

## 10 CONFLICTS OF INTEREST PROCEDURE

### 10.1 CONFLICT OF INTERESTS: INTRODUCTION AND DEFINITION

Acting as an agent for investors may create conflict between the interest of Sub Fund (or their Investors) and those of relevant persons or relevant entities.

To the extent of this policy the following subjects are considered as:

A. relevant persons:

- directors and conducting persons
- any other individual who participates in the provision of investment services and activities on behalf of the SICAV.

B. B) relevant entities:

- the promoter, Banca Finnat and others company of the Group Finnat.
- the Sub fund co-managers
- the sub fund's advisors
- any other company that participates in the provision of investment services and activities on behalf of the SICAV

The SICAV intends to manage conflict of interest fairly, both between the relevant persons or relevant entities and its sub funds or investors and between an investors and another investor.

### 10.2 GENERAL POLICY

In making investment decisions, or buying products and services, the SICAV act in investors best interest and put investors' interest ahead of those of the relevant persons or relevant entities.

The Fund wants to minimize the conflicts of interest risk between relevant persons, entities, and investors that might damage the interests of the latter.

With this aim, the Board of Directors issued this policy, through the following steps by virtue of which:

1. identification of circumstances that could even potentially, give rise a conflicts of interests (section 10.2.1);

2. appointing of a Conflict of Interests Responsible (CIR) among the Conducting persons (section 10.2.2);
3. periodical review of the existence and the adequacy of the measures taken to avoid or to manages the conflict of interests, and if necessary setting up further measures, with the aim to minimize the risk of damage to the interests of the Fund or ts investors (section 10.2.3);
4. set up and periodic review of a register of situations of conflict detailing also the ways to avoid or to managethem;
5. providing to the Board the register of conflicts of interests and the measures to manage them, assessing, for each conflict situation, the effectiveness of the measure taken (section 10.2.5);
6. disclosure to the investors the conflict situations for which there is a high risk that the measures are not adequate to manage (section 10.2.6).
7. set up of specific policies regarding particular matters which may generate dangerous conflicts of interest such as:
  - gift or other incentives.
  - remuneration and incentives
  - inducement
  - Strategy for the exercise of voting rights

#### **10.2.1 LIST OF POSSIBLE MATTERS WHICH MAY GENERATE RELEVANT CONFLICT OF INTERESTS**

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The CPS and the BOD ensure the ongoing activity to identify specific situations of conflict of interest and endeavor to make sure that all parties involved in the Sicav are aware of the this matter.

In Additions whoever, within the Fund, has a potential conflict of interests, it is required to disclose it to the CIR, including those in which may have been inadvertently incurred due to either business or personal relationships with clients, suppliers, business associates or competitors of the Fund.

In case a CP detects, if detects a new circumstance that aggravates a pre-existing conflict of interest, or that generates a new one, without delay, must inform the CIR.

The CPs taking into account the principle of proportionality, the organization and the nature of business of the Sicav, identifying situations that could suit potentially lead to conflicts of interests, effectively manage only those specific circumstances that are appropriate to

effectively generate conflict "significant", that can seriously harm the interests of the fund or its investors.

To properly manage these concrete situations of conflict of interest CPs show the measures already in place (if any), propose any appropriate measures to mitigate the extent and will jointly assess the severity.

#### 10.2.2 CONFLICTS OF INTERESTS RESPONSIBLE ("CIR")

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The responsibility to assess the compliance of the SICAV's relevant persons and relevant entities with the conflict of interest procedure has been assigned to Mr. Sante Jannoni (Conflict of Interest Responsible - CIR), under the supervision of the Board.

CIR, having heard other Conducting Persons, must control that the procedure is respected and must notify the BoD for any breach or violation he should be aware of, in the normal course of his assessment procedures.

#### 10.2.3 MEASURES TO MANAGE THE CONFLICTS OF INTEREST

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For the concrete situations of conflict that have been duly identified, the CPs check the existence of measures and safeguards to minimize the risk of serious damage to the interests of the Fund or of its investors.

Where appropriate, the CPs adopt further relevant measures to better manage the potential conflict of interest, leading to the attention of the parties such measures and then making sure that they are adhered to.

#### 10.2.4 CONFLICT OF INTEREST REGISTER

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In accordance with UCITS IV regulation, the Fund put in place a specific register (see **Annex 3**) in order to record all activities which produce or can produce a conflict of interest.

The register is archived in the Sicav registered office and in the CPs' office.

