



**Ersel Gestion Internationale S.A.**

**CONFLICTS OF INTEREST POLICY**

**(For Internal Use Only)**

**10.3.2023**

# Internal Procedure

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| <b>Process Owner/writer:</b>     | The Conducting Officer (“CO”) in charge of Procedures – Henri Ninove                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Department(s) impacted:</b>   | All                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Basis material, comments:</b> | <ul style="list-style-type: none"> <li>Version 1 of this Policy dated 18.11.16 was amended into this Version 2 by the CO in charge of Procedures on the 14.7.2017, reviewed by the Compliance Officer, by the 19.7.2017 COC and reported by the Board on the 21.7.2017.</li> <li>Version 2 has been reviewed but no update had to be made. This version 3 is therefore unchanged. The change in numbering from 2 to 3 is there just to indicate that a review has been made.</li> <li>Version 3 has been modified into this version 4 in order to introduce ESG Conflicts of Interest. Changes were made by the CO in charge of Procedures in virtue of his authority to make minor changes that are beneficial to the clients/investors/ the ManCo.</li> </ul> |

| Reviewed by                                                          | Validated by                                    | Date of approval by/ communication to the Board |
|----------------------------------------------------------------------|-------------------------------------------------|-------------------------------------------------|
| - Conducting Officer Committee<br>- Deloitte<br>- Compliance Officer | The CO in charge of Procedures,<br>Henri Ninove | 15.12.2016                                      |
| - Conducting Officer Committee<br>- Compliance Officer, I. Power     | The CO in charge of Procedures,<br>Henri Ninove | 21.7.2017                                       |
| - ExCom<br>- Compliance Officer, P.-Th<br>Aveline de Rosignol        | The CO in charge of Procedures,<br>Henri Ninove | 2.12.2022                                       |
| - ExCom 9.3.2023                                                     | The CO in charge of Procedures,<br>Henri Ninove | 10.3.2023                                       |

### Change Mechanism

- Any requirement for change must be addressed to the Process Owner.
- For documents with draft status, the authors may make changes.
- For documents with controlled status (= signed off by the CO in charge of Procedures), changes must be approved by the latter.

Although this Policy, being very strict, is very stable and does not require frequent changes (as opposed to the Register of Conflicts of Interest which must be frequently updated), **Article 34(5) of Commission Delegated Regulation (EU) 2017/565, Article 31 of Commission Delegated Regulation (EU) No 231/2013 for AIFM and Article 34(5) of Commission Delegated Regulation (EU) 2017/565, Article 20 of CSSF Regulation 10-04 for UCITS requires an annual review by the Conducting Officer in charge of Procedures.**

- As per EGI Procedure for Policies&Procedures set up, the CO in charge of the Procedures may make formal changes alone without further reporting to the ExCom or the Board: formal changes are, for example, correcting typing mistakes, sub dividing a paragraph but also precisising or detailing a definition without altering the sense.
- In order to speed up updates of the procedures, the process owner, in agreement with the ExCom and the CO in charge of the Procedures, may make alone minor changes provided they are beneficial to the clients/investors/ the ManCo.

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### 1. Glossary

**AIFM Law** means the law of 12 July 2013 on Alternative Investment Fund Managers, as amended.

**AIFMD** means Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011.

**Client** means any existing, potential or past, natural, legal person or any investment vehicle to whom EGI provides collective portfolio management and/or discretionary portfolio management.

**CO, Conducting Officer(s)** means the person(s) who effectively conduct the business of EGI

**Conflict of Interest** means the act of pursuing the interests of particular companies or Clients at the expense of the interests of others. A Conflict of Interest can be defined as the situation where competing obligations or motivations entail or are likely to entail a material risk of damage to the interests of one or more Clients as well as a risk of damage to the reputation of the Funds.

**CSSF Regulation 10-4** means the regulation No. 10-4 issued by the CSSF.

**CSSF Circular 12/546** means the circular No. 12/546 issued by the CSSF.

**Delegate** means any entity providing services to EGI.

**EGI, the ManCo, the IFM** means Ersel Gestion Internationale S.A.

**ESG:** Environment / Social / Governance.

**ExCom:** the Executive Committee made of the Cos.

**Fund(s)** means any undertaking for the collective investment in transferable securities (“UCITS”) and/or alternative investment fund (AIF) managed by EGI.

**Group** means the group of which EGI forms a part, consisting of a parent, its subsidiaries and the entities in which the parent or its subsidiaries hold a participation, as well as companies linked by a relationship within the meaning of Article 12(1) of Council Directive 83/349/EEC on consolidated accounts.

**Relevant Person(s)** means a director or member of the management of EGI, employees, as well as any natural person whose services are placed at the disposal and under the control of EGI and who is involved in the provision by EGI of collective and discretionary portfolio management; or a natural person who directly provides such services to EGI under a delegation agreement.

**UCITS Directive** means the Directive No. 2009/65/EC amended by Directive 2014/91/EU.

**2010 Law** means the Luxembourg law of 17 December 2010 relating to UCITS.

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## 2. Purpose and Scope

This Conflicts of Interest Policy (hereinafter referred to as the “**Policy**”) has been prepared by EGI to provide the minimum standards for dealing with actual and potential Conflicts of Interest, as a Management Company authorized under Chapter 15 of the 2010 Law and Alternative Investment Fund Manager authorized under Chapter 2 of the AIFM Law. The Policy applies to EGI and its staff.

The Policy refers to the activities of collective portfolio management carried out by or on behalf of EGI (including activities carried out by a Delegate, sub-Delegate, external valuer or counterparty) and the activities of discretionary portfolio management and investment advice.

The Policy lays down the procedures to be followed and measures to be adopted in order to prevent, manage and monitor Conflicts of Interest.

The Policy aims at:

- identifying circumstances which constitute or may give rise to a Conflict of Interest entailing a material risk of damage to the interests of the Funds or their Clients, taking into account the relationships with other members of the Group
- and taking also account of conflicts of interest affecting Environment /Social / Governance (“ESG”) regulatory and internal requirements,
- establishing appropriate procedures and systems to prevent and manage those conflicts, regarding the nature, scale and complexity of EGI’s business;
- ensuring the maintenance of such procedures and systems in an effort to prevent actual damage to the Client’s interests through conflicts identified; and
- maintaining records of such Conflicts of Interests (including potential Conflicts of Interests).

