



May 2005

# **Compliance Principles WestLB Group**

## Table of Contents

A. Introduction	3
B. Conflicts of Interest	4
1. Market Abusive Practices (Insider Trading / Market Manipulation)	4
2. Research	5
3. Personal Account Dealings	5
4. Outside Business Interests of Employees	5
5. Gifts and Benefits - Inducements	6
C. Confidentiality / Inside Information	6
1. Confidentiality / Need to Know Policy	6
2. Inside Information	7
3. Treatment of Confidential / Inside Information	7
D. Training and Competence	8
E. Communication	9
1. Marketing Material	9
2. Research	9
3. Enquiries from the Media	9
4. Contact with regulators	10
F. Dealing with Clients	10
1. Know Your Customer	10
2. Market Conduct	10
3. Fiduciary Duties	11
4. Complaints	11
5. Data Retention	11
G. Joint Product Launch	11
H. Anti-Money-Laundering	11
1. Customer Identification/Know Your Customer's Business	12
2. Research and Monitoring	12
3. Suspicious Activity Reporting	12
4. Reliability	12
I. The Compliance Function and Structure	13

## A. Introduction

The success of WestLB AG and its subsidiaries (“WestLB”) depends on how effectively it preserves and strengthens its well-deserved reputation for integrity. WestLB’s commitment to high standards of conduct helps to build a relationship of trust with its clients and fosters a culture in which compliance with applicable laws, rules and regulations is an integral part of its business.

The Managing Board has delegated some of its responsibilities to ensure compliance with applicable rules and regulations to WestLB’s Compliance Department (“Compliance”). Corresponding to its responsibilities, Compliance has developed these Compliance Principles (“Principles”) to highlight major regulatory, reputational and economic risks that may arise from day-to-day business activities and outlines essential standards of professional and personal conduct that assist employees in avoiding and/or dealing with these risks. These Principles are supported by compliance manuals implemented locally (“Local Compliance Manuals”), which cover the local regulatory requirements of each country in which WestLB provides services. You must comply not only with the letter, but also the spirit of the Principles and the Local Compliance Manuals.

As an employee of WestLB you must adhere to these standards and should consult the Principles and the respective Local Compliance Manuals for guidance when acting on behalf of WestLB or undertaking personal transactions. The Principles contain individual duties and restrictions. You are required to carefully read and understand the Principles and your Local Compliance Manual.

You must read the Principles in the context of the laws, regulations, codes of conduct or standards of good practice (together, the “Rules and Regulations”) that apply to you. This includes the relevant global and local Anti-Money-Laundering and Anti-Terrorism provisions. As the Principles cannot cover all Rules and Regulations of the country or jurisdiction in which you work, there may be additional or stricter standards that apply to you. In some cases, Rules and Regulations may apply on a cross border basis. Consult your Local Compliance Manual or your local Compliance Officer for further information regarding the Rules and Regulations within your jurisdiction.

WestLB’s integrity is founded on its employees. You must promptly report any suspected violations of applicable Rules and Regulations and of the Principles to one of the following available resources:

- your manager;
- the head of your department;
- your assigned Compliance Officer or Legal Department representative;
- Internal Audit or Human Resources.

If you report a suspected violation, you must provide enough information about the incident or situation to allow WestLB to investigate properly. WestLB seeks to ensure that there is no retaliation by WestLB or any of its employees against any employee who makes a good faith report of suspected violations by others, even if it turns out that there was no violation.

These Principles seek to create a true compliance culture by integrating business needs and activities with compliance policy. They aim to help you in your day-to-day work and to strengthen WestLB's performance. If you have any questions or need any additional information consult your Local Compliance Manual or contact Compliance.

## **B. Conflicts of Interest**

*You must seek to avoid any influence which will interfere (or give the appearance of interfering) with your ability to perform your professional responsibilities objectively and effectively. Whenever you are proposing to take a new mandate or to act for a new client, you must first undertake a conflict check with Compliance before making a commitment.*

WestLB is committed to taking measures to identify and avoid or appropriately manage actual or potential conflicts of interest (or even the appearance of them). Conflicts of interest may arise between:

- different clients;
- clients and WestLB itself;
- clients and individual employees;
- WestLB and individual employees; and
- different divisions/business areas of WestLB.

Compliance maintains a Conflicts Register that aims at identifying actual, potential or perceived conflicts of interest at an early stage. The Conflicts Register is a confidential document.

The following sections describe situations in which conflicts of interest may arise and outline how to deal with them:

### **1. Market Abusive Practices (Insider Trading / Market Manipulation)**

*You must not use any →Inside Information to engage in a transaction where you acquire or dispose of securities or financial instruments for one of your clients, for WestLB, for yourself or for a third party.*

*You must not influence prices by misleading market activities or other deceptive acts or create a false market by untrue statements or withholding of true facts.*

*You have to immediately report suspicious circumstances and transactions that give reason to assume a market abuse practice to your designated Compliance Officer. Any tipping off to the fact that you have informed the designated Compliance Officer or that an investigation is taking place, is prohibited.*

## **2. Research**

Research analysts must be independent from other business areas (see also →*Communication/Research*) to protect them from potential conflicts. Consequently, a conflict of interest may arise when the analyst's objectivity towards the companies covered by his or her research is affected.

## **3. Personal Account Dealings**

*You must not deal in your personal account if such dealing gives the appearance that you or a person connected to you is improperly benefiting from your employment with WestLB.*

Personal account dealings must not conflict with the interests of clients or WestLB. In addition, insider dealing issues may arise if your personal account dealings are based on information you received during your daily business (see also →*Inside Information*). To mitigate these issues, you must comply with the local policies that apply to the establishment of your personal account and your personal account dealings. These policies may include pre-approval and reporting requirements for your dealing activities.

## **4. Outside Business Interests of Employees**

*You must avoid situations which could lead to conflicts of interest caused by your outside business interests. You are prohibited from undertaking any such outside activity without prior written approval. If you are uncertain whether a particular outside activity is prohibited, or whether you need approval for your intended activity or by whom, consult your Local Compliance Manual or contact your Compliance department.*

A conflict of interest may arise, for example, if:

- your duties as an employee involve any actual or potential business with a person, entity or organization in which you or a person connected to you have a substantial personal or financial interest;
- you contemplate serving as an officer or director or assuming similar appointments in companies or – in given situations – non-profit organizations;
- you wish to enter into an external employment contract;
- you or a person connected to you considers participating in entities in which WestLB has or intends to have an equity or debt interest (so called “co-investments”).

## **5. Gifts and Benefits - Inducements**

*You must not give or receive a gift or benefit that may make either party the subject of an inducement.*

The criteria to determine whether the gift or benefit may be acceptable, such as the amount, the recipient and the type of gift or benefit, and who is competent to approve such gifts or benefits, may vary in different jurisdictions. Consult your Local Compliance Manual or contact the Compliance department for the details of the applicable Rules and Regulations.

## **C. Confidentiality / Inside Information**

### **1. Confidentiality / Need to Know Policy**

*You must maintain confidentiality concerning all information relating to WestLB, its clients or business partners that you acquire, have access to or receive in the course of your employment with WestLB.*

Disclosure may be detrimental to the interests of WestLB, its clients and business partners. To protect confidential information about WestLB, its clients and business partners, you must not disclose information unless:

- the information is provided to an individual who has a legitimate “Need to Know”;
- disclosure is authorised by WestLB and/or a client; or
- disclosure is requested by a regulatory/governmental authority or in connection with a legal proceeding. In these cases you have to obtain the permission of Compliance or the Legal Department before disclosure.

Consult local rules on confidentiality or agreements signed with clients and business partners.

## 2. Inside Information

*If you are in a situation in which you inadvertently receive inside or confidential information you must immediately report such sensitive situations to the Compliance department and you must adhere to the specific notification requirements stated in your Local Compliance Manual.*

*You are strictly prohibited from misusing inside information for own trades or trades for the account or on behalf of other parties. You must also not disclose or make available inside information to a third person without authority to do so. Lastly you must not recommend or otherwise influence a third party, on the basis of your knowledge of inside information, to acquire or dispose of securities or financial instruments.*

The exact definition of “inside information” and its elements vary in different jurisdictions. As a general rule, the term “inside information” includes any information about non-public sensitive matters that might have a material effect on the price of the security or financial instrument if it were to become public knowledge (e.g. if a reasonable investor would be likely to consider the non-public-information in making her/his investment decision). Contact the Compliance department to determine whether or not a specific issue is non-public or material/price-sensitive.

## 3. Treatment of Confidential / Inside Information

*You must take account of and comply with the arrangements put in place by WestLB to manage the flow of information and to prevent any abuse of inside and/or confidential information.*

**Information Barriers (“Chinese Walls”):** A Chinese Wall is an arrangement that controls the flow of information enabling employees on one side of the wall to continue to act without regard to activities (potentially conflicting) on the other side of the Wall. Chinese Walls are established between the business units of WestLB and, where necessary, within the business units. In some cases it might be required to establish ad-hoc Chinese Walls around a particular team or activity. Before establishing new or changing existing Chinese Walls (e.g. by restructuring business units) you must consult the Compliance department.

If you work on the other side of a Chinese Wall you may need to be given access to information (“Need to Know”) held within that Chinese Wall. Consult your Local Compliance Manual for procedures on how to manage this transfer of information.

**Insider List:** The Insider List (formerly known as “Watch List”) is a confidential database kept by Compliance. It contains a list of relevant actual or potential →*Inside Information* and sensitive or potentially sensitive situations as well as the respective securities or financial instruments, companies and employees involved. The Insider List allows Compliance to monitor whether the Chinese Walls work effectively and to detect insider trading at an early stage.

**Restricted List:** The Restricted List is a database available to all employees on the Group Compliance Intranet Site. The Restricted List informs you of restrictions on the types of business activities regarding certain securities or financial instruments and companies. Even though the Restricted List is available within WestLB, its content must be treated with strict confidentiality and must not be released to persons outside of WestLB. You must be aware of the content of the Restricted List and if you deal in securities or financial instruments or give advice with regards to securities or financial instruments you must adhere to the restrictions determined by the Restricted List.

## D. Training and Competence

*You must be competent to fulfil your responsibilities, i.e, you must have the knowledge, skills and understanding necessary to carry out your duties and responsibilities. You must attend and understand the training and education programs applicable to you.*

You must be properly qualified or be supervised by qualified persons before doing business or performing other responsibilities on behalf of WestLB. Examples include client-facing activities such as sales and trading, research, investment banking and fund management. If you engage in cross border activities you may need additional approval. Consult Compliance if you have any questions.

The different regulators expect WestLB to ensure that its employees remain competent to perform their assigned work. The level of competence should be appropriate to the nature of the business and employees’ competence should be regularly reviewed to ensure that competency is maintained. Competency assessments are made by Managers, and should consider whether the employee continues to have the technical knowledge, aptitude and skills to conduct her/his activity, and has kept up with relevant regulatory, product and market changes.

## **E. Communication**

*All your communication on behalf of WestLB has to be fair, clear and not misleading and has to be made in a professional manner. This particularly includes not using inappropriate communication, such as offensive or derogatory statements.*

WestLB's communication covers a variety of written, verbal and electronic material, including publications, advertisements, research, presentations, speeches etc. The following sections describe how to deal with specific kinds of communication.

### **1. Marketing Material**

*You are only allowed to use marketing material that complies with the relevant Rules and Regulations of the jurisdiction in which it is distributed.*

Marketing material in any format is subject to various requirements as it may influence an existing or prospective client to invest in certain WestLB products or to obtain certain WestLB services.

### **2. Research**

*You must comply with all requirements applicable to research reports within the jurisdiction they are produced or disseminated and with WestLB's research policy which lays down requirements for the preparation, content, review and approval process, as well as the publication and distribution of the research. Further, you are not allowed to publish any research unless you are an authorised research analyst, as research may have significant influence on the price of securities and financial instruments, and clients rely on WestLB's research.*

The definition of research varies in the different jurisdictions. In general, research is any information, particularly analysis, constituting a certain recommendation with regard to a security, financial instrument or the issuer of such security or financial instrument. Consult your Local Compliance Manual for the applicable Rules and Regulations.

### **3. Enquiries from the Media**

*You must not make any statement or provide information or documentation to the media, directly or indirectly, which concerns the business, clients or employees of WestLB unless specifically authorised to do so. If you have not been authorised to communicate with the media you must refer any media enquiries immediately to Group Communications.*

If you have been authorised to communicate with the media, your statement must be fair clear and not misleading. Additionally, you are required to adhere to the Group Policy on Communication with the Press and other Media.

#### **4. Contact with regulators**

*When dealing with regulators, your information must be timely, forthright and responsive .*

Before communicating with supervisory authorities consult Compliance, Group Finance or the department responsible pursuant to the local Rules and Regulations.

### **F. Dealing with Clients**

*As a general rule, you must observe the proper standards of integrity, fair dealing and market conduct in all your business activities.*

If you are acting in a client-facing role, specific Rules and Regulations apply to your business activities. These typically include:

#### **1. Know Your Customer**

*Before engaging in business you must understand and know your customer and your customers' business as well as gather and keep current all information that may be relevant for your business relationship with such customer.*

Firstly, this principle serves to protect WestLB from being used for illicit activity, such as money laundering (see also →*Anti-Money-Laundering*). Secondly, by knowing the client you can properly provide financial services to the client. If a client is unwilling to provide WestLB with any requested information, you must contact Compliance before any business is concluded with such client. Consult your Local Compliance Manual for the applicable Rules and Regulations.

#### **2. Market Conduct**

*You are expected to act with due skill, care and diligence and in conformity with local Rules and Regulations, thereby safeguarding, to the extent possible, the clients' best interest at all times.*

These Rules and Regulations may impose prohibitions of and restrictions on sales and trading practices (e.g. market stabilisation, trading at off-market-rates, "front-running", "churning" etc.) and the use of taped telephone lines.

Additionally, there are specific local Rules and Regulations which establish requirements with regard to execution obligations, order handling requirements,

suitability, appropriateness, investment advice, risk disclosure, client classification, etc. These are very business specific and depend on the facts and circumstances applicable to both the specific product and the individual client.

Consult the Compliance department if you have any questions with respect to these Rules and Regulations.

### **3. Fiduciary Duties**

*In situations in which WestLB acts as fiduciary you must solely act in the best interest of the client.*

### **4. Complaints**

*You must report all complaints immediately to the appropriate department.*

### **5. Data Retention**

*You must comply with Rules and Regulations that establish requirements with respect to retention and destruction of WestLB or client data which you create or possess.*

## **G. Joint Product Launch**

*If you and your business unit decide to implement a new or significantly change an existing product or business, you must ensure that Compliance is involved at an early stage in the Joint Product Launch process in order that all compliance risks are properly addressed.*

## **H. Anti-Money-Laundering**

*To prevent WestLB from establishing and maintaining business relationships with inherent legal, regulatory and reputational risks or which constitute criminal offences, you must always follow the applicable Rules and Regulations concerning Anti-Money-Laundering and the acceptance of new customers.*

*You have to observe all details of the specific regulations of WestLB and the relevant provisions of section 15 of the German Anti-Money Laundering Act, which apply to all entities of WestLB, and the local Rules and Regulations.*

Money Laundering is the criminal practice of filtering ill-gotten gains or “dirty” money through a series of transactions, so that the funds are “cleaned” to look like proceeds from legal activities. Money Laundering is driven by criminal activities like

corruption, organised crime, terrorism etc. and conceals the true source, ownership or use of funds. WestLB addresses money laundering and terrorism issues in its Anti-Money-Laundering Group Policy, which states minimum requirements for the prevention of money laundering and terrorism financing. The main principles can be summarized as follows:

### **1. Customer Identification/Know Your Customer's Business**

You have to →*Know Your Customer* and your customer's business, i.e. to ascertain by use of documents the identity of your customer (natural persons, legal entities and - if any - the ultimate beneficial owner) as well as correspondent banks and financial service institutions before (i) concluding a contract that is determined to establish a long-term business relationship (e.g. opening an account), (ii) accepting cash, securities, financial instruments or precious metals if a specific amount or value is exceeded, or (iii) executing any financial transaction. You must comply with additional requirements if the country of the counterpart is placed on the FATF-List of non-cooperative countries.

### **2. Research and Monitoring**

Under specific circumstances you have to do research or certain other monitoring activities in order to get more information about your customer, correspondent bank or financial service institution and to reveal suspicious activities.

### **3. Suspicious Activity Reporting**

You have to immediately report suspicious circumstances and transactions to the designated local Anti-Money-Laundering/Compliance Officer. Any tipping off to the fact that you have informed the designated local Anti-Money-Laundering/Compliance Officer or that an investigation takes place is prohibited.

### **4. Reliability**

You have to meet certain reliability requirements, if you are authorised to settle cash and non-cash financial transactions, if you have direct client contact or if you serve in essential auxiliary functions thereto. Reliability must be reviewed upon commencement of employment and on an ongoing basis during the time of employment. This review has to be documented.

## I. The Compliance Function and Structure

**The Compliance Function:** The main compliance function is to identify, manage and mitigate the risks of legal or regulatory sanctions, financial damage and damage to reputation which may arise as a result of failing to comply with applicable Rules and Regulations.

This includes:

- enhancing and fostering WestLB's compliance culture;
- providing advisory support on applicable Rules and Regulations;
- codifying and communicating compliance principles, standards and procedures in compliance manuals, internal codes of conduct and practice guidelines;
- conducting surveillance and monitoring compliance with the relevant Rules and Regulations;
- providing periodic reporting to senior management on compliance related matters;
- addressing identified deficiencies and concerns relating to the relevant Rules and Regulations;
- co-operating with regulators or other authorities and maintaining the respectful dialogue with such regulators and authorities; and
- providing employees with updates, ongoing training and education on applicable Rules and Regulations.

The Managing Board has empowered Compliance to enforce compliance with the help of the Compliance Principles, the Local Compliance Manuals and other applicable Rules and Regulations and to oversee all business areas accordingly.

**Structure of Compliance:** The Head of Group Compliance is responsible for the overall WestLB Compliance Department, whose internal organisation corresponds with the structure of the overall organisation of WestLB. It is divided into regions and business units, which are headed by the Regional and Business Units Heads. The Regional Heads, who co-ordinate the compliance tasks for the different regions/locations, and the Divisional Head are subordinated to the Head of Group Compliance. For further details consult the relevant WestLB Organisation Manual.