

Conflict of Interest Policy

Part 19 of LIS Organizational Manual

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1. Introduction

In the context of identifying and managing conflicts of interests, there are various Luxembourg legal and regulatory requirements which have to be respected. This policy explains, how Sanne LIS S.A. (LIS) complies with the following European and local regulatory requirements in relation to conflict of interests:

- Law of 12 July 2013 on Alternative Investment Fund Managers (“AIFM”);
- Law of 17 December 2010 on “undertakings for collective investment (“UCI”), especially regarding the requirements for management companies;
- Luxembourg Law on the financial sector dated April 5, 1993;
- Law of 30 May 2018 on markets in financial instruments (MiFID)
- Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council
- CSSF Circular 18/698
- CSSF Circular 14/585 on Remuneration Policies and Practices;
- Regulation 10-04

In addition to the prevailing laws and regulations, LIS has decided to adopt the ALFI Code of Conduct for Luxembourg Investment Funds.

Currently, the Law on the financial sector dated April 5, 1993 and the Law of 30 May 2018 on markets in financial instruments (MiFID) are not applicable to LIS, because LIS does not conduct any business that falls under MIFID or the aforementioned laws.

As per CSSF Circular 18/698 and in accordance with Article 11(1)(d) of the 2013 Law, the AIFM must take all reasonable steps to avoid conflicts of interest and, when they cannot be avoided, to identify, manage and monitor and, where appropriate, disclose, these conflicts of interest in order to ensure the fair treatment of clients and to reduce the risk of legal liability, regulatory censure or damage to its commercial interests and reputation.

There are four basic steps in the appropriate treatment of a conflicts of interest:

- Identification (5)
- Prevention (6)
- Escalation and Management (7)
- Breach (8)

2. Objectives

LIS recognizes its responsibilities under the laws and regulations mentioned under section 1 of this policy. LIS is further committed to identifying and managing actual or potential conflicts of interest properly, to ensure that its clients and service partners are treated fairly and are protected from any damage due to conflicts of interest and that directors perform their duties independently and objectively.

This Policy sets out the company’s overall approach in identifying and managing conflicts of interest. The following approaches are therefore considered:

- identifying circumstances or potential circumstances that may give rise to a conflict of interest, including those entailing a material risk of financial damage to the interests of one or more clients or investors;
- detailing procedures and measures to be adopted and followed in order to manage such actual or potential conflicts of interest,

- providing a framework, and escalation rules, for dealing with conflicts of interest internally and allocate responsibilities,
- implementing obligations and requirements to record and disclose conflicts of interest, and
- defining consequences in case of failure to comply with this policy.

3. Responsibilities and relevant persons

The identification, management and resolution of conflicts and potential conflicts remains the responsibility of **all staff**. In accordance with the terms of this policy, staff should:

- Learn to recognize when a conflict of interest may occur or has occurred,
- Always act in the best interest of the clients, when dealing with (potential) conflicts of interests,
- Regularly review in teams whether the provision of services to clients creates a conflict of interest,
- Report and disclose conflicts and potential conflicts to the CCO before this conflict can have an impact,
- Obtain permanent and easy access to the company's Code of Conduct and policies and procedures

Relevant persons in the context of this policy are:

- Employees, senior staff, Management Committee ("MC"), Conducting Officers and Board of Directors ("BoD") of LIS;
- Directors, prospective Directors, partners and managers or agents of administered funds;
- Any other individual who acts under the supervision of the company, and who participates in the provision of investment services and activities on behalf of the company; and
- Any other individual who is directly involved in the provision of services to the company, on the basis of an outsourcing agreement, or in the provision of investment services and activities provided to the company or its administered Funds.

It is the responsibility of the company's **Management Committee (MC)** to take all reasonable steps in order to ensure compliance with the policy and provide the human and technical resources necessary for its implementation.

It is the responsibility of all relevant persons to adhere to the policy. Infringement of its content may result in disciplinary action, including dismissal.

The responsibility for assessing the compliance of relevant persons with the conflict of interest policy has been assigned to the permanent **Compliance Function** within LIS, under supervision of the BoD. The assigned **Chief Compliance Officer (CCO)** has to control the adherence to this policy and must inform the MC, or if necessary the BoD, in the case of any breach or violation, the CCO may become aware of in the normal course of his ongoing assessments.

