

**ETHICAL CODEX**

**PART 1**

**Article I - Basic Provisions**

1.1 This Ethical Codex (hereinafter also only the “**Codex**”) of the Capital Market Association (hereinafter only “**AKAT**”) is a summary of the regulations, principles, policies and standards addressing the provision of investment and other related services by AKAT’s members and permanent partners (hereinafter only the “**Members**”). The Codex is determined by the subject matter of AKAT’s activities, establishing a basic platform for the Members, which in combination with abstract behavioural and procedural standards is to improve the ethics and business culture of capital markets and promote the equality of all individual participants. The Codex is not intended as a substitution of valid legal regulations and their application by the relevant regulatory bodies. As it is not perceived as a static document, it will be subject to continual adjustments and modifications following the development of capital markets and reacting to the practical needs and experience of the Ethics Commission.

1.2 Although the Codex is binding only for the Members, one of its objectives is to establish basic instruments protecting the Clients, while focusing on correct relations among all financial market participants. The Clients of the Members as well as of the other Providers are entitled to contact the Ethics Commission with their incentives, complaints, petitions or queries concerning all issues falling within its competence.

1.3 None of the provisions of the Codex in any way affects the Ethics Commission’s right to check the observance of AKAT’s reporting obligations by the Members. Should any Member fail to meet its reporting obligations, the Ethics Commission shall proceed in compliance with Part 2 of the Codex, including sanction regulations.

1.4 For the purpose of this Codex, the following terms shall have the meanings defined below:

**Client** - any private individual or corporate body accepting, using or ordering the Services.

**Professional Client** - any subject classified as such in compliance with Appendix II, Directive No. 2004/39/EC on financial instrument markets, as amended, unless requesting services provided for Non-professional Clients.

**Non-professional Client** - any Client not classified as a Professional Client (this definition applies above all to the so-called retail Clients).

**Investment Manager** - any Member managing its Client’s portfolio in accordance with a consultancy mandate or at its own discretion.

**Instruction** – a single or repeated directive or command used by the Clients to determine the extent, content and other parameters of the required Services or Products.

**Provider** - any subject providing investment and other related services in the capital market of the Czech Republic in accordance with a licence issued by the relevant regulatory body.

**Product** - any individual separate or combined product offered by the Providers to the Clients in the capital market.

**Counterparty** – a certain subject regarded in the case of some Services as the Provider’s rather than the Client’s counterparty because of its professional activities (this applies especially to institutional investors); trading with counterparties is characterised by lower due diligence requirements.

**Service** - any basic or additional financial Product or another service provided in compliance with valid legal regulations and the Provider's trading licence.

**Competitor** - any Provider competing with another Provider.

## **Article II - Service Offering Principles**

### **2.1 General principles**

When offering its Services to the Clients, each Member is obligated to be professional, honest and fair, to act in their best interest and to respect their principal rights. The Members are obligated above all to:

- (i) duly inform their Clients of all offered and provided Services, i.e. to provide complete, relevant and accurate information in comprehensible and accessible ways and forms, thus enabling their Clients to make deliberate and well-founded investment decisions; the information provided by the Members must also include the prices of all individual offered and provided Services and all related charges or at least the manner in which their prices and charges are calculated;
- (ii) inform their Clients of the extent of the liabilities concerning individual Services;
- (iii) ask their Clients for information on their economic situation, experience and the objectives they would like to achieve in accordance with the type and extent of the requested Services;
- (iv) provide their Services at a priori specified prices or in compliance with a priori specified price calculation principles;
- (v) treat all Clients equally and fairly and refrain from any type of discrimination;
- (vi) act in their Clients' interest in the case of any conflict of interests;
- (vii) inform their Clients of all business transactions carried out on their behalf within the agreed deadlines.

### **2.2 Communication with the Clients**

Each Member is obligated to provide true, accurate and proven data for its Clients and refrain from using ambiguous, exaggerated or misleading information. The Members must not conceal any important information from their Clients. Each Member is obligated to ensure that:

- (i) any communication designated for its Clients is conducted in its name and cannot confuse the recipient;
- (ii) any communication with its Clients is conducted in a unique and comprehensive manner clearly identifying its purpose and subject matter. The purpose and content of the communication must correspond with the provided Services. Special attention must be paid to all information regarded as determinative. The Member must give its Clients enough time to assess the provided information and react. When doing so, the Member must take into account the nature of the provided information.

### **2.3 The "Get To Know Your Client" Principle and Protection of Information**

2.3.1. Each Member is obligated to follow policies ensuring that it always knows who its Client is and whether the Client is acting on its own or someone else's account.

