Vontobel

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Information on investor protection

Preface

On 15 April 2014, the European Commission and the European Parliament adopted the amended version of the Markets in Financial Instruments Directive (MiFID II). Securities firms in the European Union must comply with the Directive, which comes into force on 3 January 2018. Improving investor protection and transparency are the focal points of MiFID II.

In addition, on 27 November 2019 the European Parliament and the Council of the European Union adopted the Sustainable Finance Disclosure Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector ("SFDR") which was later amended by the regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment ("EU Taxonomy Regulation").
The main objective of SFDR and of EU Taxonomy Regulation is to provide investors with the appropriate and necessary sustainability-related information to enable them to make informed decisions about financial products and services.

This Information on Investor Protection brochure provides you an overview of the significant details regarding the implementation of MiFID II, SFDR and EU Taxonomy Regulation at Vontobel Asset Management. It does not fully cover all aspects of the investment business and its contractual issues. This information supplements any contractual agreements between you and Vontobel Asset Management. If any contradictions exist, the respective contractual agreement will take precedence. In some passages we refer to other documents, which Vontobel Asset Management will provide to you or which you may obtain from us free of charge. In addition, you will find important details about our business relationship with you and the associated interaction and communication activities.

1. Important information for all clients of Vontobel Asset Management

1.1. Group companies and locations

Vontobel Asset Management, as understood in this brochure, includes only the following legal entities affected by MiFID II. Other impacted legal entities of Vontobel Asset Management have their own information on investor protection.

Vontobel Asset Management AG
Vontobel Asset Management AG, with its registered office in Zurich, is a wholly-owned subsidiary of Vontobel Holding AG, Zurich, and is licensed and regulated by the Swiss Financial Market Supervisory Authority FINMA, Laupenstrasse 27, CH-3003 Berne, as an asset manager of collective assets pursuant to Article 24 of the Swiss Federeal Act on Financial Institutions ("FinIA") . The company offers both collective and individual portfolio management and investment advice related to different financial instruments.

Bank Vontobel AG

Bank Vontobel AG, with its registered office in Zurich, is a wholly-owned subsidiary of Vontobel Holding AG, Zurich, and is licensed and regulated by the Swiss Financial Market Supervisory Authority FINMA, Laupenstrasse 27, CH-3003 Berne, as a bank pursuant to Article 3 of the Swiss Banking Act. With regard to Vontobel Asset Management, it offers to professional clients and eligible counterparties the execution of subscriptions and redemptions as well as custody services in connection with own-brand investment funds.

Since Switzerland is not a member of either the EU or the EEA, it is not obliged to implement MiFID II. MiFID II therefore does not apply directly to the business relationship of Vontobel Asset Management AG or Bank Vontobel AG with clients domiciled in the EU. Nevertheless, we apply the MiFID II standards for these clients of our investment and ancillary services.

2. Investment services

2.1. Information on investment services and financial instruments

Vontobel Asset Management offers a comprehensive range of asset management services, particularly portfolio management and investment advice. The services we offer may vary in the different locations of Vontobel Asset Management and depending on the client classification.

2.2. Portfolio management

Under a portfolio management mandate, the management of assets is delegated to Vontobel Asset Management. Your investment targets and financial risk tolerance are the foundations for the management of your portfolio. This service, which is agreed in writing, authorises Vontobel Asset Management to manage your assets in the specified account(s) in accordance with the investment instructions.

2.3. Investment advice

Under an investment advice mandate, the client makes the investment decisions. Vontobel Asset Management executes transactions only when specifically instructed to do so.

Investment advice is rendered exclusively based on written contracts with investment instructions.

MiFID II distinguishes between dependent and independent investment advice. In independent consulting, the advisor must base its investment recommendation on a sufficiently broad range of financial instruments, also in terms of providers and issuers. In particular, the investment recommendation may not be limited to own-brand products. The independent advisor may not accept or receive any fees, commissions or other monetary or non-monetary benefits from a third party.

Vontobel Asset Management does not render investment advice on an independent basis as defined in Article 24 of MiFID II. As a result, the stricter regulations applicable for independent, fee-based investment advisors regarding the acceptance of inducements do not apply for Vontobel Asset Management. However, Vontobel Asset Management does not accept any monetary benefits from third parties in connection with the provision of investment advice, or it forwards them to clients.

2.4. Information on financial instruments and their risks

Despite its chosen status as a dependent investment advisor, Vontobel Asset Management takes into account a broad range of financial instruments when providing investment advice services. The investment universe for recommendations in our investment advice is based on Vontobel Asset Management’s open product platform, which comprises both own-brand products and products of numerous third-party providers.

A description of the significant risks associated with the securities and other financial instruments used in connection with our investment and ancillary services can be found at the end of this information on investor protection.

2.5. Custody services

Vontobel Asset Management offers to its professional clients and eligible counterparties the execution of subscriptions and redemptions as well as custody services via Bank Vontobel AG. These services are limited exclusively to fund products from Vontobel Asset Management.

2.6. Statement of assets and other reporting services

Statement of assets — Vontobel Asset Management provides monthly or quarterly reporting on portfolio management. Unless agreed otherwise, this service includes in particular the composition and valuation of the portfolio, the total amount of the fees and remuneration incurred during the reporting period, if agreed a comparison of the portfolio's performance during the reporting period with the benchmark, a listing of dividend, interest and other payments, and any corporate actions.

Transaction confirmations — If Vontobel Asset Management executes transactions in securities and other financial instruments in your name, a confirmation of the execution will be sent to you immediately after execution, provided no agreement to the contrary has been reached. We will not inform you about the status of the execution prior to executing your order, except if you have instructed us explicitly to do so or if difficulties arise when executing the order.

You may receive additional documentation depending on the financial instruments or services you have chosen, your client classification and the applicable reporting regulations.

3. Information on investor protection classification

3.1. Proposed classification

Vontobel Asset Management will assign a classification to every natural person or legal entity authorised to issue orders. Every client is classified as either a professional client or a retail client. Different levels of investor protection exist depending on this classification (e.g. regarding the scope of suitability and appropriateness tests, the obligatory pre-trade information for the client, the available financial instruments, etc.).

- **Professional clients:** Professional clients are treated as knowledgeable investors to whom a wider investment universe is available. This universe includes financial products intended only for professional clients or which are not registered for sale to retail clients. In view of their knowledge and experience and their financial ability to bear losses, professional clients receive a lower level of investor protection. For example, assessments of the client's risk profile and investment targets are not performed for professional clients prior to the securities transaction. In addition, certain documents, such as suitability reports or product information sheets, are not sent to professional clients..
- **Eligible counterparties:** Under MiFID II, certain legal entities are classified as eligible counterparties. This client category is a subset of professional clients with extensive knowledge and experience of financial transactions. As such, the protection provided under MiFID II is limited. With this category of clients, it is therefore assumed that the acting persons have sufficient knowledge and expertise to make investment decisions and to adequately assess the associated risks.
- **Retail clients:** Retail clients receive the highest level of protection. Retail clients receive detailed information about product risks (product information and risk disclosures), suitability (suitability report), costs and fees as well as other parameters, before we can render a service or execute a trade as part of an investment advice service.
  We provide this information when necessary pursuant to regulatory requirements. In general, the offering of financial instruments is limited to products intended for retail clients or which are registered explicitly for sale to retail clients (target market). Certain services or financial instruments may be categorised as unsuitable for retail clients and therefore not offered.

Please note that the classification is intended for investor protection purposes (e.g. pursuant to MiFID II) and not for classification purposes under other regulations (e.g. Foreign Account Tax Compliance Act (FATCA), or tax legislation and regulations).

3.2. Adjustment of the classification

You may request an adjustment of the classification at any time.

This includes the possibility of a reclassification into a higher level of protection, which means a classification as a professional client or retail client if you could be classified as an eligible counterparty, or as a retail client if you could be classified as a professional client.

If the legal requirements are met, this also applies for a reclassification into a lower level of protection, which means a classification as a professional client if you could be classified as a retail client, or as an eligible counterparty if you could be classified as a professional client.

In both cases, you must submit a written application to us. Your relationship manager will inform you about the specific procedures and effects of an adjustment to the classification.

If you are reclassified and your level of protection is reduced, we will inform you accordingly.

Please note that every reclassification undertaken by Vontobel Asset Management applies in general for all investment and ancillary services which we offer. If we determine that you no longer fulfil the criteria for the investor protection category in which you were classified, we must independently adjust your classification. In this case we will inform you immediately.

Professional clients are obliged to inform Vontobel Asset Management about all changes that could impact their classification.

4. Organisational issues

4.1. Language and means of communication

You can communicate with Vontobel Asset Management in one of the following languages: German, English. If available, contracts and notifications as well as client documents will be provided in the selected language. In general, we will communicate with you in writing. We will accept orders and other information per telephone, fax, or e-mail if you agree to communicate via these channels. If you communicate with us via one of these channels, we reserve the right to contact you in the same manner.

4.2. Order execution (best execution)

Best execution is the obligation to take all appropriate steps to obtain the best-possible result when executing transactions in securities and other financial instruments in your name either via other affiliates or through third-party brokers. We have summarised the principles for the execution of client orders in our Best Execution policies of the respective legal entity of Vontobel Asset Management. These policies are available at www.vontobel.com.

4.3. Conflicts of interest

Vontobel Asset Management has taken measures so that conflicts of interest do not affect the interests of its clients. Such conflicts of interest may exist between our company, our executive board members, our employees and contractually affiliated intermediaries, and other people associated with us either directly or indirectly, and our clients, or between clients. We have summarised these measures for you in our Conflict of Interest policies of the respective legal entity of Vontobel Asset Management. These policies are available at www.vontobel.com.

4.4. Costs in connection with investment and ancillary services

We will provide you detailed information in advance or subsequently regarding costs in connection with investment and any ancillary services rendered by Vontobel Asset Management.

4.5. Inducements

Inducements are commissions, fees and other cash benefits as well as all non-monetary benefits.

Pursuant to the relevant statutory requirements, investment advice and portfolio management are subject to various requirements and restrictions in connection with the acceptance and granting of inducements.

Moreover, by issuing the corresponding internal codes of conduct Vontobel Asset Management has ensured that the potential residual risk of conflicts of interest or restricted objectivity in the provision of services following the acceptance of inducements is nearly excluded.

In this context, with regard to the standard to be applied as the requirement for accepting and granting inducements Vontobel Asset Management has decided not to make a differentiation in individual cases based on the service just provided (investment advice or portfolio management) but to apply the highest standard (for portfolio management) to all services.

Accordingly, Vontobel Asset Management will not accept or keep any monetary or non-monetary inducements that are granted either directly or indirectly by third parties in connection with services provided for clients. Any monetary inducements that are accepted will be forwarded to clients in full within a reasonable amount of time.

However, in this context we would also like to point out that within the normal course of business and normal business practices at Vontobel Asset Management it is permissible for certain non-monetary benefits offered by third parties (e.g. invitations to conferences, seminars and training events, business entertainment, in particular in connection with the aforementioned events) to be accepted, provided they are insignificant, may improve the quality of the service and their scope and form do not conflict with the client’s interests.

If accepted, Vontobel Asset Management is also obliged to record these insignificant, non-monetary inducements from third parties in an internal inducement and usage log. In accordance with statutory requirements and due to the insignificance of these benefits, however, clients are not informed in individual cases and no general disclosure is made.

Further information about these inducements is available upon request.

4.6. Disclosure of transactions in securities and other financial instruments

Vontobel Asset Management may be obliged to report to the supervisory authorities all transactions that is has carried out with listed securities. Reports must contain identification details about the buyer and/or seller of these securities and about the person who issued the trade order. If this person is a legal entity, it must be reported with its legal entity identifier (LEI).

4.7. Recording of calls and electronic communication

Vontobel Asset Management is obliged to record all electronic communication associated with a transaction, including communication with clients.

Consequently, Vontobel Asset Management may not engage in any transaction-related communication with you via channels on which Vontobel Asset Management cannot record the communication (e.g. external instant messaging services). Moreover, Vontobel Asset Management records the key contents of transaction-related personal conversations in logs in order to ensure that the recommendations issued to you are traceable. The records are stored on a durable medium in such a way that ensures an appropriate level of confidentiality and protection against manipulation.

By entering into a business relationship with Vontobel Asset Management or contacting Vontobel Asset Management by electronic means, you consent to the aforementioned recording and storage methods. You have the right to request copies of your records in exchange for an expense fee.

4.8. Handling complaints

Suggestions, comments and feedback are best sent directly to your personal relationship manager or contact person. If you would like to submit a formal complaint concerning an aspect of your relationship with Vontobel Asset Management, you can do so in accordance with our complaint management principles. We have summarised our guidelines and process for handling complaints in our “Complaints Handling Policies” for the respective legal entity of Vontobel Asset Management. These can be found at www.vontobel.com.

5. Suitability and appropriateness

5.1. Suitability

When it comes to investment services such as portfolio management and investment advice, Vontobel Asset Management assesses whether the recommended services and financial instruments are suitable for you based on the information provided by you or your representative. To this end, Vontobel Asset Management requires certain information about your knowledge and experience of investment services and financial instruments, financial circumstances, investment objectives including risk tolerance and sustainability preferences. If Vontobel Asset Management does not receive the necessary information, we may refrain from providing investment services.

If you are classified as a professional client or eligible counterparty, we assume that you have the required knowledge and experience in order to understand the risks involved in the recommended services or in the management of your portfolio. If you are classified as a retail client, we provide you with the "MIFID II knowledge and experience in investment business" form and the risk profile, which you are required to sign.

The information collected allow us to evaluate whether the specific transactions to be recommended, or entered into in the course of providing a portfolio management service, satisfies the following criteria:

a) it meets your investment objectives, including the investment purpose, planned horizon, risk preference and sustainability preferences;
b) you are able financially to bear any related investment risks consistent with your investment objectives;
c) you have the necessary experience and knowledge in order to understand the risks involved in the transactions recommended or in the management of your portfolio.

Vontobel Asset Management will assess, among others, your sustainability preferences, i.e., your choice on whether, and if so, to which extent, the following financial instruments shall be integrated into your portfolio or recommended investment:

1) financial instruments that consider principal adverse impacts on sustainability factors: these are financial instruments that considers principal adverse impacts, i.e., indicators measuring the negative external impact of economic activities on sustainability factors, which are environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

2) financial instrument investing in sustainable investments according to SFDR: these are investments in one or several economic activities that contribute substantially to an environmental objective or to a social objective (such as investments that contribute to tackling inequality or that fosters social cohesion, social integration and labour relations, or investments in human capital or economically or socially disadvantaged communities). Sustainable investments shall also satisfy two additional criteria: the investment shall not significantly harm any other environmental or social objective and the investee companies shall follow good governance practices (such as sound management structures, employee relations, remuneration of staff and tax compliance).

3) financial instruments investing in environmentally sustainable investments according to EU Taxonomy Regulation: these are investments in one or several economic activities that contribute substantially to (a) climate change mitigation; (b) climate change adaptation; (c) the sustainable use and protection of water and marine resources; (d) the transition to a circular economy; (e) pollution prevention and control; and / or (f) the protection and restoration of biodiversity and ecosystems; environmentally sustainable investments shall also satisfy three additional criteria: 1) the investment shall not significantly harm any other environmental or social objective; 2) the investee companies shall follow good governance practices and 3) shall comply with technical screening criteria established by the European Commission.

We are only able to provide investment services within the scope of our legal agreements on the basis of this information. We consider services and financial instruments to be suitable if they:

- correspond with your investment objectives

- are associated with a level of investment risk that is in line with your risk preference and risk profile
- are only associated with risks that correspond with the determined level of knowledge and experience

Vontobel Asset Management relies on the information provided by you or the individual authorised to act on your behalf. You or your authorised representative are obliged to notify Vontobel Asset Management immediately of any change in circumstances that may necessitate changes or updates.

5.2. Decisive knowledge and experience

When reviewing the level of knowledge and experience, the assessment is based on the information provided by the client and/or the person acting on their behalf. Usually, the knowledge and experience of the person authorised to sign for the relevant services are assessed.

5.3. Decisive investment objectives and financial circumstances

When reviewing the suitability of the investment objectives and financial capacity to bear losses, the assessment is always based on the client's circumstances, even if the recommendation is issued to an authorised representative.

5.4. Investment research

If Vontobel Asset Management selects products for its portfolio management and investment advice services, this is carried out on the basis of the Group's internal assessments and selected external research providers. In order to ensure the independence of our investment opinions and to avoid potential conflicts of interest, we pay for research services ourselves and do not charge them to our clients.

6. Sustainable Finance

Vontobel Asset Management integrates Sustainability Risks (as defined under the General Risk Notice) in its investment decision-making and investment advice processes and provides the result of the assessment of the likely impacts of Sustainability Risks on the returns of the financial products it makes available or advises on unless clients instruct otherwise. The integration of Sustainability Risks in the investment decision-making or advisory process is reflected in the Vontobel Group´s Sustainable Investing and Advisory Policy, available under Vontobel.com/SFDR. Information on how the Sustainable Investing and Advisory Policy is implemented in the product offered or advice given may be obtained from Vontobel.com/SFDR.

In addition, a portfolio management mandate can also be classified as a) promoting environmental or social characteristics; or b) having a sustainable investment as its objective.

A portfolio management mandate is classified as promoting environmental or social characteristics if it seeks to contribute to the promotion of sustainability factors (environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters as identified in the Vontobel Group´s Sustainable Investing and Advisory Policy). The promotion of environmental or social characteristics includes, for example, selecting companies with better than average management of sustainability factors, engaging with companies to improve certain environmental and / or social characteristics or excluding certain harmful economic activities (such as thermal coal, tobacco, biological, and chemical weapons). However, such type of portfolio management mandate does not have as its objective sustainable investments. Additional information about the investment policies of such mandates are included in the respective portfolio management mandate documentation.

When a portfolio management mandate has a sustainable investment as its objective, the investments in scope of such a mandate are in an economic activity that contributes to an environmental or social objective. The contribution of investments to an environmental objective can be measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy. The contribution of investments to a social objective includes, for example, investments that contribute to tackling inequality or that foster social cohesion, social integration and labour relations, or an investment in human capital or economically or socially disadvantaged communities. It must be noted that the investments in scope of such a mandate do not significantly harm any other environmental or social objectives and that the investee companies follow good governance practices, in particular with respect to, for example, sound management structures, employees relations, remuneration of staff and tax compliance. Additional information about the investment policies of such mandates are included in the respective portfolio management´s documentation.

7. Contacts

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Risks associated with our investment services

Our investment and ancillary services may be associated with financial risks for our clients. The material risks are described below. Should you have questions in this regard, please contact your relationship manager.

General risk notice

Counterparty risk: Counterparty and/or credit risk arises when the counterparty is not able or willing to make timely capital and/or risk payments or is otherwise unable to meet its obligations, for example the issuer of an interest-bearing security or the counterparty of over-the-counter (OTC) derivative financial instruments. This can result in the loss of some or all of the invested capital.

Foreign currency risk: Foreign currency risk arises if the security or other financial instrument is listed in a currency other than the investor's home currency. Corresponding price fluctuations may consequently result in a partial or total loss.

Liquidity risk: Liquidity risk refers to the risk that securities or other financial instruments cannot be sold at prices that are in line with the market at all times. If these securities or instruments cannot be sold or can only be sold at a sharply reduced price, this is referred to as an illiquid market. The risk of illiquidity may arise in particular for unlisted or small-cap companies, in the event of sales restrictions, for structured products and alternative investments and for OTC derivative financial instruments.

Market risk: Market risk is the risk that a security or other financial instrument could lose some or all of its value due to changing market conditions.

Emerging markets: Investments involving the emerging markets present a specific market risk. Owing to the political, legal and economic environment, they are exposed to increased risks such as market and currency risk and credit and settlement risk. For securities that are listed on a trading venue in an emerging market, the risk may lie in the fact that such stock exchanges and markets do not exhibit the level of organisation, transparency and liquidity that is typical in most developed countries.

Sustainability Risks: investments may be subject to sustainability risks. Sustainability risks are environmental, social or governance (ESG) events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of the portfolio’s investments and include but are not limited to climate-related and environmental risks, severe ESG controversies, and violations of international norms.

Risk information with regard to specific securities and other financial instruments

Asset-backed and mortgage-backed securities: The underlyings of these securities are claims or mortgages (asset/mortgage-backed securities - ABS/MBS) and are generally issued by a company created specifically for this purpose (special purpose vehicle - SPV). These securities can be highly illiquid and therefore subject to extreme price fluctuations. In addition, these structures and the underlying pools of claims or mortgages are often non-transparent.

Contingent convertible bonds: These are fixed-income securities that are automatically converted into equities once a predefined event occurs, such as a value falling below a certain threshold. These investments may also be exposed to other risks such as coupon cancellation, a change in the capital structure, maturity extension and valuation.

Insurance-linked instruments (ILS): These are financial instruments whose value and income depend on the occurrence of natural, man-made and other catastrophes, which are difficult or impossible to predict. Investments in ILS can also be associated with high liquidity risk.

Structured products: These comprise a broad range of different financial instruments such as certificates, credit or equity-linked notes and similar products, which can all be associated with various types of risk. As structured products are often not collateralised and only hedged by the issuer’s creditworthiness, they are subject to the issuer's counterparty risk.

Leveraged products: These financial instruments allow for a leverage effect. This means that a lower capital input is required than for a direct investment in the product’s underlying. Leveraged products are suitable for speculative and hedging purposes in a portfolio. The leverage effect can result in disproportionately high profits but also in disproportionately large losses compared to the performance of the underlying.

Risk information with regard to specific investments

Real estate: Real estate investments are usually made indirectly through funds or structured products. As the value of the underlying real estate portfolio is usually only calculated once a year, prices set by market makers can deviate sharply from the actual value. Furthermore, the liquidity of the funds or structured products can be severely impacted.
Hedge funds: These are alternative investments that are made indirectly by means of funds or structured products. Such investments are usually associated with higher risk than traditional investments. Such risks may arise due to the use of short sales, derivatives and debt, which have a leverage effect.
Private equity: These investments are related to companies that are not listed and in some cases are in an early stage of development. There is no guarantee that these companies will be successful and survive in the market.
Commodities and precious metals: These investments depend on supply and demand, and in particular the development of the real economy. Commodities and precious metals are often extracted in countries in which the legal and political situation can change rapidly and unexpectedly (export and import restrictions, unrest, international sanctions, etc.).

Disclaimer