The CCO regularly reviews, within the course of the Compliance Monitoring Plan, the company's processes, (potential) conflicts of interest and the processes and procedures associated with them in order to mitigate them. To enable the CCO to perform his monitoring duties properly, it is an obligation that any **Client Service Manager (CRM)** or **Product Manager (PM)** fill out and keep up to date a unique "Conflict of Interest – Matrix" for each AIF or SIF client/product/investment fund that he/she is responsible for. To guarantee a consistent approach, the blank form of the "Conflict of Interest – Matrix" should be used when initially performing this exercise for a new client/ product/ investment fund. The CCO and/or the Chief Risk Officer (CRO) will provide advice and assistance whenever this is requested. For any existing client/ product/ investment fund, the Matrix should be regularly reviewed by the responsible CSM/ PM, at least on a bi-annual basis or whenever major changes occur which need to be reflected immediately. The outcome of this review must be reported to the CCO.

4. Guiding principles

In all its activities, LIS shall act in the best interests of the client or its investors, and act honestly, fairly and professionally.

The following guiding principles apply to the company's approach in identifying and managing conflicts of interest:

- LIS is committed to treating its clients fairly and with integrity;
- LIS is committed to complying with all applicable legal, regulatory requirements relating to conflicts of interest;
- LIS is committed to maintaining and operating effective organizational and administrative arrangements to identify and manage conflicts of interest, including those possibly arising as a result of the structure and business activities conducted jointly with other service providers;
- LIS recognizes the importance of a culture of integrity to manage conflicts of interest. As such all employees have a duty to be mindful of conflicts of interest and to take all reasonable steps to assist in their identification and proper management, this includes prompt and expedient escalation of conflicts as they arise to relevant management functions and/or to the Compliance Function;
- The MC takes reasonable steps to ensure that employees' remuneration and reward structures are aligned with the overall goals of this Policy. For further details please refer to the Remuneration Policy;
- LIS expects that where an employee is aware that they or the company have a material interest, which could influence their dealings with or advice to a client and its investors that the interest must be disregarded and the employee must act in the interest of the client. Additionally, the interests of the company also precede the interests of any employee;
- LIS is committed to taking all reasonable steps to ensure proper disclosure of residual conflicts of interests (if any) to the client.

5. Identification of conflicts of interest

For the purposes of identifying conflicts of interest, i.e a situation, where competing obligations or motivations collide or potentially collide, the following non exhaustive criteria may be taken into consideration:

- the company / person has an interest in the outcome of the product / service provided to the client, or on his behalf, which is distinct from the client's interest;
- the company / person is likely to make a financial gain, or avoid financial loss, at the expense of the client or one of its investors;
- the company / person has an incentive, for financial or other reasons, to favour the interests of another client or group of clients over the interests of the client or one of its investors;
- the company / person carries out the same business as the client or one of its investors;
- the company / person receives or may receive , an incentive for the services provided in the form of money, goods or services outside of contractual agreements from a person other than the investor; and
- the company's employee has been offered or has received an incentive to favour the provision of a service to a client or one of its investors or group of clients or one of their investors over the interests of the company / person.

In general, there are four **main types of conflicts of interest** that have been identified by LIS:

- those between clients and LIS, where their respective interests in a particular outcome may be different;
- those between the personal interests of staff of LIS and the interests of LIS, or its clients, where those interests may be different;
- those between clients with competing interests; and
- those between third party service providers and clients.

Details of **common conflicts** of interests, staff is likely to encounter on a day to day basis, are set out below in a non-exhaustive list:

- **Business conflicts:** there are certain conflicts that are inherent to LIS's role as an administrator and the Group structure it forms part of.

These include the allocation of time by key LIS staff between the various clients that the Group administers and the fact that the clients may on occasion make investments in each other and act in competition with each other.

In addition, in providing administration services to clients, LIS staff are often acting in dual capacities, both as directors of a client company and as employees of LIS in its capacity as administrator.

Furthermore, certain Group administered client entities may provide services to other administered client entities and funds where the compensation for such services will not be determined through an arm's length negotiation.