2.3.2. Before entering into a contractual relation with any Client, each Member shall acquire, record and assess sufficient data showing what professional knowledge the Client has, whether it has any previous experience in capital market trading, what its service requirements are, what its financial situation is and what is its preferred level of risk. When doing so, the Member must take into account the character of the individual Services and their suitability for the given Client. The Member shall inform its Clients that they are not obligated to provide such data but that the data can be very useful for the better configuration of individual Services.

2.3.3. Regardless of the manner in which the acquired data are processed, each Member must adopt all necessary measures warranting that its Clients' personal data will be adequately managed and protected against damage, loss, theft or misuse. Unless authorised to process them without restrictions by valid legal regulations, each Member must process its Clients' personal data only within the agreed extent. The Member's provision of any Service must not depend on

its Client's consent with the provision of any information not necessary for the chosen type of Service. When processing personal information, each Member shall respect the right of all Clients - private individuals - to protect their private and personal lives. If possible within the context of the particular provided Service, the Members shall not process sensitive personal information.

## **2.4 Product and Service Comparison Principles and Performance Reports**

2.4.1. When creating product names, each Member shall ensure that:

- (i) the names of individual Products correspond with their characteristics (for instance, a speculative debenture - which is characterised by a relatively high level of risk - publicly offered by a Member cannot be called a "risk-free investment" because such a designation would contravene its nature);
- (ii) all related advertising, promotional and marketing materials feature all main characteristics of each Product (this does not apply to short advertising spots);
- (iii) the name of each Product complies with AKAT's typology (if available), valid legal regulations and national and international market customs.

2.4.2. When comparing its Products or Services with the Products or Services of other Providers as a part of advertising campaigns, each Member must ensure that:

- (i) the compared Products and Services are similar, especially in terms of the risks involved and liquidity;
- (ii) only those characteristics that are important, relevant, verifiable and representative for the particular Product or Service are compared. One single attribute of any Product or Service may be compared only on condition that the aforementioned requirements are duly met;
- (iii) the comparison does not focus only on selected periods of time during which exceptionally good or bad results were achieved;
- (iv) the compared Products or Services cannot be mutually confused;
- (v) the comparison does not result in unfair exploitation of the good reputation of other Providers' Products or Services or other Providers' good reputation;
- (vi) no principles of fair competition specified in this Codex are breached.

2.4.3. When presenting the performance of its Products and Services as a part of advertising and promotional campaigns, each Member shall make sure that:

- (i) its presentation of past performance data is not the only information stated in promotional materials and that its advertising is not based solely on past performance;
- (ii) its presentation of past performance is accompanied by a warning that past performance cannot guarantee or forecast the same performance in the future;
- (iii) its presentation of past performance does not make the impression that the same performance will be certainly repeated in the future;
- (iv) its presentation does not feature only the results achieved in exceptionally profitable periods or significantly outdated performance data;
- (v) the length of the presented period corresponds with the investment horizon of the promoted Service or Product (example: when presenting the performance of a joint-stock fund, it is necessary to assess a longer period of time, not just the last 3 months);
- (vi) the amount of investment yield is specified exclusively as the difference between the original purchase price and the resulting price, including any revenues acquired in the course of investment. The original invested amount must not be presented as a part of the yield;
- (vii) the Client is again informed of all investment-related charges (this provision applies above all to possible joining and exit fees);
- (viii) its presentation does not include hypothetical past performance data, unless the Member promotes passively managed Products or Services involving only highly liquid investment instruments (example: if promoting a newly established fund, one may state that it would have earned its participants x% p.a. in the course of the last five years).

## **2.5 Liability for Provided Information and Services**

- 2.5.1. Each Member is responsible for providing its Services properly and obliged to inform the Clients of the extent of its liability for individual Services.
- 2.5.2. Each Member is obligated to formulate detailed procedures in the acceptance and processing of claims (Warranty Claim Guidelines) to be followed by its Clients who are dissatisfied for any reason with the provided Services. Each Member shall inform all its Clients of the most important procedural principles, including the presentation of claims, contact personnel, claim processing time limits and informing methods. Each Member shall process all claims within a reasonable period of time. The exact processing time limit shall be specified in the Member's Warranty Claim Guidelines.
- 2.5.3. Each Member is obligated to inform its Clients of the result of their claims in writing. The Member's notice must be clear, comprehensible and accurate.
- 2.5.4. The Member's Warranty Claim Guidelines must be made publicly available in all its branches and/or on the Internet.
- 2.5.5. Each Member is obligated to record and archive all claims and complaints and to specify how the processing of claims will be checked.
- 2.5.6. Each Member shall be fully responsible for any and all damage incurred by its Client as a result of any breach of its obligations resulting from and/or related to the contract concluded by and between the Member and its Client and/or the Member's general business conditions. The extent of the Member's liability must be specified in writing in its general business conditions or in the contract concluded with its Client.