In particular, the register will record the following information:

1. Activity that have given or might give rise to a relevant conflict;
2. A brief description of the type of conflict and of the real risk for the investors ;
3. Measures taken
4. Any notes that help to better assess the real risk of damage the interests of the Fund or of the investors.
5. A synthetic opinion (low, medium, high) on the efficiency of the measures and on the possibility that the procedures are not adequate to prevent the risk of serious damage to the interests of the fund or of the investors.

Such register is updated by LCP1 and submitted to the BOD on a yearly basis.

#### **10.2.5 SPECIFIC APPROVAL OF THE PROCEDURE AND OF THE MODALITY IN WHICH THE CONFLICTS ARE MANAGED BY THE BOARD**

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The register and any subsequent updates, shall be approved by the BOD who thus expresses his opinion on the effectiveness of the modality of management of each conflict.

In particular, the BOD, even taking into account the specific circumstances that reduce or amplify the severity of the conflict, checks whether the mechanisms adopted are sufficient and adequate to ensure reasonable assurance that the risk of damage to the interests of the Fund or its investors is avoided.

The CIR proposes to the Board the update of the conflicts of interest register whenever arise a new conflict of interest which would seriously harm the interests of the Fund or its investors, and at least once a year.

#### **10.2.6 CONFLICTS OF INTEREST NOT PROPERLY MANAGED**

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Situations of conflicts of interest that entails a “medium” risk that the measures adopted and the existing procedures for the management are not adequate to avoid a material risk of damage the interests of the Fund and of the investors, are disclosed to the investor by the web site of the Sicav.

The information is expressed in a clear, complete and understandable way. If the situation of conflicts of interest entail a “high” risk the Board informs the investors not only through the website but, at the earliest opportunity also through the prospectus.

If this circumstances will occur they will be disclosed on the Board minutes.

#### **10.2.7 FURTHER SITUATION OF POTENTIAL CONFLICTS OF INTEREST AND WAY TO MANAGE THEM**

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The Company discipline further matters which, in abstract, may lead to potential situations of serious conflict of interest:

- gift, entertainment or other incentives, from services providers
- remuneration and incentive policies
- Strategy for the exercise of voting rights

### 10.3 POLICY ABOUT GIFT AND ENTERTAINMENT, OR OTHER INCENTIVES, FROM SERVICES PROVIDERS.

It is a crime for any director, manager and staff (if any) to seek or accept anything of value, for themselves or others, in connection with the business of the SICAV where there is a corrupt intent that such persons shall be influenced or rewarded related to SICAV's business. It is also a crime for anyone (including investors, agents and others) to offer or give anything to personnel of the Fund with corrupt intent.

The SICAV take into account that the value and frequency of gifts and entertainment would give rise to actual or perceived conflicts of interest.

To the extent of this policy the "reasonable value" of gift or other incentives is fixed at a maximum of 700 EUR. Multiple gift/events accepted within a period of three months are considered as a one gift or event .

#### 10.3.1 FORBIDDEN TRANSACTIONS

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It is forbidden to:

- Solicit for themselves or for a third party (other than the Fund) anything of value from anyone in return for any business, service or confidential information of the Fund;
- Accept anything out of reasonable value from anyone in clear connection with the business of the SICAV, either before or after the transaction is discussed or provided.

#### 10.3.2 PERMITTED TRANSACTIONS

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The SICAV recognizes that there are instances where director, manager and staff (if any) may, without risk of corruption or breach of trust, accept something of value from someone doing or seeking to do business with the SICAV.

In general:

- If the acceptance is based on a family or personal relationship existing independent of any business of the SICAV;
- If the benefit is available to the general public under the same conditions on which it is available to the SICAV's staff; or
- If the benefit would be paid for by the SICAV as a reasonable business expense, if not paid for by another party.

Provided there is no corrupt intent by either the giver or the receiver of the benefit, the following gifts may be accepted under the circumstances described:

- Gifts, gratuities, amenities or favours of reasonable value based on obvious family or personal relationship where the circumstances make it clear that the motivating factor is those relationships rather than the business of the Fund;
- Gifts of reasonable value, that are related to commonly recognized events or occasions, such as a promotion, new job, wedding, retirement, holiday or birthday;
- Civic, charitable, educational or religious organizational awards for recognition of service and accomplishments, all of reasonable value;
- Advertising or promotional material of reasonable low value, such as pens, pencils, note pads, key chains, calendars and similar items;
- Discounts or rebates on merchandise or services that do not exceed those available to other customers.

### 10.3.3 PROHIBITED GIFTS POLICY

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If a gift prohibited, in the sense above explained, is received, it should be returned to the donor with an explanation.