- **Interests in Competitors, Clients, or third parties:** as an administrator, it is not uncommon for staff (or their family members) in particular to serve as employees, officers, directors or trustees of, or have substantial interests in a competitor, regulator or client of LIS that could create a divided loyalty or the appearance of one.
- **Inducements:** the offer or receipt of inducements in the course of carrying on business may well conflict with duties owed to clients.
- **Interest in Transactions and Personal Account Dealing:** personal account dealing is not common but could create conflicts where LIS administers listed or trading funds or other entities that transact with listed entities.
- **Outside Employment, External Directorships and Business Interests:** outside employment, external directorships and business interests outside the scope of the contract of employment or contract for services with LIS can create clear conflicts. Although there may not be a clear link at present, employees should disclose such activities to Compliance to avoid potential complications should LIS ever engage with that entity.
- **Employee Loyalty:** employee loyalty may be compromised where an employee may be considering employment with another entity that Sanne conducts business with.
- If you think that a conflict of interest has arisen or is likely to arise, you may report this using at either the 'new business' stage if the conflict is identified at take-on, at a periodic review or by direct notification to the relevant Compliance Officer.

6. Prevention

6.1. Culture of integrity

The MC promotes within the company a culture of integrity which highlights that employees have a fiduciary duty to be watchful for potential conflicts of interest. In addition, the MC is dedicated to taking all reasonable steps to assist in the management and remediation of potential conflicts of interests or actual conflicts of interests.

6.2. Education and training

Appropriate training and education is delivered on a consistent basis to employees to educate and reinforce the company's culture of integrity and requirements regarding conflicts of interest.

Accordingly:

- all employees have permanent and easy access to the company's Code of Conduct and policies & procedures; and
- each employee receives, on commencing their employment a compliance overview including the conflicts of interest matters.

LIS shall ensure that all its employees have the sufficient skills and awareness of what constitutes a Conflict of Interest and what measures are required when a Conflict of Interest has been identified.

6.3. Supervision and levels of independence

The company implements:

- levels of independence/ supervision for persons engaged in activities entailing a conflict of interest, including a full separation of portfolio and risk management (Chinese Walls) according to the requirements of article 42 in the Delegated Regulation (EU) No 231/2013;
- the at-arms-length principle: In particular, preventative measures to limit any person from exercising influence that may be deemed as inappropriate, on the way a relevant person may carry out a service or business. The fact that a person holds a certain position within the company should not be misused to seek or accept any business opportunity, favour or benefit to the detriment of clients or other employees or to achieve certain decisions; and
- preventative measures to limit the involvement of a relevant person in a number of separate services or businesses, where involvement may impair the proper management of conflicts of interest.

6.4. Miscellaneous

The company's organizational structures, its systems and the separation of tasks and segregation of activities provided for within the company, as well as its policy for managing conflicts of interest are designed to ensure the provision of services on a fully impartial basis.

In this context the following other policies apply:

- Code of Conduct – Including staff regulations and personal transactions (Section 18)
- Remuneration Policy (Section 20)
- Gift and Hospitality – Policy (Section 21)

6.5. Secondary employments/activities

All directors and employees of the company are required to seek the prior written consent of the company before render any services to others for compensation or engage or participate, actively or passively, in any other business activities that may interfere with the interests of the company, of clients or of funds. The HR department maintains a list of the reported activities. The reported activities are subject to review on a regular basis.

6.6. Directors

Prior to accepting any new business, directors must consider any actual conflict of interest including potential conflict with existing clients in advance of assuming the Directorship, or if this is not possible, as soon as possible thereafter. If the conflict cannot be managed then the new business may not be accepted.

Where there is an actual or potential conflict of interest caused by the dual role of LIS employees acting as director and administrator to a client this must be disclosed to every Board that is directly involved in the potential conflict and evidenced in the minutes of the meeting. The Country Lead Compliance Officer must also be informed and the Conflicts of Interests Register updated.

7. Escalation and management of conflicts of interest

It is important to emphasize that the identification, management and resolution of conflicts and potential conflicts remains the responsibility of all staff.

To **manage** conflicts of interests, where they cannot be avoided, the following, non-exhaustive suggestions to resolve the case can be taken into consideration. Hereby, it must be emphasized that a fair treatment of the affected clients is always predominant. The suggestions include:

- declining to act for a client, either completely or about a particular matter
- disclosing directors' interests at Board meetings (by way of general advance disclosure if permitted by the company's articles of association)
- withdrawal from discussion and decision-making process
- disclosure of a potential conflict to a client
- implementation of information barriers and segregation of duties and reporting lines between business teams or divisions
- appointment of an independent party to take the decision

If a **conflict of interest arises**, Compliance must be immediately informed thereof. After the circumstances of a (potential) conflict of interest have come to the attention of the CCO, the CCO, in accordance with the management, will take measures to avoid or mitigate the conflict of interest and advises further steps. Before the CCO provides his feedback, the activity, which may lead to the potential conflict of interest, should not be initiated or continued.