## **2.6 Investment Recommendation Principles**

When providing and distributing investment recommendations, each Member shall make the best effort to ensure that:

- (i) its investment recommendations feature all the identification details of the recommended subject;
- (ii) its investment recommendations feature a reasonable specification of all important information resources;
- (iii) all information resources used to formulate its investment recommendations are reliable and if there are any doubts concerning their reliability, this fact is clearly stated;
- (iv) the facts featured in its investment recommendations are clearly distinguished from mere interpretations, estimates and opinions;
- (v) all presumptions, estimates and objectives are clearly pointed out as such;
- (vi) its investment recommendations feature the date of their execution as well as their effective date;
- (vii) its investment recommendations are objective and not affected by the financial interests of its Client or its own financial interests.

## **2.7 Promotional and Advertising Principles**

Promotional activities include advertising in all types of media, such as newspapers, magazines, television, radio or the Internet, as well as direct mailing. Their primal objective is to persuade the Clients to purchase the Products and/or the Services.

- 2.7.1. General principles of promotion and marketing. When carrying out promotional and marketing activities, each Member shall at least ensure that:
- (i) it always provides complete, true and current information and that all advantages and risks related to its Products as well as all charges are communicated in a comprehensible way;
  - (ii) it never withholds any important facts;
  - (iii) it never provides misleading information;

- (iv) it always uses accurate and comprehensible messages, clearly distinguishing between facts and plans and predictions and actual assessments; it is strictly prohibited to make any type of promises, estimates or - unless the fund concerned is secured or warranted - guarantees related to the promoted Product's future performance (this means, for instance, that assumed or possible revenues or characteristics must never be presented as guaranteed revenues or characteristics);
- (v) it always acts honestly;
- (vi) it always states its resources, if any.

2.7.2. Obligatory content of promotional materials. Each Member shall ensure that its promotional materials:

- (i) clearly specify what Services and Products are being offered and who is offering them;
- (ii) contain no misleading statements or other information deceiving the Clients, damaging its Competitors or contravening the principles of fair and free competition;
- (iii) contain all information possibly affecting the result of any comparison of its Products and Services to the Products and Services of other Providers or any comparison of the offered Products or Services (in other words, each Member is obligated to follow the principles of objective comparing);
- (iv) do not indicate that the performance of any Service or Product or the return of any investment concerning a Guarantee Fund is warranted;
- (v) are accurate and do not withhold any information important for fair presentation;
- (vi) do not contain false information or unjustified forecasts, except for general macroeconomic analyses.

### **Article III - Service Provision Standards**

#### **3.1 General service provision principles**

Each Member is obligated to act honestly, reasonably and professionally under all circumstances and to assure the same if using outsourcing, refrain from carrying out transactions with unlicensed or unauthorised Counterparties, refuse to provide its Services to any Client using them to conduct activities for which it is not licensed and the Member knows or should know about it and archive all relevant records concerning the provided Services. Each Member is also obligated to possess all the necessary resources and to implement all the necessary procedures to be able to accept and realise its Clients' Instructions.

#### **3.2 Instruction processing principles**

##### **3.2.1 Reception and rendering**

- (i) If a Member accepts any Instruction from its Client, it shall process it in a way ensuring the best possible execution of the Instruction and the best possible result corresponding to its content and purpose.
- (ii) All Instructions must be processed without unnecessary delay in the given order. No Instruction may be given priority over any other Instruction, except for cases when the Member is able to demonstrate that such a procedure has been necessary in order to protect its Client's interests.
- (iii) Each Member is obligated to ensure that the data and information acquired as a result of its Client's Instructions are not misused.
- (iv) Each Member is obligated to record and archive all Instructions regardless of the form of their reception, including telephone and electronic transfers. When Instructions are transferred via telephone or in a similar way, the Member is obligated to inform its Client in advance that their conversation will be recorded. The Member shall only accept clear and accurate Instructions from its Clients. All documents concerning the Instructions of its Clients shall be archived by the Member at least for the period of time specified by relevant legal regulations.
- (v) When carrying out the Instructions of several Clients at the same time, each Member shall make sure that they are sufficiently distinguished and that it is always possible to report the current status of every single Instruction.
- (vi) Each Member is obligated to ensure that its own Instructions are not rendered for execution before or under better conditions than the Instructions of its Clients (*front running*).