With the Policy, EGI has:

- established, implemented and maintained decision-making procedures and an organisational structure which specifies clearly and in a documented manner the reporting lines and allocates functions and responsibilities;
- ensured that its Relevant Persons are aware of the procedures which must be followed when performing their work and responsibilities;
- established, implemented and maintained adequate internal control mechanisms designed to secure compliance with decisions and procedures at all levels of EGI;
- established, implemented and maintained effective internal reporting and communication of information at all relevant levels of EGI as well as effective information flows with any third party involved; and
- maintained adequate and orderly records of business and internal organisation.

To ensure that the above is properly implemented, the Policy is monitored by the Compliance Officer. The Policy is made available to all staff members and became effective upon validation from the Conducting Officer in charge of Procedures.

As required by the law and the regulations, this Policy shall be reviewed on an annual basis at least and/or when required by major changes in the organisation, internal governance framework and/or operational processes of EGI.

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### 3. Regulatory Background

#### 3.1. Introduction

The Policy has been drafted and implemented to comply with the general requirements in terms of Conflicts of Interests, as stated in the EU regulations as transposed in the Luxembourg legal framework and within the Luxembourg legal framework. The Policy was also drafted in compliance with applicable UK regulations, considering that EGI has a branch operating in UK.

#### 3.2. EU Regulations

- UCITS Directive (Directive No. 2009/65/EC (“UCITS IV Directive”) amended by Directive 2014/91/EU (“UCITS V Directive”));
- Commission Delegated Regulation (EU) 2016/438 of 17 December 2015;
- The MiFID Directive (Directive 2004/39/EC until 2 January 2017 and Directive 2014/65/EU from 3 January 2017)
- The MiFID Level 2 Directive (Commission Directive No. 2006/73/EC until 2 January 2017 and Commission Delegated Regulation (EU) of 25.4.2016 from 3 January 2017);
- AIFM Level 1 Regulation (EU directive No. 2011/61/EU);
- AIFM Level 2 Regulation (EU regulation 231/2013);
- Commission delegated Regulation (EU) 2016/438

Article 31 of the AIFM L2: “**1. The AIFM shall establish, implement and apply an effective Conflicts of Interests policy. That policy shall be set out in writing and shall be appropriate to the size and organisation of the AIFM and the nature, scale and complexity of its business.**

*Where the AIFM is a member of a group, the policy shall also take into account any circumstances of which the AIFM is or should be aware which may give rise to a Conflict of Interest resulting from the structure and business activities of other members of the group.*

**2. The Conflicts of Interests policy established in accordance with paragraph 1 shall include the following:**

*(a) with reference to the activities carried out by or on behalf of the AIFM, including activities carried out by a delegate, sub- delegate, external valuer or counterparty, **identification of the circumstances which constitute or may give rise to a Conflict of Interest** entailing a material risk of damage to the interests of the AIF or its investors;*

*(b) **procedures to be followed and measures to be adopted in order to prevent, manage and monitor such conflicts.***”

Point (24) of the UCITS IV Directive: “*In order to ensure consistently high levels of investor protection, provisions on conduct and on the management of Conflicts of Interests should be adopted and should apply in all situations, including in the case of a delegation of safekeeping duties. Those rules should in particular ensure a clear separation of tasks and functions between the depositary, the UCITS and the management company or the investment company.*”

Article 25 of the UCITS V Directive :

1. *No company shall act as both management company and depositary.*

2. *No company shall act as both investment company and depositary. In carrying out their respective functions, **the management company and the depositary shall act honestly, fairly, professionally, independently and solely in the interest of the UCITS and the investors of the UCITS.** A depositary shall not carry out activities with regard to the UCITS or the management company on behalf of the UCITS that may*

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*create conflicts of interest between the UCITS, the investors in the UCITS, the management company and itself, unless the depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks, and the potential conflicts of interest are properly identified, managed, monitored and disclosed to the investors of the UCITS.”*

Article 24 of The Commission Delegated Regulation (EU) 2016/438:

*“1. Where a group link exists between them, the management company or the investment company and the depositary shall ensure that:*

*(a) where the management body of the management company and the management body of the depositary are also in charge of the supervisory functions within the respective companies, at least one third of the members or two persons, whichever is lower, on the management body of the management company and on the management body of the depositary shall be independent;*

*(b) where the management body of the management company and the management body of the depositary are not in charge of the supervisory functions within the respective companies, at least one third of the members or two persons, whichever is lower, on the body in charge of the supervisory functions within the management company and within the depositary shall be independent.*

*2. For the purposes of the first paragraph, members of the management body of the management company, members of the management body of the depositary or members of the body in charge of the supervisory functions of the above companies shall be deemed independent as long as they are neither members of the management body or the body in charge of the supervisory functions nor employees of any of the other undertakings between which a group link exists and are free of any business, family or other relationship with the management company or the investment company, the depositary and any other undertaking within the group that gives rise to a conflict of interest such as to impair their judgment.”*

The notion of “**a group link**” must be understood as “*a situation in which two or more undertakings or entities belong to the same group within the meaning of Article 2(11) of Directive 2013/34/EU of the European Parliament and of the Council or international accounting standards adopted in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council*”.

### 3.3. Luxembourg regulations

- 2010 Law;
- AIFM Law;
- Luxembourg law of 5 April 1993;
- Luxembourg law of 13 February 2007;
- Luxembourg law of 13 July 2007;
- Luxembourg Law of 10 May 2016;
- Grand-Ducal Regulation of 13 July 2007;
- CSSF Regulation 10-4; and
- CSSF Circular 12/546.

### 3.4. UK Regulations

- The Financial Services and Markets Act 2000
- FCA Handbook Principle 8 requires the firm to manage conflicts of interest fairly, both between the firm and its clients as well as between one client and another client. Where the

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firm acts as a management company for a fund, this obligation is extended to managing conflicts in such a manner to prevent them from adversely affecting the interests of the fund or its investors and to ensure that the funds managed are fairly treated.

- AIFMR Article 31 and SYSC 10.1 require the management company to take all reasonable steps to identify conflicts of interest between:
  - the management company (including its managers, staff or any person directly or indirectly linked to them by control), and a client; or
  - One client of the management company and another client.
- With respect to funds and their management company, the requirement is extended to identifying conflicts of interest between:
  - the management company and its funds managed or its investors,
  - the management company or its investors and another fund or its investors,
  - the management company or its investors and another client of the management company.