If return is not possible, the recipient should immediately inform and consult CPs. Depending on the circumstances, any such gifts will be turned over to the Fund or to a charitable institution.

## 10.4 REMUNERATION AND INCENTIVE POLICIES

In compliance with CSSF Circular 10/437, the Fund adopts CSSF guidelines related to the remuneration policies and practices.

The procedure covers the remuneration of persons who are members of the administrative and management bodies of the SICAV as well as those categories of staff whose professional activities have a material impact on the risk profile of the SICAV. The procedure is therefore applicable only in case of variable remuneration resolved by the Board of the Sicav.

### 10.4.1 GENERAL REMUNERATION POLICY

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The remuneration policy is defined by the BOD and shall be in line with the business strategy, objectives, values and long-term interests of the SICAV, such as sustainable growth prospects, and be consistent with the principles relating to the protection of investors in the course of services provided.

Where remuneration includes a variable component or a bonus, granted in accordance with performance criteria, an appropriate balance of fixed and variable remuneration components must be envisaged. The remuneration components are combined to ensure an appropriate and balanced remuneration package that reflects the business unit, the employee rank and professional activity as well as market practice. The components are:

- Fixed remuneration;
- Variable remuneration (or Bonus)

As for now the employees have a fixed remuneration component only which guarantees to all the employees with the exception of the ones in outsourcing, an adequate and appropriate remuneration. This remuneration is in line with the Luxembourg policies and it ensures a decent living standard.

As for now, since the Sicav does not directly employ any employee or other person covered by CSSF circular 10/437, the SICAV is not currently bound to such obligations.

In case of change, any variable component or bonus remuneration policy will be defined by the Board of Directors, which if needed will proceed with the approval of an ad hoc policy.

#### 10.4.2 SPECIFIC APPROVAL OF THE PROCEDURE BY MANAGERS, STAFF AND PERSONNEL (IF ANY)

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The Board approving the procedure manual accepts the procedure by signing this Manual for receipt, every person within the Fund's organisation, CPs and personal if any, is intended to have read, acknowledged, and accepted also the procedure related to gift acceptance.

### 10.5 INDUCEMENT

The SICAV is not considered to act in the best interest of its investors when, in connection with managing and administering the investments, it pays or receives remuneration or commissions or gives or receives non monetary advantages other than:

- a remuneration, a commission or a non monetary advantage paid or received/given to or from the SICAV or a person acting on its behalf;
- a remuneration, a commission or a non monetary advantage paid or received/given to or from a third party or a person acting on behalf of a third party under the following conditions:
  - the investors are informed of the existence, the nature and the amount or, if the amount cannot be determined, of the calculation methodology. This information must be given in complete, accurate and understandable manner before the performance of the services;
  - the payment of the remuneration or commission must foster the quality of the service delivered and may not prejudice the obligation to act in the best interest of the SICAV;

When the remuneration is paid to a third party MiFID regulation compliant, the Fund assumed that the party, receiving the remuneration, satisfies the above conditions. When the counterparties are not subject to Mifid, the Fund estimates that there is an increase in the quality of service and obtain a written commitment to inform the investors of such payments.

- appropriate remuneration allowing the performance of services or necessary for the provision of services, are not incompatible with the obligation for the SICAV to act honestly, equitably and professionally in the best interest of its investors.

The SICAV may communicate in a succinct manner on those commissions, upon condition to provide additional information if requested to do so.

In all other cases, the inducement will be deemed a severe conflict of interest (see above).

#### 10.6 STRATEGY FOR THE EXERCISE OF VOTING RIGHTS

In compliance with the CSSF Regulation 10-04, the Sicav has elaborated a policy for the exercise of the voting rights. In accordance with the Law and CSSF Circular 11/508 it is made available to investors on the internet website.

Asset Manager, person usually delegated to exercise the voting, can ask for instruction to the BoD of the Company and ask for further written instructions.

The Board of Directors established, and periodically reviews, a minimum holding percentage under which it deemed that – for reasons of cost efficiency - it is in the best interest of the Shareholders not to exercise its voting rights.

For all the sub funds this percentage is set at 0,5% of the issuer company equity.

Furthermore, a Sub Fund Co-Manager, or a member of the BoD, can – in the best interest of the sub-fund - request a waiver of this limit, justifying the request.

In case of conflict of interest, the Sub-Fund Co-Manager shall declare the conflict to the BOD and ask for further written instructions.

However, as a general rule, the Board of Directors abstains from voting in relation with companies that any of its members are in any way connected.

In every case where voting rights are exercised, the BoD, with Circular Resolution, shall delegate a representative, giving the latter voting instructions coherent with the following principles:



