



# BVI RULES OF CONDUCT

# PREAMBLE

Asset managers are aware of their social responsibility. They are a pillar of the financial sector and act in the interest of their investors, on an equal footing with – but at the same time independently of – banks and insurance companies. They manage a large portion of the pension scheme capital in retail funds and Spezialfonds and therefore fulfil a key role in the German retirement provision segment. They provide companies with capital for growth and, as bond investors, finance public budgets. They create jobs and actively participate in educational initiatives. They participate in the social discourse on responsible investing.

Asset managers manage the capital entrusted to them by investors in accordance with strict statutory requirements. They act exclusively in the interest of their investors and the integrity of the market in compliance with the risk diversification principle as well as investment and risk limits. Internal control procedures (in the form of risk controlling, internal audit and compliance functions, for example) form an important part of their proper business organisation. Asset managers make arrangements to ensure that they invest their investors' capital only in compliance with the investment strategy described in the sales documentation, the fund's risk profile and the applicable statutory provisions.

In addition to their legal obligations, asset managers also observe the voluntary principles and codes set forth in these Rules of Conduct and further develop these rules via the BVI. Asset managers inform their

investors in a suitable manner as to whether and to what extent they comply with these Rules of Conduct. They may deviate from these Rules of Conduct but are obliged to disclose any such deviations on an annual basis and explain them („comply or explain“). This enables asset managers to respond flexibly to company-specific or investor-/investment-appropriate requirements.

These Rules of Conduct apply to the management of both open-ended and closed-ended funds. To the extent that individual rules are not applicable in view of the respective investment strategy (such as benchmark-oriented investing or property investments), business activity or organisational structure, deviations do not need to be explained separately. For the purposes of these Rules of Conduct, the following organisations may be deemed asset managers: investment companies, management companies based in the European Union or the European Economic Area, German subsidiaries or German branches of asset managers as well as asset managers who manage third-party funds by way of outsourcing. For the purposes of these Rules of Conduct, investors are deemed to be investors in a fund, irrespective of its legal form or type.

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## I. THE ASSET MANAGER DOES NOT CHARGE INAPPROPRIATE FEES OR COMMISSIONS AND DOES NOT JEOPARDISE INVESTOR INTERESTS BY USING PRACTICES THAT CONSTITUTE MARKET ABUSE.

1. The Asset Manager will establish suitable procedures for the funds it manages to protect investors from unnecessary transaction costs. This includes, in particular, transaction costs resulting from turnover not aligned with investor interests. The Asset Manager sets a threshold value for each fund that applies to the portfolio turnover rate and further measures in the event of this threshold value being exceeded. In doing so, the Asset Manager will take into consideration the investment strategy and the issuance and redemption volume for both bonds and equities. The Asset Manager calculates the portfolio turnover rate by using a suitable and recognised method.

2. The Asset Manager will establish suitable procedures for the funds it manages to protect investors from any disadvantages due to redemption-related transaction costs. This also includes transaction costs that may arise from redemptions with a high total value that cannot be settled via the relevant fund's liquidity reserves. Suitable procedures would be, for example, redemption fees in favour of the relevant funds or maintaining appropriate liquidity reserves.

3. The Asset Manager takes reasonable steps to coordinate the scheduled timeframes for the calculation and publication of the fund value. It ensures that no investor will be able to derive advantages from buying or selling units in the Asset Manager's funds

at unit values that are already known. For this purpose, the Asset Manager sets a point in time for all the funds it manages at which orders for the issuance or redemption of units must have been received by it, its representative or the depositary (order cut-off time). The Asset Manager will agree with the depositary that any orders for the issuance or redemption of units that are received by the Asset Manager after the order cut-off time set by the Asset Manager will no longer be executed at the unit value assigned to this order cut-off time.

This rule does not apply to Spezialfonds whose units are held by only one investor, nor to savings plans entered into with the Asset Manager for which the date of order placement has already been contractually agreed prior to the conclusion of the savings plan, which means that thereafter the investor no longer has influence on the time of order placement.

4. The Asset Manager will inform its investors in a suitable manner about the measures taken and procedures followed.

## II. THE ASSET MANAGER ADHERES TO CLEAR EXECUTION POLICIES THAT ENSURE SETTLEMENT IN LINE WITH MARKET CONDITIONS AND EQUAL TREATMENT OF INVESTORS.

