

# Vontobel

## Policy of Subsidiary

### Conflict of Interests

#### General information

##### Scope of application

Vontobel Asset Management S.A.  
("VAMSA")

AM IB PB

##### Initial Version

1 July 2011

##### Valid Version (in force)

7 December 2017

##### Policy owner

Compliance VAMSA

##### Replaces

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##### Reference to

###### Vontobel Group policies:

2.6-146 Conflict of Interest

6.6-070 Employee Transactions

6.5-010 Secondary professional  
activities and mandates of em-  
ployees

4.4-003 Group Compliance Regu-  
lations

1.3-173 Portfolio Management in  
Asset Management

6.5-232 Anti-Corruption and Deal-  
ing with Gifts

##### Languages

EN

##### Approved by:

Executive Management VAMSA

Board of Directors VAMSA

##### Date of Approval:

7 December 2017

#### Summary

##### Applicability and Scope of the Policy

This Policy applies to all employees of VAMSA (head-office and branches).

##### Purpose

This document contains a summary of the rules defined by Vontobel Asset Management S.A. (hereafter referred to as "VAMSA" or "company") to identify those activities which potentially give rise to conflicts of interest and to manage such conflicts.

The company has the legal obligation to implement and maintain this policy in conformity with the articles 109 paragraph 1 point b) and 111 of Law of 17 December 2010 as amended from time to time and the articles 19 to 22 of the CSSF Regulation 10-4, Article 13 of the Law of 12 July 2013, Article 31 of Commission Delegated Regulation 231/2013 as well as Article 16 (2), (3) and (6) of Directive 2014/65/EU.

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## 1. Introduction

This document contains a summary of the rules defined by Vontobel Asset Management S.A. (hereafter referred to as "VAMSA" or "company") to identify those activities which potentially give rise to conflicts of interest and to manage such conflicts.

The company has the legal obligation to implement and maintain this policy in conformity with the articles 109 paragraph 1 point b) and 111 of Law of 17 December 2010 as amended from time to time and the articles 19 to 22 of the CSSF Regulation 10-4, Article 13 of the Law of 12 July 2013, Article 31 of Commission Delegated Regulation 231/2013 as well as Article 16 (2), (3) and (6) of Directive 2014/65/EU.

This policy is issued in respect of the Conflict of interest policy of the Vontobel Group (hereafter "the Vontobel Group Policy"). The Vontobel Group Policy as well as the VAMSA policy applies to the extent that it does not contradict local laws and regulations.

This policy is issued in implementation of the Conflict of interest policy of the Vontobel Group (Policy 2.6-146). In addition, the following Vontobel Group Policies addressing particular aspects of the subject matter apply to all employees of VAMSA:

- Vontobel Group Policy 6.6-070 Employee Transactions;
- Vontobel Group Policy 6.5-010 Secondary professional activities and mandates of employees;
- Vontobel Group Policy 4.4-003 Group Compliance Regulations, and
- Vontobel Group Policy 1.3-173 Portfolio Management in Asset Management (to the extent it is applicable).
- Vontobel Group Policy 6.5-232 Anti-Corruption and Dealing with Gifts

## 2. Objective

The Vontobel Group strives to minimize conflicts of interest at all times. Should such conflicts of interest be impossible to avoid, the Vontobel Group will strive for a fair and correct solution. The prevention of conflicts of interest is made through the establishment of a number of principles which are listed in the Group Compliance Regulations (see attached as appendix to this policy).

The company (incl. its branches) will actively identify and manage conflicts of interests related to its activities, i.e. collective portfolio management of the Luxembourg domiciled funds (i.e. UCITS, UCIs and AIFs)<sup>1</sup>, discretionary portfolio management and investment advice provided to institutional clients. If such conflict of interest is detected, the company will take into consideration the interests of its clients/funds' investors and its obligations towards the funds it manages.