- (vii) The Member may render for execution its own Instructions together with the Instructions of its Client only if such an action is in the Client's best interest and must ensure that the Client's Instructions will be executed under the best possible conditions.

### 3.2.2 Execution

- (i) Each Member is obligated to make a reasonable effort to secure the best possible outcome of its Client's Instructions in relation to price, the Client's own expenses, the nature and extent of the transaction to be carried out, the time and place of transaction and the relevant markets (i.e. the most suitable markets in terms of transaction terms, transparency, liquidity and settlement).
- (ii) Each Member is obligated to carry out its Clients' Instructions in the order of their reception, unless it is in its Clients' best interest to change the order (for instance, because of current market conditions).
- (iii) Each Member is obligated to inform its Clients of any and all relevant risks and obstacles concerning the execution of their Instructions. The Clients must be also informed within the agreed time limit if their Instructions are not realised for any reason.
- (iv) Each Member is obligated to monitor all Instructions rendered for execution, considering their possible transfer to another segment or market if such a transfer might benefit its Clients.
- (v) If it is clear that it is in the Client's best interest its Instructions should not be executed in their original form, the Member shall inform the Client of this fact in advance, offering alternative specifications and explaining their particular advantages.
- (vi) No Member may carry out any transaction or realise any Instruction if there is a reasonable suspicion that the current exchange rate may be manipulated as a result.
- (vii) Each Member is obligated to realise its Clients' Instructions at the best price achievable in the markets and business platforms to which it has access if a comparison of current prices is objectively available.
- (viii) All charges to be paid by the Clients must be separated from the price paid or received as a result of their Instructions. This provision does not apply to transactions realised for the Clients on OTC market.

### 3.2.3 Realisation time limit

- (i) Each Member is obligated to make sure that the result of each realised transaction is correctly divided and credited to its Clients. If the Instructions of several Clients have been carried out at the same time, the division must not damage any of them. The Clients must be informed in advance of the manner in which the outcome of partially realised joint Instructions will be divided or the outcome of partially realised joint Instructions must be divided proportionally. If the Instructions of any Client are partially realised together with the Member's own Instructions, the outcome of such joint Instructions shall be credited to the Client's account first.
- (ii) If the Instructions of any Client are realised in several parts in the Client's interest, the Member shall inform the Client of the price of execution of every single part of its Instructions.

## 3.3 Risk communication principles

3.3.1 Communication with Non-professional Clients. Each Member is obligated to inform its Non-professional Clients in a provable way of all possible risks related to the required Services or Products, using standard information. The information provided by the Member for its Clients must not in any way misinterpret the risks and must include all principal risks applicable to the given case based on standard classification. Each Member must point out at least the following types of risks:

- (i) settlement risk - failure to perform at the agreed time,
- (ii) counterparties - failure of a counterparty, including security brokers, to meet its obligations,
- (iii) securities issuer - failure of a securities issuer to meet its obligations (or failure to settle the Client's receivables),
- (iv) territorial - involvement of the Client with a particular state or region,
- (v) interest - financial losses as a result of interest rate changes,
- (vi) currency - financial losses as a result of foreign exchange rate changes,
- (vii) commodity - financial losses as a result of commodity price changes,

(viii) volatility (options) - financial losses in connection with derivatives contracts as a result of volatility changes of basic instruments, if applicable to the particular transaction.

3.3.2 Communication with Professional Clients. Each Member shall inform every Professional Client of all risks related to the provided Services and Products in accordance with the extent of the risks undertaken by its Professional Client and its knowledge and experience, unless it is clear and indisputable that the Professional Client is fully aware of all risks related to investment activities.

### **3.4 Prohibition of Corruption**

3.4.1. When dealing with its Clients, each Member shall act transparently and refrain from bribery or any other form of corruption, including admonishing or allowing bribery or corruption from which it could benefit or which could damage its Clients or any other party. In connection with an investment or another Service provided for its Clients or offered to any existing or potential Clients, the Member shall not grant or promise any performance (financial or non-financial), except for the following performance:

- (i) required by legal regulations,
- (ii) inseparable from standard provision of the Service required by the Client,
- (iii) provided directly for the Client (for instance, in the form of charge discounts, charge refund, etc.) using a particular Service on condition that all Clients in the same situation are treated equally,
- (iv) provided for the Member's employees and suppliers as a standard (for instance, wage benefits, etc.),
- (v) provided upon standard business conditions for any subject licensed to provide capital market Services for legal intermediation or provision,
- (vi) reasonable refreshment or entertainment,
- (vii) small gifts (promotional or advertising items).

