

**POLICY  
CONFLICTS OF INTEREST**

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## **1. Introduction**

In compliance with the rules, regulations and laws to which it is subject, Fidentiis Equities, S.V., S.A., and Fidentiis Gestión, S.G.I.I.C., S.A., (henceforth, "THE GROUP"), has formalized in this policy on Conflicts of Interest (the POLICY) document the activities and procedures applied by THE GROUP to manage real or potential conflicts of interest arising from the conduct of its business.

## **2. Scope**

This guidance and conduct reflected in this policy is MANDATORY for all members of the Board of Directors and all the GROUP'S employees and officers.

## **3. Laws and Regulations of Reference**

### **3.1 Common to the GROUP**

The Group is subject to the requirements made on it in under the following legislation.

- Directive 2014/65/EC of the European Parliament and of the Council of the 15th May, 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU. (MIFID II)
- Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012, (Level I and Level II) (MIFIR)
- Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse.
- Royal Decree 1514/2007 of the 16<sup>th</sup> November on General Accounting Practices. (SPAIN)
- Royal Decree 4/2004 of the 5<sup>th</sup> of March on Corporation Tax. (SPAIN)
- Royal Decree 897/2010 of the 9th July that approves the Implementing Regulation on Corporation Tax. (SPAIN)
- Code of Commerce (SPAIN)

### **3.2 To Fidentiis Gestión, S.A., S.G.I.I.C.**

- Law 35/2003 of the 4<sup>th</sup> of November known as *Instituciones de Inversión Colectiva*. (SPAIN)
- Royal Decree 1082/2012 of the 13<sup>th</sup> July that approves the implementing legislation 35/2003 of the 4<sup>th</sup> November on Collective Investment Vehicles. (SPAIN)

- Circular 6/2009 of the 9<sup>th</sup> of December, from the *Comisión Nacional del Mercado de Valores* (Spanish Markets Commission), on Internal Control for Fund Management and Investment Services Companies. (SPAIN)
- Royal Decree 1362/2007, of 19th October, that Implements Regulations of Laws 24/1988 of 28<sup>th</sup> July known as *Ley del Mercado de Valores*, (Capital Markets Law), specifically related to transparency requirements. (SPAIN)

### **3.3 To Fidentiis Equities S.V, S.A.**

- Royal Decree 4/20015 of the 23rd October the approves the consolidated Capital Markets Law. (SPAIN)
- Royal Decree 217/2008 of the 15th of February of the Legal Status of Investment Firms. (SPAIN)
- Circular 1/2014 of the 26<sup>th</sup> of February, from the *Comisión Nacional del Mercado de Valores* (Spanish Markets Commission), on Internal Control for Investment Firms. (SPAIN)
- Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms.
- Circular 7/2008 of the 26<sup>th</sup> November by the *Comisión Nacional del Mercado de Valores* on accounting rules and official reporting for Fund Management, Investment and Private Equity Firms. (SPAIN).

## **4. General aspects**

This POLICY, as required in the applicable regulation sets out the conducts admitted by the GROUP in the undertaking of its business. It defines measures to identify, prevent, manage (resolve the conflict) or consequently communicate the existence and nature of the conflict, so pertinent decisions may be made.

Related party transactions are another area of potential conflict of interest that can affect the GROUP's activities, these being transactions where at least one of the parties has links or relations to the Board, employees or suppliers that could potentially be contrary to the interest of the GROUP's clients.

Applicable regulation and legislation can be structured into three main groups.

- i. Mercantile, specifically the Spanish Code of Commerce, article 42 that defines the concept of business groups, and that determines the strength of the relationship with a specific entity.
- ii. Accounting, specifically the Royal Decree 1514/2007 from the 16<sup>th</sup> of November, the *Plan General Contable* (Spanish GAAP), that sets out the treatment of intergroup transactions.

- iii. Fiscal, specifically the Royal Decree 897/2010 from the 9<sup>th</sup> of July that passes as law the regulation on Corporation Tax, and that defines valuation methodologies, inspection and the sanctioning regime for related party transactions.

The GROUP will use and apply best practices to manage any conflicts of interest and will apply controls that are necessary to mitigate situations that may represent a shared interest.