## 3. Identification of circumstances for potential conflicts of interest

The company will actively identify and manage conflicts of interests related to the Management of the Luxembourg domiciled funds and possible situations of conflicts of interest related to the provision of the investment services and the ancillary services according to the applicable MiFID regulation, i.e. discretionary portfolio management, investment advice and reception and transmission of orders (hereafter referred to as "MiFID services"). Conflicts of interest may

occur in areas already identified by the company, or in new circumstances. Below, the circumstances are listed which may give rise to a conflict of interest.

### 3.1 Definition of particular circumstances which may give rise to a conflict of interest related to the management of the Luxembourg domiciled funds

When identifying conflicts of interests for all kind of funds (i.e. UCITS, UCIs and AIFs) domiciled in Luxembourg and itself, the company takes into account the following possibilities which may give rise to a conflict of interest by considering itself, any relevant persons (such as its employees etc.) or any persons directly or indirectly linked to VAMSA by the way of control who:

1. may be able to realize a financial gain or avoid financial loss at the expense of the fund or its investors;
2. may have an interest in the outcome from a service provided to the fund or its investors or to a client or from a transaction carried out on behalf of the fund or a client which is different from the fund's interest in that outcome;
3. may have an incentive to favour interests of a fund, a client or group of clients;
4. may have an incentive to favour interests of one investor over the interest of another investor (or group of investors in the same fund);
5. may exercise the same activity for a fund and for another fund or client;
6. may receive from a person other than the fund or its investors an inducement in relation to collective portfolio management provided to the fund, other than standard fees or charges for that service;
7. may be a person, which may at the same time be both a member of the management body<sup>2</sup> of the company and a member of the management body of the depository;
8. may be a person, which may at the same time be both a member of the management body of the company and an employee of the depository;
9. may be a person, which may at the same time be both a member of the management body of the depository and an employee of the company or the investment company;
10. where the management body of the company is not in charge of the supervisory functions within the company, no more than one-third of the members of its body in charge of the supervisory functions shall consist of members who are at the same time members of the management body, the body in charge of the supervisory functions or employees of the depository;
11. where the management body of the depository is not in charge of the supervisory functions within the depository, no more than one-third of the members of its body in charge of the supervisory functions shall consist of members who are at the same time members of the manage-

<sup>1</sup> The term „fund“ in this policy refers to UCITS, UCIs and AIFs; otherwise a precision is provided.

<sup>2</sup> For the purpose of this policy „management body of the company“ shall include the management body of the company and the management body of the funds.

ment body of the company, or the body in charge of the supervisory functions of the company or of the investment company or employees of the company or of the investment company;

**In case of delegations for domiciled AIFs**, an assessment of potential conflicts of interests need to be performed based on the following criteria: The extent to which delegate may control or influence VAMSA, where company and delegate are members of the same group or have contractual relationships;

1. The extent to which an investor of an AIF may control or influence VAMSA, where company and investor belong to the same group or have contractual relationships;
2. The likelihood that delegate may make a financial gain or avoid a financial loss, at the expense of the AIF or its investors;
3. The likelihood that delegate has an interest in the outcome of a service provided to the company or AIF;
4. The likelihood that the delegate has a financial or other incentive to favour the interest of another client over the interests of the AIF or its investors;
5. The likelihood that the delegate receives or will receive from a person other than VAMSA an inducement related to the collective portfolio management activities provided to VAMSA of the AIF it manages in form of money, goods or services – other than standard commission or fee determined for delegated service;
6. Portfolio or risk management function may be considered separated from other potentially conflicting tasks only where the following conditions are met:
  - a. Persons engaged in portfolio management tasks are not engaged in potentially conflicting tasks (such as controlling tasks);
  - b. Persons engaged in risk management tasks are not engaged in potentially conflicting tasks (such as operating tasks);
  - c. Persons engaged in risk management tasks are not supervised by persons responsible for performance of operating tasks;
  - d. The separation is ensured throughout the whole hierarchical structure of the delegate up to its governing body and is reviewed by the governing body.

