please note that the dividends and dividend equivalents of foreign investment funds (e.g. non-distributing funds) are subject to other tax laws, regardless of their legal form.

4.3 Exchange traded funds

Exchange-traded funds (ETFs) are investment fund units that are traded in a stock market like equities. An ETF is usually a basket of securities (e.g. basket of equities) that reflects the composition of an index, i.e. tracking the index in a security by means of the securities included in an index and their current weighting, which is why ETFs are often also designated index stocks. This is achieved either through physical replication (actual acquisition of the securities included in the index) or through synthetic replication (replicating the index performance using derivatives, especially swaps). ETFs thus combine the characteristics of traditional investment funds (risk diversification, transparent investment policy) with the tradability of shares.

Return

The return of ETFs depends on the performance of the underlying assets held in the fund.

Distributing ETFs pay dividends or interest to investors. Accumulating ETFs automatically reinvest earnings in the fund's assets.

For synthetic ETFs, performance is derived from the returns on derivative transactions that replicate the index's performance.

Risk

The risk essentially corresponds to the price fluctuations of the assets included in the index. Additional risks arise from the replication method (physical/synthetic), liquidity, pricing (deviation from NAV), currency fluctuations (for foreign currency ETFs), and operational risks (e.g., errors in administration or custody.

Risk arising from the replication method:

- **Physical replication:** With full physical replication, all securities included in the index are actually purchased. With optimized physical replication, only a selection of the index securities are purchased, which can lead to a tracking error (deviation from the index performance). For ETFs with smaller fund assets, it may not be possible to replicate the benchmark index completely and/or in its weighted proportions.
- **Synthetic replication:** When replicating via derivatives (especially swaps), there is counterparty risk (credit risk) vis-à-vis the swap counterparty, usually a financial

institution. If this financial institution cannot meet its obligations, this can lead to losses. This risk is limited by statutory collateral requirements but cannot be completely eliminated.

Liquidity risk: The tradability of ETFs may be limited depending on market conditions, trading volume, and the liquidity of the underlying assets. Increased bid-ask spreads may occur during periods of market stress.

Pricing risk: The market price of an ETF may deviate from its calculated net asset value (NAV). Depending on the trading venue and market structure, there may be limited price transparency, trading suspensions, erroneous orders due to technical or input errors, or discrepancies between the actual and expected price.

Currency risk: Foreign currency ETFs are subject to the risk of exchange rate fluctuations.

Operational risks: Risks arising from errors in administration, custody, or technical processing. Delays or restrictions in asserting claims may occur during custody – particularly abroad or via international central securities depositories.

5 Real estate funds

General

Real estate funds are special assets owned by a real estate investment company that holds and manages the special assets in trust. Unit certificates evidence interest held in such special assets. Based on the principle of risk diversification, real estate funds invest the funds provided to them by the unit-holders in landed property, buildings, shares in real estate companies, comparable assets and own construction projects; they also hold liquid financial assets (liquidity assets), such as securities and cash on deposit. The purpose of liquidity assets is to ensure that forthcoming payment obligations on the part of the real estate fund can be met (for the purchase of real estate properties, for example)

Return

From the perspective of unit holders, the total return on real estate funds consists of the annual distributions (provided it is a distributing fund) and performance of the calculated share in the fund's value and cannot be anticipated. The performance of real estate funds depends on the investment policy established by the fund regulations, the market trend, the individual real properties held in the fund and other asset components of the fund (securities, cash on deposit). The historical performance of a real estate fund is no indication for its future performance. Among other factors, real estate funds are subject to a return-related risk on account of the potential vacancies in the buildings. Especially in own construction projects, problems may arise when it comes to renting out for the first time. Furthermore, vacancies may negatively affect the value of the real estate fund and lead to reduced dividends. Investing in real estate funds can also lead to a reduction of the invested capital.

Aside from cash on deposit, real estate funds also invest liquid funds in other types of investments, particularly in interest-bearing securities. These components of the fund assets are then subject to specific types of risk inherent in the selected form of investment. When real estate funds invest in foreign projects outside the euro zone, the unit-holder is exposed to additional currency risk, as the market value and capitalised earnings of such a foreign property needs to be converted every time the subscription price and the repurchase price are calculated.

Special provisions regarding returns

Unit certificates may be returned at the repurchase price. It should be noted that real estate funds may have constraints on the repurchase of unit certificates (e.g., time limits, amount limits, particularly minimum holding periods). In exceptional circumstances, the repurchase of certificates can be temporarily suspended until the fund assets are sold off and the sales proceeds are received. In particular, fund regulations may provide that the repurchase of unit certificates be suspended for lengthy period of up to two years once substantial repurchases have been made. In such a case, the repurchase price will not be paid out during this period. Real estate funds are typically classified as long-term investment projects.

6 Liquidity management instruments (LMT) for all funds

For all funds, at least two suitable instruments for managing liquidity risks must be selected and activated as needed (so-called liquidity management instruments, "LMTs"). Permissible instruments include:

Suspension of subscriptions, repurchases, and redemptions: A suspension of subscriptions, repurchases, and redemptions means that unit holders are temporarily prohibited from subscribing to, repurchasing, or redeeming units of the fund.

Redemption restriction: A redemption restriction means a temporary and partial limitation of unit holders' right to redeem their units, so that investors can only redeem a certain portion of their units.

Extension of notice periods: An extension of the notice period means that the notice period is extended beyond a minimum period appropriate to the fund, which unit holders must grant the fund managers before redeeming their units.

Redemption Fee: The redemption fee is a fee paid by unit holders when redeeming units in the fund, within a predetermined range and taking liquidity costs into account. It ensures that unit holders remaining in the fund are not unduly disadvantaged.

Swing Pricing: Swing pricing is a pre-defined mechanism by which the net asset value of units in an investment fund is adjusted by applying a factor (the 'swing factor') that reflects liquidity costs.

Dual Pricing: Dual pricing is a pre-defined mechanism by which the subscription, repurchase, and redemption prices for units of an investment fund are determined by adjusting the net asset value per unit by a factor that reflects liquidity costs.

Anti-Dilution Fee: The anti-dilution fee is a fee paid by a unit holder when subscribing to, repurchasing, or redeeming units in the fund. It compensates the fund for liquidity costs incurred due to the volume of this transaction and ensures that other unit holders are not unfairly disadvantaged.

Distribution in Kind: Distribution in kind means that assets held by the fund are transferred instead of cash to fulfill withdrawal requests from unit holders.

Spin-off of illiquid assets ('side pockets'): The spin-off of illiquid assets involves separating certain assets whose economic or legal characteristics have changed significantly or become uncertain due to exceptional circumstances from the other assets of the fund.

7 Fractional shares

For some securities (e.g., stocks, ETFs, certificates, or ETPs), it is generally possible to purchase fractions in addition to whole units.

Securities fractions refer to shares of a security that are smaller than a whole unit. The smallest notional unit may vary depending on the product and its structure. It may, for example, be 1/1000 (0.001), but other denominations are also possible. Fractional shares may arise, among other things, when the amount invested does not correspond to an exact whole number of shares, or in connection with corporate actions such as stock splits, exchange transactions, or distributions.

In such cases, investors hold a proportional economic claim to the respective security. As a result, they may be co-owners of whole units together with other investors or the custodian bank, though other legal structures are also possible. On account statements, fractional shares are typically shown by decimal places in the unit count.

Return

Investors participate economically in the security to the extent of their fractional share. Dividends, distributions, or proceeds from capital transactions are credited on a pro-rata basis.

Risks and Restrictions

- **Voting and subscription rights**: Fractional shares often come with no rights or only limited rights (e.g., no voting rights at annual general meetings, non-exercisable subscription rights). Non-divisible rights expire.
- **Tradability**: Fractional shares are generally not directly traded on the stock exchange.

Sales are typically made only via a "market order" without a price limit; the actual price achieved may therefore differ from expectations.

- **Transferability and Pledging**: Fractional shares cannot be transferred to other brokerage accounts and cannot be pledged; only whole shares are transferable.
- **Custody and Counterparty** Risk: Fractional shares are held in a pool by the bank. This entails specific organizational and legal risks, as investors are grouped together in a co-ownership arrangement.
- **Corporate Actions**: In the event of capital measures (e.g., splits, reorganizations, allocations), settlement is carried out on a pro-rata basis and, where applicable, with rounding. In individual cases, this may result in cash settlements or the forfeiture of claims. Physical delivery of the underlying asset is excluded for fractional shares and is only possible for whole shares.

8 Options

Definition

Options are non-interest bearing and non-dividend securities that give the holder the right to buy (call options) or to sell (put options) an underlying asset (e.g. shares) at a price specified in advance (exercise price) on a specified date or in a specified time period.

Return

By purchasing a call option, the owner sets the purchase price of the underlying asset. A return is earned if the market price of the underlying instrument less the option's purchase price is higher than the exercise price payable. The option holder may then buy the underlying instrument at the exercise price and sell it immediately at the market price. Generally, a rise in the price of the underlying instrument causes a comparatively strong increase in the price of the option (leverage effect), so that most investors realise their return on the investment by selling the option. Inversely, the same applies to put options: their price usually rises when the price of the underlying asset declines. Returns on option investments cannot be anticipated. The maximum loss is limited to the amount of the capital invested.

Price risk

The risk inherent in option investments is that, by the time options expire, the underlying instrument may not have performed as you anticipated when you bought the options. In extreme cases, this can lead to the total loss of the invested capital. The price of an option also depends on other factors. The most important are:

- **The volatility of the underlying instrument** (indicator for the fluctuation margin of the underlying instrument expected at the time of purchase and also the most important parameter determining the price of the option). High volatility generally translates into a higher price for the option.
- **Maturity of the option** (the longer the maturity of an option, the higher the price).

Even if your expectations with respect to the price performance of the underlying instrument are met, a decline in volatility or a decrease in the time-to-maturity may cause the price of the option to remain unchanged or fall. Generally, we would advise not to buy an option shortly before it expires. Buying an option when volatility is high makes your investment more expensive and is thus highly speculative.

Liquidity risk

Options are generally issued only in small quantities. This increases the liquidity risk. As a result, individual options are prone to particularly strong price fluctuations.

Option trading

For the most part, options are traded over the counter (OTC). As a rule, there is a difference between purchase and selling price. This difference is for your account. When trading options in the stock market, low liquidity is frequently very low.

Option terms

Options are not standardised. It is therefore extremely important to find out the exact terms and conditions, especially with respect to:

- **Type of exercise**: can the option be exercised at any time (American-style option) or only on the exercise date (European-style option)?

- **Subscription ratio:** How many options are necessary to obtain the underlying instrument?
- **Exercise:** Delivery of the underlying instrument or cash settlement?
- **Expiration**: When does the right expire? Please note, that the bank will not exercise your option rights without your express instruction to do so.
- **Last trading day:** In many cases, this day comes before the day of expiration, so that option holders cannot take for granted that options will have been sold by the day of expiration.

9 Forward transactions in securities at stock markets (option and futures contracts)

While options and futures come with high odds of positive returns, they also entail a very high loss risk. As your bank, we see it as one of our tasks to advise you on the risk involved before you invest in options and futures.

9.1 Buying options

Buying options involves the purchase (opening = to buy an option, long position) of calls (options to buy) or puts (options to sell), by which you acquire the right to delivery or acceptance of the underlying security or, if that is impossible, as with index options, the right to payment of an amount equal to the positive difference between the price of the underlying instrument at the time you purchased the option and the market price at the time you exercise the option. American-style options may be exercised at any time before the agreed expiration date, whereas European-style options can be exercised only on the agreed expiration date. To obtain the right under an option, you need to pay the option price (option premium). The price may fail to live up to the expectations you had when you bought the option and the value of your option may decline, possibly even becoming completely worthless by the expiration date. Your risk of loss is therefore the price you pay for the option.

9.2 Selling options and buying/selling forwards

Selling calls

Selling calls involves the disposal (opening, short position) of calls (options to buy), by which you accept the obligation to deliver the underlying security at a specified price at any time prior to the expiration date (in the case of American-style call options) or on the expiration date (in the case of European-style call options). You are paid the exercise price for assuming that obligation. Should the price of the underlying security rise, you will be expected to deliver the underlying security at the agreed price even if the market price is significantly higher. Your risk of loss, which cannot be anticipated and is, as rule, unlimited, lies in this difference. If you do not own the underlying securities (**uncovered short position**), you will need to purchase them by means of a spot transaction (**cover transaction**) and, in that case, your **risk of loss cannot be anticipated**. If you own the underlying securities, you are protected against cover losses and will also be able to ensure timely delivery. However, as such securities must be blocked until the expiration date of your option, you will not have them at your disposal during that time, which means you will be unable to sell them to protect yourself against falling prices.

Selling puts

Selling puts involves the disposal (opening, short position) of puts (options to sell), by which you accept the obligation to purchase the underlying security at a specified price at any time prior to the expiration date (in the case of American-style call options) or on the expiration date (in the case of European-style call options). You are paid the exercise price for assuming that obligation. Should the price of the underlying security fall, you will be expected to buy the underlying security at the agreed price even if the market price is significantly lower. This difference between **exercise price and the option premium constitutes your basic risk of loss which cannot be anticipated.** Any immediate disposal of the securities will only be possible at a loss. However, should you wish retain ownership and not sell the securities immediately, you will need to take into account the costs this will entail.

