Information regarding the Handling of Conflicts of Interest at Berenberg

BERENBERG
PARTNERSHIP SINCE 1590

1. Introduction

Managing conflicts of interest plays a key role in the banking business of Joh. Berenberg, Gossler & Co. KG (hereinafter the »Bank«). When providing investment and ancillary services such as corporate finance or advisory services, or securities trading on behalf of clients or acting as principal for own account the Bank may face the financial or non-financial interests of various parties involved.

This document sets out the steps that the Bank takes to manage conflicts of interest.

2. Identifying conflicts of interest

Conflicts of interest can arise between the Bank and other companies of the Berenberg Group, departments within the Bank, the Bank's management and its employees, on the one hand, and clients of the Bank, on the other hand, as well as between different clients.

Conflicts of interest may arise in particular:

- when providing investment advice or financial portfolio management services to clients, in particular for products designed by the Bank itself or affiliated companies;
- when receiving or offering inducements (e.g. sales and trail commissions, non-cash benefits and services in kind) from or to third parties in connection with the provision of investment and ancillary services (where permitted);
- through success-based remuneration for employees and intermediaries;
- when offering inducements to our staff and intermediaries;
- from other business activities of the Bank, in particular the Bank's interest in achieving returns from proprietary trading and the execution of client orders;
- from relationships of the Bank with issuers of financial instruments, for example in the event of a credit relationship or participation in an issue;
- when drawing up investment strategy recommendations for securities which are also offered to clients for purchase;
- when obtaining information which is not publicly known (so-called inside information);
- from the involvement of such persons in supervisory boards or advisory boards;
- from personal relationships of Bank employees or the Bank's management or persons who they are closely involved with; or
- when providing investment banking services, for example allocations in connection with IPOs, capital increases or bond issues.

The Bank and its employees are committed to applying high ethical standards in ensuring that unrelated interests do not have an impact on, for example, advisory services, order execution, portfolio management or investment strategy recommendations. The Bank expects its employees to act with professionalism and high standards of market conduct, as well as compliance with regulation, law and market standards at all times, in particular regarding the fair treatment of clients and the overarching obligation to put clients' interests first. Compliance with these standards is monitored on an on-going basis.

The Bank's aim is to identify conflicts of interest and to avoid them as far as possible. Where it is not possible to avoid a conflict of interest, the Bank's priority is to either not act or, where the conflict can be managed, to disclose it and find a solution in the client's best interest.

Compliance with the organisational and procedural measures explained below is monitored by the Compliance function and subject to reviews by both the internal audit function and external auditors.

3. Managing conflicts of interest

Role of the Compliance function

In line with statutory and regulatory requirements the Bank has set up a Compliance function and appointed a Compliance Officer. In addition to market abuse prevention (market manipulation and insider dealing), the core responsibilities of the Compliance function also comprise the identification, prevention and management of potential and actual conflicts of interest. Moreover, Compliance moni-tors adherence to the agreed organisational and procedural measures on an on-going basis and adapts them on a case by case basis as (potential) conflicts arise.

Product governance

The Bank has implemented procedures within the context of its product governance and new product approval process to avoid the sales of investments which counteract clients' interests.

Inducements

Inducements are fees, commissions and other cash and non-cash benefits offered by or to third parties in connection with the provision of investment and ancillary services. Where legally permissible, acceptance of inducements is only permitted where they improve the quality and provision of services for clients. In certain cases, such as closed-end participations, inducements may be retained.

When providing investment and ancillary services, minor non-cash benefits of acceptable and reasonable nature are offered by the Bank to distribution partners and group companies, or by issuers, product providers and group companies to the Bank. These are non-cash benefits in the form of seminars, participation in conferences and other educational events including reasonable and proportionate hospitality and the provision of product information on financial instruments.

Where required by law or regulation, prior to providing investment and ancillary services, the Bank will inform clients of the kind and amount of any inducements, and inform clients annually of the actual amount of inducements given and received.

Disclosure of conflicts of interest or turning away business, if required

If it is not possible to avoid or mitigate a conflict of interest despite the organisational and procedural measures taken, it is the Bank's priority to resolve the conflict in the client's best interest. This may include the Bank disclosing the type and origin of the conflict of interest to the client before providing any services, so that the client is in a position to recognise the risk of his interests being impaired and to take a decision on the basis of the facts. Alternatively, in certain circumstances, this may require the Bank to not act / take up the mandate.

Execution in the client's best interest

The Bank has drawn up and implemented an execution policy for the execution of client orders to execute transactions in financial instruments in clients' best interests (the »Execution Policy«).

Prevention of and monitoring for market abuse

The Bank has implemented organisational and procedural measures to meet the statutory and regulatory requirement to prevent market abuse (insider dealing and market manipulation).

Organisational structure of the Bank

The Bank is organised along its business activities and has separated its divisions by function, responsibility and services to avoid potential conflicts of interest. The organisational chart is updated regularly and reflects the Bank's current structure. The organisational structure is the basis for the areas of confidentiality set up within the Bank.

Setting up areas of confidentiality (Chinese walls)

To avoid potential conflicts of interest the Bank has set up areas of confidentiality where offices, staff and IT are segregated from each other by so-called Chinese walls. This regulates the sharing of inside and confidential information within the firm, and prevents or reduces it as permitted to allow the Bank to carry out its business operations. Passing on of inside information between areas of confidentiality requires prior approval by Compliance.

Areas of confidentiality comprise, for example: Corporate Finance, Corporate Banking, Research, Trading and Wealth and Asset Management.

Regulations governing employees' own transactions and external business interests

The Bank has implemented strict internal policies governing personal account dealing in securities to prevent conflicts of interest between clients, the Bank and its employees. Moreover, all Bank employees are required to obtain approval for external business interests and are generally not permitted to accept a mandate to become a member in a management or supervisory body or panel in a company, foundation or corporation which is a client of the Bank.

Employee remuneration

The Bank's remuneration principles are set up in such a way to ensure the independent provision of services, so that no dependencies can arise between employees whose activities constitute a (potential) conflict of interest. Moreover, employees' remuneration is designed in such a way that it does not conflict with clients' interests.

Acceptance or provision of gifts and entertainment by the Bank and its employees

The Bank's internal policies set out conditions and criteria under which gifts and entertainment from or to third parties may be offered or accepted. Moreover, the guidelines include reporting, record keeping and approval processes, as well as clear requirements relating to, for example, public officials.

The restrictive design of these guidelines serves to avoid conflicting interests between employees, clients and the Bank.

Allocation procedure and disclosure of conflicts of interest in the context of underwriting and placing

The Bank has implemented guidelines for the handling of funds, and allocation of securities in the context of underwriting and placing transactions, which prescribe not only an independent pricing process, but also the allocation procedure for clients on the investors' side. Potential conflicts of interest which may arise in connection with the allocation of underwriting and placing transactions are disclosed in the prospectus (or equivalent) of the relevant issue.

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