### 3.2 Definition of particular circumstances which may give rise to a conflict of interest related to the provision of MiFID services

When identifying conflicts of interests for all kind of MiFID services provided and itself, the company takes into account the following possibilities which may give rise to a conflict of interest by considering itself, any relevant persons (such as its employees etc.) or any persons directly or indirectly linked to VAMSA by the way of control who:

1. may make a financial saving or avoid a financial loss to the detriment of the client;
2. may hold an interest in the result of the service provided for the client which is different from the client's own interest (e.g. providing an investment advice which does not reflect client's best interest);
3. may have an incentive or a financial or other interest in favouring the interests of a client or group of clients over the interest of another client (or group of clients) to whom the same service is provided;
4. may carry out the same activities as the client;
5. receives or may receive from someone other than the client, in relation to the service provided, an incentive in the form of money, goods or services, other than and/or in addition to the commission or fees normally provided for that service.
6. where the remuneration of an executive management member or of an internal control function member of the company or any other relevant employee does not ensure that company's clients are treated fairly and their interests are not impaired by the remuneration practices.

The appendix 1 of this policy contains a non-exhaustive list of examples of (potential) conflicts of interests and corresponding administrative or organisational arrangements.

### 3.2 Identification of potential conflicts of interest

All employees of the company, as well as appointed contact persons of the delegates, are responsible for informing the compliance officer on identification of any potential conflicts of interest.

The compliance officer provides this information to the Executive Management who is responsible for exhaustive identification of potential conflict of interest and reviews these as a standard agenda item. Any identified potential conflict of interest related to the circumstances will be recorded as a point for action with Executive Management of the company.

### 3.3 Specific requirements for delegated investment management organisations

The company delegates a number of services to third parties. Regular controls of potential or identified conflicts of interest shall be performed by the company to ensure that conflicts of interest are properly managed and reported to the company. The frequency of such controls should be adapted to the size and scope of the delegated service. The identification and management of conflicts of interests shall be agreed into the corresponding contracts with delegates.

## 4. Management of conflicts of interest

In case an employee of the company could identify a potential conflict of interest at the company or in any of its delegates, he/she shall be report on it to Executive Management of the company (under involvement of own reporting line).

Executive Management will analyse each potential conflict of interest, and without undue delay report such potential conflict of interest to the Compliance Officer of the company. In case a real conflict of interest cannot be solved by using already established directives and rules for the company, the Compli-

ance Function serves as a point of coordination to ensure that appropriate action is taken to resolve the conflict of interest. When resolving a conflict of interest, the company shall always act in the best interest of the fund and its investors.

When managing or preventing a conflict of interest, the following procedures/measures have to be at least adopted:

1. effective procedures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients and/or investors;
2. the separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the firm;
3. the removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities;
4. measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities;
5. measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate MiFID services or other activities where such involvement may impair the proper management of conflicts of interest.

The Compliance Function shall report any established conflict of interest to:

- The Board of Directors of the company
- The Internal Audit Function of the company

It shall report to the Board of Directors and the Internal Audit how the conflict of interest can be solved, what measures to take, and during what time the conflict of interest could be considered as solved.

The company is engaged to take all necessary action to act in the best interest of the investors in case the measures taken in relation to the identified conflicts of interest are not sufficient to guarantee the avoidance of related risks. Such action will be disclosed to the investors.

The specific provisions for managing a specific conflict of interest, are described in the corresponding policy (e.g. policy on personal transactions).

## 5. Disclosure of conflicts of interests

The disclosure of conflicts of interests should be a measure of last resort to be used only where the organisational and administrative arrangements established by the company to prevent or manage its conflicts of interest are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the investor/client are prevented. Over-reliance on disclosure without adequate consideration as to

how conflicts may appropriately be prevented or managed is not permitted. The disclosure of conflicts of interest does not exempt the company from the obligation to maintain and operate the effective organisation and administrative arrangements.

