



## **MEASURES TO PREVENT CONFLICT OF INTERESTS**

### **Article 1**

#### **Opening provisions**

- 1.1. In cases where organisational and administrative measures to manage conflict of interests are not sufficient to ensure that risk of damage to client interests will be prevented, the company shall disclose general information about and the sources of conflicts to its clients before providing any services. The information must be provided in such a way that it allows the client to accept a qualified decision regarding the requested service.
- 1.2. The top management is obliged to check fulfilment of provisions concerning conflict of interests and actively participate in minimising conflict of interests.

### **Article 2**

#### **Identifying the risk of conflict of interests**

- 2.1. The company continuously audits all its activities regarding possible conflict of interests between the company, including its managers, sworn representatives, employees, and individuals with a special relationship with the company, or managers, sworn representatives and employees of an individual in control of the company, controlled by the company or controlled by the same individual as the company, and its clients, or its clients with each other.
- 2.2. The company employees are obliged to approach the identification of conflict of interests actively. And in the event of discovering the threat of or an actual conflict of interest they must inform the compliance officer for the company without delay. The company employees are informed about the characteristic signs of conflict of interests at regular training sessions organised by the company.
- 2.3. At least once a year, within the scope of audits carried out, the company's internal auditor audits whether the measures accepted in connection with preventing conflict of interests are adequate and must record the output from this audit in a written report given to the company's management and supervisory board.
- 2.4. If the company receives an order from a client, the size of which significantly exceeds the usual size of submitted orders, the company brokers try to execute this order with expert care without undue delay. However a situation may occur where the company receives an order for a concurrent security with a significantly smaller size, then this small order may be executed during the execution of the larger previously submitted order. The broker is always obliged to give both clients expert care and ensure the best execution in relation to the orders' attributes.
- 2.5. On rare occasions, a situation may occur within the activities of the asset management section where the portfolio manager is obliged to decide for which client(s) trade with investment instruments is to be implemented. The portfolio manager is obliged to make this decision before submitting the order into the system. The portfolio manager must

respect the best interest of all the clients in the given moment, in particular in accordance with their investment profile, investment aims regarding fiduciary assets, the current situation in the client's portfolio, and the market situation. The risk of a conflict of interest is minimised in these cases by the fact that the portfolio manager must decide for which clients the trade is to be implemented, before submitting the order into the trade system and so before the economic result of the trade is known. The activities of the asset management section are subject to regular checks by the compliance officer and the internal audit section.

- 2.6. Within the scope of the licence granted by the Czech National Bank, the company is entitled to trade on its own and other accounts. The company's trading on its own and other accounts is done via the Trading department. The Trading department fulfils all the requirements for valid legislation as well as the company's internal regulations, including the fact that within this department there are employees entitled to trade on their own account and employees entitled to trade on other accounts. The company does its utmost to minimise the reciprocal influences between these two groups of employees. The activities of the Trading department are subject to regular checks by the compliance officer and the internal audit section.
- 2.7. The trading activities on their own account and other accounts have separate personnel. A broker who trades on the company's own account does not trade on other accounts and vice versa.
- 2.8. The organisational structure of the company and the whole group and relationships with third parties may occasionally cause situations where conflict of interests arise. In these cases the company takes steps leading to the best result for the clients and minimisation of the conflict of interests. The company takes heed within the group to prevent individuals' functions from being fused together or the fulfilment of their functions causing a conflict of interest, not only within employee relationships but also with a view to the positions arising from a nomination or arising from equities. These facts are regularly checked by the compliance officer and the internal audit section.
- 2.9. In general, the company, in accordance with valid legislation, does not offer or accept from its clients or business partners pecuniary or non-pecuniary incentives (also referred to as "incentive"). If this situation occurs, the company acts in accordance with valid legislation and does not accept or offer the relevant incentive and if necessary informs the client affected, in accordance with valid legislation.
- 2.10. The organisation manual has all the measures set by valid legislation for the organisational structure of a securities trader in order to prevent conflict of interests.
- 2.11. All individuals with a special relationship towards the company are obliged to inform the compliance section of their intention to carry out personal trading with investment instruments. Part of this information must be, alongside determining the investment instruments, the estimated size, price, location, time and method of concluding and settling the trade. As well as this, if it involves the investment instruments that the company WOOD & Company Financial Services, a.s. uses as standard, the individual must request consent for carrying out the trade. If the consent to carry out the trade is granted, this individual must, within three working days of concluding the trade, inform the compliance section of the investment instruments that were the subject of trade of their size, price, location, time, and method of concluding and settlement. Consent to

carry out the trade is not granted especially when it involves an investment instrument for which a client has granted an order to conclude a trade and this trade has not yet been recorded in the trader's log and no irreversible steps have been made to carry it out. The same obligations apply to the members of the board of directors and the supervisory board for the company. The employees of the compliance section fulfil these obligations to the supervisory board. This audit is led by the compliance section in writing and the individual entries are ordered chronologically according to the date of informing them of the intention to carry out the relevant trade. The compliance officer and the internal auditor of the company regularly check wherever possible the adherence to these obligations arising from this paragraph and in connection with the provisions of valid legislation.

### **Article 3**

#### **Measures to prevent conflict of interests in relation to provision of analyses**

- 3.1. Significant sources of information used for creating investment recommendations are mainly Bloomberg L.P. and Reuters, the websites of issuers of the relevant securities and their other official websites, as well as information freely available via the internet.
- 3.2. Issuers of securities are not usually familiarised with the investment recommendations and investment recommendations are not altered on their accord.
- 3.3. The company does not have a share in the authorised capital exceeding 5% in any issuer for whose securities it issues an investment recommendation and no issuer has a share in the authorised capital exceeding 5% in the company. Currently the company is the market maker for all stock titles traded on the Prague Stock Exchange in the SPAD (System for Support of the Share and Bond Markets) segment.
- 3.4. In the past 12 months, the company has not been manager of any public offers of financial instruments issued by issuers to whom it has given an investment recommendation.
- 3.5. Payments to individuals doing the investment recommendation are not directly derived from the company's trades.
- 3.6. It is recommended that recipients of investment recommendations issued by the company also use other sources of information as well as the information provided by the company.
- 3.7. The company may trade securities for which it has issued an investment recommendation. The company usually issues investment recommendations which have a forecast horizon of a number of months. Therefore the situation may occur where the company sells securities for a short time for which it issued an investment recommendation to buy and buys securities for a short time for which it issued an investment recommendation to sell. When assessing whether this can become a conflict of interests, it is therefore necessary to take into account the timing of the investment recommendations and of the trades. In the event that the investment aim of the trade for the company has a different investment horizon than the investment horizon of the investment recommendation, the company does not evaluate this situation as a conflict of interest.

- 3.8. Information regarding the relationship between individual levels of current valid investment recommendations and shares of issuers, concerning the recommendations included in each of the levels that the company has provided in the last 12 months of investment services to a significant extent, is given at the address [www.wood.cz](http://www.wood.cz).
- 3.9. In accordance with the Act on Trading on the Capital Market, the Czech National Bank supervises the company. The company may trade issuers' securities, for which it has issued and shall issue investment recommendations both for its clients and on its own account and may provide issuers with investment services, to which it is entitled according to a licence granted by the Czech National Bank. The company's employees and individuals with a special relationship towards the company may, in accordance with internal regulations and valid Czech law, buy and sell securities for which investment recommendations have been issued.