1. The Asset Manager may only enter into transactions with the funds it manages or individual portfolios if this is required in the interest of the fund or the individual portfolio. Transactions between the funds managed by the Asset Manager and individual portfolios are only permissible if they are in the interest of both contracting parties. The Asset Manager ensures compliance with these principles by using suitable procedures. The Asset Manager must document, in detail, the relevant transactions and the interests involved.

2. To the extent that the Asset Manager commissions closely linked enterprises or persons<sup>1</sup> or, as the case may be, other affiliated enterprises<sup>2</sup>, with the settlement of transactions for the account of funds, it will inform the investors in the annual report, or similar documents, of the percentage share and the volume of such transactions.

3. The Asset Manager ensures that any monetary advantages derived from transactions attributable to a fund are credited to that fund's assets and are shown in the annual report. This rule also applies to the treatment of refunds of expenses incurred for the account of the fund which are paid to the Asset Manager. Any commissions which the Asset Manager receives for fund units or other financial instruments held in the fund are attributed to the relevant

fund and included under „other in-come“ in the income statement. If the refunds do not merely relate to expenses which have been incurred for the account of one single fund, they must be attributed to the respective fund on a prorata basis.

4. Any other cash-equivalent benefits received in connection with transactions attributable to a fund must be used in the interest of the fund investors when making investment decisions. If the Asset Manager intends to receive such cash-equivalent benefits, this must be documented in the sales prospectus.

5. The Asset Manager will establish suitable procedures to ensure that no measures are taken in order to improve the appearance of the fund performance or the fund portfolio in relation to a certain date („window dressing“). The Asset Manager will avoid any activities which would serve the aforementioned purpose, such as the sale of assets, the priceinfluencing purchase of investments in narrow markets as of the valuation date, or activities affecting the benchmark of a fund.

1) Within the meaning of Sec. 1 (19) No. 10 KAGB.

2) Within the meaning of Sec. 1 (7) KWG.

### III. THE ASSET MANAGER WILL RENDER INFORMATION IN A CLEAR, COMPREHENSIVE AND UNDERSTANDABLE MANNER.

1. With regard to the publication of performance data for the funds it manages, the Asset Manager will comply with internationally accepted standards relating to

- the calculation method,
- the appropriate timeframe (e.g. 1, 3 or 5 years, or as from the launch of the fund), which must cover the time period until the date of publication to the extent the relevant data are available, and
- to the extent possible, the selection of suitable benchmark indices.

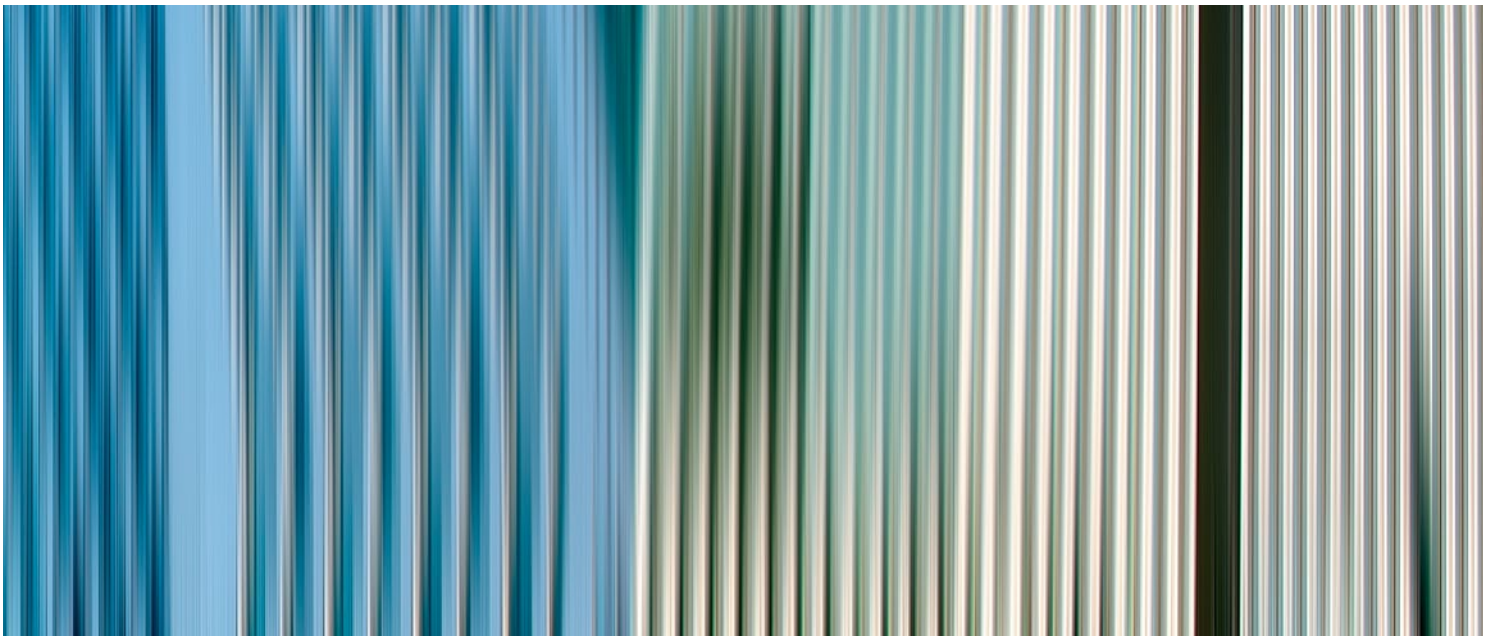
The Asset Manager reports on the relevant selected standard and any material changes of the benchmark indices used as a basis for the presentation of performance data.

2. The Asset Manager may use fund evaluations and analyses, i.e. performance and/or risk evaluations of the funds it manages, whether commissioned or not, of a forward-looking nature (ratings) or without

forward-looking nature (rankings), and may select one or more service providers. The Asset Manager will procure that each publication of rankings and ratings of funds includes the following information:

- the name of the organisation providing the ranking or rating and the name of the fund evaluation product,
- the result of the fund evaluation and the individual partial results of any such fund evaluation, if applicable, and
- the date of the evaluation.

3. When using performance data of a fund for advertising purposes, the Asset Manager will only refer to time periods in which the fund was publicly distributed. If, at the time of advertising, the fundamental principles of the investment policy have changed, any advertising using performance data of the fund must contain a clear and visible note to this effect.



4. When publishing performance data, the Asset Manager will, in each case, also state the performance of published benchmark indices, if any, and point out that past performance is not indicative of future results. In addition, the Asset Manager will disclose the calculation basis and expressly state whether or not any sales or redemption charges have been taken into account.

5. The Asset Manager will refrain from publishing any misleading performance comparisons or performance promises in connection with its advertising measures. Any statements as to the potential results of any type of investment must include a disclosure of the underlying presumptions. The Asset Manager will support the establishment of appropriate standards for comparative performance measuring and the evaluation of funds.

6. To the extent that the Asset Manager commissions third parties with the distribution of the funds it manages (distribution partners), it will exercise due care when selecting such distribution partners.

If required, the Asset Manager will provide its distribution partner with the requisite information. The Asset Manager commits all distribution partners to refrain from using misleading advertising material and to coordinate their own advertising materials with the Asset Manager prior to the use thereof.

7. The Asset Manager will include in the sales documents, in a suitable form and manner, information as to the possibility of sales and service commissions being charged. Any commissions payable to third parties by the Fund Company will be paid out of the subscription fee or the management fees. To the extent that, in connection with a fund savings contract offered by the Asset Manager, the distribution costs are not allocated evenly to the savings amounts over the entire term of the savings contract, the Asset Manager will provide understandable and comprehensible explanations with respect thereto.

8. The Asset Manager will participate in the BVI Investment Statistics.

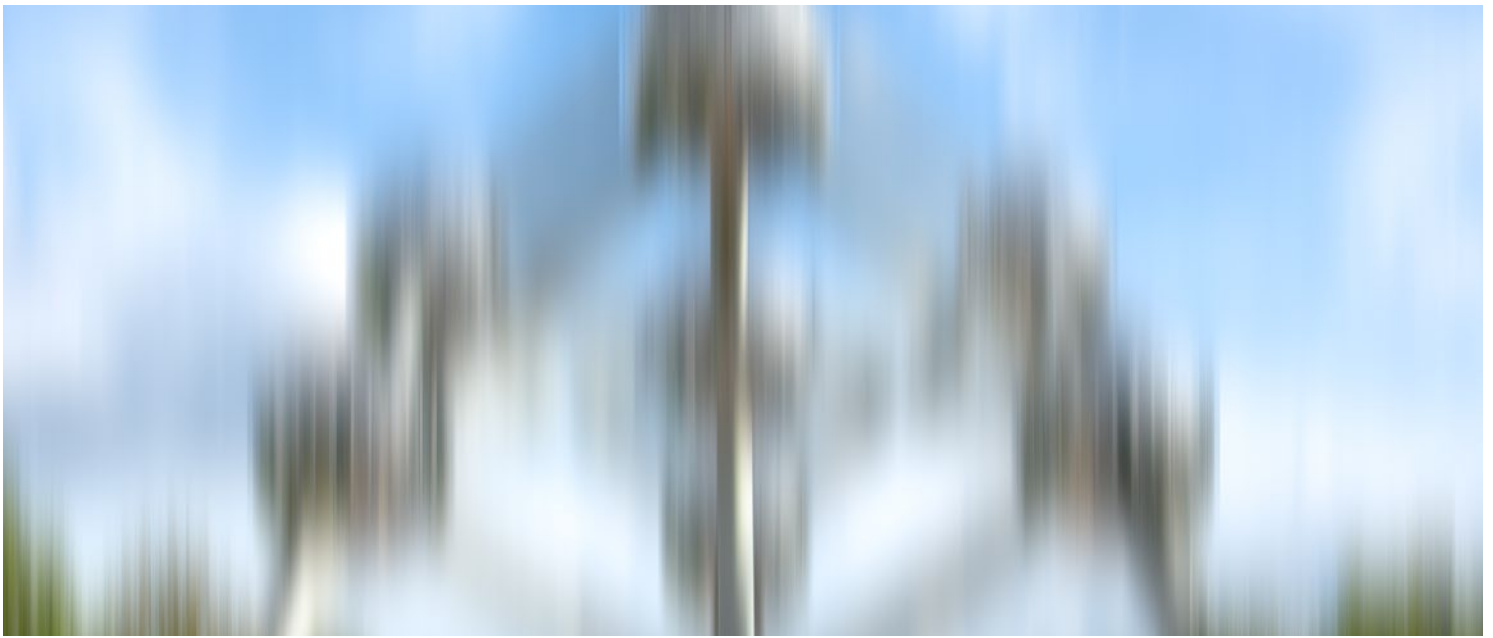
## IV. SUPERVISORY BOARD AND MANAGEMENT WILL WORK TOWARDS A GOOD CORPORATE GOVERNANCE OF THE ASSET MANAGER.

1. Asset Managers apply exacting standards to themselves and to corporate governance. They structure their relationships with staff, investors, depositaries, distributors, business partners and other stakeholders in a responsible manner.
2. During their employment in the Asset Manager, the members of the management board are subject to a comprehensive non-competition obligation. All members of the management board shall disclose to the supervisory board, without undue delay, any conflicts of interest arising for reasons specific to the member as an individual and also inform the other members of the management board accordingly.
3. All members of the supervisory board shall disclose to the supervisory board, without undue delay, any conflicts of interest arising for reasons specific to the member as an individual.
4. The supervisory board will support the safeguarding of investor interests through its monitoring activities. To this end, appropriate measures have to be taken, such as
  - regular reporting by the management board about the activities of the compliance, risk control and internal audit functions,
  - regular efficiency control of own activities, and
  - close cooperation of the supervisory board with the auditor.
5. Staff of the Asset Manager, managers and members of the supervisory board may not, in connection with their work, demand nor accept from third parties payments or other benefits for themselves, or for any other person, nor grant third parties unjustifiable benefits. The Asset Manager will ensure compliance with this provision and, if appropriate, determine certain threshold values that allow for low-value benefits only and are therefore suitable for the prevention of any conflicts of interest (petty cases).
6. The IT systems and associated processes of an Asset Manager serve to avert any risks or threats and to prevent economic damage or loss. Where required, the Asset Manager has sufficient resources to control, coordinate, examine and regularly monitor the security process aligned with the relevant business activities. These processes are monitored by suitable units or persons who are not themselves responsible for them. Monitoring can, for instance, be ensured by appointing a data protection officer. The Asset Manager shall clearly define the competencies and responsibilities of the units commissioned to perform the monitoring function.
7. The Asset Manager offers consumers the possibility of alternative dispute resolution via the Ombudsman Scheme for Investment Funds.



## V. THE ASSET MANAGER ACTS AS A RESPONSIBLE CORPORATE CITIZEN IN ENVIRONMENTAL AND SOCIAL ISSUES AS WELL AS CORPORATE GOVERNANCE ISSUES.

1. In its dealings with environmental or social issues or issues of corporate governance, the Asset Manager acts exclusively in the interest of its investors and promotes free competition, freedom of action within statutory parameters, transparency and voluntary commitment.
2. The Asset Manager acts in a future-oriented manner. As part of its responsibility, the Asset Manager will develop a dedicated policy to deal with products and business practices that are prohibited or sanctioned under international law. The Asset Manager approves the continued development of national and international codes for responsible investing.
3. The Asset Manager structure investment processes in accordance with its understanding of Responsible Investing. In doing so, the Asset Manager will act exclusively in the interest of its investors. The investor's selection of a suitable fund is based on varied needs shaped by his or her individual values and investment goals. The investor decides whether a fund investment is compatible with his or her values and personal investment goals.
4. The Asset Manager will take independent measures to integrate the principles on Responsible Investing enshrined in codes into its investment processes to an appropriate extent. As part of its fiduciary responsibility, the Asset Manager takes into account environmental and social criteria as well as corporate governance criteria to appropriately assess the material risks of investment decisions. The Asset Manager examines the degree to which these criteria are included in the valuation of securities and in asset investments.
5. The Asset Manager exercises the shareholder and creditor rights associated with the assets held in funds in a fiduciary manner, both within Germany and abroad, provided that the Asset Manager believes this to be in the interest of its investors. The Asset Manager exercises shareholder and creditor rights independently from third-party interests and solely in the interest of its investors. The Asset Manager shall appropriately take into account the principles recommended by the European Fund and Asset Management Association (EFAMA) on the exercise of voting rights in portfolio companies (so-called EFAMA Stewardship Code, as at 13 April 2018).



**6.** To the extent that the Asset Manager entrusts third parties with the analysis of documents for general meetings, it will instruct these third parties to take into account the Asset Manager's voting policy. The Asset Manager will examine, to an appropriate degree, any proposals for voting behaviour on the basis of such analyses.

**7.** Where the Asset Manager entrusts third parties with the exercise of voting rights at general meetings, it will examine, to an appropriate degree, whether it should issue additional instructions or instructions that deviate from its voting policy with a view to the general meeting. To the extent that this is required in addition to or in deviation from the Asset Manager's voting policy, the Asset Manager will issue specific instructions on individual agenda items. The Asset Manager will monitor the activities of third parties in a suitable manner. This also applies to the extent that the Asset Manager includes third parties in the technical execution of the voting on agenda items at the General Meeting.

**8.** The Asset Manager monitors the corporate governance of the portfolio companies. The Asset Manager discloses its principles of whether and

how it conducts its dialogue with portfolio companies in the interest of its investors or cooperates with other investors of the portfolio companies, to the legally permissible extent, to promote responsible governance, preservation of value and a value enhancement of the relevant portfolio company.

**9.** The Asset Manager informs investors about any measures taken or to be taken to integrate the criteria for Responsible Investing into its activities and any codes applied by the Asset Manager. The Asset Manager informs investors about its activities in connection with voting and, if necessary, about the type and extent of its dialogues with portfolio companies.

**10.** The Asset Manager will only describe the funds it manages as "sustainable", "ethical", "environmental" or similar if it makes its investment decisions in accordance with the ESG strategies set out in the fund documents. For this purpose, the Asset Manager will provide its investors with relevant information. The Asset Manager supports the establishment of market standards to further the transparency of sustainable products.

# IMPRINT

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BVI Bundesverband Investment  
und Asset Management e.V.  
Bockenheimer Anlage 15  
60322 Frankfurt am Main  
[www.bvi.de](http://www.bvi.de)

## **Content and editorial responsibility**

Legal department  
Communications department

## **Concept and design**

GB Brand Design GmbH, Frankfurt  
[www.g-b.de](http://www.g-b.de)

## **Photography**

Stefan Gröpper  
[www.stefangroepper.com](http://www.stefangroepper.com)

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**BVI Berlin**

Unter den Linden 42  
10117 Berlin

**BVI Brussels**

Rue du Trône 14-16  
1000 Bruxelles

**BVI Frankfurt**

Bockenheimer Anlage 15  
60322 Frankfurt am Main

**Contact**

Phone +49 69 15 40 90 0  
[www.bvi.de](http://www.bvi.de)