Accordingly, the firm conflicts of interest policy is designed to identify, assess, manage and if appropriate, disclose all potential and actual conflicts of interest in the Firm's business.

### 4. Identification and classification of Conflicts of Interest

A Conflict of Interest is likely to arise if EGI, a Relevant Person or a parent of the latter or a person directly or indirectly linked to EGI by way of control finds itself in one or more of the following situations, whether as a result of providing services or otherwise:

- EGI or that person is likely to make a financial gain, or avoid a financial loss, at the expense of the Fund or its Clients;
- EGI or that person has an interest in the outcome of a service or an activity provided to the Fund or its Clients or to a Client or of a transaction carried out on behalf of the Fund or a Client, which is distinct from the Fund's interest in that outcome;
- EGI or that person has a financial or other incentive to favour:
  - the interest of a Fund of a different type, a Client or group of Clients or another Fund over the interest of the Fund,
  - the interest of one Client over the interest of another Client or group of Clients in the same Fund;
- EGI or that person carries out the same activities for the Fund as for one or several Funds or Clients which are or are not of the same type;
- EGI or that person receives or will receive from a person other than the Fund or its Clients an inducement in relation to the collective portfolio management activities provided to the Fund, in the form of monies, goods or services, other than the acceptable commission or fee for that service.

EGI must ensure that systems, controls and procedures are adequate to identify, prevent, manage and disclose Conflicts of Interest that may arise in the course of its business activities:

- between EGI, including its Conducting Officers, Employees or any person directly or indirectly linked to the EGI itself by control, and the Fund managed by EGI or the Clients in that Fund or any Client;



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- between the Fund or the Clients in that Fund, and another Fund or the Clients in that Fund;
- between the Fund or the Clients in that Fund, and another Client of EGI;
- between 2 Funds;
- between a Delegate and EGI or the Client in the Fund; and
- 2 Clients.

A Conflict of Interest may arise in a variety of situations. Some of the areas of concern could include, but are not limited to:

- **personal account dealing:** a Relevant Person may engage in business and trading activities for its own account whilst the Fund investments are active in the relevant markets at the same time;
- **provision of professional advice** by a Relevant Person (which provide advice that may be in favour of its own interest, should it otherwise have personal interest in such investment decision);
- **inducements / gifts / entertainment:** a Relevant Person may receive or provide substantial gifts or entertainment (including non-monetary inducements) that may influence its behaviour in a way that conflicts with the interests of the Fund and/or Clients;
- **Remuneration Policy / Performance Related Fees:** particularly the discretionary portfolio management for more than one Client or Fund with different fee structures may exist for Client portfolios and may potentially affect incentive for allocation (e.g. performance related fees and fixed annual management charges);
- **Potential misuse of information;** and
- **Outside business activities of Relevant Persons.**

The Conflicts of Interests Register or Map (hereafter “the Register” or “the Map”) will record any identified Conflict of Interest and describe the measures taken to mitigate it.

## 5. Review of potential Conflict of Interest situations and mitigations

### 5.1. Introduction

EGI has segregated, within its own operating environment, tasks and responsibilities which may be regarded as incompatible with each other or which may potentially generate systematic Conflicts of Interest. EGI continuously assesses whether its operating conditions may involve any other material Conflicts of Interest.

Therefore EGI takes at all times all reasonable steps to avoid Conflicts of Interest and, when they cannot be avoided, EGI identifies, manages and monitors and, where applicable, discloses such conflicts in order to prevent them from adversely affecting the interests of the Funds and their Clients, and to ensure that the Funds it manage are fairly treated.

The main circumstances where EGI may face potential Conflicts of Interested are reviewed below.

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For each of them,

- an overview of potential Conflicts of Interest is given and
- the mitigation measures taken by EGI for such cases are described.

## 5.2. Governing bodies

### 5.2.1. EGI board of directors (“the Board”)

#### **a. Potential cases of Conflict of Interest**

##### *Directors exercising functions in the ManCo and with service providers / competitors*

A potential Conflict of Interest exists when a director of the ManCo exercises also a function within the Group, a service provider or a competitor of the ManCo and may therefore favour the provider in its relationship with the ManCo.

In addition, EGI assures that a majority of Board members are independent from the Group or from service providers or competitors of EGI.

##### *Directors with several mandates*

Directors with several directorship mandates may allocate insufficient time to one company while dedicating more to other mandates.

##### *Directors exercising functions in the ManCo and in other companies of the Group*

The potential Conflicts of Interest described above may also arise if a director of the ManCo exercises other functions, in particular other directorships, in other companies of the Group or if a director / officer of the ManCo exercises a directorship with another fund managed by the ManCo.

#### **b. Mitigation measures**

##### *Directors exercising functions with service providers*

In line with Article 25 of the UCITS V Directive and Article 24 of the Commission Delegated Regulation (EU) 2016/438, EGI does not nominate as directors persons exercising a function within its depositary, fund administrator or delegated investment managers (this rule does not apply to persons from mother / sister companies but the rule of a majority of independent directors stated below must apply).

##### *Directors with several mandates*

EGI requires its directors that they dedicate sufficient time and attention to their duties within EGI. Consequently, each director ensures that he limits the number of other professional engagements, in particular mandates held in other companies, to the extent necessary in order to perform his tasks correctly.

Directors must communicate to EGI (Conducting Officer responsible for Human Resources and Compliance Officer) their other directorship mandates and functions.

##### *Directors exercising functions in the ManCo and in other companies of the Group*

In line with § 4 of its **Conduct Charter**, EGI assures that the majority of its Board is made of **independent** directors, e.g. not related to the Group. The same applies to the Sicavs managed by EGI.

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*Directors who are also Conducting Officers of EGI:* EGI assures that EGI Conducting Officers remain a minority within the Board.

### 5.2.2. EGI conducting officers (“Conducting Officers”)

#### **a. Potential cases of Conflict of Interest**

##### *Conducting Officers with several functions within the company*

In management companies with limited staff, it may occur that a Conducting Officer exercises several functions that may involve Conflict of Interest. For example

- if an Officer is involved in the management company operations such as portfolio management and exercises at the same time a statutory control function (Internal Auditor, Compliance Officer, Risk Manager) or another control function such as cost control
- or if he exercises 2 control functions:).

##### *Conducting Officer with functions outside the company*

This case refers to functions exercised by a Conducting Officer with unrelated companies or with another company of the same group which may detach one of its staff on a part time or full time basis to exercise a function with EGI.

#### **b. Mitigation measures**

##### *Conducting Officers with several functions within the company*

Each Conducting Officer is assigned specific areas of responsibility and this split of tasks is organized so as to avoid Conflicts of Interest. Thus, the functions of risk-taking and the independent control of these same risks are not assigned to the same Conducting Officer. Where full segregation is not possible given the limited staff of EGI, specific measures are taken to avoid Conflicts of Interest. For example, the Head of the Luxembourg Office is a member of the Investment Committee and is also EGI Risk Manager. However EGI has ruled that he does not participate to investment decisions and may only oppose a decision if he judges that it involves an inadequate risk.

##### *Conducting Officer with functions outside the company*

EGI may employ part time Conducting Officers but it does **not** have recourse to service providers for external Conducting Officers with multiple mandates.

EGI may resort to Conducting Officers or other senior staff detached from mother / sister companies provided that an agreement exists that precisely defines their rights and duties and, as the case may be, to whom they are reporting (i.e. the Board of Directors of EGI, any organizational unit existing at group level to which EGI belongs and with which a functional link exists, etc.).

An EGI Conducting Officer may exercise a function with an unrelated company. In this case, he informs the Board before accepting the position. The Board will verify that such function does not imply a conflict of interest nor prevent the Officer to continue to exercise properly his work with EGI.

The principle of independence of EGI from the depositary prevents a Conducting Officer from being employed by the depositary of a Fund which EGI manages.

### 5.2.3. Management information

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EGI maintains an adequate and orderly record of its activities and its internal organisation. To this end, EGI puts in place "management information" permitting the follow-up of its operations and that of its Delegates.

The management information covers, amongst others, the incidents linked to the activity of collective management like situations giving rise to Conflicts of Interest.

This management information covers the results of controls carried out on the activities of Delegates, the analyses in the area of risk management, the incidents linked to the activity of collective management (significant and non-significant NAV errors, breaches of limits, valuation problems, problems of reconciliation, situations giving rise to Conflicts of Interests and to other problems), execution policy, complaints minutes of previous meeting, etc.

As the management information must also provide information about the controls made on the delegated activities, EGI ensures that it receives from the Delegates all necessary information in order to perform an efficient control of this Delegate.

Finally, EGI ensures that this management information is available in Luxembourg and preferably kept in a central database accessible at any time in Luxembourg.

## **5.3. Statutory Control Functions**

### 5.3.1. Independence of statutory control functions between each other

#### **a. Potential cases of Conflict of Interest**

The internal control system of a management company relies on the independence between each of the Statutory Control Functions (Audit, Internal Audit, Compliance, Risk Management). If that principle is not respected and if 2 control functions are exercised by one person or one firm (in case of delegation of a control function to a third party firm), the principle of dual control is not ensured.

The Internal Audit, Compliance and Risk Management functions may be delegated either to a third party (person / firm) or to Group Internal Auditor, Compliance or Risk Manager. At the date of this Policy, only the Internal Audit has been delegated to a third party firm and no control function is delegated to the Group.

#### **b. Mitigation measures**

- The Compliance and Internal Audit functions cannot be performed concurrently by the same person within EGI.
- Similarly, where the Compliance and Internal Audit functions are delegated, the monitoring of these functions cannot be carried out by the same person within EGI.
- If Statutory Control Functions are delegated, they must be delegated to different persons / firms. In particular, the Internal Auditor may not belong to the same firm as the external Auditor. If Compliance or Risk Management were to be delegated, they should be to different persons / firms who would also be different from the Internal Auditor or external Auditor.
- This would not apply if 2 control functions would be delegated to Group control functions as the Group assures their respective independence.

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### 5.3.2. The compliance function

#### **a. Potential cases of Conflict of Interest**

A Conflict of Interest may arise when the Compliance Officer is not independent and is subordinated or associated with one of the other functions he is supposed to control or when the Compliance Officer exercises other functions which he is supposed to control himself as Compliance Officer.

#### **b. Mitigation measures**

In EGI, the Compliance Officer operates independently and in compliance with the separation of tasks in order to identify any risk of non-compliance of EGI with applicable laws and regulations.

In order to enable the Compliance Officer to perform its responsibilities properly and independently, EGI ensures that:

- the Compliance Officer has the necessary authority, resources, expertise and access to all relevant information;
- the Compliance Officer is responsible for reporting on a regular basis, and at least annually, to the Conducting Officers and the Board on matters of compliance, indicating in particular whether appropriate remedial measures have been taken in the event of deficiencies;
- the Compliance Officer is not involved in any service he monitors; and
- the method of determining the remuneration of the Compliance Officer, of the Conducting Officer in charge of the compliance function and of other persons involved in the compliance function does not affect their objectivity (see *EGI Remuneration Policy*).

### 5.3.3. The Internal Audit function

#### **a. Potential cases of Conflict of Interest**

A Conflict of Interest may arise when the Internal Audit function (the “Internal Auditor”) is not independent and is subordinated or associated with one of the other functions it is supposed to control or when the Internal Auditor exercises a function which he is supposed to control himself as Internal Auditor.

#### **b. Mitigation measures**

The Internal Auditor operates independently and in compliance with the separation of tasks in order to identify any potential risk that may affect EGI.

The function of Internal Auditor cannot be exercised by a member of the Board of Directors or by the external auditor or any other firm person exercising a Statutory Control function.

The measures described in 5.3.2. above to assure the independence of the Compliance Officer are also applicable to the Internal Auditor.

### 5.3.4. The Risk Management function

#### **a. Potential cases of Conflict of Interest**

A Conflict of Interest may arise when the Risk Management function (“the Risk Manager”) is not independent and is subordinated or associated with one of the other functions it is supposed to control or when the Risk Manager exercises a function which he is supposed to control himself as Risk Manager.

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### **b. Mitigation measures**

EGI has a permanent risk management function. This function is hierarchically and functionally independent from operating units, including the portfolio management function. EGI ensure that the following conditions are satisfied at all time:

- the Risk Manager is not supervised by those responsible for the performance of the operating units, including the portfolio management function, of EGI;
- the Risk Manager is not engaged in the performance of activities within the operating units, including the portfolio management function;
- the Risk Manager is compensated in accordance with the achievement of the objectives linked to that function, independently of the performance of the operating units, including the portfolio management function;
- if the Risk Manager has a role in the portfolio management function, due to limited size of EGI and the need for one staff to exercise several functions, the Risk Manager will abstain from taking part in portfolio management decisions except to oppose a decision if he deems it inadequate on a risk viewpoint.
- decisions are taken by the Risk Manager in coordination with the Risk Management Committee and are based on reliable data, which are subject to an appropriate degree of control by the risk management function;
- the Risk Manager is subject to an appropriate independent review to ensure that decisions are being arrived at independently;
- the performance of the Risk Manager is reviewed regularly by the Internal Audit function.

## **5.4. Employees (“Staff”)**

### 5.4.1. Proper, transparent and ethical behaviour

#### **a. Potential cases of Conflict of Interest**

Conflicts of Interest may arise from inappropriate, unprofessional, opaque behaviour.

#### **b. Mitigation measures**

EGI asks all staff members to sign a *Code of Conduct*. It provides for sanctions in case of a breach to the Code of Conduct and the sanction may be the dismissal of the staff. In addition, EGI has designed a set of procedures which are described in the paragraphs below, which minimize opportunities of Conflicts of Interest and assure that its staff always behaves in a proper, professional and transparent way with a focus on the Clients’ interest.

### 5.4.2. Multiple functions

#### **a. Potential cases of Conflict of Interest**

##### *Staff with several functions within the company*

In a management company with limited staff, it may occur that an employee exercises several functions or is member of several committees. A Staff exercising several functions is allowed by point 6.3 of the CSSF Regulation 10-4. However such situation may lead to a Conflict of Interest if the employee favours one function at the expense of another or takes a position in a committee that

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favours another function of which he is a member (for example a portfolio manager is in the Risk Management Committee or in the Pricing Committee).

*Staff with functions outside the company*

This case refers to functions with unrelated companies or with another company of the same group which detach one of its staff on a part time or full time basis.

**b. Mitigation measures**

*Staff with several functions within the company*

The exercise of multiple functions does not necessarily prevent the relevant employees from performing these functions soundly, honestly and professionally.

*EGI Operating Processes Manual, §I.2.5.*, assures that members of Committees are chosen as to avoid conflicts of interest: for example a portfolio manager may not be a member of the Risk Management Committee or in the Pricing Committee.

Where full segregation is not possible given the limited staff of EGI, specific measures are taken to avoid conflicts of interest. In particular, the member of the Committee who is subject to a potential conflict of interest must abstain from participating to a decision.

In any case it is the responsibility of the Heads of the Luxembourg and London offices to coordinate work and to assure that the staff organizes his time and work in a matter that is not detrimental to one of his functions.

Also, the Heads of the Luxembourg and London offices organize work in their offices in such a way that long term absences or resignations of staff do disrupt the good functioning of EGI (by assuring that each staff has a fully informed back up).

*Staff with functions outside the company*

In principle, employees are employed by EGI. By exception, some staff may be either on secondment (“detachment”) or made available by a company belonging to the same group or by a non-affiliated company. In this case, the contract governing this secondment or availability stipulates rules concerning the management of Conflicts of Interest between the employee and EGI.

5.4.3. Personal transactions

**a. Potential cases of Conflict of Interest**

Personal transactions may contrast the interest of EGI, its Funds and its Clients.

**b. Mitigation measures**

EGI has established a specific policy, the “*Personal Transaction policy*” aiming at preventing staff members from:

- entering into a personal transaction which fulfils at least one of the following criteria:
  - i) the law of 9 May 2006 on market abuse prohibits this person from entering into that personal transaction;
  - ii) it involves the misuse or improper disclosure of confidential information;
  - iii) it conflicts or is likely to conflict with an obligation of EGI under the AIFM Law;



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- advising or procuring, other than in the proper course of his employment or contract for services, any other person to enter into a transaction in financial instruments or other assets which, if a personal transaction of the relevant person, would be covered by the point above (a) or by the article 28, paragraph (2), points a) or b) of the Grand-Ducal Regulation of 13 July 2007 relating to organisational requirements and rules of conduct in the financial sector, or would otherwise constitute a misuse of information relating to pending orders; and
- disclosing, other than in the normal course of his employment or contract for services and without prejudice to the article 9, sub-paragraph one of the law of 9 May 2006 on market abuse, any information or opinion to any other person if the Relevant Person knows, or reasonably ought to know, that as a result of that disclosure that other person will or would be likely to take either of the following steps:
  - i) to enter into a transaction in financial instruments or other assets which, where a personal transaction of the relevant person would be covered by the point (a) above, or would otherwise constitute a misuse of information relating to pending orders; and
  - ii) to advise or procure another person to enter into such a transaction.

In addition, EGI has sound administrative and accounting procedures control and safeguard arrangements for electronic data processing and adequate internal control mechanisms including rules for personal transaction by the employees or for the management of investments in financial instruments in order to invest on its own account, in accordance with the 2010 Law.

In any case of a personal transaction, ***EGI Personal Transaction policy*** shall ensure that the Compliance Officer is informed promptly of such transaction entered into by a Relevant Person.

In addition, a record of personal transactions notified to the Compliance Officer shall be kept at the EGI registered office.

#### 5.4.4. Inducements and gifts

##### **a. Potential cases of Conflict of Interest**

Giving and receiving of gifts or inducements may lead to potential Conflicts of Interest. To avoid such situations, EGI has adopted certain measures to evaluate the acceptability of inducements in relation to investment management and administration to the Funds. Usual cases may be as follows:

- payment or receipt of inducement fees by the ManCo is a typical case.
- Gifts offered to staff are another one.

##### **b. Acceptable fees**

EGI pays / receive fees which are necessary for the management and custody of the Funds. In particular, EGI receives management / performance fees from the funds it manages and it pays fees to delegated investment managers, custodian, fund administrator, brokers... **These fees cannot be qualified as inducement fees.**

Acceptable fees are precisely described in Funds prospectuses when charged to the Funds and the insertion of a fee in the list of fees payable by the Fund is only made after consultation with EGI lawyers.

Any fee receivable or payable by EGI in respect of the funds derives only from written duly signed contracts with the counterpart.