Buying/selling forwards

This involves the disposal or, as the case may be, purchase of forwards at a specified time in the future, by which you assume the obligation to accept or, as the case may be, deliver the underlying security at a specified price at the end of the agreed maturity. Should the price of the underlying security rise, you will be expected to deliver the underlying security at the agreed price even if the market price is significantly higher. Should the price of the underlying security fall, you will be expected to buy the underlying security at the agreed price even if the market price is significantly lower. Your risk of loss lies in this difference. If you commit yourself to buying, the full amount in cash required must be available at the time of maturity. If you do not own the underlying securities (**uncovered short position**), you will need to purchase them by means of a spot transaction (**cover transaction**) and, in that case, your **risk of loss cannot be anticipated**. If you own the underlying securities, you are protected against cover losses and will also be able to ensure timely delivery.

9.3 Cash settlements

If, in a futures contract, acceptance or delivery of the underlying securities is impossible (e.g. in the case of index options or index futures), you will be required to pay a cash amount (cash settlement) resulting from the difference between the price of the underlying security at the time you sign the option or futures contract and the market price at the time of exercise or maturity if the market did not perform as you anticipated. Your **risk of loss, which cannot be anticipated and is, as rule, unlimited**, lies in this difference and you need to ensure that you have sufficient liquid assets to cover the transaction.

9.4 Posting security (margins)

In the case of an uncovered sale of options (opening, uncovered short position) or, as the case may be, the purchase or sale of future contracts, a security needs to be posted in the form of a "margin". You are required to post such a margin at the time of opening and as needed (if price performance is not as you expect it to be) at any time prior to expiration of the option or futures contract. If you are unable to post any additional margin required, we will unfortunately be compelled to close out your position immediately and use any previously posted margin to cover the transaction in accordance with section 5(1) of *Sonderbedingungen für börsliche und außerbörsliche Optionen- und Termingeschäfte* (Special Terms and Conditions for Exchange-traded and OTC Options and Futures Contracts).

9.5 Closing out positions

When trading in forwards and American-style options, you also have the option of closing out your position prior to expiration. However, do not expect this option to be available at all times. The availability of this option always depends very much on the market situation and in a difficult market, you may have to perform trades at an unfavourable market price resulting in losses.

9.6 Other risk

Options entail both rights and obligations – futures contracts entail obligations only – with a short term and specified expiration or delivery dates. On this account, and because of the rapidity of such transactions, additional risk arises. In particular, this risk consists of:

- Options that are not exercised or closed out in a timely manner lapse and become worthless.
- If the required additional margin is not provided in a timely manner, we will close out your position and use up any previously paid margin, notwithstanding any obligations you may have to cover outstanding balances.
- In the case of options (short positions), the necessary steps will be taken without prior notification in the event of assignment. Any securities assigned in the course of exercising puts will be sold if the cover available is insufficient.
- Should you undertake futures contracts in foreign currencies, unfavourable trends in the currency market may heighten your risk of loss.

10 Money market instruments

Definition

Money market instruments encompass certificated money market investments and borrowings, including certificates of deposit (CDs), medium-term bonds, global note facilities, commercial papers and all notes with a maturity for the principal of up to about five years and fixed interest rates for periods of up to about 1 year. Moreover, money market transactions also include repo deals and agreements.

Return and risk components

The return and risk components of money market instruments largely correspond to those of "bonds/debt securities/annuities". Differences result mainly from the liquidity risk.

Liquidity risk

For money market instruments, there is typically no regulated secondary market, so there is no guarantee that you will be able to sell them any time you wish. Liquidity risk becomes immaterial if the issuer guarantees repayment of the invested capital at all times and has sufficient credit standing to do so.

Money market instruments – explained in simple terms

Certificates of deposit: money market instruments issued by banks with terms of usually between 30 and 360 days.

Medium-term bonds: money market instruments issued by banks with a term of up to 5 years.

Commercial papers: money market instruments, short-term promissory notes issued by corporates with maturities of between 5 and 270 days.

Global note facilities: a variant of commercial paper facilities allowing the issue of commercial papers in the US and European markets at the same time.

Notes: short-term capital market papers with maturities of usually 1 to 5 years.

11 Strukturierte Produkte

"Structured investment instruments" are investment instruments with variable returns and/or capital repayments that depend on specific future developments or trends. Furthermore, these investment instruments may be structured in such a manner as to allow the issuer to call in the product early if the targets specified beforehand are reached or they may even be subject to automatic call-in.

You will find a description of the different product types below. These product types are designated using collective terms which are generally accepted but not consistently used in the market. The diverse points of departure, combinations and payment options constitutional of these investment instruments have given rise to very different types of investment instruments with names that are not always reflective of their respective structure. For this reason, it is always necessary to check the specific terms and conditions of each product. Your account manager will be happy to advise you on the various structures of these investment instruments.

11.1 General risks of structured products

- Any interest and/or return payments that have been agreed may be contingent on future events or trends (indices, baskets, individual shares, specific prices, commodities, precious metals, etc.) and therefore end up not being made at all or only in part.
- Capital repayments may be contingent on future events or trends (indices, baskets, specific prices, commodities, precious metals, etc.) and thus end up not being made at all or only in part.
- When it comes to interest and/or return payments as well as capital repayments, special consideration must be given to interest rate, currency, business, sector-specific, country-specific and credit risks (possibly no right no separation and recovery of assets that do not belong to the bankrupt estate) as well as tax-related risk.
- The types of risk set forth in sections 1) through 3) may lead to high price fluctuations (losses) during the term, notwithstanding any interest rate, return or capital guarantees provided, making any sale during the term difficult, if not impossible.

▪ The issuer of the structured product (often a so-called certificate) is a company that is subject to its own credit risk; the credit risk of the issuer of the structured product may differ significantly from the credit risk of the issuer(s) of the underlying asset(s), provided that the underlying asset(s) consists of securities (e.g., bonds or stocks).

11.2 Crypto currencies as underlying assets

Definition

Crypto-assets are digital representations of value or rights that can be electronically transferred and stored using distributed ledger technology or similar technology. They exist exclusively in digital form and are not issued or managed by a central authority such as a central bank but are managed in a decentralized manner by a network of computers (blockchain). Crypto assets can serve various functions, such as digital currency, investment vehicles, or the exercise of specific rights. Well-known examples of cryptocurrencies—a subcategory of crypto assets—include Bitcoin and Ether, which are not issued by governments and whose value is heavily influenced by supply and demand as well as speculative market expectations.

Return

Returns generally arise exclusively from increases in the cryptocurrency's price. There are usually no interest or dividend payments (although this may depend on the specific crypto asset).

Risk

Cryptocurrencies are among the most speculative and volatile underlying assets. The following risks, in particular, should be noted:

- **High volatility and high price risk**

  Prices can fluctuate dramatically in the short term. A total loss is possible at any time, even within a short period.

- **Technological risks**

  Blockchain systems may be subject to technical errors, software issues, hacker attacks, or security vulnerabilities, which can lead to loss or a decline in value.

- **Liquidity risk**

  Cryptocurrencies are traded globally and around the clock, but not on exchanges. Liquidity can be low, particularly for less established cryptocurrencies, making it difficult to sell or possible only at significant discounts.

- **Price risk (non-transparent pricing)**

  Cryptocurrency pricing does not occur on a centralized exchange but rather across a multitude of independent, globally distributed trading venues. Due to varying levels of liquidity, limited regulation of individual platforms, and potential market manipulation, prices can differ significantly from one another and exhibit substantial, hard-to-trace fluctuations in the short term. This makes transparent, reliable price determination difficult and increases the risk for investors.

- **Market acceptance risk**

  The long-term value of cryptocurrencies depends heavily on their acceptance as a means of payment and a store of value. If this acceptance is lost or fails to gain traction, there is a risk of a significant loss in value.

- **Trading platform risk**

  Cryptocurrencies are traded on trading platforms that are subject to varying levels of regulation or are unregulated. These platforms may experience technical glitches, erroneous trades, or temporary trading suspensions, which can significantly limit tradability and result in substantial losses.

- **Custody risk**

  The loss or theft of digital keys (private keys) will irrevocably result in the loss of the crypto assets.

- **Forks and Airdrops**

  Blockchain forks or free distributions (airdrops) of crypto assets can lead to uncertainties in determining their value. Investors may not be entitled to the newly created or distributed crypto assets, which can result in losses.

12 Specialized structured products

12.1 Constant maturity swaps

These products, which are structured like debt securities, are initially issued with a fixed coupon. Once the fixed-rate period has expired, variable interest rates becomes applicable. Most of these coupons have a one-year term and their performance depends on the current interest rate situation (e.g. interest rate curve).

In addition, these products may also be issued with a target rate, i.e. once an agreed target rate is achieved, the product is called in early.

Return

In the fixed-rate period, the investor usually obtains a higher coupon rate than with conventional bonds available in the market. In the variable-rate period, investors can achieve achieving higher coupons than with fixed-interest bonds.

Risk

Before maturity, market conditions may cause price fluctuations, which may turn out to be significant, depending on the interest rate trend.

12.2 Guarantee certificates

When guarantee certificates reach maturity, the initial face value or a certain percentage thereof is paid out regardless of how the underlying security performed ("minimum redemption").

Return

As set forth in the terms and conditions of the certificate, the maximum return that can be obtained through the performance of the underlying security may be subject to a maximum redemption price or other limitations on the extent to which the investor gets to benefit from the performance of the underlying security. The investor is not entitled to any dividends and similar disbursements on the underlying security.

Risk

During the maturity period, the value of the guarantee certificate may fall below the agreed minimum redemption price. However, the value of the certificate at maturity will generally be at the minimum redemption price. The minimum redemption price is determined by the issuer's credit standing.

12.3 Twin-win certificates

At maturity, the issuer of twin-win certificates pays out a redemption price that is determined by the performance of the underlying instrument. The certificates have a barrier. If the price does not reach the barrier of the twin-win certificate or if it falls below the barrier before it matures (as is generally the case), the investor gets to share in the absolute performance of the underlying instrument starting from the base price set by the issuer, i.e. even losses in the price of the underlying instrument can be translated into gains on the certificate. If the price reaches the barrier of the twin-win certificate or if it falls below the barrier prior to maturity, the certificate is redeemed at a price at least equal to the current price trend of the underlying instrument. A disproportionate share in the performance of the underlying instrument is possible above the base price (if the issuer so decides). However, the maximum redemption price may be limited.

Return

Where the price does not reach the barrier, investors also get to profit from the negative performance of the underlying instrument, as they share in the absolute performance; price losses in the underlying instrument may thus be translated into gains. Depending on a number of different factors (e.g. volatility of the underlying instrument, time to maturity, distance of the underlying instrument from the barrier), the certificate may react more or less strongly to the price fluctuations of the underlying instrument.

Risk

Twin-win certificates are high-risk investments instruments. Should the price of the securities underlying the respective twin-win certificate move unfavourably, all or much of the invested capital may be lost.

12.4 Express certificates

With express certificates, the investor gets to share in the performance of the underlying instrument with the option of early redemption. Should the underlying instrument reach the threshold specified by the issuer on one of the effective dates, the certificate expires early and is automatically redeemed by the issuer at the redemption price applicable on the relevant effective date. If the underlying instrument fails to reach the threshold on the final effective date, the certificate is redeemed at the closing price of the security underlying the certificate established at maturity/on the final effective date. In that case, if the issuer sets a barrier when issuing the certificate and the price of the underlying instrument neither reaches nor breaches the barrier during the monitoring period, the certificate is redeemed at a price of at least the minimum redemption price as defined by the issuer.

Return

With express certificates, investors have the option of realising the underlying instrument's positive performance early. Even if the specified threshold is not reached, the minimum redemption price may be paid out if the barrier has not been reached or breached. Depending on a number of different factors (e.g. volatility of the underlying instrument, time to maturity, distance of the underlying instrument from the barrier), the certificate may react more or less strongly to the price fluctuations of the underlying instrument.

Risk

Express certificates are high-risk investments instruments. Should the price of the securities underlying the respective express certificate move unfavourably, all or much of the invested capital may be lost.

13 Discount and bonus certificates, cash-or-share bonds

13.1 Discount certificates

With discount certificates, investors get to obtain the underlying security (e.g. the underlying share or index) at a discounted current price (safety buffer), but, in return, their share in the growth of the underlying security is limited to a certain ceiling (cap or reference price). At maturity, the issuer either gets to redeem the certificate at the maximum value (cap) or deliver the shares or, if the underlying security is an index, to pay a cash settlement equal to the index value.

Return

The potential return results from the difference between the discounted purchase price of the underlying security and the price ceiling determined by the cap.

Risk

If the price of the underlying security falls sharply, shares are delivered once the instrument reaches maturity (at this point in time, the value of the delivered shares will be below the purchase price). Since shares can be assigned, the risk disclosures for shares must be taken into account.

13.2 Bonus certificates

Bonus certificates are debt securities that, in addition to the notional, pay out at maturity a bonus or appreciated price of an underlying security (individual shares or indexes) subject to certain requirements. Bonus certificates have fixed maturities. The terms and conditions of the certificate usually stipulate the payment of funds, or the delivery of the underlying security, at maturity. The type and amount of redemption at maturity depend on the performance of the underlying security. Three levels are set for a bonus certificate: a starting level, a barrier underneath the starting level, and a bonus level above the starting level. If the underlying security falls to the level of the barrier or below it, the bonus is forfeited and the certificate is redeemed at the price of the underlying security. Otherwise, the minimum redemption price is determined by the amount of the bonus. Once the certificate reaches maturity, the bonus is paid out along with the amount initially paid for the notional value of the certificate.

Return

With bonus certificates, investors acquire a money claim against the issuer for payment of an amount determined by the performance of the underlying security.

Risk

The risk is determined by the underlying security. Should the issuer go bankrupt, the investor has no right to claim separation and recovery of assets that do not belong to the bankrupt estate with respect to the underlying security.

13.3 Cash or share bonds

These consist of three components and their risk is borne by the buyer of the bond: the investor buys a bond (the bond component) whose interest rate includes an option premium. This structure thus gives rise to an interest rate that is higher than for a comparable bond with the same maturity. The bond may be redeemed either in cash or in shares, depending on the price trend of the underlying shares (stock component).

Bond purchasers are therefore the writers of a put (option component) and sell to a third person the right to transfer shares to them, by virtue of which they agree to assume any adverse effects of a downturn in prices. Bond purchasers thus bear the risk of the price trend and receive a premium in exchange, the amount of which essentially depends on the volatility of the underlying stock. If the bond is not held to maturity, that risk is compounded by interest rate risk. Any change in the interest rate affects the bond's price and thus the bond's net yield relative to its maturity.

Please also observe the related risk disclosure in the sections on credit risk, interest rate risk and price risk of shares.

14 Hedge funds, CTAs

14.1 Hedge funds

(Hedge funds, hedge funds of funds, hedge fund index certificates and other products with hedge strategies as underlying investment)

General

Hedge funds are funds whose investment policy is subject to no or only minor legislative or other constraints. They endeavour to increase their capital through alternative, sometimes non-transparent investment strategies, using all types of investment available.

Examples of investment strategies:

- **Long/short:** Undervalued securities are bought and at the same time overvalued securities are sold short.
- **Event-driven:** The objective is to take advantage of specific corporate events such as mergers, acquisitions, reorganisation or bankruptcy.
- **Global macro:** This style attempts to use macroeconomic analysis of major economic and political developments with a view to identifying and exploiting market inefficiencies.

Hedge funds of funds are funds that invest in individual hedge funds. Hedge fund index certificates are debt securities whose price and performance is determined by the average performance of several hedge funds that are combined into a single index to provide a basis of calculation. Hedge funds of funds and hedge fund index certificates offer investors the advantage of improved risk diversification.

Return and risk components

Hedge funds have the potential of providing very high yields, but the risk of losing your invested capital is equally high. The performance of hedge fund products is particularly influenced by the following factors, which generate both opportunities and risk:

- The performance of hedge funds tends not to be affected by international stock and bond market trends. Depending on the hedge fund strategy, the general market trend may either be amplified or result in a pronounced trend in the opposite direction.
- The performance of hedge funds is influenced especially by the market segment they represent.
- Owing to its make-up, hedge fund assets may be highly volatile, which means that the share prices may be subject to significant upward and downward movements within short periods of time. In extreme cases, unsecured hedge fund products may lead to a total loss.
- Concentrating on just one or a few strategies raises the risk further – that risk can be reduced by diversifying hedge funds of funds or hedge fund index certificates.
- The individual funds and their composition are determined by the manager of the fund of funds in keeping with the fund's desired risk/return profile or by an index committee in accordance with a system of distribution across various countries and sectors.
- It is impossible to ensure transparency of the underlying hedge funds for the fund of fund management/index committee at all times.

Liquidity risk

Since hedge funds require complex strategies and careful management, it takes longer to determine the price of hedge fund products than the price of traditional funds. As a result, hedge fund products are less liquid than traditional funds. The prices are generally determined on a monthly rather than a daily basis, so that shares can frequently be redeemed only once a month. To be able to return the shares at this point in time, investors must issue an irrevocable letter of intent to return their shares well in advance of the redemption date. Share prices may change significantly between the time of the letter of intent to return the shares and the time of redemption, but investors then no longer have the option of reacting accordingly since their letters of intent are irrevocable. The specific terms of redemption depend on the individual product. The limited liquidity of the individual funds and the instruments they invest in can therefore compromise the negotiability of hedge fund product.

14.2 Commodity Trading Advisor (CTA)

Most CTAs use fully automated systems for trading in derivatives, i.e. computer programmes that take decisions automatically. The goal is to predict, up to a certain degree, individual trends and future market developments by studying the immediate past.

Return

The return consists of the remunerative investment made on the basis of a fully-automated decision exploiting the trends previously identified.

Risk

The risk lies in the possibility that the predicted trends will fail to materialize or that the automated trading system will fail to recognize a trend.

15 Index and basket certificates

15.1 Index certificates

Index certificates are debt securities (usually listed on an exchange) that offer investors the opportunity to gain exposure to a specific index without actually owning the securities included in the index. The underlying index is typically tracked on a 1:1 basis, and changes in the respective index are taken into account.

Return

By purchasing an index certificate, the investor acquires a claim against the issuer for payment of a sum of money dependent on the level of the underlying index. The return depends on the performance of the underlying index.

Risk

The risk depends on the underlying securities of the index. In the event of the issuer’s bankruptcy, there is no right to set-off or separation with respect to the underlying securities.

15.2 Basket certificates

Basket certificates are debt securities that offer investors the opportunity to participate in the performance of a specific basket of securities without actually owning the securities contained in the basket. The composition of the underlying basket is determined by the issuer. Within the basket, the securities may be weighted equally or differently. The composition may be adjusted at specified intervals (e.g., annually).

16 Turbo certificates and range certificates

16.1 Turbo certificates (Knock-out certificates)

The term “knock-out certificates” refers to certificates that grant the right to buy or sell a specific underlying asset at a specified price if the underlying asset does not reach the predetermined price threshold (knock-out threshold) during the term of the certificate. The investment ends prematurely as soon as the threshold is reached even once and is generally lost for the most part. Depending on the expected price trend of the respective underlying asset, a distinction is made between knock-out long certificates, which bet on rising markets, and knock-out short certificates, which are specifically designed for falling markets. In addition to standard knock-out certificates, “leveraged” knock-out certificates are also issued, usually under the name “turbo certificates” (or leveraged certificates). The leverage (turbo) causes the value of the turbo certificate to react more strongly, in percentage terms, to price movements in the underlying instrument, meaning it can rise more sharply but also fall more sharply. Higher profits can therefore be achieved with smaller investments, but the risk of loss also increases.

Return

A return may result from the positive difference between the purchase price or market price and the strike price (the opportunity to buy the underlying asset at the lower strike price or sell it at the higher strike price).

Risk

If the knock-out threshold is reached even once during the term, the certificate either expires worthless or a calculated residual value is paid out (the product is "knocked out"). For some issuers, simply reaching the knock-out threshold during the trading day (intraday) is sufficient for the certificate to be knocked out. The closer the current market price is to the strike price, the higher the leverage effect. At the same time, however, the risk increases that the price will fall below the knock-out threshold, resulting in the certificate becoming worthless or the calculated residual value being paid out.

16.2 Range certificates

Range certificates offer the opportunity to gain disproportionate exposure to the performance of the underlying asset within a price range (range) defined by start and stop levels, based on the expectation that the share price or index level will move within a specific range.

Return

The return may result from the disproportionate participation in the price performance of the underlying asset.

Risk

However, if the closing price determined on the valuation date is below the start mark, the certificate merely tracks the price performance of the underlying. In the event of a price decline below the stop mark, the investor receives a fixed maximum redemption amount at maturity without being able to participate in any price increase.

17 Exchange Traded Products (ETPs)

Exchange-Traded Products (ETPs) are securities traded on an exchange in a manner similar to stocks. They offer investors the opportunity to gain exposure to the price movements of their underlying assets—such as stocks, bonds, commodities, or currencies.

Exchange-traded products are divided into

- ETCs (Exchange Traded Commodities) and
- ETNs (Exchange Trades Notes).

ETCs and ETNs are interest-free, exchange-traded bearer notes that are generally unsecured. In addition to typical commodities, ETCs can also have cryptocurrencies as their underlying assets.

Returns on ETCs and ETNs

ETCs and ETNs allow investors to participate in the price movements of certain underlying assets—such as commodities, currencies, or cryptocurrencies. The economic return depends exclusively on the performance of these underlying assets. There are no guaranteed returns or redemption amounts. Negative market movements can lead to significant losses, including total loss.

Risks Associated with ETCs and ETNs

ETCs and ETNs are generally not protected by a special fund but are structured as bearer bonds. As a result, in addition to the risk associated with the performance of the underlying assets, there is issuer risk related to the issuer of the bearer bond. In the event of the issuer of the bearer bond becoming insolvent, there is therefore no right to separation or segregation with respect to the underlying assets.

For a detailed description of general risks in the securities business (e.g., market, credit, liquidity, or custody risks), please refer to Chapter 01 of these risk disclosures.

18 Private market funds

Definition

Private markets is an umbrella term for investments that are not publicly available on a stock exchange. Private markets include investments in companies that are not listed on a stock exchange (private equity), debt financing that is not listed on a stock exchange (private debt), as well as unlisted infrastructure investments (private infrastructure) and real estate projects (private real estate).

Private markets funds bundle a variety of these investments. They invest in one or more asset classes simultaneously.

Private markets funds can be structured as direct funds (direct investments) or as funds of funds. Unlike liquid investment funds, the investment is not made as a one-time transaction but over a specific period (investment period). Another distinguishing feature is that private markets funds typically have a fixed term, often with an option to extend. An exception to this are so-called evergreen funds. This type of private markets fund has no fixed term and can therefore be bought or sold at any time.

Return

Depending on their focus, private markets funds aim to generate above-average returns within their respective asset classes. Private equity funds seek to enhance the financial performance of the portfolio companies through various means, using direct or indirect equity investments. Fund managers strive to achieve improvements in day-to-day operations (such as efficiency gains, achieving economies of scale, cost reductions, and optimization of financing costs). In some cases, companies or parts of companies are acquired to complement the existing business (buy-and-build strategy). Additionally, efforts are made to optimize the structure to accommodate these improvements from an organizational perspective. Private debt funds, on the other hand, provide companies with particularly straightforward and rapid access to debt capital. These advantages often allow private debt funds to generate excess returns.

Another performance driver for private markets products is the illiquidity premium. Since private markets funds are fundamentally illiquid, the resulting risk to the investor is compensated by a higher return.

Risk

The statements regarding risks do not constitute a complete description of all potential risks; there may be additional risks that potential investors should consider in light of their personal circumstances or that apply generally.

Underperformance of Investments

Past performance is neither a guarantee nor an indicator of future results. With private markets investments, there is always a risk of underperformance or total loss. All fund investments, including those in private markets funds, may suffer significant losses in value. Possible reasons for this include poor investment decisions, negative operational performance of a portfolio company, deviation from the strategy, unexpected events, or adverse market developments. There is a risk of capital loss, up to and including the complete loss of the invested capital.

Illiquidity

Private markets investments are inherently illiquid and are therefore only suitable for long-term investors with a so-called buy-and-hold strategy. Since there is no regulated market for private markets investments, capital commitments cannot be withdrawn and shares cannot be redeemed without the fund manager’s consent. Although the secondary market for private markets investments is developing rapidly, investors often have to accept significant discounts when selling their private markets investments on the secondary market. Investors should consider the time horizon and illiquidity of the investments before committing to private markets. Capital calls and distributions are unpredictable.

A subset of private markets funds—so-called evergreen funds—with an open-ended term offer the possibility of regular redemption of shares. However, even here, the redemption terms are subject to time restrictions and predefined conditions.

Transparency and Valuations

This asset class is characterized by information that is not publicly available, making it difficult to obtain comparable performance data for individual funds. Private markets funds are generally not required to disclose their results. Detailed information is provided only to investors in the respective private markets fund.

Due to the nature of this asset class, private markets funds typically provide investors with details on net assets only about four times a year. The investments of these funds are illiquid and may be difficult to value. For this reason, valuations are generally not performed by third parties.

No Track Record

At the time of the investment, the relevant private markets fund has not yet (or has only recently) commenced operations and therefore has no track record, or only a limited one, against which prospective investors could assess the fund’s performance.

Furthermore, the fund’s investments in portfolio companies are not definitively determined at the time investors subscribe to the fund. Consequently, investors will invest in the fund without having the opportunity to review the fund’s investment targets. Furthermore, investors have no or only very limited ability to influence the composition of the portfolio yet must bear the economic risk of the investments. The only guidance is provided by the investment criteria that must be adhered to.

Failure to Meet a Capital Commitment

In private markets funds with a capital call mechanism, the total investment is not called in full at the beginning of the investment period, but is instead made through individual capital calls. Under the legal provisions of a private markets fund, the fund manager is generally authorized to call for capital up to the amount of the respective subscription commitment. If an investor fails to meet a capital call, the fund manager may charge the investor additional fees. In an extreme scenario, an investor may suffer a significant capital loss if a capital call is not met.

Reclaiming Distributions

Private markets funds may require their investors to reinvest portions of distributions already made back into the fund in order to meet any obligations arising from liabilities, claims for damages, or other obligations of the fund. Investors should note that these additional calls for reinvestment of distributed amounts are not predictable.

Investment and Risk Factors in the Prospectus

The comprehensive investment and risk factors for each fund can also be found in the prospectus of the respective private markets fund.

19 Foreign exchange forwards

Definition

A foreign exchange forward is a firm commitment to buy or sell a certain amount of foreign currency at a later point in time or within a specified time period at an exchange rate agreed at the start of the contract. The quote currency is delivered/received on the same value date.

Return

For speculators in foreign-exchange forwards, the return (profit/loss) results from the difference between the exchange parities during or at maturity of the forward contract, in accordance with the terms and conditions of this forward contract. Their use for hedging purposes means locking in an exchange rate so that the costs of the hedged transaction as well as its return will neither increase nor decrease as a result of any exchange rate fluctuations.

Currency risk

During hedging, the currency risk in forward exchange contracts is that buyers/sellers may be able to buy/sell the foreign currency more advantageously during or at the end of the term of the forward exchange contract than at the time when they first enter into the transaction. In the case of open trades, the currency risk is that buyers/sellers may have to buy/sell less advantageously. The risk of loss may significantly exceed the original price of the contract.

Credit risk

Credit risk in foreign-exchange forwards refers to the possibility that the partner will default, i.e. that the partner may temporarily or permanently be unable to carry out the foreign-exchange forward, making it necessary to provide additional cover in the market at less favourable terms.

Transfer risk

Foreign currency transfers may be subject to constraints, particularly those imposed by the currency's home country. This could jeopardise put the proper execution of the forward-exchange contract.

20 Foreign exchange swaps

Definition

Foreign exchange swaps involve the exchange of specified amounts of one currency for another currency over a certain period of time. The interest rate differential of the two currencies involved is factored in by a premium/discount to the re-exchange price. The quote currency is delivered/received on the same value date.

Return

The return (gain/loss) for anyone trading in foreign exchange swaps results from the positive/negative movement of the interest rate differential and can, in the event of a countertrade, be generated during the term of the foreign exchange swap.

Credit risk

Credit risk in foreign-exchange swaps refers to the possibility that the partner will default, i.e. that the partner may be temporarily or permanently unable to carry out the foreign-exchange swap, making it necessary to provide additional cover in the market at less favourable terms.

Transfer risk

Foreign currency transfers may be subject to constraints, particularly those imposed by the currency's home country. This could jeopardise the proper execution of the foreign exchange swap.

21 Interest Rate Swaps (IRS)

Definition

Interest rate swaps involve the exchange between two contracting parties of varyingly defined interest liabilities for a fixed notional amount. As a rule, fixed interest rates are swapped for variable ones. Therefore, an exchange of interest payments occurs, but no flow of capital.

Return

Buyers of an interest rate swaps (fixed-rate payers) benefit form a rise in market interest rates. Sellers of interest rate swaps (fixed-rate receivers) earn a return on their investment if market interest rates fall. Returns on interest-rate swaps cannot be determined in advance.

Interest rate risk

Interest rate risk results from the uncertainty over future market interest rate movements. Buyers/sellers of IRSs are exposed to loss if interest rates fall/rise.

Credit risk

With interest rate swaps, credit risk refers to the possibility of the counterparty's default, making it necessary to provide additional cover in the market at less favourable terms.

Special terms for IRSs

IRSs are not standardised. The specifics for the execution of IRSs must be contractually agreed ahead of the transaction. They are custom-made products. It is therefore imperative to be fully briefed on the exact terms of interest-rate swaps, in particular:

- notional amount
- maturity
- interest rate definitions

21.1 Special form: Constant maturity swaps (CMSs)

Definition

Constant maturity swaps involve the exchange between two contracting parties of varyingly defined interest liabilities for a fixed notional amount. Usually, a variable money market interest rate (e.g. 3-month EURIBOR) is swapped for a capital market interest rate (e.g. 10-year EUR IRS). However, this capital market interest rate does not remain fixed for the entire maturity, but is adjusted at regular intervals.

Return

Buyers of CMSs (payer of the capital market interest rate) earns a return when the interest rate curve levels out, i.e. when capital market interest rates fall and money market interest rates rise. Returns on constant maturity swaps cannot be determined in advance.

Interest rate risk

Interest rate risk results from the uncertainty over future movements in capital market and money market interest rates. Buyers/sellers of CMSs are exposed to loss if interest rates curve levels out/becomes steeper.

21.2 Special form: CMS spread-linked swaps

Definition

In CMS spread-linked swaps involve the exchange of variously defined interest rate liabilities. Generally, money market interest rates (e.g. 3-month EURIBOR or, alternatively, a fixed interest rate for the full term of the swap), on the one hand, and the difference between two CMSs (e.g. 10-year EUR CMS less 2-year CMS), to which a certain multiple is applied (e.g. multiplied by 2), on the other. For a specified initial period, CMS spreads have a fixed coupon.

Return

Buyers of CMS spread-linked swaps (payers of the CMS difference) earn a return once the two involved capital market interest rate curves level out (e.g. 10-year EUR IRS and 2-year EUR IRS). Returns on CMS spread-linked swaps cannot be determined in advance.

Interest rate risk

Interest rate risk results from the uncertainty over future interest rate movements in the short-term capital market relative to the long-term capital market in relation to the money market interest rate (or the amount of the fixed interest rate).

22 Forward rate agreements (FRAs)

Definition

In forward rate agreements, the interest rates of future interest periods is agreed in advance. Since trading is carried out on the inter-bank market rather than in stock exchanges, FRAs are not standardised. Unlike interest rate futures, FRAs are custom-made products when it comes to their principal, currency and interest period.

Return

By buying/selling FRAs, the buyers/sellers fix the interest rate for a specified period. If, at maturity, the reference rate is higher than the agreed interest rate (FRA price), the buyers of FRAs receive a compensation payment. If, at maturity, the reference rate is lower than the agreed interest rate, the sellers of FRAs receive a compensation payment.

Interest rate risk

Interest rate risk results from the uncertainty over future market interest rate movements. Generally, this risk is higher, the more pronounced the interest rate rise/fall is.

Credit risk

With FRAs, credit risk refers to the possibility of the counterparty's default, which would cause the loss of positive cash values and thus necessitate additional cover in the market at less favourable terms.

Special terms for FRAs

FRAs are not standardised. They are custom-made products. It is therefore imperative to be fully briefed on the exact terms of interest-rate swaps, in particular:

- notional amount
- maturity
- interest rate definitions

23 Interest rate futures

Definition

Interest rate futures are futures contracts for short-term investments, money market or capital market instruments with standard maturities and standard contract volumes which are traded in the stock market. In interest rate futures, the yield on an investment (interest rate or price) is fixed in advance. Furthermore, unconditional commitments are made, which must be fulfilled regardless of the future performance even if the above-referenced risk comes to bear.

Return

For speculators in interest rate futures, the return (profit/loss) results from the difference in the interest rate or price at maturity of the contract, in accordance with the terms and conditions of this forward contract. Using interest rate futures for hedging purposes reduces the financial risk of existing or future positions.

Interest rate risk

The value of interest rate futures is primarily determined by the trend in the yield on the underlying instrument. The buyer’s risk position is therefore comparable to the risk of the party holding the underlying instrument. The risk results from the uncertainty of future movements in the market interest rate.

Buyers/sellers of futures contracts are exposed to interest rate risk in that they are obliged to increase the margin or to meet their obligation at maturity if the market interest rate level rises/falls. Generally, this risk is higher, the more pronounced the interest rate rise/fall is. The resulting risk of loss may amount to a multiple of the original capital investment (margin).

Liquidity risk

With futures contracts, liquidity risk refers to the possibility of settlements (sale/repurchase) in certain markets leading to noticeable adverse price movements when either supply or demand is excessive.

24 OTC option trading

24.1 Standard options – Plain vanilla options

The buyers of options acquire a temporary right to buy (call) or sell (put) the underlying asset (e.g. securities, currencies, etc.) at a fixed exercise price or (e.g. in the case of interest rate options) the right to compensatory payment calculated as the positive difference between the exercise price and market price at the time of exercise. By writing an option, you agree to satisfy the rights of the buyer of the option. Options may involve varying exercise terms:

American style: can be exercised at any time up to expiration.

European style: can be exercised at the end of the term.

24.2 Exotic options

Exotic options are financial instruments derived from standard options (plain vanilla options).

24.3 Special form barrier options

In addition to the exercise price, barrier options have a threshold value (barrier) at which the option is either activated (knock-in option) or deactivated (knock-out option).

24.4 Special form digital (payout) options

This option involves a fixed payout, which the buyer of the option receives in exchange for paying a premium once the price (interest rate) of the underlying security moves below or above (depending on the option) the threshold (barrier).

Return

Option holders make a profit if the price of the underlying instrument rises above the exercise price in the case of call options or falls below the exercise price in the case of put options and they get to exercise or sell (plain vanilla option, activated knock-in option, non-deactivated know-out option). If a knock-in option is not activated or a knock-out option is deactivated, the option expires and becomes worthless. The holders of digital (payout) options earn a return if the threshold is reached before or at maturity, which means they receive the payout.

General risk

The value (price) of options depends on the exercise price, performance and volatility of the underlying instrument, the term, the interest-rate structure and the market situation. The capital invested (option premium) may therefore even be lost completely. If the price of the underlying instrument does not move in the direction anticipated by the seller of an option, the resulting potential loss may be virtually unlimited (plain vanilla option, barrier option) or, as the case may be, amount to the agreed payout (digital option). Special consideration must be given to the fact that option rights not exercised in a timely manner will lapse on expiration of the exercise period and will therefore be cancelled as worthless in the accounts. Please note that your bank will not exercise an option unless specifically instructed to do so.

Special risk in OTC trading

As a rule, over-the-counter options are not standardised. They are usually custom-made instruments. It is therefore imperative to be fully briefed on the exact terms and conditions (style of exercise, exercise and expiration). When buying OTC options, credit risk refers to the possibility of losing the premium as a result of the counterparty's default, indirectly adding to the cover paid in the market. As custom-made products, OTC options are usually not traded in organised (secondary) markets. Consequently, the negotiability of such options cannot be guaranteed at all times.

25 Currency option trading

Definition

Buyers of currency options acquire the right but not the obligation to buy or sell a certain amount of currency at specified exchange rates and/or on specified dates. The seller (writer) of the option grants the buyer the relevant right. In exchange for this option, the buyer pays the seller a premium. The following types of options are available:

Buyers of call options acquire the right to buy a set amount of a particular currency at a specified price (exercise price or strike price) on or before a particular date (delivery date).

In selling call options, sellers agree to deliver/sell a specified amount of a particular currency at the base price on or before a particular date.

In buying put options, buyers acquire the right to sell a specified amount of a particular currency at the base price on or before a particular date.

In selling put options, sellers agree to sell, at the request of the buyer, a specified amount of a particular currency at the base price on or before a particular date.

Return

A return is earned on a call option if the market price of the currency is higher than the exercise price payable by the buyer. Overall performance is determined after deducting the purchase price of the option (= premium). The buyer then has the option of buying the foreign currency at the exercise price and re-selling it immediately at the market price. The seller of the call option is paid a premium for selling the option. By analogy, the same applies for put options when the currency is expected to depreciate.

25.1 Risk when buying options

Risk of total premium loss

Buying currency options comes with the risk of losing the whole premium, as it becomes payable regardless of whether the option is exercised or not.

Credit risk

Credit risk with currency options, credit risk refers to the possibility of the counterparty's default, in which case the previously paid premium is lost, indirectly adding to the cover paid in the market.

Currency risk

Currency options come with the risk that, by the time the option expires, the exchange parity of the underlying instrument may not develop as you had anticipated when you bought the option. In extreme cases, this can lead to the total loss of the premium.

25.2 Risk when selling options

Currency risk

Selling options comes with the risk that, by the time that the option expires, the exchange rate of the foreign currency has not moved in the direction you had anticipated when you bought the option. There is no limit to the potential loss for the options written. The premium of the currency option depends on the following factors:

- volatility of the underlying exchange rate (indicator for the fluctuation margin of the exchange rate)
- selected exercise price
- the term of the option
- current exchange rate
- the interest rates of the two currencies
- liquidity

Transfer risk

Foreign currency transfers may be subject to constraints, particularly those imposed by the currency's home country. The orderly execution of the deal would then be at risk.

Liquidity risk

For currency options, as custom-made products, there is usually no regulated secondary market.

This means that negotiability cannot be guaranteed at all times.

Special terms for currency options

Currency options are not standardised. It is therefore imperative to be fully briefed on the exact terms, in particular:

Type of exercise: can the option be exercised at any time (American-style option) or only on the exercise date **(European-style option)**?

Expiration: When does the right expire? Please note, that the bank will not exercise your option rights without your express instruction to do so.

26 Interest rate options

Definition

Interest rate options are agreements that set an upper limit, a lower limit or an option on interest rate swaps. They are used for one of the following purposes:

a) for hedging purposes or

b) speculative trading to realise a gain.

A distinction is made between calls and puts. Common variants include caps, floors and swaptions, etc. By purchasing a cap, buyers secure an upper interest rate limit for future borrowing that is set by the strike price. In speculative trading, the value of a cap increases as interest rates rise. Selling a cap can be used only as a speculative instrument. Sellers receive the premium and commit themselves to compensating the buyer for any difference in interest rates. For buyers, floors secure a certain minimum interest rate on a future investment. In speculative trading, the value of a floor increases as interest rates fall.

with respect to a) hedging purposes:

Depending on the agreed reference periods, the current 3-month or 6-month interest rate is compared with the agreed strike price every 3 or 6 months. If the market rate is higher than the exercise price, the holder of the cap is compensated for the difference.

with respect to b) speculative trading to realise a gain:

The value of a cap increases as interest rates rise. In this case, however, the forward rates (future interest rates traded today) are more important than the current interest rates.

