

Handling conflicts of interest

Preliminary remarks

Banks have a wide range of obligations in their business relationships with clients, including taking a careful approach that is in compliance with all laws, adhering to market standards, acting with a high level of professionalism, in the client's best interests. Given the wide range of business activities involved, differing interests among parties can lead to conflicts.

E. Gutzwiller & Cie. undertakes to make appropriate organizational preparations in order to recognize conflicts of interest early on, avoid them when possible and/or, if they cannot be avoided, rule out any potential disadvantage to clients. The Bank's approach, and how the most important conflicts of interest are handled, are described below. If a disadvantage to clients cannot be avoided (e.g. for organizational reasons), it has to be explicitly disclosed.

Organizational matters

All Bank employees are trained to deal with conflicts of interest and are thereby made aware of this issue.

When a conflict of interest occurs or is recognized, but also when it is suspected that a particular service or activity may generate it, the employees will escalate the issue according to procedures. This will initiate measures to avoid or reduce conflicts of interest. The Compliance Department also keeps a registry of conflicts, oversees the handling of critical cases and provides a yearly report on this topic to the executive team.

Potential conflicts of interest and how they are handled

Constellations and types of conduct listed below represent potential conflicts of interest that can be against clients' interests.

Confidential, non-public information

Access to confidential, non-public information may put people in a position to use that information in order to gain personal advantages. To prevent this risk, the Bank maintains a system of restricted access authorizations for confidential information. Only those individuals who can claim a legitimated access to knowledge of confidential information may have access to it.

The Bank's remuneration system

The Bank's remuneration system does not link employee's compensation to individual sales targets. Thus preventing employees from having incentives to recommend financial instruments and services that are not solely in client's best interest.

Service offerings

For all types of contracted services, selected service is reviewed to make sure it is suitable for the client. For all planned transactions, the Bank also ensures in advance, through the review of the pre-defined advising process, that the financial instrument is suitable for the advisory client and for that client's portfolio and in line with its profile. Additional suitability checks shall be performed if significant changes occur to clients' profiles.

Financial instrument offerings of closely associated providers

The Bank has its own fund management company, which is a subsidiary that manages Swiss investment funds. The Bank is the main distributor of these products and uses them as building blocks in the recommended investment strategies. Therefore, the Bank does not wish to present itself as an independent adviser and/or asset manager, but rather to use this as an offer of its own products, characterized by their quality.

Pricing models

The Bank uses a balanced palette of pricing models to be as close as possible to the costs-by-cause principle. As a rule, transaction-dependent fees are applied only with services for which the client holds decision-making power. Therefore, an all-in fee is recommended for clients with an asset management mandate. If an asset management client wants a price model with transaction-dependent fees, that client is advised of the associated potential conflicts of interest.

Receipt of bonuses

Bonuses define any compensation of third parties in the context of providing a service for clients. Including reimbursements of broker's fees, placement commissions, retrocessions, commissions, discounts and other benefits.

The Bank sometimes receives bonuses from external fund platforms for the placement of external products. In quality of owner of the fund management company, the Bank also receives a dividend. External sub-distributors receive bonuses for the placement of the bank's products.

Bonuses received by the Bank are generally remitted to our clients.

Financial analyses

The Bank obtains analysis services from external providers, which fees are paid from its own funds. Cross-funding through other services, for example with securities trading, is not allowed.

The Bank also performs, on its own, financial analyses for the investment universe of financial instruments and investment products, which are made available to clients. Particular attention is taken to ensure that analysed reports are distributed simultaneously to all interested groups.

The analysts do not accept any payments from individuals with an interest in the result of a financial analysis. In the case of closely associated institutions, analysts will look into the matter objectively. In case of doubts, analysts will recuse from dubious operation.

Securities trading

The Bank adheres to an internal Policy in order to optimally execute customer orders. A relevant fact sheet on "Principles of Order Execution ("Best Execution")" is available to clients and can be downloaded from the Bank's website.

Client's orders are executed or forwarded systematically in the order in which they are issued. However, several similar orders, from different clients, may be bundled in order to receive a better price and also treat all clients equally. In the case of limited allocations (for example, issuance of shares), the same linear reductions are made for all clients.

Employee transactions

The legislative body has issued market conduct rules that prohibit the misuse of *insider information*, *front running*, *parallel running*, *after running*, *market manipulation*, etc.

The Bank relies on internal instructions to regulate the way employees handle these transactions. Those instructions regulate the types of conduct, processes and regular monitoring measures to ensure that employee transactions do not affect the interests of the Bank and of clients.

Personal relationships with clients

In the event of personal relationships that could impair the objectivity of their assessments, Bank employees are required to distance or recuse themselves from transactions involving a potential conflict of interests. A specified neutral entity makes decisions about any unclear cases.

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Acceptance of gifts and other benefits

Employees are given internal instructions not to accept any gifts, favors or other benefits. Minor, non-financial benefits are permissible, for improvement of service quality. A specified neutral entity makes decisions about any unusual gifts.

The Compliance Department rigorously investigates any support given to illegal conduct (through bribery, etc.) and if necessary punishes it under employment or criminal law.

Elected officials

As a rule, Bank employees may not be involved in any external business activities that would compete with the Bank, impair their work at the Bank, lead to a conflict of interest or create the appearance of such a conflict. Any exceptions must be requested to and approved by the Bank prior to assumption of external official role.

effective as of 15/11/2021