3.4.2. No Member shall provide or promise any performance or benefit (including charge discounts) to any Client or another party with the objective of limiting or preventing the utilisation of any Service offered by another Member or Provider by such Client (for instance, as a result of the termination of contractual relations, cancellation of Instructions, etc.).

### **3.5 Resolution of Conflicts of Interests**

3.5.1 Each Member is obligated to implement organisational structures, internal regulations and working procedures protecting the interests of its Clients and eliminating any conflict of interests between the Member and any of its Clients or among its individual Clients. The Member's measures must focus above all on:

- (i) particular regulations preventing any conflict of interest and specifying solution procedures,
- (ii) guidelines addressing the acceptance of gifts, benefits and entertainment provided or offered by third parties and/or the Clients by the Member's employees,
- (iii) guidelines addressing the execution of representative functions and gainful activities by the Member's employees,
- (iv) guidelines addressing the treatment of information acquired from the Clients or concerning the same,
- (v) strict organisational and physical separation of all activities generally creating any conflict of interests.

3.5.2. If it is impossible to prevent its occurrence, the Member must ensure that the conflict of interests does not affect negatively the interests of any of its Clients. If this cannot be ensured, the Member shall be obligated to refuse to provide the relevant Service.

### **3.6 Management of Individual Portfolios in Accordance with the Member's Consideration**

#### **3.6.1. Portfolio management agreement**

3.6.1.1 Each portfolio management agreement must define the Client's investment objectives and the risks that may be undertaken by the manager in the course of its investment activities. It must also determine the Client's participation in investment decisions (where applicable) and all

investment restrictions resulting from generally binding legal regulations and/or agreed with the Client.

3.6.1.2 If the Investment Manager is allowed to invest in the types of investment instruments or authorised to carry out the types of transactions specified below, this fact must be expressly stated in the portfolio management agreement, together with a detailed specification of the extent of the Investment Manager's executive powers. This provision applies to the following types of investment instruments and transactions:

- (i) investment instruments not traded in regulated markets and not approved by the relevant regulatory authority for public trading in the country of the Client's domicile (or alternatively in any EU member state),
- (ii) short sales of securities,
- (iii) advanced securities,
- (iv) repo transactions, including buy/sell back operations,
- (v) derivatives (warrants, futures, options, swaps, etc.),
- (vi) transactions in underdeveloped markets (financial markets of non-members of the OECD),
- (vii) credit or margin transactions,
- (viii) utilisation of the Client's investment instruments as collateral,
- (ix) investment instruments and transactions denominated in other currencies than those to which the Client's portfolio refers.

3.6.1.3 Each portfolio management agreement must feature a benchmark with which the results of portfolio management (especially its performance and volatility) will be compared. No benchmark shall be specified if it is not possible or customary to make comparisons because of the portfolio's nature (investment objectives and investment policies). The benchmark must be consistent with the Client's investment objectives and risk profile and based on financial indicators that cannot be affected by the Investment Manager's subjective decisions.

3.6.1.4 Each portfolio management agreement must specify the minimum extent of information to be provided by the Investment Manager for its Clients as well as the deadlines within which the information is to be provided.

3.6.1.5 If the portfolio management agreement allows variable remuneration based on the performance of the managed portfolio, it must feature the method of its calculation.

### 3.6.2 Delegation of rights and obligations

3.6.2.1 The right of any Investment Manager to delegate the management of the Client's portfolio (or any part thereof) to a third party must be expressly stated in the relevant portfolio management agreement. The agreement must also ensure that the Client is always informed of any important change (transfer of contractual rights and obligations to another subject) in advance.

3.6.2.2 When selecting the third party to manage the Client's portfolio (or any part thereof), the Investment Manager must proceed with all due professional care and ensure that all interests of the Client are sufficiently protected.

3.6.2.3 The relevant delegation agreement must be produced in writing and:

- (i) must give the Investment Manager the right of cancellation with immediate effect,
- (ii) must ensure that the Investment Manager is informed on time of its cancellation by the mandatory,
- (iii) must comply with the content of the contract concluded by and between the Client and the Investment Manager,
- (iv) must specify that the mandatory is obligated to follow all investment principles specified by the Investment Manager if the execution of transactions is not contingent on its consent,
- (v) must be formulated in a way preventing possible conflict of interests between the Investment Manager and the mandatory,



- (vi) must ensure that the Investment Manager will be receiving all information concerning individual transactions on an ongoing basis in order to be able to monitor the managed assets of all Clients.