The same applies by analogy when a floor is purchased/sold. The buyer of a floor secures a lower limit for interest rates, whereas the seller holds a speculative position. A swaption is an option on an interest rate swap (IRS = agreement to exchange interest obligations). A basic distinction is made between the payer swaption (=payer of the fixed interest rates) and the receiver swaption (receiver of the fixed interest rates under the IRS agreement). Both types can be either bought or sold. A further distinction is made between two types of performance with difference risk profiles:

26.1 Swaptions with swap settlement

The purchaser becomes a party to the swap when the swaption is exercised.

Buyers of payer swaptions acquire the right to make fixed interest payments at the exercise price on the delivery date based on a notional amount

and to receive variable interest payments.

Sellers of payer swaptions undertake to receive fixed interest payments at the agreed exercise price on the delivery date based on a notional amount and to make variable interest payments.

Buyers of receiver swaptions acquire the right to make fixed interest payments at the exercise price on the delivery date based on a notional amount

and to receive variable interest payments.

Sellers of receiver swaptions undertake to make fixed interest payments at the agreed exercise price on the delivery date based on a notional amount and to receive variable interest payments.

26.2 Swaptions with cash settlement

When swaptions are exercised, the purchasers receive the difference between the cash value of the swaps and the swaption interest rate or current market interest rate.

Return

Holders of interest rate options earn a return on their investment if the market interest rate level on the exercise date is above the cap's exercise price or below the floor. With swaptions, a return on the investment is earned if the market interest rate level on the exercise date is above the agreed exercise price in the case of payer swaptions or below the agreed exercise price in the case of receiver swaptions. Sellers get to keep the premium no matter whether the option is exercised or not.

Interest rate risk

Interest rate risk results from the possibility of future interest rate movements in the market. Buyers/sellers of interest-rate options are exposed to interest rate risk in the form of price losses that results when the market interest rate level rises/falls. Generally, this risk is higher, the more pronounced the interest rate rise/fall is. There is no limit to the potential loss for option writers.

The amount of the interest-rate option premium is determined by the following factors:

- volatility of the interest rate (range of fluctuation of the interest rates)
- selected exercise price
- the term of the option

- market exchange rate
- current financing costs
- liquidity

As a result of these factors, the price of the option may remain unchanged or drop, even if the interest rate of the option moves in the direction you originally anticipated.

Credit risk

When buying interest rate options, credit risk refers to the possibility of the counterparty's default, which would cause the loss of positive cash values and thus necessitate additional cover in the market at less favourable terms.

Risk of total loss on purchase

Buying currency options comes with the risk of losing the whole premium, as it becomes payable regardless of whether the option is exercised or not.

Special terms for interest rate options

Interest rate options are not standardised. They are all custom-made products. It is therefore imperative to be fully briefed on the exact terms, in particular:

Type of exercise: can the option be exercised at any time (American-style option) or only on the exercise date (European-style option)?

Exercise: Delivery of underlying instrument or cash settlement? **Expiration**: When does the right expire? Please note, that the bank will not exercise your option rights without your express instruction to do so.

27 Cross currency swaps (CCSs)

Definition

In cross-currency swaps, two contracting parties swap either different interest obligations or different currencies in respect of a fixed notional amount. Generally, fixed interest rates in one currency are exchanged for fixed interest rates in a second currency. However, the swap may also involve the exchange of floating rates in one currency against floating rates in another. The payments flow in different currencies based on the same amount of capital, which is determined by the prevailing spot rate on the date of the trade. In addition to the exchange of interest rates payable or interest rates receivable, this type of swap also involves the exchange of capital both at the beginning ("initial exchange") and on expiration ("final exchange") of the swap. Depending on the requirements of the individual trading partners, the initial exchange can be omitted.

Return

Returns on cross currency swaps cannot be determined in advance. If the exchange rate and the interest rate differential move in the trader's favour, a return may be realised by liquidating the CCS prior to maturity. If CCSs are used to improve the interest rate differential, a return may be realised from the lower interest rates of another currency. However, any such gain may be neutralised by exchange losses. A positive development in the relation between the currencies may result in a further increase of the return.

Interest rate risk

The interest rate risk arises from the uncertainty of future change in the market interest rate. The buyer/seller of an IRS is exposed to the risk of loss if the market interest rate falls/rises.

Currency risk

The currency risk results from the uncertainty of future movements in the exchange rate of the currencies involved. With CCSs that include a final exchange, it is particularly important to note that a currency risk exists not only in the case of the partner's default, but also throughout the life of the swap.

Credit risk

When buying/selling CCSs, credit risk refers to the possibility of the counterparty's default, which would necessitate additional cover in the market.

Special terms for CCSs

CSSs are not standardised. They are custom-made products. It is therefore imperative to be fully briefed on the exact terms of interest-rate swaps, in particular:

- notional amount
- maturity
- interest rate definition
- currency definition
- exchange rate definition
- initial exchange, yes or no

28 Commodity swaps and commodity options with cash settlement (commodity futures contracts)

Commodity futures contracts are special contracts that involve rights or obligations to buy or sell certain commodities at a predetermined price and time or during a specified period. Some of the instruments that include commodity futures contracts are described below.

28.1 General information on the individual instruments

Commodity swaps

Commodity swaps are agreements involving the exchange of a series of commodity price payments ("fixed price") for floating commodity price payments ("market price") resulting exclusively in cash settlements ("settlement").

Buyers of commodity swaps acquire the right to be paid a settlement if the market price rises above the fixed price. Conversely, buyers of commodity swaps are obliged to pay the settlement if the market price falls below the fixed price. Sellers of commodity swaps acquire the right to be paid a settlement if the market price falls below the fixed price. Conversely, sellers of commodity swaps are obliged to pay the settlement if the market price rises above the fixed price. Both series of payments (fixed/floating) are made in the same currency and based on the same notional amount. The fixed leg of the swap is similar to a benchmark, whereas the floating leg relates to the trading price of the relevant commodities quoted in a stock market or otherwise published in the commodities futures market on the relevant fixing date, or to a commodity price index.

Commodity options with cash settlement

Buyers of commodity put options pay a premium for the right to receive, on every exercise day, the difference between the exercise price and the market price in relation to the notional if the market price falls below the fixed price. Buyers of commodity call options pay a premium for the right to receive, on every exercise day, the difference between the exercise price and the market price in relation to the notional if the market price falls below the fixed price.

28.2 Risk – Details on the various instrumetns

Risk characteristic of commodity swaps and commodity options with cash settlement

If expectations are not met, the difference between the underlying price on signing the agreement and the market price applicable once the transaction reaches maturity is payable. This difference constitutes the loss. The maximum loss cannot be determined in advance and may exceed the security posted.

Risk when buying commodity options – price loss

Any change in the price of the asset (e.g. raw materials) that underlies the option in the contract may reduce the value of the option. With call options, a loss in value may occur if the prices fall. With put options, loss in value may occur if the price of the underlying asset rises. The value of options may decline even if the price of the underlying asset does not change, because the value of the option is also influenced by other pricing factors (e.g. term or frequency and intensity of changes in the price of the underlying asset).

Risk when selling commodity options – leverage effect

Selling commodity options comes with the risk that the value of the underlying asset has not moved in the direction the seller originally anticipated by the time the option expires. There is no limit to the potential loss for the options written.

28.3 General risk of commodity futures contracts

Price fluctuations

The amount of the payment obligation arising from commodity futures contracts is determined by the prices at a specific commodity futures market. Commodity futures markets can be subject to strong price fluctuations. Numerous factors related to the commodity supply and demand can influence those prices. It is not easy to forecast or predict such pricing factors. Prices may be influenced considerably by unforeseen events, including natural disasters, illnesses, epidemics or official/government orders, and by unpredictable developments, including weather factors, variations in harvests or delivery, storage and transport risk.

Currency risk

In many cases, commodity prices are quoted in a foreign currency. When you enter into a commodity transaction where the obligation or right to a consideration is denominated in foreign currency or a foreign unit of account, or where the value of the object of the contract is determined by this foreign currency or foreign unit of account, you are exposed to added currency market risk.

Closing-out/liquidity

Commodity futures markets are generally narrower than financial futures markets and may therefore be less liquid. For this reason, you may be unable to wholly or partially close out a commodity futures position at the desired time as a result of insufficient market liquidity. In addition, the spread between bid and ask prices in a contract may be relatively wide. Thus, it may be difficult or even impossible to close out positions under certain market conditions. Most commodity futures exchanges are authorised to set limits on price fluctuations, and in so doing ban ask and bid prices outside certain limits over a specified period of time. This may make it difficult or impossible to close out certain positions.

Limit-/Stop-loss orders

Limit orders or stop loss orders serve to limit trading losses in the event of certain market movements. Although such options to limit risk are permitted in most commodity futures markets, limit orders or stop loss orders can generally not be set for OTC commodities.

Futures and spot markets

Understanding the relationship between futures contract prices and spot market prices is particularly important. Although market forces may equalise the differences between the futures contract price and the spot market price of the commodities in question to the extent that the price difference on the delivery date is virtually zero, a host of market factors, including supply and demand, may still cause differences between the futures contract price and spot market price of the commodities involved.

Determining market prices

Market prices are either quoted in the commodity futures exchanges or published in conformity with market practices. Due to system failures, stock market disruptions or other causes, market prices can sometimes not be determined for the agreed fixing date. If no substitute method to determine prices has been agreed, the calculation agent is usually authorised to set a market price at its reasonable discretion.

Information on creditor participation („Bail-in“) in bank resolution and recovery proceedings

To create a common European framework of rules and instruments for the recovery and resolution of banks, the EU issued a directive (Bank Recovery and Resolution Directive (**BRRD**) establishing a framework for the recovery and resolution of credit institutions and investment firms. This directive was transposed into Austrian law as *Bundesgesetz über die Sanierung und Abwicklung von Banken* (**BaSAG**, Federal Act on the Recovery and Resolution of Banks).

The Federal Act on the Recovery and Resolution of Banks (BaSAG) governs a number of different aspects, including the participation of a bank’s creditors (*bail-in*) in a bank’s resolution under prudential supervision. The purpose is to prevent the use of taxpayers’ money when a bank risks defaulting.

When a bank is at risk of failing, the competent resolution authority may apply a number of resolution tools:

Sale of business

All or part of a bank’s assets and/or liabilities are transferred to a buyer. For the bank’s clients and creditors this translates into a change in their contracting partner or debtor.

Bridge institution

A public-sector institution takes over the liabilities and/or assets of the bank undergoing resolution. For the bank’s clients and creditors this again translates into a change of their contracting partner/debtor.

Asset separation

This is the so-called bad bank mechanism. The assets and/or liabilities of the bank concerned are transferred to special-purpose vehicles for deleveraging. For clients and creditors this again translates into a change of their contracting partner/debtor.

Bail-in

When an authority orders the resolution of a bank, the bank's equity and debt is written down in whole or in part or converted into equity. The purpose of this approach is to stabilise the bank affected. In such a case, shareholders and creditors may have to bear substantial losses as the resolution authority may reduce their claims, without their consent, in the extreme case even to zero.

Currently, instruments for loss absorption must be taken in the following order:

1. Common Equity Tier 1 (CET 1), shares and other equity instruments
2. Additional Tier-1-Capital (AT 1)
3. Tier-2-Capital (Tier 2), e.g. supplementary, subordinated liabilities
4. Other uncovered subordinated financial instruments
5. Senior Non-Preferred Liabilities
6. uncovered non-subordinated financial instruments and deposits of large enterprises above EUR 100.000
7. deposits of small and medium-sized enterprises and of natural persons above EUR 100.000 not covered by the deposit guarantee scheme

Exempted from bail-in are deposits subject to the deposit guarantee scheme as well as covered bank bonds ("covered bonds" or mortgage bonds) and separate assets (e.g. investment funds).

The BRRD rules have been implemented in the laws of member states **across Europe**. Bail-in may thus also be applied to bank bonds from other EU countries, for example, although the details of the rules may differ at national level.

RISK DISCLOSURE:

For a bank’s creditors, the bail-in proceedings described above which are provided for by the law may lead to a **total loss** of the capital invested. In recovery and resolution proceedings, the **sale** of bonds, for example, may become more difficult and possible only with a substantial loss in value. Even if the original **issuing document** or **marketing material** of a bank product does not specifically describe the bail-in option, the product may be affected by a bail-in under the law.

For further information, kindly consult the website of Oesterreichische Nationalbank at

https://www.oenb.at/finanzmarkt/die-bankenunion/einheitlicher-abwicklungsmechanismus.html

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Risk disclosures and customer information on sustainability

1 Sustainability in securities investments

Since August 2022, all banks across Europe have been required to include sustainability in their advisory discussions. The EU Commission previously created a corresponding legal framework. This is intended to support and promote the European economy's transition to a more environmentally friendly and resilient circular economy. In implementing this, banks are required to incorporate their clients' sustainability preferences into their investment advice.

Transparency is a key focus. Investors have the opportunity to know how their money is being used. Environmental and social impacts should be identified and communicated, if desired, and negative effects should be reduced as much as possible.

