Code of Conduct of the Austrian Investment Fund Industry 2012

Objectives

In the Code of Conduct of the Austrian Investment Fund Industry 2012 *(CoC 2012), the Austrian investment fund industry publicly affirms fundamental principles inherent in the investment fund business[1] in order to strengthen the confidence and transparency of the investment fund business. The Austrian investment fund industry regards this CoC 2012 as the basis for future coordinated action throughout the industry regarding specific issues of the investment fund business.*

This CoC 2012 was drawn up by the Association of Austrian Investment Companies *(VÖIG)[2] as the umbrella organisation of the Austrian investment fund industry with the intention to regulate central aspects of the investment fund business, i.e. fiduciary management of assets, in a transparent manner. The CoC 2012 is to be understood as a minimum standard, which will be adjusted to the challenges of the investment fund business on an ongoing basis.*

I. When conducting its business activities, the management company shall act in the exclusive interests of investors and the integrity of the market.

I.1. This CoC 2012 shall preserve and enhance the reputation of the Austrian investment fund industry in Austria and abroad.

I.2. This CoC 2012 shall strengthen the level of investor protection and investor confidence in the investment funds offered by Austrian management companies.

I.3. This CoC 2012 shall not affect any relationships under private law between the management company and the custodian bank and/or the investor.

[1] The investment fund business includes both the activities of an Austrian management company pursuant to Section 3 (2) no. 1 of the Investment Funds Act 2011 within the scope of a simple licence pursuant to Section 1 (1) no. 13 of the Banking Act (investment fund business) and an expanded licence pursuant to Section 1 (1) no. 13 of the Banking Act in connection with Section 3 (2) of the Securities Supervision Act 2007. In terms of European law, the investment fund business is traditionally based on the UCITS Directive, Directive 2009/65/EC, and, in addition, the AIFM Directive, Directive 2011/61/EU. Against this background, in some places the CoC 2012 speaks of "investment assets", a term that includes UCITS, UCI, AIF as well as portfolios in the context of management.

[2] See www.voeig.at.

II. The management company shall take any organisational measures required for the proper management of its business.

II.1. When managing the investment assets, the senior management of the management company shall act completely autonomously and independently in respect of other interests and in compliance with statutory and contractual requirements. The management company shall act exclusively in the best interests of the unit holders and the integrity of the market, conducting its business activities with the care and diligence of a prudent and conscientious management.

II.2. The management company shall take any necessary measures to ensure the perfect quality of the products and services offered by it.

II.3. The management company shall be free to choose its organisational form and its organisational, technical and staff prerequisites within the framework of the statutory and regulatory requirements and may, in particular, take into account its size and operational structure.

II.4. The management company shall have in place a sufficient separation of functions and powers regarding the management of investment assets, securities handling, the valuation of investment assets, accounting, the internal audit system, risk management and compliance, in accordance with its size and operational structure.

II.5. The management company shall ensure that the fund managers of the funds established and managed by the management company act independently in the best interests of the unit holders and of safeguarding the integrity of the market.

II.6. The management company shall place great importance on the professional qualifications of all of its staff, both in practice and in theory.

II.7. The management company shall distribute the funds established and managed by it exclusively through distribution partners, which guarantee a sound business practice and contractually agree to comply with regulations on money laundering laid down by law.

II.8. The management company shall cooperate only with distribution partners which ensure the best possible protection of clients' interests in the terms of the rules laid down by law (for example the MiFID Directive[3]) and which do not use any kind of remuneration that does not comply with these standards of care. In addition, the management company shall enter into agreements having regard to compliance with the CoC 2012 or comparable foreign standards.

III. The management company shall counteract conflicts of interest.

III.1. The management company shall take adequate organisational measures to keep the risk of conflicts of interest as low as possible.

III.2. The management company shall ensure that functions relating to investment management (fund management activities) are clearly divided between the activities of the management company and the activities of the custodian bank so that the "management company" entity can be noticeably distinguished

[3] Directive 2004/39/EC as amended.

from the “custodian bank” entity and that, on the other hand, staffing links between the management company and the custodian bank are excluded, so that both entities can exercise their functions independently of each other and conflicts of interest can be avoided.

III.3. The management company shall pursue a salary and remuneration policy for all staff members that prevents potential conflicts of interest.

III.4. With regard to transactions of its staff for their own account, the management company shall observe the specific provisions of the Standard Compliance Code of the Austrian banking industry (SCC, module 7).

III.5. The management company shall manage the investment assets established and managed by it according to the principle of equal treatment.

III.6. In the case of all matters that might affect the interests of its investors on a sustained basis, the management company shall exercise the voting right as a responsible unit holder independently and exclusively in the best interests of the investors on the basis of its policy on voting rights.[4]

IV. When conducting its business, in particular for the investment funds managed by it, for individual portfolios in the context of discretionary asset management and for investments of its own assets, the management company shall act according to clear principles that ensure processing in line with the market and equal treatment of all investors.

IV.1. The management company shall give orders to execute transactions in the best interests of the investment funds and individual portfolios managed by it, as well as of its investors. The price, the costs, the speed, the likelihood of execution and processing, and other relevant influencing factors shall be taken into account.

IV.2. The management company shall select the counterparties through whom the transactions are carried out according to objective criteria, exclusively safeguarding the interests of the investors.

IV.3. In a written agreement with the custodian bank[5], the management company shall determine specific competences, powers, duties and responsibilities, as well as rules of conduct and responsibilities for exceptional or emergency cases.

IV.4. The management company, the custodian bank and, where applicable, the auditor shall, in advance, jointly agree on general measures and procedures as to how the assets of the affected investment funds that do not have a realistically tradable price will be valued, in particular in extraordinary market situations.

V. The management company shall provide clear and understandable information in order to ensure consistent

[4] For strategies for the exercise of voting rights in respect of investments, see Section 26 of the Investment Funds Act 2011.
[5] For the function of the custodian bank in the regulatory regime, see Sections 39ff of the Investment Funds Act 2011.

and professional information of and services to clients.

V.1. The management company shall ensure that its information policy and information media are not misleading and correspond to (international) standards customary in the market.

V.2. The management company shall ensure that the information media it uses are consistent, understandable and easily accessible and provide the investor with an objective view of the respective investment as far as possible.

V.3. The management company shall ensure transparency of fees according to (international) standards customary in the market.

V.4. The management company shall expressly point out the risks involved in certain investment funds.

V.5. The management company shall be able at any time to provide information about the exercise of its membership and creditor rights.

VI. The management company shall pursue a remuneration policy that is in accordance with sound and effective risk management.

VI.1. When implementing the statutory requirements concerning its remuneration policy, the management company shall take into account the specific requirements of the investment fund business, in particular the priority of investor interests over the interests of the management company.

VI.2. The management company shall specify principles of its remuneration policy in a manner so that they are compatible with and support sound and effective risk management and do not encourage staff members to assume risks that are not in accordance with the risk profiles and the fund rules of the investment funds managed by the management company.

VI.3. The management company shall review the principles of its remuneration policy on a regular basis.

This CoC 2012 shall come into force as of 18 April 2012 by way of a common resolution of the members of VÖIG and shall be publicly announced by publication on VÖIG's website. The public announcement shall be made on 19 April 2012.