### 3.6.3 Provision of information

3.6.3.1 Each regular report prepared by an Investment Manager for its Clients must feature:

- (i) all relevant information on the structure and value of every portfolio, including the market value (or another type of assessment) of each investment instrument held and the balance of financial means at the end of the period under review,
- (ii) the manner in which individual investment instruments will be assessed, i.e. whether the purchase, selling or average market prices will be used to evaluate the investment instruments, or if no market prices are available, references to values derived from revenue curves, price models, etc., including foreign exchange rates;
- (iii) all details concerning all transactions carried out in the course of the period under review, unless the Client is given all details immediately after their execution,
- (iv) a review (summary) of all transactions realised during the period under review,
- (v) the total amount of charges and commissions paid by the Client during the period under review,
- (vi) the total amount of dividends, interest and other revenues credited to the Client's portfolio during the period under review.

3.6.3.2 Should the method of evaluation of investment instruments change since the previous report (evaluation), the Investment Manager shall be obliged to state this fact in its new report (evaluation), together with its calculation of possible yields or losses resulting from the change.

3.6.3.3 Each Investment Manager is obligated to meet its information obligations specified in Section 3.6.3.1 herein at least once every three months. If informing its Clients of each individual transaction immediately after its realisation, the Investment Manager shall provide additional information in compliance with Section 3.6.3.1 herein at least once every six months (unless specified otherwise by generally binding legal regulations). Each Client must be also given an explanatory commentary on all investment decisions adopted during the period under review at least every six months.

3.6.3.4 If the relevant portfolio management agreement concluded with its Client enables the Investment Manager to purchase investment instruments on credit or in a similar way (these techniques are collectively called "leverage"), the Client must receive regular information at least once a month, unless the said techniques are used solely to secure the managed portfolio(s).

### 3.6.4 Organisational matters

3.6.4.1 The organisational structure, internal regulations and definition of work positions of each Investment Manager must guarantee that all investment decisions are completely independent and that the interests of all Clients are protected against any conflict of interests, above all by strict separation of portfolio management activities from other business activities of the Investment Manager and its financial group.

3.6.4.2 Each Investment Manager shall define investment strategies for individual portfolios, with which all executed transactions must comply. At the same time, each Investment Manager shall follow all terms and investment limits specified in the portfolio management agreements concluded with its Clients as well as all instructions of its Clients (if the Clients are expected to participate in investment decisions).

3.6.4.3 Each Investment Manager is obligated to ensure that all transactions realised in the course of portfolio management are carried out exclusively with the purpose of fulfilment of its Clients' investment objectives, interests and instructions.

3.6.4.4 Each Investment Manager is obligated to archive all relevant records on investment strategies, including all analyses and estimates on which the strategies are based.

3.6.4.5 Each Investment Manager must make sure that all its business Instructions are carried out upon the best achievable market conditions and that all realised transactions are recorded in the relevant business system (journal) without unnecessary delay.

6.6.4.6 Each Investment Manager is obligated to apply the same (equal) approach to all its Clients, especially as far as its allocation of realised transactions to individual portfolios (Clients) is concerned.

## **Article IV - Relations with Competitors**

### **4.1 Unfair competition**

Unfair competition is any behaviour contravening good manners and potentially damaging other Competitors. All Members are obligated to refrain from unfair competition, in particular to prevent their statutory and other bodies as well as all personnel employed by or working for them from competing in an unfair way. All Members are also obligated to follow all relevant legal regulations concerning unfair competition. Examples of unfair competition:

- (i) bribery,
- (ii) illicit duress,
- (iii) disparagement,
- (iv) conflict of interests,
- (v) breach of confidentiality.

### **4.2 Bribery**

Bribery means the offer, promise or provision of any advantage, whether direct or indirect, to any member of the Client's statutory or another body or any employee of the Client or any other person in a similar relation with the Client, including their relatives, by any Competitor with the objective of inducing such a person to influence the Client's decision on the conclusion of a contract or selection of a Product in a way benefiting the Competitor at the expense of other Competitors. (Example: a Competitor arranges and settles the cost of holidays for the wife of the manager of municipal financial department who is in charge of appointing an Investment Manager to manage the municipality's financial assets).