The goal is to demonstrate what constitutes a sustainable investment and how one's own investments can impact the environment and society. To provide information about which investments and economic activities are ecologically and socially sustainable and what contribution they make to achieving climate protection goals, the so-called ESG criteria were established. These provide an overview for sustainable investment decisions.

The abbreviation ESG stands for environmental, social and governance:

- Areas of focus for the environment include: environmental protection, preservation of biodiversity, careful use of resources, slowing down the effects of the climate crisis, etc.
- Social topics include equality, safety at work, health at work, employment policy, etc.
- Areas of focus for governance/corporate management include, for example, transparent communication, prevention of corruption, good compliance and risk management structures, etc.

In order to assess whether and to what extent ESG sustainability should be taken into account in products, preferences for sustainable securities investments are queried as part of the independent investment advice and recorded in the investor profile.

The financial instruments in question are further specified in the legal framework of the EU Commission as:

- Environmentally sustainable investments according to the Taxonomy Regulation
- Sustainable investments according to the Disclosure Regulation
- •Sustainable investments that take into account adverse impacts on sustainability factors (Principle Adverse Impacts, PAI).

2 Independent investment advice / sustainability

For product solutions recommended as part of its independent investment advisory service, Bank Winter obtains information on ecological or social characteristics or explicit sustainable investment objectives from external data providers. Internal product governance ensures that the sustainability data obtained from external data providers is verified for plausibility.

Bank Winter has also decided to include suitable sustainable product alternatives, if available, in its investment universe, the Bank Winter Master List, in order to ensure a correspondingly broad product range in this regard.

3 Risk information / sustainability risks

When providing investment advice, credit institutions must point out not only financial risks but also relevant sustainability risks. Sustainability risks are events or conditions in the areas of the environment, social affairs, or corporate governance that, if they occur, could have an actual or potential significant negative impact on the value of an investment. These include, among other things, risks arising from climate change or exacerbated by climate change.

- Physical risks: arise directly from the consequences of climate change, such as natural disasters or drought;

- Transition risks: these may arise from the transition to a climate-neutral and resilient economy/society: new taxes on industries/business activities, subsidies for innovation, etc.

Sustainability risks do not constitute a separate type of risk, but rather affect existing risk categories:

- Example of market risk: changes in consumer behaviour with regard to products and services;
- Example of operational risk: physical risks due to drought;
- Example of credit/counterparty risk: e.g., credit default by a debtor due to the business model being geared toward a technology with high resource requirements;
- Example of reputational risks: sustainable image due to exaggerated, false, or unclear statements in connection with sustainability;

Sustainability factors: According to the definition, these include "environmental, social, and employee issues, respect for human rights, and the fight against corruption and bribery."

Taxonomy Regulation: The Taxonomy Regulation aims to establish a classification system that defines clear technical assessment criteria for environmentally sustainable economic activities. An economic activity according to taxonomy makes a significant contribution to one or more of the six defined environmental objectives: climate protection, adaptation to climate change, sustainable use and protection of water and marine resources, circular economy and waste prevention or recycling, prevention and reduction of environmental pollution, protection of healthy ecosystems and biodiversity.

Impact on returns: Financial instruments are generally exposed to sustainability risks, even if these are taken into account in their management or design. These risks can have both a positive and a negative impact on the return of a financial instrument, depending in particular on the extent to which the underlying industry is affected. Sustainable investments are therefore not necessarily exposed to lower sustainability risks, also in terms of achievable returns.

If you have any questions, please do not hesitate to contact your bank advisor.

Where personal references are made in this publication in the masculine or feminine form only, they refer to all genders equally.

Information on investment services

1 General information

1.1 Information on the Austrian Securities Supervision Act 2018[1]

The Austrian Securities Supervision Act 2018 (Wertpapieraufsichtsgesetz 2018, "*WAG*") contains various provisions on the handling of financial products. The main elements of the legal provisions are (i) increase of investor protection, (ii) the improvement of transparency in financial markets and (iii) the assurance of the integrity of parties involved in the capital market.

When providing investment services, Bank Winter & Co. AG ("*Bank Winter*"), as an Austrian credit institution, is subject to the WAG. This customer information serves as information on the essential provisions of the WAG and their implementation within Bank Winter.

1.2 Information on Bank Winter[2]

Name: Bank Winter & Co. AG

Address: Singerstrasse 10, 1010 Wien

Counter business hours:
Monday, Wednesday, Friday 09.00 am until 12.00 noon

Cash desk: with prior appointment

Office hours:
Monday – Friday 09.00 am until 3.00 pm

Phone: +43 1 515 04 0

Fax: +43 1 515 04 200

Email: contact@bankwinter.com

Homepage: www.bankwinter.com

BIC (SWIFT): WISMATWWXXX

Bank code: 19220

Registraion number: FN 124457a

VAT number: ATU 15351303

DVR number: DVR 0764205

Jurisdiction: Commercial Court Vienna

1.3 Banking license and competent regulatory authority

Bank Winter is licensed for providing banking services by the relevant regulatory authority, the Austrian Financial Market Authority ("*FMA*"), Otto-Wagner-Platz 5, 1090 Vienna, www.fma.gv.at, Tel. +43 (1) 249 59 0, Fax +43 (1) 249 59 5499 including the provision of investment services to customers.

1.4 Chamber / Professional association

As an Austrian credit institution, Bank Winter is a member of the Austrian Economic Chamber, Federal Banking and Insurance Section, Wiedner Hauptstraße 63, 1040 Vienna, www.wko.at.

1.5 Communication and correspondence

The conclusion of agreements and any communication related to customer services with Bank Winter is conducted in German. Upon the customer´s request communication, as well as the handing out of documents in English, is feasible.

Apart from the possibility of personal conversations and meetings during the opening hours, customers of Bank Winter can additionally communicate with Bank Winter by the means listed under clause 1.2 (*Information on Bank Winter*), in particular through phone calls and emails.

All legally relevant correspondence with customers is conducted in written form (in particular via account and deposit statements).

For the placement of security orders, the form of communication selected by the respective customer will be utilized. In particular email, fax, and phone orders – with identification by

[1] This customer information is a translation of the customer information "Kundeninformation Wertpapierdienstleistungen" from German. Even though this translation has been prepared with due diligence, deviations cannot be ruled out. In case of discrepancies between the German and English version, the German version prevails.

[2] § 48 Abs 1 WAG.

means of individual code words developed for this purpose - can be considered, depending on the technical possibilities of the respective customer.

Bank Winter is obliged to record all (incoming and outgoing) phone calls and electronic communication related to investment services and to safe-keep these records for at least five years. Customers may receive copies, upon request, during this period.

1.6 Complaing management

Bank Winter strives to provide excellent services to its customers as to their requests, wishes and needs regarding the banking relationship. Should a customer nonetheless have a complaint, Bank Winter will consider this matter without undue delay.

For this purpose please contact our Compliance-Officer (compliance@bankwinter.com) and/or read the customer information on „Complaints-Handling".

Note: Please do not send us passwords, Pin-Codes or security codes, as we will not request such.

1.7 Transactions modalities

Customers receive their securities statements without undue delay after the closing of a transaction resp. at the latest on the first bank working day following the confirmed execution.

2 Services and WAG

2.1 Rules of good conduct of the WAG

The main elements of the WAG regarding this customer information are:

- the classification of customers in investor categories;
- the obligation to document customer information in the investment profile;
- the individual examination of suitability resp. appropriateness of financial instruments for customers;
- extended information and reporting obligations vis-á-vis customers;
- the avoidance of conflicts of interests;
- the written documentation of principles regarding order execution; and
- extended record and storage requirements.

2.2 Securities and financial instruments

A general description of the securities and financial instruments that can be subject, in principle, of the investment services offered, can be found in the customer information „Investment related information – Disclosure of Risk in Securities Transactions".

2.3 Investment services

Bank Winter offers, in principle, the following investment services.

2.3.1 Independent investment advice

Independent investment advice refers to the provision of advice and personal recommendations on financial instruments (securities), either at the request of the client or on the initiative of Bank Winter. Bank Winter provides exclusively independent investment advice within the meaning of Section 50 of the Austrian Securities Supervision Act (WAG). The advice is therefore based on a comprehensive analysis of various types of financial instruments and is not limited to Bank Winter's own products or products closely related to Bank Winter. The provision of independent investment advice is only permitted if an investment advisory agreement is also concluded with Bank Winter. In order to carry out the suitability test in accordance with Section 56 WAG, the following information must be disclosed in full:

- Knowledge and experience in financial instruments (point 2);
- Financial circumstances, including loss-bearing capacity (point 3);
- Purpose and period of the investment (point 4); and
- Risk tolerance (point 5).

2.3.2 Non independent investment advice and portfolio management

Bank Winter does not offer non-independent investment advice and portfolio management services.

2.3.3 Other investment services (advice-free transactions)

All investment services apart from investment advice and portfolio management are referred to as other investment services. Regarding other investment services, Bank Winter is obliged to carry out an appropriateness test. Appropriateness is met when the respective customer is able to understand the risks associated with the respective financial instrument due to his experience and/or knowledge. In case Bank Winter concludes that an investment product or service is not appropriate for a client, or it cannot assess appropriateness due to missing information, the customer will be informed and concurrently receive a (standardized) warning. Bank Winter is entitled to execute the respective other investment service for the customer, in case the customer nevertheless insists on further execution.

2.3.4 Execution or acceptance and transmission of customer-orders without examination of appropriateness ("execution only")[3]

This investment service is designed for highly independent customers that invest in non-complex financial instruments and use Bank Winter only as a trade execution platform.

Contrary to the other investment services, Bank Winter is not obliged to obtain information or examine the appropriateness of such services as long as (*i*) it is a service regarding non-complex financial instruments such as e.g. stocks or bonds and (*ii*) the transaction is concluded at the sole initiative of the customer. The respective customer therefore will be informed on the loss of the protection provided by the rules of good conduct of the WAG.

2.3.5 Ancilary services

Bank Winter also provides ancillary services. Financial instruments are safe-kept, frequently using professional third-party custodians. Bank Winter provides related services, e.g. safekeeping of collateral. Furthermore, connected foreign exchange transactions are provided, e.g. conversion of financial instruments denominated in foreign currencies in case of purchase/sale/repayment.

2.3.6 Product governance

Bank Winter is not a conceptual designer of financial instruments. In this respect, the provisions of the product monitoring obligations for distributors within the scope of advice-free business or independent investment advice apply. The respective target markets are stored in the system and are checked and documented for consistency with the customer's knowledge and experience (as far as it is known) as well as the investor category. In the case of independent investment advice, the suitability of the individual financial instruments is also checked.

2.4 Terms, conditions and costs

The customer receives a draft of the securities account opening form prior to the opening of such.

2.4.1 Prices and costs

The costs of investment services can be found in the „Fees and Conditions" of Bank Winter. In addition, in certain cases based on the respective order, further fees are agreed upon with the customer and depicted in the order confirmation. In exceptional cases Bank Winter must pay further cash expenses for the execution of orders to third parties (e.g. brokers). These cash expenses are to be borne by the customer.

Costs incurred are disclosed to the customer prior to the sale/purchase of a financial instrument, as well as once a year.

All costs are depicted in total. The share in remuneration contained will be depicted separately. Bank Winter will disclose to its clients any inducements it receives from third parties in connection with independent investment advice and pass these on in full.

All costs will be depicted in percentages, as well as in numbers.

2.4.2 Foreign currency transactions

In case the payment in foreign currencies or the conversion of incoming foreign currencies is necessary for the execution of an order, Bank Winter will conclude the conversion in line with the general market price.

2.4.3 Additional taxes and costs

It should be taken into consideration that apart from the costs and cash expenses described above, further costs and taxes (e.g. (foreign)

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[3] § 58 WAG.

capital gains taxes) that are not necessarily executed or invoiced by Bank Winter might arise for the customer. The customer is responsible for the fulfillment of his tax liabilities.

2.4.4 Payments of the customer

Customer's payments regarding transactions in financial instruments to Bank Winter will be debited to the customer's account with Bank Winter, if not agreed upon otherwise.

2.5 Best execution of investment services[4]

When providing investment and ancillary investment services, Bank Winter must act in an honest, fair and professional way and in accordance with the best interest of its customers. The implementation of this principle is determined by this customer information.

Private Customers and Professional Customers agree with this best execution policy by signing the investment profile. They will be informed about any material changes to this policy without undue delay.

3 Customer classification according to WAG

3.1 General

Extensive information obligations exist pursuant to the WAG, to enable customers to take their investment decisions on an informed basis. The extent of these obligations depends on the existing knowledge and experiences of the respective customers. Prior to the provision of investment services, customers are mandatorily classified as one of the following customer categories:

- Private Customer;
- Professional Customer; or
- Eligible Counterparty.

The classification is based on strictly defined criteria and defines the extent of mandatorily applicable investor protection rules and of information obligations of Bank Winter. The more experienced a customer is regarding respective financial instruments, the more knowledge can be taken as granted.

Clients are informed on their classification, as well as on reclassification possibilities.[5] Reclassifications are only feasible for all investment services, ancillary services and financial instruments. A partial reclassification is not feasible.

In case of an application for reclassification, all legal and internal requirements will be assessed. You will be informed in case of such reclassification.

3.2 Private customers

This classification encompasses all customers that are neither an Eligible Counterparty nor a Professional Customer. A Private Customer can be a natural person or an entity or corporation and investments can either be private or business assets. Entrepreneurs can also be classified as Private Customers.