Each conflict of interest, which includes client relationships and staff relationships, must be reported without delay to the Management Committee, acting as independent supervisory bodies, by the CCO.

Conflicts of interests, with a significant impact on Sanne Group or LIS, because of the conflict itself or the impact of the measures to mitigate the conflict, must be communicated **immediately** to the jurisdictional Business Risk Committee (BRC).

If a conflict of interest cannot be avoided by other measures, the company will disclose the nature and the source of the remaining conflict of interest to the client in form of a written communication in a durable medium.

In accordance with the regulations, the company has established a **register of conflicts of interests** to document all kinds of services or activities in which a conflict of interest has arisen or may arise. This

register is maintained and supervised by the Compliance Department. In accordance with Article 22(1) of CSSF Regulation 10-4 LIS must keep and regularly update this register regarding the types of activities undertaken by or on behalf of LIS in which a (potential) conflict of interest has occurred or may arise.

Conflicts of interests must be documented and recorded in a succinct and easy understandable way. Compliance is also committed to record those conflicts of interests, where Compliance or an employee working as Compliance Officer is affected himself. In such cases, the conflict must be communicated without delay to the responsible Conducting Officer, who will advise further steps.

The LIS conflict of interest register is stored in the Compliance Department section of the K drive. It contains the following information:

- the description of the conflict of interest (whether potential or actual);
- the person that has reported the conflict of interest
- the date on which the conflict of interest occurred or was discovered;
- the causer of the conflict (if any);
- the affected clients (if any)
- the type of company and whether it is supervised by the CSSF
- the result of investigation by Compliance (potential/actual/no conflict of interest)
- the mitigation measures of the potential or actual conflict of interest (including controls if required)
- if a conflict of interest remains (residual);
- where appropriate, the arrangements disclosure of the conflict of interest;
- annotation if the conflict of interest is expired; and
- attachments if any (such as Conflict, Mitigations, Disclosure).

In order to ensure, that the register is properly maintained, the conflict of interest register must be submitted on annual basis to the MC and BRC, which independently controls the integrity, accuracy and consistency of the register. The involvement of the BRC is only required, if the BRC was involved initially because of the significance of the conflict or the impact of the measures.

The register is also submitted to the BoD on a yearly basis by the CCO together with a written report on activities referred to in Art. 35 (1) Commission Delegated Regulation (EU) No 231/2013.

On half yearly basis, the MC and BRC reinvestigates all existing conflict of interests which have not been solved permanently and persist. This investigation includes the analysis of the process of investigation and handling of the conflict of interest, as well as the decisions by Compliance. The submission to the BRC and the dealing by the BRC is only required, if the BRC was involved initially because of the significance of the conflict or the impact of the measures.

Upon request, the AIFM must submit a copy of the register to the CSSF.

In addition to the locally kept conflict of interests register Sanne maintains a central Conflicts of Interest Register within Console. The purpose of the Register is to record and maintain a list of all actual and potential types of conflicts which may cause a material risk of damage to the interests of a client. The Register is reviewed, updated and maintained periodically by the Compliance Officer and sets out measures that LIS has taken to manage actual or potential conflicts. Certain actual or potential conflicts recorded on the local register may not be appropriate or necessary for the central log.

The registers include references to the following matters:

- it identifies the service or activity that Sanne is carrying out for a client;
- it sets out the circumstances which constitute or may be perceived to give rise to a conflict of interest entailing a material risk of damage to the interests of the client;
- it specifies the procedures to be followed and measures to be adopted with a view to preventing the conflict of interest from constituting or giving rise to a material risk of damage to the interests of the Group's clients; and
- it specifies any breaches and remedial actions taken.

8. Breach

Failure to comply with the Conflict of interest policy could have serious consequences for both, LIS, the Group and the individual involved. Any breach of this policy may be treated as a disciplinary matter.

9. Co-Applicable Documents

In addition to the above, the policies on Conflicts of Interest adopted at group level also apply.

Key contacts

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Version control

Title	Version
Conflict of Interest Policy	Version June 2020
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Professionalism
sets us apart,
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