In case of disclosure decision, the company must clearly explain the general nature and/or sources of the conflict of interest to the client/investor before undertaking business on his/her behalf (subject to any applicable confidentiality/ professional secrecy law restrictions). Such disclosure is required in cases where a conflict of interest arises from the company and the latter is not able to ensure an appropriate level of independence.

The disclosure shall clearly state that the organisational and administrative arrangements established by the company to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client/investor will be prevented.

The disclosure shall include specific description of the conflicts of interest that arise in the provision of MiFID services, taking into account the nature of the client to whom the disclosure is being made.

The description shall explain the general nature and sources of conflicts of interest, as well as the risks to the client/investor that arise as a result of the conflicts of interest and the steps undertaken to mitigate these risks, in sufficient detail to enable that client to take an informed decision with respect to the investment or ancillary service in the context of which the conflicts of interest arise.

The disclosure must be made in a durable medium or by means of a website and include sufficient detail, taking into account the nature of the relevant investor, enabling the latter to make an informed decision in respect of the service in relation to which the potential conflict arises.

Where information is disclosed by means of a website and is not addressed personally to the client/investor, the following conditions shall be satisfied:

1. Client/Investor has been notified on the website address and has agreed to the provision of the information by means of a website;
2. Information must be up-to-date and accessible as long as the client/investor may reasonably need to inspect it.

## 6. Record of conflicts of interest identified

Each conflict of interest identified is recorded in the corresponding register (maintained by each VAMSA location). The record of identified conflicts of interest is maintained by the Compliance Function (in case of branches by the local compliance responsible), in consultation with all relevant business areas of the company, and is amended whenever required by the circumstances.

The consolidated conflict of interest register (i.e. head-office and locations) is disclosed by the Compliance Function regularly towards Executive Management and the Board of VAMSA/of the relevant funds.

At least annually, the Executive Management and the Board of VAMSA/of the relevant funds receives a written report on the situations referred to in this policy (from the Compliance Function).

**7. Concluding provisions**

This policy comes into force with immediate effect.

This policy has to be reviewed periodically and at least on an annual basis by the Compliance Function of the company.

**Appendix 1: Examples of (potential) conflicts of interest**

Appendix 1 to the Conflict of Interests Policy of Vontobel Asset Management S.A.  
 Examples of (potential) conflicts of interest – a non-exhaustive list

Sources of (potential) conflict of interest	(Potential) conflict of interest situations	Administrative or organisational arrangements in place/under work/possible further measures
Duties and responsibilities allocation	Involving the same person in too many responsibilities	Code of Conduct; Division of duties within the authorised management is done in compliance with the principle of robust central administration and internal governance arrangements (as requested by CSSF circular 12/546)
Required independence/objectivity of certain functions (e.g. internal control functions)	Interference with independence and objectivity, eg the person in charge of internal control function cannot exercise independent thinking and judgment or eg persons responsible for the internal audit cannot be in charge of the establishment of elements of the internal governance arrangements.	Code of Conduct; Internal Control Policy
Directors' mandates of the Board of Directors members	Interference with independence	Disclosure of director's mandates; Group policy on secondary professional activities and mandates of employees; Fit and proper dashboard; Authorization requirement; Absence of conflict of interest as approval requirement
Organisational and operational structure including decision-making powers, reporting and functional links	The organization chart is not clearly defined, reporting and functional lines are not transparent or consistent. Task description is not established based on the principle of segregation of duties.	Code of Conduct; Organizational chart which is clearly defined, transparent, consistent, complete and free from conflicts of interest Segregation of duties to prevent through a peer review environment a person from making mistakes and irregularities which would not be identified
Remuneration	Inadequate remuneration/assessment process of employee causing to favour one product or one client group, or encouraging unnecessary transactions or delivering inappropriate advice. eg. an employee is assessed by the number of products sold to his clients, which can push him to provide inappropriate advice The management company / the fund must not set incentives with are not in line with client's interests (e.g. sales targets of specific financial instruments) Product related incentives influencing the employees/tied agents decisions (e.g. remuneration solely by commission, therefore selling unit trusts rather than investment trusts, even though both products are equally suitably for the client but the commissions of the later are substantially lower has to be avoided Incentives that might influence an employee/tied agent to sell or to	Risk Management and Control Principles (in place) Code of Conduct VAMSA's Remuneration Policy Group Policy on Anti-Corruption and Dealing with Gifts VAMSA's Policy on distribution of investment funds Distribution Agreement template