### **4.3 Illicit duress**

Illicit duress means any action of a Competitor:

- (i) whose objective is to threaten, whether directly or indirectly, the Client or any person appointed as a member of the Client's statutory or another body or any employee of the Client or any person in a similar relation with the Client, including their relatives, in order to ensure that the Client concludes a contract with or selects a Product of the Competitor at the expense of other Competitors (example: a Provider indicates that it will stop buying products or services from a Client if the Client decides to buy certain Products or Services from another Provider);
- (ii) whose objective is to threaten, whether directly or indirectly, another Competitor or any person appointed as a member of this Competitor's statutory or another body or any employee of such a Competitor or any person in a similar relation with such a Competitor, including their relatives, in order to ensure that the Competitor does not compete (example: a Provider tells another Provider that it will terminate its credit if the other Provider tries to offer its Services to a certain Client or a certain group of Clients).

### **4.4 Disparagement**

Disparagement means:

- (i) any action of a Competitor, whose objective is to give the Clients false information on another Competitor, its Services or its Products potentially damaging the other Competitor's reputation, negatively affect the other Competitor's business relations or cause the other Competitor other losses, or make such information publicly available, whether directly or indirectly;
- (ii) distribution and publication of true information on another Competitor, its Products or its Services potentially damaging such a Competitor (example: a Member informs in its promotional materials that another Provider has been fined by the relevant regulatory

body for breaching ethical principles); however, this provision does not apply to justifiable defence (i.e. if a Competitor is forced to proceed in this way by circumstance).

#### **4.5 Conflict of interests**

Conflict of interests means any situation in which any member of the statutory or another body of a Competitor or any person employed by such a Competitor or any person in a similar relation with such a Competitor:

- (i) takes part in the process of selection of a Product or Service Provider by any Client or influences this process because of his/her appointment as a public official or an official of a professional association, chamber, etc. and at the same time the Competitor seeks to be chosen as the Provider of this Product or Service (example: a Competitor's employee is also a member of a commission advising local self-government authorities on financial matters and the Competitor takes part in a public tender whose objective is to find the most suitable way of financing a new municipal water supply network);
- (ii) has access to the offers of other Competitors presented in a public tender because of his/her appointment as a public official or an official of a professional association, chamber, etc. (example: a Competitor's employee is also a member of the Board of Directors of a professional association selecting its new asset manager and as such, is familiar with the offers of other Competitors).

The aforementioned provisions shall not apply if the Competitor is controlled by its Client or vice versa or if the Competitor and its Client form a concern.

#### **4.6 Breach of confidentiality**

A Competitor shall breach confidentiality if any member of its statutory or another body or any of its employees or any other person in a similar relation with such Competitor takes advantage of any confidential information concerning another Competitor learnt as a result of his/her business relation with that Competitor, as a result of his/her appointment as a public official or an official of a professional association or chamber or as a result of his/her illegal activities (example: a Competitor has access to the list of clients of another Competitor for whom it conducts due diligence and starts contacting them, offering the same Service).

## **PART 2**

### **Article V - Breach of Principles, Sanctions**

#### **5.1 Observance monitoring**

- 5.1.1 The observance of this Codex is monitored by the Ethics Commission.
- 5.1.2 The Ethics Commission informs AKAT's Board of Directors of its decisions concerning possible breaches of this Codex. If any breach of this Codex is detected, the Ethics Commission may propose to AKAT's Board of Directors that sanctions be imposed in compliance with this Codex or AKAT's Articles. If disciplinary proceedings are commenced, the Commission shall attach a copy of the relevant resolution of disciplinary senate to its proposal.
- 5.1.3 All issues related to a possible breach of this Codex and the resulting sanctions shall be decided by a simple majority of votes of the Commission's members. The Ethics Commission shall constitute a quorum if at least two fifths of all its members are present.
- 5.1.4 Any member of the Ethics Commission whose impartiality may be compromised because of his/her connection with the issue in question or with any Member suspected of breaching this Codex as well as all guests shall be excluded from discussions.
- 5.1.5 Should the Ethics Commission learn about a possible breach of this Codex by any Member from any Member, Client, Provider or Competitor or as a result of its own investigation, it shall discuss the matter at its next meeting and decide on further proceedings.
- 5.1.6 If the Ethics Commission comes to the conclusion that this Codex has not been breached, it shall inform all involved subjects immediately.
- 5.1.7 If the Ethics Commission comes to the conclusion that this Codex has been breached, it shall start disciplinary proceedings, establish a disciplinary senate to investigate the case and specify a deadline for the presentation of a written resolution to its Chairman. Each report of

disciplinary senate shall be discussed by the Ethics Commission within one month following its reception.

## **5.2 Disciplinary senate**

- 5.2.1 Each disciplinary senate shall consist of three members appointed ad hoc by the Ethics Commission.
- 5.2.2 The members of each disciplinary senate shall elect one of them to act as a chairman. The Chairman shall proceed in a way ensuring that the case is completely and comprehensively investigated, all relevant information gathered, all circumstances clarified and the outcome forwarded to the Commission's Chairman within the specified time limit.

