

Conflicts of Interest Policy

1. Introduction and Purpose of the Policy

In accordance with the Markets in Financial Instruments Directive ('MiFIDII'), Regulation (EU) No. 600/2014 on markets in financial instruments, other relevant regulations, and CSSF Circular 12/552 as amended on central administration, internal governance and risk management and other relevant laws and regulations, Bank of China Limited, Luxembourg Branch, Bank of China (Europe) S.A and its branches and subsidiaries (collectively the "Bank") are required to take all appropriate steps to identify and to prevent or manage conflicts of interests. All current and possible conflicts of interest must be identified, assessed, managed and mitigated or avoided. The key information is summarized in this Conflicts of Interest Policy (the "Policy").

From time to time, the Bank, including its directors, members of the authorized management, employees (hereinafter all together "a staff member" or "staff members"), or an affiliated or related company may have interests which conflict with the Client's interest or with the duties that the Bank owes to its Clients. These include conflicts arising between the interests of the Bank, its related parties and staff members on the one hand and the interests of the Clients on the other hand and also conflicts between Clients themselves. There may also be conflict of interests between the Bank and its staff members (in the course of carrying out their duties conferred by the Bank), other legal entities of BOC Group, other related parties or service providers defined in CSSF Circular 12/552 as amended¹.

The policy cover all conflicts of interests, for economic, personal, professional or political purposes, whether they are persistent or linked to a single event.²

The Policy has been designed and implemented by the Bank in order to manage the risks of the Bank and/or its staff when handling conflicts and to ensure that a conflict of interest does not adversely impact the interest of the customers, the Bank or other stakeholders.

The Policy will take immediate effect and must be adhered to at all times by all staff.

The purpose of this Policy is to:

¹"related party" for the purpose of this Policy is as defined in the CSSF Circular 12/552 as amended and relates to the following:

- i. Legal entities/structure belonging to the same group of the Bank
- ii. The shareholders of the Bank
- iii. Members of the Management Body: a spouse, a registered partner, a child or parent, a business entity in which the member of the management body or the related party has a stake representing at least 10% of the capital or voting rights, in which these persons can exercise significant influence or in which these persons hold positions within the authorized management or are members of the management body of the entity.

² CSSF Circular 20/759 art. 165

- Outline the Bank's policy on conflicts of interest
- Ensure staff awareness on how to identify, report, manage, mitigate or avoid, and record conflicts
- Underline situations of inducements and conflicts caused by remuneration/incentive
- Ensure that customers are treated fairly when conflicts arise
- Identify circumstances, which may give rise to conflicts of interest entailing a material risk of damage to the interests of the Bank's clients, the Bank or other stakeholders.

Important: All the staff members of the Bank received appropriate guidelines in order to identify, report, manage, mitigate or avoid and record conflicts. However, if the Bank identifies that a member of staff has not properly followed the Policy, the matter will be taken very seriously and will lead to disciplinary action, up to and including dismissal.

2. Allocation of Responsibilities

2.1 Legal and Secretary Team should be responsible for identifying, assessing, managing, mitigating /avoiding, and recording any conflicts of interest related to the members of the Board of the Bank.

2.2 Human Resource Department should be responsible for identifying, assessing, managing, mitigating / avoiding, and recording any conflicts of interest related to:

- (1) the authorized management of the Bank, including avoid conflicts of interest in the allocation of responsibilities among the authorized management;
- (2) the allocation of duties and responsibilities of the departments;
- (3) the remuneration policy.

2.3 Each department should be responsible for identifying, assessing, managing, mitigating / avoiding, and recording any conflicts of interest related to the staff, transactions, product or activities of its department.

2.4 Each secretary department of the committees under the authorized management of the Bank should be responsible for identifying, assessing, managing, mitigating / avoiding, and recording any conflicts of interest related to the operation of the Committee.

2.5 Compliance and Regulatory department should be responsible for reviewing and updating this Policy, carrying out monitoring on the implementation of the policy, providing advice and guidance to relevant departments, maintaining the Conflict of Interest Register, and reporting to the authorized management.

2.6 Internal Audit Department should be responsible for carrying out independent audit on the Bank's compliance with the requirements relating to the prevention and management of conflicts of interest.