	<p>push one product or category of product rather than another one or to make unnecessary/unsuitable acquisitions for the client</p> <p>Payments of inducements, selling commission or other payments received from third parties</p>	
Misuse of confidential information	<p>Own-account transactions by employees exploiting confidential information – putting own interest ahead of client interests</p> <p>Personal relations of employees or BOD members or parties related to such persons, e.g.</p> <p>The client has a relationship with an employee and therefore receives information (e.g. insider information) before this information is publicly available</p> <p>The employee uses information about a trade of client A to inform client B</p> <p>An employee trades in financial instruments on behalf of a closely linked person and has a direct or indirect material interest in the outcome of the trade (other than a fee or commission for the execution of trades).</p>	<p>VAMSA's policy on employee securities transactions</p> <p>Ban of transactions</p> <p>Ban on improper conduct</p> <p>Holding periods</p> <p>Pre-trade approvals</p> <p>Expanded reporting obligations</p> <p>Limit on the number of transactions</p> <p>Creating Chinese walls</p>
Individual preference of certain clients towards other clients	<p>Unfairly favouring the interest of one client over the interest of another one eg. allocating shares of a popular new issue to selected clients and not to others.</p>	<p>Risk Management and internal control principles</p> <p>Applicable policies dealing with the allocation of IPOs/new issues</p>
Related parties transactions	<p>Transaction between related parties are carried out on less advantageous terms (for the institution) than those which would apply to the same transaction carried out with a third party or exceed the risk management and control capacities of the Company or the transactions between related parties are contrary to sound and prudent management principles in the interest of the Company</p>	<p>Code of Conduct</p> <p>VAMSA's policy on conflict of interests</p>
Third-party subcontractors	<p>Arrangement with suppliers eg. a supplier gives financial or other incentives (eg. gifts) to the Company employees in order to push its services.</p> <p>Outsourcing eg. the Company outsources a service (eg. storage / archive, etc) to a company in which the Company directors or concerned employees have a beneficial interest.</p> <p>New Business eg. the client advisor initiates a relationship with a third party (eg. structured products distributor) to generate a business with a company where he intends to move.</p>	<p>Risk Management and internal control principles</p> <p>Code of Conduct</p> <p>Outsourcing policy dealing with due diligence requirements</p> <p>Approval of new products, markets and services – Group policy</p>
Different interests of different branches	<p>Interests of branches are contrary to each other</p>	<p>Code of Conduct</p> <p>VAMSA's policy on conflict of interests</p> <p>Risk Management and internal control principles</p>

		Common interests of the group in the long term consideration have the highest priority
Different interests of portfolio managers by managing funds with performance fee and without	Portfolio manager has an incentive or a financial or other interest in favouring the interests of himself or of clients with performance fee	Code of Conduct VAMSA's policy on conflict of interests Risk Management and internal control principles
Business relations with other Issuers	The management company/ the fund has a financial interest or other incentives to favour the interest of the issuer in question over the interest of the client	Code of Conduct VAMSA's policy on conflict of interests
Gifts	A generous gift or invitation from a client to employees, which diminishes their perception or affects their decision to the extent that the client is treated in a more advantageous way than other clients	Code of Conduct Vontobel Group policy on anti-corruption and dealing with gifts
Business relations with related persons	If a related person of one employee has an interest in a transaction or business in which another client or group also has the same interest, and the employee prefers to do the business/transaction with its related person to the disadvantage of another client.	Code of Conduct VAMSA's policy on conflict of interests
Investment advice	Advice on a product/service whereby the relationship manager is aware that the product is not in the interest of the client.	Code of Conduct VAMSA's policy on conflict of interests