## **5. General Principles**

- a) The GROUP will always act in the best interest of the client.
- b) The GROUP has implemented an organizational structure proportionate to the nature and size of operations that complies with principles needed for segregation of duties, separate areas and Chinese walls.
- c) The GROUP has implemented through its Internal Code of Conduct, the necessary controls to manage events that may induce a real or potential conflict of interest.
- d) Accountable Individuals will not undertake nor promote any conduct that can constitute a practice of market abuse through the use of insider information or other manipulation of the market.
- e) Accountable Individuals cannot use and Confidential or Reserved Information for their own benefit or for that of selected clients or third parties that they may have obtained in the due course of their ordinary business activities.
- f) The GROUP and its Accountable Individuals will always act with an adequate level of independence where dual responsibilities of the GROUP or its Accountable Individuals may imply a conflict of interest.
- g) The GROUP will not privilege or benefit any client should there be a conflict of interest with other clients.

## **6. Conflict of Interest Management**

In the event of a conflict of interest the GROUP shall undertake actions to manage the conflict that are best suited to the cause of the conflict, for example.

- a) Not carrying out the service or transaction.
- b) Accept or carry out the transaction, assuring that no benefit or profit is attained.
- c) Manage the conflict. If the conflict cannot be actively managed, clients should be duly informed of the nature and cause of the conflict so that they may make their own informed decisions.

The management of real or potential conflicts of interest by the GROUP is carried out through:

- a) Ethical standard of conduct, as described in the Internal Code of Conduct, whereby the interest of the client must super cede, through secrecy, impartiality, justice and integrity.
- b) Segregation of duties to assure independence.
- c) Implementation of internal control mechanisms throughout the organization to continuously monitor and prevent conflicts of interest and the implementation of corrective actions for the remediation of deficiencies.

The management of conflicts of interest rests on the following measures.

### **6.1 Appropriate Organisational Structure**

An Appropriate Organisational Structure implies separate departments with restricted IT access privileges, Chinese walls and separate reporting channels

The segregation of functions applies to the GROUP's business functions that are particularly impacted liable to produce a conflict of interest. These are specifically referred to in the Internal Code of Conduct, Section 6. The GROUP has segregated functions in order to control or prevent the exchange of (insider) information between conflicting activities that may impair or damage one or more clients' interests.

### **6.2 Segregated Supervision of Susceptible Individuals**

The GROUP's Compliance Function is responsible for supervising individuals who provide investment services to or for clients with real or potential conflicting interests.

The GROUP will assure segregated management and supervision of different departments or Accountable Individuals in the same department, with a real or potential risk of generating a conflict of interest in their provision of investment services to or for clients.

### **6.3 Pay**

The GROUP's remuneration system is designed to avoid conflicts of interest. Accountable Individuals from one segregated function cannot receive remuneration based on the results or activities of another segregated function.

Included in the GROUP's internal control structure is a "Policy for Remunerations and Incentives" that establishes all aspects designed to avoid conflict of interest through remuneration.

### **6.4 Incompatible Activities**

The Compliance function of the GROUP will identify and analyse situations where any individual may sequentially or simultaneously participate in activities that may result in an impairment for the correct management of conflicts of interest. The Compliance

Function will identify responsible individuals and analyse incompatibilities and will report to the Board as frequently as is deemed necessary (quarterly).

#### **6.5 Incentives/Benefits/OTE's.**

The GROUP may give or receive minor non-monetary incentives, only and when they comply with the provisions of the GROUP's Incentives Management Policy.

#### **6.6 Complaints and Claims**

The GROUP has a specific Customer Service Department to deal with complaints and claims related to its services. All complaints or claims received from clients will be transferred to said department. Any complaint or claim that has implicit in its substance any conflict of interest will be dealt with as is established in this policy.

#### **6.7 Prohibition of Personal Trading**

The GROUP's Compliance Function is responsible for informing Accountable Individuals of the specific restrictions over personal trading and operations and of any measures that the GROUP may take, as informed in this document.

#### **6.8 Conflict of Interest and Transactions with Related Parties**

The GROUP's Compliance Function, using previously defined and implemented controls (Negative Declaration of Conflict of Interest), will identify situations from which conflicts of interest may arise, and will apply measures to assure effective management and segregation of related party transactions.

It is the responsibility of Accountable Individuals to periodically inform the Compliance Function of any transaction that may be considered as being with a related party, and at least annually report that there has been no change to previously reported related party transactions.

The Compliance Function is responsible for proposing corrective measures, after analysing real or potential situations of conflict of interest that are reported.

The Compliance Function will propose measures and actions for efficient management of conflicts of interest. However, the Board of the GROUP has the last word on situations of conflict of interest and more broadly over the content and compliance with this POLICY.

#### **6.9 Conflicts of Interest List**

The GROUP will maintain a List of Conflicts of Interests that describes any events or situations, including services, departments or individuals that may constitute a conflict of interest or a conflict of interest risk.