The WAG applies the highest level of investor protection to Private Customers, including extensive information obligations, in particular:

- the right to detailed information on (*i*) planned transactions in financial instruments and (*ii*) Bank Winter;
- cost transparency regarding offered services;
- examination of the appropriateness of a financial instrument for a customer;
- the information on the risk/return profile of the respective financial instruments;
- the best execution of customer orders; and
- disclosure of conflicts of interest between the customers interests and Bank Winter's interests, if any.

In order to enable Bank Winter to provide investment services in the best possible way and to comply with its legal obligations under the WAG, Private Customers have to duly complete the investment profile.

Private Customers with sufficient experience and knowledge to make their investment

[4] § 47 WAG.
[5] § 66 ff WAG.

decisions on their own, can apply to be treated and classified as Professional Customers.

Please note: The reclassification from Private Customer to Professional Customer signifies that you will lose the higher level of investor protection applied to Private Customers, but that you additionally waive your investor compensation rights in relation to Bank Winter.

In accordance with the regulations of the WAG we will ask you at the time of the application to confirm in writing that you (*i*) have understood the legal consequences of a reclassification to a lower level of investor protection and (*ii*) understand the consequences of such a loss.

In case a Private Customer requests a validation of the financial instruments in his portfolio, the validation can be found in the account statements. The modalities of validation of such finance instruments is effected via an Austrian cooperation in the securities sector, the Österreichische Wertpapierdaten Service GmbH, jointly with the securities settlement system GEOS of SDS GmbH.

3.3 Professional customer

A Professional Client is a customer, who has sufficient experience and knowledge to make investment decisions on his own and can assess the risks associated with an investment. These are, in particular:

- corporations, that fulfill at least two of the following criteria:
  i. total assets of at least EUR 20 Mio.;
  ii. net sales of at least EUR 40 Mio.;
  iii. equity capital of at least EUR 2 Mio.
- central governments, countries, regional governments, public bodies managing public debt;
- institutional investors whose principal activity is the investment in financial instruments[6]; as well as
- Private Customers treated as Professional Customers due to their application for reclassification.

The classification as a Professional Customer entails lower information obligations and the application of a lower protection scheme pursuant to WAG. Professional Customers can apply for a reclassification as Private Customers.

3.4 Eligible counterparty

Eligible Counterparties are subject to the lowest level of investor protection pursuant to the WAG. Only minimal information obligations exist and the orders are not assessed regarding the appropriateness.

In particular, the following companies can be classified as Eligible Counterparties:

- credit institutions[7];
- investment firms;
- further licensed or regulated financial institutes;
- insurance companies[8];
- undertakings for investments pursuant to § 1 Abs. 1 Z 3 KMG, (foreign) investment funds, (foreign) real estate funds or similar institutions that combine assets with risk distribution, as well as their administrative entities;
- retirement funds and their asset management companies.

The following Professional Customers can only be classified as Eligible Counterparty if their net sales equal or exceed EUR 40 Mio:

- commodity dealers and commodity derivatives dealers;
- certain „big“ companies; and
- other institutional investors.

Eligible Counterparties can apply for a reclassification.

4 Investment profile

4.1 General

The WAG intends to ensure the best possible investment services for customers. To comply

[6] e.g. credit institutions and investment firms.
[7] incl. central banks.
[8] excl. social security firms.

with this standard, Bank Winter must obtain relevant and detailed information from the customer. Most importantly, Bank Winter must ensure that the customer is able to assess the consequences of envisaged transactions.

Due to its objective and in connection with legal requirements pursuant to the WAG, the investment profile is to be duly completed by the respective customer prior to the execution of investment services. If Bank Winter concludes that a transaction is not appropriate for a respective customer, the customer is warned thereof in a standardized way [9].

By signing of the investment profile (*i)* the customer confirms the data and information disclosed in the investment profile and (*ii*) the investment profile enters into force. The investment profile is valid for three years. In case of (essential) changes, Bank Winter shall be informed thereof.

All customer information and data disclosed solely serve(s) the customer's interests and are subject to the Austrian banking secrecy.

4.2 Complete investment profile for private clients

Solely a duly and fully completed investment profile enables Bank Winter to advise the customer in the best possible way and to recommend adequate financial instruments which are in line with the customer's (*i*) investment objectives, (*ii*) knowledge, (*iii*) experiences, (*iv*) financial situation (*v*) risk appetite and (*vi*) their sustainability preferences.

Comprehensive information of the customer by the bank is important and should help the customer to have a clear idea of the risk return characteristics of the planned transaction. The disclosure of the risk appetite is therefore of great importance.

Before completing the investment profile, please consult the customer information „Investment related information – Disclosure of Risk in Securities Transactions". In case of questions thereto, please do not hesitate to ask your client advisor.

In case an investment profile is incomplete, Bank Winter cannot and will not execute customers' orders respectively only to a restricted extent. The customer will be warned that Bank Winter cannot assess the appropriateness of the respective transaction.[10]

The information disclosed is essential, in order to judge the appropriateness of a financial instrument. It is therefore in your own personal interest to duly disclose the information required and to inform Bank Winter on any essential changes.

4.3 Shortened investment profile for Professional Customers[11]

For 'Born Professional Clients', it is not necessary to complete an Investor Profile. Disclosure of information regarding knowledge and experiences in financial instruments is only necessary in case of reclassification as Professional Customer.

4.4 Information regarding type, frequency and time of investment reports

Bank Winter ensures that all customers obtain reports on the services provided within the time span stipulated by law at the latest, particularly in form of quarterly account statements. In any case all security transactions of customers of Bank Winter are comprehensibly reported through the bank account statements of the respective customers. Upon request, more frequent transmissions can be agreed on.

5 Further information

5.1 Information relating to conflicts of interest

Bank Winter has stipulated mandatory internal guidelines for the handling of possible conflicts of interests. These guidelines shall avoid possible conflicts of interests between

- a customer and Bank Winter;
- a customer and an employee of Bank Winter;
- a customer and a company controlled by Bank Winter; or
- between customers of Bank Winter.

[9] § 57 WAG.
[10] § 57 WAG.
[11] not necessary with „execution-only".

In particular, the following constellations and patterns of behavior pose potential conflicts of interests that could harm the interests of a customer: situations in which Bank Winter, an employee or another relevant person, an agent bound by agreement or another person bound to Bank Winter through direct or indirect control

- makes a financial gain or avoids a financial loss to the disadvantage of the customer;
- has an interest in the result of a service provided for the customer or in a transaction concluded in the name of the customer that is contrary to the customer's interests;
- has a financial or other incentive to place the interests of another customer or another group of customers above the interests of the respective customer;
- conducts the same business activity as the customer [12]; or
- receives - for services provided to the customer - currently or in the future, from a third party a benefit by means of money, assets or services in addition to the usual commission or fee.

The essential principle is the complete avoidance of conflicts of interests. Thus, whilst providing services Bank Winter will act solely in the best interest of its customers. Additionally, the fixing of the price of in-house products is always based on the current market conditions.

To ensure compliance with legal provisions, in particular in case of non-avoidable conflicts of interest, Bank Winter has installed a compliance officer who reports directly to the management board. In case of a conflict of interest, the customer will be notified prior to the provision of the respective service and under complete preservation of the Austrian banking secrecy.

To avoid risks arising out of conflicts of interests, particularly the following measures have been implemented within Bank Winter:

- if necessary, project related confidentiality areas („Chinese Walls") are defined. Thus, it is ensured that the transfer of confidential information is reduced to the extent necessary for the usual course of business;
- trades for the account of Bank Winter are executed separately from customer trades;
- in case of conflicts of interest due to shortages in supply or demand(particularly in case of oversubscribed issues of securities), the principle of priority [13] - in case of conflicts of interest due to shortages in supply or demand (in particular in case of oversubscribed issues of securities), the principle of priority is applied;
- if necessary, one out of several conflicting transactions will be omitted;
- it is assured that any undue influence on the provision of investment services is avoided;
- strict (internal) rules and provisions prohibiting the acceptance of gifts and regarding the employee compensation system must be complied with;
- employees frequently receive trainings on the subject matter.

5.2 Information on inducements

All benefits from third parties accepted or granted in connection with the provision of security and ancillary services under the Advisory-Free or Execution-Only business will be used for quality improvement measures.

Bank Winter is obliged to inform customers prior to the execution of the respective securities transactions on all associated costs. These include all expenses incurred by the customer that are directly related to the execution of the respective order, as well as all other costs which are charged by third parties involved in the execution of the order.

Further information on costs, ancillary costs and fees are listed in the general conditions of Bank Winter, which customer advisors will again hand over at any time to customers upon request.

Bank Winter will disclose to its clients any inducements it receives from third parties in connection with independent investment advice and pass these on in full.
The association of financial service providers is obliged to regularly collect information as to the fees and remunerations charged by Austrian banks and securities firms to clients and to

[13] this signifies that the interests of the customers are to be treated preferential to the interest of Bank Winter or its employees.

report this information to the FMA. The latter publishes the range of fees and remunerations usually charged on its homepage: www.fma.gv.at.

5.3 Custody services

Custody services for securities are provided according to the "General Terms and Conditions of Bank Winter"[14].

For the settlement of transactions in securities and the custody of securities, Bank Winter uses diligently selected domestic and foreign third-party custodians. The quality and service of these third-party custodians is regularly examined by Bank Winter. If, despite the diligent selection, a third-party custodian is insolvent, Bank Winter is entitled to request the handing over of the securities.

In the scope of the custody service, Bank Winter is liable for a third-party custodian's negligence pursuant to § 1313a ABGB to the same extent as for its own negligence. Vis-á-vis entrepreneurs this liability is restricted to the diligent selection of third party custodians.

Values placed with Bank Winter for custody, are subject to a pledge and retention right for collateralization of all claims of Bank Winter.

Bank Winter is obliged to comply with the Austrian banking secrecy. However, due to the legal provisions according to the Shareholder Rights Directive II, listed companies have the option of inquiring about the identity of their shareholders through intermediaries, such as the custodian bank. Intermediaries are obliged to provide certain data, such as the name and address of shareholders, to companies who have their registered office in an EEA country and whose shares trade on a regulated market. Detailed information is provided in the customer information "Information on the Shareholder Rights Directive II (SRD II)".

5.3.1 Domestic custodian service

Securities acquired in Austria are held in collective custody at a third-party custodian (credit institution authorised for custody business) commissioned by Bank Winter. In this type of safe custody, the customer remains co-owner of the collective portfolio of securities of the same class. As the amount of securities can be determined at any time, the customer's rights are neither limited nor impaired.

Austrian law applies to domestic custody.

5.3.2 Foreign custodian service

Securities purchased abroad are generally deposited with a foreign third-party custodian. The customer receives a so-called credit in the securities account for the securities stored abroad, which relates to the contractual claim to similar, but not the same, securities. This claim of the customer against the bank corresponds to the share which the bank holds on behalf of the customer in the entire portfolio of securities of the same type held by the bank for its customers abroad in accordance with the relevant legal provisions and practices.

The custody of securities with a foreign third-party custodian is generally conducted in the form of collective custody. A separation of Bank Winter's and the customer's holdings is internally ensured by internal documentation and customer deposit statements as well as by notifying the foreign third-party custodian on the customer's ownership of the securities.

Depositing securities with a foreign third-party custodian is subject to the national jurisdiction of the respective country as well as to the terms and conditions of this foreign third-party custodian. This may influence the customer's rights. In case a foreign third-party custodian also deposits securities with another custodian, the jurisdiction of the country where the securities are deposited applies.

5.4 Information on deposit guarantee and investor compensation rights

Information on the deposit guarantee and investor compensation system in Austria is provided in the customer information "Deposit guarantee – Investor Compensation".

5.5 Information on bank resolution and Bail-In

5.1 Information on bank resolution is provided in the customer information „Investment

[14] Pursuant to the provisions of the Depotgesetz (*Austrian deposit act*).

related information – Disclosure of Risk in Securities Transactions”**.**

5.2 Customer orders and best execution

Information on execution of securities transactions is provided in the customer information “Best Execution Policy - Principles of Order Execution”.

Bank Winter
SEIT 1892

Best execution policy – principles of order execution

1 General information

1.1 Preamble

This execution policy meets the legal requirements to ensure the highest possible level of protection for private clients according to the Securities Supervision Act (WAG) version 2018 ("WAG 2018") in conjunction with the Delegated Regulation (EU) 2017/565. Bank Winter applies this execution policy to private clients and professional clients. This policy is not applicable to orders from eligible counterparties, in accordance with the statutory provisions.

1.2 The execution policy does not apply in the following cases:

1.2.1 Investment fund units

The purchase and sale
(the issue and redemption)of investment fund units and real estate investment fund units is generally carried out via the respective custodian bank, the respective investment company (KAG), the transfer agent or a third-party provider. Pursuant to WAG 2018, these are not executions of client orders within the meaning of the execution policy.

1.2.2 Instructions from the client

An instruction from the customer, in which they determine the place of execution and/or order type (e.g. additional instructions such as "stop-market") for a single deal.

Any such explicit instruction from the customer will invalidate the execution policy set out in this document for the part of the order affected by the instruction. Best execution cannot be guaranteed under these circumstances. The part of the order that is not subject to the instruction will continue to be subject to the order execution policy (such as the execution venue).

General instructions, which refer not only to the execution of a specific order but also to all future orders, cannot be taken into account. By way of example, types of instructions in connection with orders are listed below:

1.2.2.1 Market order:

A market order is one without a price limit. If a price limit is not stipulated, the order will be processed as a market order for which the customer accepts any possible price. The necessary investment amount or the sales proceeds remain uncertain.

1.2.2.2 Limit order:

A limit order is one with a price limit. With a limit buy order, the customer can limit the purchase price and hence the investment amount. Purchases over the stated limit will not be executed. A limit sell order allows the customer to define the lowest acceptable selling price. Sales will not be executed at a price lower than the selling limit.

1.2.2.3 Stop order:

A stop market order will only be activated once the price on the stock exchange reaches the stop market limit and at this moment becomes a valid market order, without a limit. The actual price achieved can differ substantially from the chosen Stop-Limit, in particular when liquidity is poor.
A stop limit order will only be activated once the price on the stock exchange reaches the stop market limit and at this moment becomes a valid limit order (see above).

1.2.3 Time limits:

- Month End: Orders given without a validity are valid until the last trading day of the month. In case the instruction is given after the 25th calendar day of a month, the order is valid until the last trading day of the following month.
- Good for the day: The order remains valid only for the current trading day.
- Date: The order remains valid until the close of trading of the specified date.
- 90 Days: The order remains valid for 90 calendar days.
- Year End: The order remains valid until the last trading day of the year.

The various types of orders and validity are dependent on the individual product, stock exchange and broker.

Orders for securities must be received by the bank before 12:00 a.m.

Any necessary verifications, such as stating a code word over the phone, must also be taken into account before orders are placed.

Orders that have not been received prior to cut-off will be reserved for the next business day, provided that the order is valid. Customer advisors are available for personal inquiries Monday to Thursday from 9:00 a.m. to 3:00 p.m. and Friday from 9:00 a.m. to 2:00 p.m. See our homepage for a list of bank holidays.

1.3 Forwarding of orders

Bank Winter generally forwards orders for execution to a broker, Schelhammer Capital Bank AG, which has access to a wide range of execution venues (trading venues, banks, brokers, fund companies / custodians / depository or securities firms).
Thereby, Bank Winter ensures that execution is carried out in accordance with the current execution policy.

1.4 Merging of orders

It may be in the customer's interest for Bank Winter to combine several orders in the form of a bulk order. Procedures and systems are to be used that guarantee the prompt, fair and rapid processing of these orders in relation to other customer orders. The merging of several orders into "bulk orders" is subject to the following requirements:

- It should not be expected that the combination of orders will be disadvantageous for one of the customers whose order is combined
- Each customer whose order is to be merged with others, must be informed that merging may possibly lead to a disadvantageous outcome;

2 Best possible execution of client orders

2.1 Aspects of the best execution of client orders

2.1.1 Price and costs of the security:

The best possible price which can be achieved by the executing party at the time of execution of the order at the trading venue or by trading partners pre-selected for the financial instrument or pre-selected pursuant to this execution policy.

2.1.2 Costs in connection with the order execution:

All expenses incurred by the client directly related to the execution of the order, including execution venue fees, clearing and settlement fees, in particular costs of a change of custodian and any other third-party fees known at the time of the transaction, which are connected to the execution of the order.

2.1.3 Speed and probability of execution:

Liquidity on the place of execution determines whether an order will be delayed or executed at all.

2.1.4 Probability of handling the size and type of execution:

Quality and type of execution, including the proper delivery of the securities or the settlement of payments and corporate actions.

2.2 Product / financial instrument categories [15]

When executing client orders, Bank Winter makes a distinction between the following product / financial instrument categories:

- Shares and similar investments
- Funds
- Bonds and comparable debt securities

2.3 Weighting of the aspects

The aim of best execution is to achieve the best possible price for the client, taking into account all costs associated with the execution of the

[15] See Document: „Disclosure of Risk in Securities Transactions"

order. This cost structure of the respective execution venues is reviewed at regular intervals and adapted if necessary.

Since financial instruments are subject to regular price fluctuations, possible negative price developments for the client cannot be excluded after placing the order. The importance of speed and probability of order execution are highly weighted, especially for financial instruments which can react very quickly to small market movements. However, if the same sufficient liquidity is available at different execution venues, the price and the costs of executing the order are the decisive factors for the selection of the execution venue.

The following are other aspects of the execution that may have a greater impact on the best possible result:

2.3.1 Shares and similar investments

Trades of Austrian listed shares are generally executed by Schelhammer Capital Bank AG, as they have a direct connection to the Vienna stock exchange and therefore, the order can be executed quickly and cost-effectively.

Orders for foreign shares are primarily executed on the home stock exchange. If the home exchange is not the main trading venue, then it will be executed there as low-cost execution is regularly possible due to a high level of liquidity.

The home exchange refers to the exchange of the initial listing, usually in the country of the issuer. The main trading venue is the stock exchange on which long-term the proportionally largest trading volume is achieved.

The orders are generally forwarded to the respective exchange via a broker. The broker is either a member of the exchange or has access to the relevant exchange in order to achieve the best possible execution.

A list of the stock exchanges offered is shown in point **Fehler! Verweisquelle konnte nicht gefunden werden.** below.

2.3.2 Exchange traded Funds (ETFs)

ETFs (Exchange traded funds) are executed at the execution venues shown in point **Fehler! Verweisquelle konnte nicht gefunden werden.**.

As a rule, execution on German exchanges (primarily XETRA-Frankfurt) is preferred, as high liquidity there generally allows for cost-effective execution. For US ETFs, execution on the US market (primarily on the relevant home exchange) is generally preferred, as high liquidity there generally allows for cost-effective execution.

The orders are generally forwarded to the respective exchange via a broker. The broker is either a member of the exchange or has access to the relevant exchange in order to achieve the best possible execution.

A list of the stock exchanges offered is shown in point **Fehler! Verweisquelle konnte nicht gefunden werden.** below.

2.3.3 Bonds and comparable debt securities

Orders for bonds of domestic and foreign issuers are executed by Schelhammer Capital Bank AG via a multilateral trading system (MTF) since the best prices and highest volumes are usually traded there. If this option is not available, the order will be executed via a systematic internaliser or on a regulated market in accordance with the criteria of the best execution of orders (see point 2.1).

2.4 Determination of the best possible execution venue

The following execution venues are generally intended for the respective class of financial instrument:

Asset class	Intended trading venue	Alternative trading venue
Equity Capital – Shares	Regulated Market	OTC, Systematic Internaliser
Exchange Traded	Regulated Market	OTC, Systematic Internaliser

Products (zB ETFs)		
Debt Securities (Bonds)	MTF, regulated market	OTC, Systematic Internaliser

Sell orders for securities in all classes of financial instruments shall be executed, taking into account transaction costs, at execution venues which are possible without changing the custodian or at the trading venue through which the security was acquired.
The following intermediaries are currently available to the commission agent for forwarding stock exchange orders for shares or ETFs:

- HSBC Trinkaus & Burkhardt AG (Düsseldorf),
- Baader Bank AG (Munich)
- Erste Group Bank AG (Vienna) and
- Raiffeisen Bank International AG (Vienna)

A large number of trading partners are available to the commission agent for the best possible execution of off-exchange orders in bonds.

2.5 Domestic Exchanges

The following exchanges are designated execution venues:

Country	Symbol or City	Name
Austria	XVIE	Wiener Börse AG
Germany	XETR	XETRA-Frankfurt
	XFRA	Börse Frankfurt
	XSTU	Börse Stuttgart
	XMUN, MUNC	Börse München
	XBER	Börse Berlin
	XGAT	Tradegate Exchange, Berlin
	XHAM	Hanseatische Wertpapierbörse Hamburg
	XHAN	Niedersächsische Börse zu Hannover
	XDUS	Börse Düsseldorf
Belgium	XBRU, Brüssel	Euronext Brussels
Danmark	XCSE, Copenhagen	Nasdaq Copenhagen
Finland	XHEL, Helsinki	Nasdaq Helsinki
France	XPAR, Paris	Euronext Paris
Greece	XATH, Athens	Athens Exchange (ATHEX)
GB	XLON, London	London Stock Exchange (LSE)
Ireland	XDUB, Dublin	Euronext Dublin
Italy	XMIL, Milan	Borsa Italiana
Nether-lands	XAMS, Amsterdam	Euronext Amsterdam
Norway	XOSL, Oslo	Oslo Bors
Poland	XWAR, Warsaw	Warsaw Stock Exchange
Portugal	XLIS, Lissabon	Euronext Lisbon
Sweden	XSTO, Stockholm	Nasdaq Stockholm
Switzer-land	XSWX	SIX Swiss Exchange, Zürich
	XVTX	SIX Swiss Exchange Blue Chip Segment
	XBRN, Bern	BX Swiss AG
Spain	XMAD, Madrid	Sociedad de Bolsas
Czech Republic	XPRA, Prague	Prague Stock Exchange (PSE)
Hungary	XBUD, Budapest	Budapest Stock Exchange (BSE)
USA	XNYS	New York Stock Exchange
	XNMS	NASDAQ Stock Market
Canada	XTSE, Toronto	Toronto Stock Exchange (TSE)
Australia	XASX, Sydney	ASX - Australian Securities Exchange

Japan	XTKS, Tokio	Tokyo Stock Exchange

Orders for exchanges or products which are not listed will be executed if possible. If an execution is not possible, the customer will be informed as soon as possible.

3 Review of the execution quality

The execution quality is reviewed periodically, at least once a year, in accordance with regulatory requirements. The various review processes are based on the specific product categories with regard to the designated execution venues under the aspects given above.

The complete results are taken into consideration when making to any necessary changes in the existing execution policy. This means that deviations of individual execution do not necessarily lead to a change of all executions in that category of financial instrument.

In order to ensure the best possible execution quality, the executed transactions are additionally reviewed on a quarterly basis and the commission agent's quality is continuously monitored on the basis of the annual due diligence review.

Information on the shareholder rights - Directive II (SRD II)

The EU Directive 2017/828 referred to as the Shareholder Rights Directive II, with the aim of promoting long-term shareholder participation, amends Directive 2007/36/EG (Shareholder Rights Directive I). This directive was implemented in Austria in the Stock Exchange Act (§§ 177 ff BörseG) and in the Companies Act (§§ 78a ff and 95a AktG).

What is the aim of SRD II?

The Shareholder Rights Directive II is intended to enable direct communication between exchange listed companies and their shareholders and make it easier for shareholders to exercise their shareholder rights.

What do the legal changes mean for the shareholder?

Intermediaries (e.g. institutions that hold securities in safe-keeping or manage securities accounts) are obliged to immediately transmit certain information from the company to the shareholder or vice versa. This is information that the company must provide to shareholders so that they are able to exercise their rights in connection with their shares. If this information is available on the company's website, we will inform you of where it can be found. The company's information is forwarded through the chain of intermediaries, from the first intermediary (central securities depository) through to the respective custodian bank. We, as your custodian bank, will then provide you with this information.

For you as a shareholder this means that from September 2020 you will receive more information on the company directly from us as your custodian bank.

As the custodian bank, we will make the necessary arrangements so that you are enabled to exercise the rights yourself (e.g. attendance at the AGM). These arrangements include registration for the meeting and issuing a confirmation of holdings.

Due to the new legal provisions, listed companies have the option of inquiring about the identity of their shareholders through intermediaries, such as the custodian bank. Intermediaries are obliged to provide certain data, such as the name and address of shareholders, to companies who have their registered office in an EEA[16] country and whose shares trade on a regulated market.

According to the Austrian Stock Exchange Act, companies that are based in Austria may only query the identity of shareholders who own more than 0.5% of the company's shares. Companies that are based in another EEA country may request to identify shareholders holding only a single share, depending on the respective national law.

If a shareholder reaches or exceeds the 0.5% limit of shares or voting rights of a company and holds the securities with a number of banks, the shareholder must provide all banks with this information.

What else does SRD II regulate?

Listed companies must develop principles regarding the remuneration of their management (remuneration policy). The remuneration policy must promote the company's business strategy and long-term development and explain how it does so. It must also describe the various fixed and variable remuneration components that can be granted to members of the management board, including all bonuses and other benefits of any kind. The management board and the supervisory board of a company must prepare a clear and understandable remuneration report annually. The remuneration report must give a comprehensive overview of the remuneration granted or owed to current and former members of the management board during the past financial year. The remuneration policy and the remuneration report are to be submitted to the AGM for voting. The vote is only a recommendation.

Significant transactions above a certain amount with related companies and persons require the

[16] EEA Countries: 27 EU Member States, Iceland, Liechtenstein and Norway (as per April 2020).

approval of the supervisory board and must be published by the company.

In addition, SRD II stipulates that institutional investors (such as insurance companies and company pension schemes) and asset managers (such as investment fund companies or alternative investment fund managers) must publish either a participation policy or an explanation of why they have not established such a policy. In the participation policy, institutional investors and asset managers must state, among other things:

- how they exercise voting rights and other rights associated with the shares
- how they work with other shareholders
- how they monitor the companies in which they have invested with regard to important matters etc.

The implementation of the participation policy must be reported on annually.

Furthermore, institutional investors must publish information about their investment strategy and their agreements with asset managers. Asset managers, in turn, must disclose on an annual basis the institutional investors with whom they have entered into agreements and how their investment strategy is in line with this agreement.

Advisors on voting rights must comply with a code of conduct and report on the application of same. The advisor must publish this information on their website.