All the Branches and subsidiaries should set up the allocation of responsibilities in its own institution accordingly.

3. Types of Conflicts of Interest

3.1 Conflicts of interest between the Bank and a Client can arise in a variety of ways, which may cause damage to the interests of a Client and may include the following situations:

- A staff member or any appointed representative of the Bank has a personal interest in a transaction or an arrangement to which a Client is party.
- The Bank is involved in a transaction, acting on its own behalf, to which a Client is party.
- Providing advice/guidance to two or more Clients that are involved in the same transaction.
- Making a financial gain, or avoiding a financial loss, at the expense of the Client.
- Having an interest in the outcome of a service provided to the customer or of a transaction carried out on behalf of the Client, which is distinct from the Client's interest in that outcome.
- Having a financial or other incentive to favor the interest of another customer or group of customers over the interests of the Client.
- Carrying out the same business as the Client.
- Receiving or will receive from a person other than the customer an inducement in relation to a service provided to the customer, in the form of monies, goods or services, other than the standard commission or fee for that service.
- Undisclosed commission is paid to the Bank in relation to a transaction undertaken on behalf of a Client.

3.2 Conflicts of interest between the Bank and its staff members, other legal entities of BOC Group, other related parties and service providers may include but not limited to the following situations:

- A staff member has the authority or opportunity to impact the Bank's decision making in a manner that leads to personal gain or advantage for the staff member or his or her family member or close associates.

- A staff member’s engagement in an activity or relationship with another person impairs or may impair their judgment, willingness or objectivity in carrying out his or her duties and responsibilities in the Bank.
- A staff member’s interest in a particular activity differs from the Bank’s interest.
- Any conflict arises in connection with transactions or arrangements between the Bank and other BOC entities or other related parties. For example, if a transaction is carried out not at arm’s length, i.e. at a less advantageous terms for the Bank than those which apply to the same transaction carried out with a third party.

4. Preventing and Managing Conflicts of Interest

4.1 Measures to Prevent and Manage Conflicts of Interest

The Bank has a management structure in place, including separation of functions, appropriate reporting lines and internal separation, that have been designed in order to ensure that the possibility of any conflicts of interest are minimized and if they do arise, that they are appropriately managed, which include:

- Information barriers (internal separation) on the basis of “Need to know” principle.
- Electronic separation through separation of e-mails and computer access.
- Physical barriers, locating different departments of the Bank on different floors of the building.
- Separation of responsibilities to prevent a staff member to be involved in different services or activities where such involvement may impair the management of conflicts of interest. For example, a staff member should not participate in a decision making procedure of an item in which he or she has any personal interest.
- Identification and separation of conflicts when they arise.
- New products and services are reviewed before launch and any potential conflicts are considered.
- Personal Account Dealing Policy for staff to follow.
- Gifts, Benefits and Entertainment Policy for staff to follow.
- Staff members are required to disclose any outside interests, such as directorships and second jobs.

- Remuneration Policy taking into account of the topic of conflicts of interest and not prevent staff to act in the best interest of clients.
- Independent management structures and reporting lines, which can report to Executive Management Committee and/or board level.
- Internal Transaction Management Measures for staff to follow. Internal transactions refer to the transactions conducted between the Bank and other affiliates of Bank of China Limited (including subsidiary companies) and between Luxembourg Branch and BOC Europe S.A.
- Connected transaction management policies and procedures for staff to follow. Connected transaction refers to the transactions between the Bank including its subsidiaries and a connected party who is in a position capable of controlling the Bank or exerting significant influence on the Bank, e.g. an individual or an institutional entity holding or controlling 5% or more shares of Bank of China Limited (“BOC”), or top management members of BOC (such as directors, supervisors and chief executive officers of BOC, senior management members of the tier-one branches), or family, relatives of, or entities controlled by individual connected parties.
- Market Abuse Policy for the staff to follow.

All communications between the two sides of an information barrier is considered as a third party external communication. The following measures must be taken with regard to this kind of information:

- Addressing the communication to the right persons;
- Avoiding to forward emails whose historic may be compromising;
- Confirming by written email the content of all telephone conversations;
- Paying attention when transmitting confidential information and/or documentation;
- Avoiding transmitting legal, tax, strategic advice from one side to the other of the wall without obtaining the prior approval of an authorized person.

In the unlikely event of a conflict arising, the management structure will allow the Bank to control the incident, manage the conflict and prevent the risk of damage to the interests of the Client and that the Client is treated fairly at all times.

4.2 Identification and Report of Conflicts of Interest

4.2.1 All staff member have the responsibility in identifying, and reporting conflict of

interests or potential conflict of interests, whether or not directly involved in the conflicting situation. Once a conflict of interests or potential conflict of interests has been identified, the staff must immediately report to the Department Head and/or Compliance function of the Bank of the conflict, including details on:

- All Clients or other stakeholders involved and, if applicable, the names and details of any beneficial owners, trustees or directors involved.
- The departments and staff involved.
- The nature and purpose of the transaction(s) or activities.
- The reasons for believing a conflict may exist.

The Head of each department have the responsibility in identifying, properly documenting in conflicts of interest register and managing conflict of interests or potential conflicts of interest in their department. Any conflicts of interest or potential conflicts of interest identified should be timely registered in the Conflicts of Interest Register and sent to Compliance function. If the department Head believes there exists a conflict of interest that could not be mitigated or avoided, compliance should be consulted.

4.2.2 Members of authorized management and the board of directors, who are subject to a conflict of interest, shall promptly inform the authorized management or the Board on their own initiative.

4.2.3 Compliance function will assess the information presented and will decide if a conflict of interest exists, determine all parties concerned and consider how to manage the conflict and how to prevent the potential risks of damage to the interest of Clients, the Bank or other stakeholders

The Bank shall take all possible actions to prevent conflicts of interest and adverse impact. The Bank may decline to act in circumstances where there is risk or damage to the interests of the Client, the Bank or other stakeholders.

Following this assessment, and provided that Compliance function is considering that there is a conflict of interest that could not be mitigated or avoided, Compliance function should immediately report it to the General Management.

4.3 Requirements for Product Governance

When a new investment product or investment service is manufactured, or when a product needs to be reviewed, the product department should analyze if there is any potential conflicts of interest. The analysis should at least consider the following factors:

(1) If the design of the product, including its features, would adversely affect end clients or lead to problems with market integrity by, for example, enabling the Bank to mitigate and/or dispose of its own risks or exposure to the underlying assets of the product, where the Bank already holds the underlying assets on own account.

(2) Whether the product or investment service creates a situation where end clients may be adversely affected if they take:

- (a) an exposure opposite to the one previously held by the Bank itself; or
- (b) an exposure opposite to the one that the Bank wants to hold after the sale of the product.

4.4 Disclosure to Clients

If the Bank's procedures and controls may not be sufficient to prevent conflicts of interest from arising or to ensure that a potential conflict of interest does not damage the client's interest, upon approval of the General Management, the Clients impacted will be notified in writing of the conflict of interest. This notification shall be sent in a durable medium to the Client as soon as possible and before continuation of the relationship. The notification shall take into account the nature of the client receiving it, and shall include all the relevant details of the conflict, the risks it engenders for the client or service, and the steps taken to mitigate the risk.

Notification of the conflict of interest will allow the Client to make an informed decision with respect to the service/transaction impacted. The Client should be asked to respond as soon as possible and confirm whether or not he wishes to continue the relationship with the Bank.

If the Client gives his consent to continue the relationship with the Bank, the Bank will ensure that the conflict is appropriately managed internally and will continue to provide the services to the Client in accordance with his instructions.

If the Client does not give his consent to continue the relationship with the Bank, then the Bank and the Client will close out the existing transaction(s) and cease their relationship.

4.5 Transactions with Related Parties

An individual transaction or a series of transactions with managers, directors, other BOC entities or other related parties that have or may have a significant or negative impact on the risk profile of the Bank, should be submitted to the Board for approval according to the Related Party Transaction Regulation.

Any material change in the significant transactions carried shall be brought to the attention of the board of directors as soon as possible.