### **6.10 Gifts**

The GROUP recognizes that on occasions, some vendors, service providers or other third parties may handover small gifts to the GROUP's employees Directors or Officers. The acceptance of gifts must, under no circumstance affect or appear to affect the behaviour or decision making of those who accept them. Employees, Directors or Officers of the Group may accept gifts under the following criteria.

- a) The gifts do not imply preferential treatment (awarding of contracts, prices or conditions) being afforded to those who offer gifts.
- b) Do not surpass the limits established by the GROUP.

The accumulated value of gifts accepted from one person, vendor or service provider should not exceed 1.000€ over a period of six months. If said limit were breached, approval must be obtained from the GROUP's Compliance Function.

After appraisal by the Compliance Function, said gifts were to be rejected and return was not possible, these must be given in donation to charitable institution or other NGO or alternatively raffled off between staff.

The GROUP may give gifts to vendors, service providers, clients or other business associates, always with a legitimate commercial end such as strengthening a business relationship and when:

- a) The value of the gift is less than 1.000€ (preferably merchandising or promotional items)
- b) Approval is given by the CEO for gifts with a value of more than 1.000€ and this approval is communicated to the Compliance Function.

### **6.11 Investment Reports and Comercial Information**

When writing or publishing investment reports or financial analysis on listed companies, issuers of securities or financial instruments, all Accountable Individuals will act in a fair, loyal and unbiased manner.

Accountable Individuals and liable parties, that write or publish investment reports and financial analysis are prohibited from accepting incentives from parties interested in the disclosure or publishing of said analysis.

Accountable Individuals and liable parties will not agree with listed companies, issuers of securities or financial instruments to issue favourable investment recommendations or analysis.

To guarantee the independence and impartiality of the investment recommendations and financial analysis the GROUP has established The Committee for the Independence of Analysis Publications.

Any security, listed company or financial instruments covered in the GROUP's analysis is considered a "Restricted Security". The GROUP's Compliance Function is responsible for the management of the restricted securities list. Management of restricted securities includes the recording of:

- a) The Security ID
- b) Time and date of inclusion in the list
- c) ID of the Investment Report or Analysis in which it is covered
- d) Time and date of publication of the report or analysis.
- e) Time and date of exclusion from the list. (Normally 24 hours after publication)

The Compliance Function will inform said Committee of any real or potential conflict of interest arising from the staff of the Analysis Department. *See section 6.13 Duty to Inform and 6.14 Communication with Clients.*

#### **6.12 Insider Information**

The use of sensitive information, both privileged and relevant will receive special treatment given its importance in generating conflicts of interest.

Scenarios for conflicts of interest in the use of privileged information and measures to be taken to prevent the conflict are:

- a) Communicate: Individuals with access to privileged information should communicate this to their superior, who should then detail the information, the date it was acquired and individuals who have had access.
- b) Protect: All individuals in possession of privileged information should:
  - Not disclose the information to any individual, unless specifically required to do so to carry out their functions.
  - Safeguard the information with access controls.
  - When access by third parties to the information is required, the GROUP will require the signing of a Non-Disclosure Agreement, to maintain the secrecy and non-use of said information.
- c) Use of sensitive information in analysis. Analysts, in the course of undertaking legitimate activities, should treat all non-public information at their disposal as being sensitive information.

### **6.13 Duty to Inform**

If the GROUP cannot be reasonably certain of preventing potential conflicts of interest, the GROUP will inform clients, in hard copy, of the nature and cause of the conflict, including the following information:

- a) The existence of the conflict.
- b) The nature and cause of the conflict.
- c) Potential impact on services provided to clients.
- d) Measure undertaken to mitigate the risk and impact.

The GROUP will undertake its duty to inform clients as set out in the provisions of section 6.14 Communicate with Clients.

### **6.14 Communication with clients**

#### **6.14.1 Prior to the Business Relationship**

All clients must be informed of the GROUP's Conflict of Interest Policy before contracting services with the GROUP.

Information will be communicated through three channels:

- a) A schematic summary included in the Contract Terms and Conditions.
- b) In full detail on the GROUP's website where the POLICY is published and available to clients.
- c) In full detail via standard mail or email.

#### **6.14.2 Within ongoing business relationships**

As set out in 6.13 Duty to Inform, the Compliance Function will manage the communication process with clients in matters pertinent to this POLICY.

The client will be informed via a certifiable channel.

Specific acceptance of any conflict of interest is required from the client.