## **5.3 Disciplinary proceedings**

- 5.3.1 The objective of disciplinary proceedings is to establish whether this Codex has been breached and if so, to propose appropriate sanctions.
- 5.3.2 Disciplinary proceedings may be initiated against any Member (hereinafter only the "Participant").
- 5.3.3 Disciplinary proceedings are conducted by a disciplinary senate.
- 5.3.4 Disciplinary proceedings are initiated by the Ethics Commission.
- 5.3.5 Any member of the Ethics Commission whose impartiality may be compromised because of his/her connection with the issue in question or with the Participant shall be excluded from discussions.
- 5.3.6 The chairman of the disciplinary senate shall inform the Participant of disciplinary proceedings immediately after their initiation, specifying which provisions of the Codex and/or which membership obligations have been allegedly breached.
- 5.3.7 When informing the Participant of the initiation of disciplinary proceedings, the chairman of the disciplinary senate shall also ask the Participant to present his/her statement within two weeks.
- 5.3.8 Each case must be heard before the disciplinary senate no later than 2 months after the initiation of disciplinary proceedings. The exact date is specified by its chairman.
- 5.3.9 The chairman of the disciplinary senate shall subpoena the Participant as well as all other personnel whose presence is deemed necessary at least two weeks before the date of hearing.
- 5.3.10 The chairman of the disciplinary senate shall prepare the hearing in a manner allowing immediate resolution.
- 5.3.11 Disciplinary hearings are not public.
- 5.3.12 All proceedings shall be held in a place specified by the chairman of the disciplinary senate.
- 5.3.13 Disciplinary hearings are managed by the chairman of the disciplinary senate in a manner ensuring dignity, justice and continuousness.
- 5.3.14 Should the Participant fail to make an appearance without applying for adjournment due to important reasons, the case may be heard in his/her absence.
- 5.3.15 If disciplinary hearings cannot take place (or continue) due to serious obstacles or if the Participant applies for adjournment before their beginning due to important reasons, the chairman of the disciplinary senate shall adjourn them.
- 5.3.16 Any written documents presented by the Participant and any statement of witnesses voluntarily testifying before disciplinary senate may be accepted as evidence.
- 5.3.17 The chairman of the disciplinary senate usually summons its members to adopt a resolution immediately after the Participant's final plea.
- 5.3.18 Each resolution of the disciplinary senate having the character of a recommendation for the Ethics Commission is voted on by all its members.
- 5.3.19 Each record of a disciplinary hearing must specify the subject matter of the disciplinary proceedings, all personnel present, the course of the proceedings, any evidence presented and the content of the individual statements.
- 5.3.20 Each record of disciplinary hearing must be signed by the chairman of the disciplinary senate and its recorder.
- 5.3.21 Each record of voting must be signed by all members of the disciplinary senate and its recorder.
- 5.3.22 In its resolution, the disciplinary senate confirms either that the Codex has not been breached and that disciplinary proceedings will be suspended or that the Codex has been breached and recommends sanctions.

- 5.3.23 AKAT's Board of Directors may impose the following sanctions upon its Members: caution, implementation of corrective measures, publication of violation or suspension of membership.
- 5.3.24 Each resolution shall be announced and substantiated by the chairman of the disciplinary senate immediately after the end of deliberations.
- 5.3.25 It is impossible to appeal against any resolution of the disciplinary senate.
- 5.3.26 A written copy of each resolution adopted at the end of disciplinary proceedings must be forwarded to the Participant and the Ethics Commission.
- 5.3.27 Each resolution must feature the verdict of the disciplinary senate and its substantiation.

#### **5.4 General principles**

- 5.4.1 Each Member shall be liable for breaching this Codex as of the moment of his/her misconduct, not as of the moment of initiation or conclusion of proceedings before the Ethics Commission. As a result, it shall make no difference if his/her membership is terminated after the date of such misconduct.

#### **Article VI - Concluding Provisions**

- 6.1. This Codex and its provisions concerning the content of agreements and other documents concluded by and between the Members and the Clients shall not apply to any agreement or document signed before the effective date of this Codex.
- 6.2. This Codex shall become effective on 1 January 2007.
- 6.3. This Codex was approved by AKAT's Board of Directors on 14 November 2006 in accordance with an assignment of AKAT's General Meeting of 29 July 2005 and a proposal of the Ethics Commission of 17 October 2006.