

Measures to avoid conflicts of interests

1. Background

This information sheet is based on the statutory provisions of the Swiss Financial Services Law (FinSA). St.Galler Kantonalbank AG ("SGKB") takes appropriate organisational measures to prevent conflicts of interests that can arise in connection with the performance of financial services or to make sure that clients do not suffer any disadvantages due to conflicts of interests. If disadvantages for clients cannot be excluded, this is disclosed to them. SGKB endeavours to design its business operations in such a way that the interests of the bank and of employees do not conflict with client interests and that the interests of individual clients do not conflict with each other.

2. Possible types of conflicts of interests

Potential conflicts of interests can arise between SGKB and its clients, between clients and employees, between individual clients or between different departments of the bank. For example, conflicts of interests can arise in the following situations:

- In the context of investment advisory services or asset management
- When selling the company's own products and services
- If third-party payments are received for the performance of financial services
- When creating, publishing and forwarding financial analyses and other information about financial instruments or their issuers, which represent or contain a direct or indirect recommendation in favour of a certain investment decision
- When several client orders converge
- When client orders and transactions of the bank or its employees converge
- When buying and selling financial instruments
- Due to the success-based remuneration of employees and intermediaries
- Due to the personal interests of employees in client transactions
- Due to the participation of employees in boards of directors

3. How the bank handles conflicts of interests

In line with a three-stage process, SGKB takes appropriate measures to handle conflicts of interests.

3.1 Identification of conflicts of interests

To identify potential conflicts of interests, the bank has released internal instructions and defined processes determining responsibilities and modes of conduct. The bank sensitises its employees in internal training sessions and maintains a register of conflicts of interests.

3.2 Prevention and mitigation of conflicts of interests

The principles concerning the handling of conflicts of interests are transparently checked by an independent internal office within the bank and, if necessary, amended in collaboration with the relevant specialist departments. The experience gained throughout the bank is incorporated into any new considerations.

By means of a reasonable salary policy, the bank discourages conflicts of interests and improper employee incentives. Employees can contact an internal or external independent reporting office directly at any time in order to draw the bank's attention to unlawful conduct or conflicts of interests.

3.3 Disclosure of conflicts of interests

SGKB discloses any conflicts of interests that cannot be avoided and due to which a disadvantage for clients cannot be excluded to the affected clients and documents them in the register of conflicts of interests.

4. General principles for the avoidance of conflicts of interests

4.1 SGKB employees

- All employees are responsible for continually identifying and duly handling conflicts of interests. They are obliged to comply with the guidelines, regulations and instructions of SGKB on the identification and documentation of conflicts of interests.
- All employees comply with the SGKB execution policy ("best execution") in order to process client orders concerning financial instruments in the best way possible.
- In the fulfilment of their duties and responsibilities in the bank, all employees act with due independence and objectivity. Employees are prohibited from executing transactions for their own account on the basis of their knowledge of client orders or from favouring their own orders over client orders.
- All employees observe the information barriers and non-disclosure obligations as well as the regulations concerning the prevention of insider transactions as well as active and passive bribery.
- All employees avoid situations that could lead to conflicts of interests, e.g. due to personal financial interests, family members or close personal relationships, former, current or future involvement in activities in or outside the bank, or the exercising of various roles and responsibilities in the bank.

4.2 SGKB management

- The bank's management guarantees the independence of organisational units between which conflicts of interests exist or could arise. This independence is ensured, continually monitored and, if necessary, further adjusted by means of organisational measures such as internal instructions, processes, roles/responsibilities and an independent reporting office.
- The bank's management promotes a culture that ensures ethically responsible dealings with clients and due handling of conflicts of interests.
- The bank's management considers potential and actual conflicts of interests between the organisational units holistically and makes decisions that facilitate the approach in handling conflicts of interests.
- By means of a reasonable salary policy, the bank's management ensures the avoidance of improper incentives for its employees.

By identifying, averting, minimising and disclosing conflicts of interests, SGKB endeavours to ensure that these conflicts do not have any detrimental effect on clients.

Please feel free to contact your advisor if you have any questions concerning the handling of conflicts of interests.

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