#### **6.14.3 Modification of the POLICY**

Any significant modification of the POLICY will be communicated to clients as set out in 6.14.1 b.

### **6.15 Conflicts of Interest Register**

The GROUP's Compliance Function will maintain a current register of all investment, advisory or ancillary services offered, where a conflict of interest has been identified or may arise and that may affect the interest of one or more clients.

The register will contain and numerate the following information:

- a) Identity of the individuals exposed to the conflict.
- b) Date of the conflict.
- c) Products or services affected by the conflict.
- d) Detailed description of the cause of the conflict.
- e) Description of the management of the conflict.

The information included in the register will be used to assist with the management of any future conflict of interest. The form used by the GROUP is detailed in Annex III of the Internal Code of Conduct.

### **7. Conflict of Interest Training**

As set out in the GROUP's Policy on Knowledge and Competence, the GROUP's Compliance Function is responsible for providing training on Conflicts of Interest for the GROUP, at least annually.

Conflict of interest training is designed to capacitate employees and Accountable Individuals to identify and manage conflicts of interest.

### **8. Responsibility for the Policy**

The Board of the GROUP and its companies is fully responsible for this POLICY. The POLICY must be approved by the board after review by the Compliance Function. Modifications must also be approved by the Board.

### **9. Internal Audit**

Through its reviews and testing, the Internal Audit Function is responsible for assuring compliance with this POLICY. Internal audit reviews that the measures that are in place (policies, rules and procedures) for maintaining the register are effective and that all employees, Directors and Officers are aware of their obligations and the measures that the GROUP may undertake to manage conflicts of interest.

### **10. Review and Communication of the Policy**

This POLICY should be reviewed annually and communicated to all employees, Directors and Officers of the GROUP. Access to the contents of this POLICY should be permanently available to all employees, Directors and Officers of the GROUP.

## **ANNEXES – CONCEPTS AND DEFINITIONS**

### **1. Conflicts of Interest**

Conflicts of interest are understood to arise whereby, in the course of the GROUP'S business the interest of its clients, employees or officers any other services provider of the GROUP may have contradictory or competing interests in the outcome of a transaction.

Conflicts of interest also include situations that may arise that impeach on the necessary independence of the GROUP, its employees or its officers. In this sense, an interest is referred to as the obtaining of some profit or other benefit of any nature, be that commercial, financial or other.

Overall there are four groups of conflict.

- a) Conflicts between the interests of the GROUP and the interest of the GROUP'S clients, whereby the GROUP prioritizes its own interests in detriment of the client'S interests.
- b) Conflicts between the interests of the GROUP'S employees and officers and the interest of the GROUP'S clients, whereby the GROUP'S employees or officers prioritize their own interests in detriment of the client'S interests.
- c) Conflicts between two or more of the GROUP'S clients, whereby the attainment of one of the GROUP'S client'S interests may be in detriment of the interests of another client.
- d) The GROUP undertakes the same activity as the client.

In any case, for a conflict of interest to exist, it not sufficient that the GROUP obtains a benefit or profit from the transaction, as a consequence of the conflict, there must also be some damage or loss for the GROUP'S client. This may include the cost of profit or benefits not materialized (opportunity cost). It is also not sufficient that one client attains a benefit or profit or avoids a loss if there is no related loss for another different client.

### **2. Accountable Individuals**

Accountable Individuals are those that are subject to this POLICY and are:

- a) The Directors (Board), shareholders, managers, employees or others related to the GROUP.
- b) Any other individual whose services are provided in the name and representation of the GROUP related to investment services, administrative services of the management of collective investment vehicles.
- c) Other individuals that through an outsourcing contract signed with the GROUP, provide services that facilitate the GROUP'S investment services activity.

### **3. Related Parties and Related Party Transactions**

Please refer to the definition set out in the GROUP's internal code of conduct.

### **4. Insider Information**

Please refer to the definition set out in the GROUP's internal code of conduct.

### **5. Restricted Securities**

In the context of this POLICY restricted securities are:

- a) Any security for which the GROUP has initiated analysis coverage. Initiated being the dated from which a first information gathering visit is carried out).
- b) Those for which the GROUP changes the recommendation to BUY/SELL/HOLD.
- c) Those securities for which the valuation range is changed in more than 5%
- d) Those securities included as *Action Point* for the day included in the daily *Inside Iberia publication*, as of when the *Morning Meeting* decides to include said security.

### **6. Significant Change**

Significant change is any modification of the principles, management or actions to take regarding a conflict of interest.