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### c. Mitigation measures

#### *ManCo inducements*

- EGI has also an *Anti Bribery Procedure*.
- EGI may make gifts to clients below EUR 150 and procure them entertainment in as far as they are usual business practice, such as an invitation to a business lunch.

#### *Personal gifts to staff*

EGI asks its staff to sign *EGI Code of Conduct*.

Also, staff is prohibited to receive gifts or entertainment from service providers or would be service providers unless:

- the value of the gift is below EUR 150;
- it is an invitation to a business lunch or dinner, where business matters are discussed, or an invitation to a seminar or conference as these are purely professional activities,
- the entertainment is usual business practice: concert and sport event or any type of usual event.

A gift above EUR 150 must be donated or returned if feasible (to be discussed with the supervisor and the Compliance Officer in any case).

#### *Gift Register*

Given the strict limits on gifts received / given, a gift register may not be needed in theory. However, it is market practice with ManCos and more generally with financial institutions to maintain one.

Therefore, also for transparency reason and for the avoidance of doubt, EGI keeps a register where all gifts are recorded (e.g. also authorised gifts) except

- gifts worth less than 20 eur,
- business lunch and dinners and seminars and conference even if followed by some sort of cocktail.

The Compliance Officer will review the gift register which is updated at the end of every year.

### 5.4.5. Rules on remuneration

#### **a. Potential cases of Conflict of Interest**

The usual case of Conflict of Interest is when an investment manager wants to maximize his variable remuneration – even by taking undue risk - in the case it is exclusively related to the short term performance of the fund while the interest of a fund is to be managed with a prudent risk approach

#### **b. Mitigation measures**

EGI has implemented a *Remuneration Policy* which complies with the applicable legislation and with the following principles in a way and to the extent that is appropriate to its size, internal organization and the nature, scope and complexity of its activities:

- the Remuneration Policy is consistent with and promotes sound and effective risk management and does not encourage risk taking which is inconsistent with the risk profiles, rules or instruments of incorporation of the Funds;

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- the Remuneration Policy is in line with the business strategy, objectives, values and interests of EGI and the Funds and of the Clients in such Funds, and includes measures to avoid Conflicts of Interest.

EGI provides general information relating to the financial and non-financial criteria of the remuneration policies and practices for relevant categories of staff to enable Clients to assess incentives. In accordance with applicable regulations, EGI discloses at least the information necessary to provide an understanding of the risk profile of the Funds and the measures it adopts to avoid or manage Conflicts of Interest.

### 5.5. Fund management

#### 5.5.1. Redemptions / Subscriptions / valuations

##### **a. Potential cases of Conflict of Interest**

Conflicts of Interest may arise between investors wishing to redeem their investments and investors wishing to maintain their investments in the Fund if the timing of the redemptions / subscriptions process favors entrants or exiting investors or if the net asset value (“NAV”) price is not correct and favors entrants or exiting investors.

##### **b. Mitigation measures**

###### *Proper Investor information*

Funds prospectuses regulate precisely subscription and redemption processes as to avoid favoring subscribers or sellers and this is monitored by EGI.

###### *Proper valuation processes*

EGI ensures that, for each Fund, appropriate and consistent policies are established so that,

- at all time the valuation is performed impartially and with all due skill, care and diligence;
- a proper valuation is performed in accordance with the AIFM Law, other regulations and the Funds rules.

###### *Responsibility*

EGI is responsible for the proper valuation of the Fund assets, the calculation and publication of the NAV. EGI duty towards the Fund and its investors is therefore not affected by the fact that EGI outsources whole or part of the valuation function.

###### *Proper procedures*

In addition, EGI has proper valuation procedures:

- firstly EGI agrees with its Fund Administrator on a precise **Pricing Policy**;
- secondly EGI has its own internal procedure (in the Operating Manual) which provides for
  - a Pricing Committee,
  - a continuous monitoring of the valuation,
  - the internal valuation function to be independent from the portfolio management.

#### 5.5.2. Voting rights

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**a. Potential cases of Conflict of Interest**

Conflicts of Interest may arise between the management company of a fund and the fund itself, if the ManCo uses the voting rights deriving from a security in a fund for the benefit of its own strategy or of another fund.

**b. Mitigation measures**

- EGI has a *Voting Right Policy* and a *Voting Right Procedure* which, among others, determines when and how voting rights held in Funds are exercised to the exclusive benefit of the Funds and of their Investors.
- In respect to Funds managed by delegated investment managers, verifying that they have a proper voting right policy is a check point in EGI due diligence on delegated investment managers.

The aims of EGI voting right policy and the aims of the policies of any EGI delegated investment manager must be to determine measures and processes for:

- monitoring relevant corporate actions;
- ensuring that the exercise of voting rights is in accordance with the investment objectives and policy of the relevant Funds; and
- preventing or managing any Conflicts of Interest arising from the exercise of voting rights.

A summary description of the strategies and details of the actions taken on the basis of those strategies is made available to the Clients free of charge upon request.

5.5.3. Management companies having different funds and business lines

**a. Potential cases of Conflict of Interest**

A management company may have different business lines like fund management and individual wealth management or may be a management company of different funds. Conflicts of Interest may arise between 2 funds or between 2 business lines.

**b. Mitigation measures**

- EGI has approved a *Group Target Fund Selection Policy* which ensures that EGI Funds or individual Clients portfolios may invest in target funds promoted by Ersel Group only if Ersel Group Funds have passed quantitative tests that evidence that they are competitive versus third party funds on the market (not applicable to absolute return and flexible Funds as these have no peer neither benchmark).
- Fund prospectuses provide (except for Value SIF Allocation) that EGI may not collect management fees on the portion of the Fund portfolio which is invested in target funds promoted by Ersel Group.
- *EGI Investment Policy* provides, as a guideline, that EGI should not invest more than 50% of the Funds / Portfolios it manages in Ersel Group Funds unless the Portfolio Manager judges that it is in the best interest of the Investors to increase the share of Ersel Group Funds beyond 50% or unless the prospectus of the EGI Funds states that the Fund may invest in Ersel Group Funds without limit.

5.5.4. Trade execution

**a. Potential cases of Conflict of Interest**

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A management company usually has different counterparts for trade execution and its interest in the choice of a counterpart may not always match the Fund interest of having the lowest priced counterpart for the same quality of service.