Transactions with related parties shall be carried out in the interest of the Bank. The Bank's interest is not met where transactions with related parties:

- are carried out on less advantageous terms (for the Bank) than those which would apply to the same transaction carried out with a third party (at arm's length);
- impair the solvency, liquidity situation or risk management capacities of the Bank from a regulatory or internal point of view;
- that exceed the risk management and control capacities of the Bank;
- are contrary to sound and prudent management principles in the interest of the Bank.

4.6 Additional Requirements Related to Bond Underwriting or Placing

The department responsible for bond underwriting or placing (hereinafter “the responsible department”) shall identify all bond underwriting and placing operations of the Bank and record information related to it, including the date receiving the potential underwriting and placing request.

The responsible department should identify all potential conflicts of interest arising among bond underwriting or placing and other activities, including but not limited to execution service, research service, investment funds management, bond issuance by the Bank itself or other entities of BOC Group, and implement appropriate management measures.

In case the Bank cannot manage a conflict of interest through appropriate control measures, the Bank shall not engage in the operation.

In addition to other requirements in this Policy, below special requirements regarding bond underwriting or placing should also be followed:

- (1) If the Bank provides recommendations about the price of the offerings, the pricing of the offerings in relation to the issuance should not promote the interests of other clients or the Bank's own interests, in a way that may conflict with the issuer client's interests;
- (2) Persons responsible for providing services to the Bank's investment clients should not be involved in the underwriting or placing service;
- (3) Any recommendation during bond underwriting or placing should not be influenced by any existing or future relationship with any other third party, or by the Bank's own interests;

(4) The Bank should not accept any third-party payments or benefits unless such payments or benefits comply with the inducement requirements of the Bank. If the Bank provides recommendations about the allocation, the following practices should in particular be prohibited:

(a) an allocation made to incentivise the payment of disproportionately high fees for unrelated services provided by the Bank ('laddering'), such as disproportionately high fees or commissions paid by an investment client, or disproportionately high volumes of business at normal levels of commission provided by the investment client as a compensation for receiving an allocation of the issue;

(b) an allocation that is expressly or implicitly conditional on the receipt of future orders or the purchase of any other service from the Bank by an investment client, or any entity of which the investor is a corporate officer.

(4) If the Bank provides investment service to an investment client to participate in a new issue, where the Bank receives commissions, fees or any monetary or non-monetary benefits in arranging the issuance, both inducement requirements and conflicts of interest requirements should be followed. It should also be documented in the conflicts of interest register and inducement log.

(5) The responsible department should carefully assess and identify any potential conflicts of interest that may arise from engaging in the placement of bond issued by the Bank or by other entities within the BOC Group to the Bank's own clients or to investment funds managed by the Bank or by other entities within BOC Group. If the conflicts of interest cannot be appropriately managed to prevent any adverse effects on clients, the Bank should not engage in such activities. The allocation to each investment client shall be clearly justified and recorded.

(6) The responsible department should carefully assess and identify any potential conflicts of interest that may arise if the Bank or an entity within BOC Group has any previous lending or credit to the issuer client and the previous lending or credit may be repaid with the proceeds of the issue. If the conflicts of interest cannot be sufficiently managed to prevent any adverse effects on clients, disclose should be made to the client according to 3.4.

5. Conflicts of Interest register

The Compliance function shall manage a "conflict of interest register" (see Appendix for the template) that may include a list of the current and potential conflicts of interest in order to identify all the actual and potential sources of conflicts. Each department should timely update the Register to correctly reflect the conflicts of interest situation identified.

The conflicts of interest register is used to record all the possible situations in which Conflicts of Interest may arise, and details on conflicts of interest that have been identified. These details include the parties involved, the reasons for the conflicts, and all the relevant information on the procedure undertaken in order to manage the conflicts of

interests.

Conflicts of interest will be notified to the Risk Management & Internal Control Committee and Compliance Committee at each committee meeting, with details on how the conflicts are being managed, along with a progress report on any ongoing conflicts.

6. Other requirements

The Compliance function shall make annual reports to the management on conflicts. This Policy shall be reviewed by the Compliance Function at least annually.

This Policy applies to Bank of China Limited, Luxembourg Branch, Bank of China (Europe) S.A and its branches and subsidiaries.

Appendix: Conflicts of Interests Register