It is noted the following :

- the management of several Funds is delegated to external investment managers that perform their trade execution applying their Best Execution policies and procedures.
- Funds managed directly by EGI are funds of funds, where the trade execution and best execution concept is not applicable. As a side consideration, moreover, it is noted that EGI has in place an Operational Support Agreement with its sister company, Ersel Asset Management SGR (“EAM”) which provides that the practical execution of EGI transactions is implemented by EAM.
- For individual wealth management, EGI does not execute trades, as it transmits all the transactions to the custodian bank where the assets of the clients are deposited. The custodian bank that is typically a first tier bank will apply its own Best Execution policy in executing the orders.

However, EGI is responsible for external managers and trade executors executing trades in the best interest of the Funds. *EGI DD Internal Operating Procedure* provides for EGI to monitor external managers and trade executors also in this respect.

### **b. Mitigation measures**

- EGI has any way a *Best Execution Policy* and *Procedure* in case it resolves to pass orders directly with counterparts.
- This Policy provides that best execution by providers external managers and trade executors must be monitored.
- EGI has also a *Cross Order Procedure*.
- *EGI DD internal Operating Procedure* assures that the DD verifies that external managers and trade executors have a best execution policy in line with EGI standards.

### 5.5.5. Parties related to EGI as counterparts for transactions

#### **a. Potential cases of Conflict of Interest**

##### *General consideration on this potential CofI*

This potential CofI is a specific case of the more general case in § 5.5.4. above as it concerns only EGI related parties (parent and sister companies).

This potential CofI does not concern quoted transactions. By definition quoted transactions are passed on exchanges and are executed at market price without the related party being able to sell at a higher price than the market price. The only residual risk is that the related party bills a higher brokerage fee than the fee a third party broker would take.

In respect of transactions where the related party is the counterpart (e.g. the counterparts purchases / sells a security in its own name – and then re sell / re purchase the security at its discretion), they may not be at the most competitive prices.

##### *EGI specific situation*

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- Currently Ersel SpA may handle transactions on securities for both Leadersel and Globersel Broncu (the book managed by EGI) but in such case, Ersel SpA only acts as an intermediary **and not as a counterpart**:
    - for listed stocks, Ersel SpA passes orders through a brokerage house.
    - For bonds OTC, Ersel SpA passes through platforms (such as EMSX or TSOX of Bloomberg) and picks the best bid / offer.
  - Ersel Spa takes a 5 bps intermediary fee which is lower than market practise (10 bps).
  - Ersel SpA acts as a counterpart only for forward FX transactions for Leadersel and for the hedging of the FX risk of Global Equity e US Equity .
- b. Mitigation measures**
- EGI CO in charge of the Investment Function verifies occasionally that Ersel SpA brokerage fees remain at the agreed cost of 5 bps.
  - Each DIM verifies regularly that the forward FX transactions executed with Ersel SpA are made at the best market prices as, in order to keep EGI as a client, the DIM is motivated to evidence the best performance for the fund it manages and the portfolio managers working for the DIMs or for EGI are motivated as well because their variable remuneration depends at least partially on the performance of the portfolio they manage.

## 5.6. Environment / Social / Governance

### 5.6.1. Maximising portfolio performance in view of higher management / performance fees.

**a. Potential cases of Conflict of Interest**

The Funds/DWM portfolios managed by the IFM do not invest in ESG Sustainable economic activities due to the perceived higher returns from non-sustainable investments which may generate higher fees for the ManCo.

**b. Mitigation measures**

The Compliance and Risk Management functions that verify the compliance of Fund/portfolio management with ESG requirements is independent from the Investment Function. While EGI Compliance and Risk Management functions are reporting to a CO who is a member of the General Management (ExCom), they have the right to address directly to the Board in case of need. On the other hand, certain ESG controls have been delegated to the Group RM Unit which is obviously completely independent from all power levels in EGI.

### 5.6.2. Maximising portfolio performance in view of higher bonuses

**a. Potential cases of Conflict of Interest**

The Funds/DWM portfolios managed by the IFM do not invest in ESG Sustainable economic activities due to the perceived higher returns from non-sustainable investments which may generate a higher bonus for the portfolio manager

**b. Mitigation measures**

The Remuneration Policy has been adapted in order for portfolio managers bonuses to also depend on

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their care for ESG factors where bonuses are also depending on ESG

### 5.7. Depositary and prime brokers

#### 5.7.1. Depositary

##### **a. Potential cases of Conflict of Interest**

Association of several basic roles in respect to fund management and fund administration may cause the interest of the Funds not to be protected as much as it should.

##### **b. Mitigation measures**

###### *Separation of roles*

In order to avoid Conflicts of Interest between the depositary, EGI, the Funds and/or their Clients:

- EGI does not act as depositary; and
- a prime broker acting as counterparty to a Fund does not act as depositary for that Fund, unless it has functionally and hierarchically separated the performance of its depositary functions from its tasks as prime broker and the potential Conflicts of Interest are properly identified, managed, monitored and disclosed to the Clients of the Fund. Delegation by the depositary to such prime broker of its custody tasks is allowed if the relevant conditions are met.

###### *ManCo, Depositary duties*

- In the context of their respective roles, EGI and the depositary act honestly, fairly, professionally, independently and in the interest of the Funds and their Clients.
- The depositary shall not carry out activities with regard to the Fund or EGI on behalf of the Funds that may create Conflicts of Interest between the Fund, the Clients in the Fund, EGI and itself, unless the depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks, and the potential Conflicts of Interests are properly identified, managed, monitored and disclosed to the Clients.
- The assets entrusted to the depositary of the Funds for safekeeping are not reused by the Depositary without the prior consent of the Funds or EGI acting on behalf of the Funds.

#### 5.7.2. Prime broker

In accordance with the AIFM Law, where EGI on behalf of a Fund uses the services of a prime broker, the terms shall be set out in a written contract. In particular, any possibility of transfer and reuse of Fund assets shall be provided for in that contract and shall comply with the Fund rules or instruments of incorporation. The contract shall provide that the depositary be informed of the contract.

EGI exercises due skill, care and diligence in the selection and appointment of prime brokers with whom a contract is to be concluded.

### 5.8. Discretionary portfolio management activity

#### 5.8.1. Management companies Co having different business lines, trade execution

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What was said above in 5.5.3. and 5.5.4. is also applicable in the case of discretionary management and EGI *Investment Policy*, *Best execution Policy* and *Procedure* and *Cross Order Procedure*. apply to both fund management and discretionary management.

### 5.8.2. Conflicting interests between Clients and/or Funds

#### **a. Potential cases of Conflict of Interest**

EGI performs portfolio management for more than one Client or Fund and different fee structures may exist for Funds and Client portfolios (e.g. performance fees and fixed annual management fees), which may potentially generate incentive for allocation distortion.

#### **b. Mitigation measures**

- EGI ensures a fair allocation of investment opportunities to all Clients / Funds.
- When executing Client / Funds transactions, EGI executes orders in due turn but may combine orders where this is believed to be in the best interest of the Clients/ Funds as a whole.
- In addition, EGI may, from time to time, where permitted by mandate, sell an investment from one Client / Fund to another.
- As mentioned above, EGI has a *Cross Order Procedure*.
- EGI has also a *Treating Customers Fairly Procedure*.

### 5.8.3. Other Client protection measures

#### **a. Conduct of business rules when providing investment services to Clients**

According to Art. 37-3(7) of the law of 5 April 1993, EGI shall establish a record that includes the documents agreed between EGI and the Clients, that set out the rights and obligations of the parties and the other terms on which EGI will provide services to the Clients. The rights and duties of the parties to the contract may be incorporated by reference to other documents or legal texts. This record shall be retained for a period of at least five years.

#### **b. Reporting obligations to Clients in respect of portfolio management**

As per Art. 48 of the Grand-Ducal Regulation of 13 July 2007, EGI shall provide to Clients periodic reports on a durable medium regarding portfolio management activities carried out on behalf of Clients including, among others, the services provided to Clients by EGI, and the costs associated with the transactions and services undertaken on behalf of the Clients.

## 6. Delegations

The Compliance Officer assesses whether a proposed delegation conflicts with the interests of EGI, of the Funds it manages and/or of one of its Clients. This does not necessarily prohibit a delegation but the Compliance Officer verifies that measures protecting the interests of EGI and the Clients have been set up.

No delegation of portfolio management or risk management shall be conferred to the depositary or to a delegate of the depositary or to any other entity whose interests may conflict with those of EGI or



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the Clients of the Funds, unless such entity has functionally and hierarchically separated the performance of its portfolio management or risk management tasks from its other potentially conflicting tasks, and the potential Conflicts of Interest are properly identified, managed, monitored and disclosed to the Clients of the Funds.

Where authorised, the relevant delegate reviews the services provided by each sub-delegate on an ongoing basis.

Where the sub-delegate further delegates any of the functions delegated to it, the conditions set out above apply mutatis mutandis.

The criteria to assess whether a delegation conflicts with the interests of EGI, one of its Funds or a Client shall at least include:

- where EGI and the delegate are members of the same group or have any other contractual relationship, the extent to which the delegate controls EGI or has the ability to influence its actions;
- where the delegate and an investor in a Funds are members of the same group or have any other contractual relationship, the extent to which this investor controls the delegate or has the ability to influence its actions;
- the likelihood that the delegate makes a financial gain or avoids a financial loss, at the expense of the Funds or the Clients;
- the likelihood that the delegate has an interest in the outcome of a service provided to EGI or the Funds;
- the likelihood that the delegate has a financial or other incentive to favor the interest of a Client over the interests of the Funds or of other Clients; and
- the likelihood that the delegate receives or will receive from a person other than EGI an inducement in relation to fund management provided to EGI and its Funds in the form of money, goods or services other than the standard commission or fee for that service.

This does not prohibit the delegation of the portfolio management function to a company belonging to the same group as the depositary. In this event, the CSSF will only authorize the delegation if it has proof that measures protecting the interests of EGI and the Clients have been set up.

## **7. Monitoring Conflicts of Interests – recordkeeping**

EGI maintains a Register or Map in the form of *Appendix 1*, which shall document actual Conflicts of Interest, as well as a description of the measures taken to solve them and the evidence of its disclosure, if any.

The Register is saved in a dedicated folder and its access is restricted to the Compliance Officer and the COC.

The Register or Map is maintained by the Compliance Officer. This register shall be updated regularly and at least on an annual basis. The Conducting Officers shall receive on a frequent basis, and at least annually, written reports on identified Conflicts of Interest. Management and resolution of Conflicts



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of Interest together with the updated Register are submitted at least on an annual basis to the Board of Directors.

## 8. Escalation and disclosure

### 8.1. Disclosure of Conflicts of Interest – general principles

EGI segregates, within its own operating environment, tasks and responsibilities which may be regarded as incompatible with each other or which may potentially generate systematic Conflicts of Interest. Where EGI assesses whether its operating conditions may involve any other material Conflicts of Interest, it discloses them to the Clients of the Funds.

EGI clearly discloses the general nature or sources of Conflicts of Interest to the Clients by means of appropriate communications and provide the reasons for its decision, before undertaking business on their behalf, and developing appropriate policies and procedures.

Where information is disclosed by means of a website and is not addressed personally to the Client, the following conditions are satisfied:

- the Client has been notified of the address of the website, and the place on the website where the information may be accessed;
- the information is up to date; and
- the information is accessible continuously by means of that website for such period of time as the Client may reasonably need to inspect it.

### 8.2. Disclosure in case of acquisition of control

In the case where EGI acquires individually or jointly control over a non-listed company pursuant to Article 24(1) and (5) of the AIFM Law, EGI is required to make available the following information:

- the names of the management companies which either individually or in agreement with other management companies manage the Fund(s) that have acquired control;
- the policy for preventing and managing Conflicts of Interest, in particular between EGI, the Fund and the company, including information about the specific safeguards established to ensure that any agreement between EGI and/or the Funds and the company is concluded at arm's length; and
- the policy for external and internal communication relating to the company in particular as regards Employees.

The above mentioned information shall be made available to:

- the company concerned;
- the shareholders whose identities and addresses are available at EGI or can be made available by the non-listed company or through a register to which EGI has or can obtain access; and
- the CSSF.

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### **8.3. Disclosure in relation to the Remuneration Policy**

As stated in 5.4.5. above, EGI has developed and implemented an appropriate *Remuneration Policy* which also describes the disclosure measures towards Clients.

