


CONFLICTS OF INTEREST MANAGEMENT POLICY

EDM GESTIÓN, S.A.U., SGIIC

	Conflicts of Interest Management Policy
	Version: December 2021 - 03

DOCUMENT RECORD

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1 PURPOSE AND SCOPE

1.1. Purpose

Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (“MiFID II”), as well as its implementing and transposing legislation in Spain, requires that potential conflicts of interest that may arise when providing investment services and ancillary services, or a combination of them, or when selling and managing collective investment undertakings (“UCITS”), between EDM GESTIÓN, S.A., SGIIC (“EDM” or the “Manager”), including its executives, employees and connected agents or any person directly or indirectly linked to it by control, and its customers, or between customers, which cannot be avoided, be effectively managed.

Section 43 of the Spanish Collective Investment Institutions Act [*Ley 35/2003, de 4 de noviembre, de Instituciones de Inversión Colectiva*] establishes that the management company must be structured and organised in such a way as to minimise the risk that the interests of the UCITS or customers might be harmed by conflicts of interest between the company and its customers, between customers, between one of its customers and a UCITS or between two UCITS.

For this purpose, this document includes the policy for managing conflicts of interest in the provision of investment and ancillary services and in the activity of managing and marketing collective vehicles (the “Policy”), proceeding to:

- (i) Identify the circumstances that may give rise to a conflict of interest that involves a major risk of harm to the interests of one or more customers or UCITS.
- (ii) Establish the procedures to be followed and the measures to be taken to manage those conflicts of interest to avoid harm to the interests of customers or UCITS.

1.2. Scope

This Policy applies to Board members, members of General Management and Senior Management, agents or representatives, or any person directly or indirectly linked to EDM by control, and other executives and employees who are part of any of the companies that are part of the EDM Group (“competent persons”).

The Policy also applies to all investment services and activities and ancillary services provided by the Manager, or that it may provide in the future, and that are established in its programme of activities. Specifically, the Policy applies to:

- Administration, representation and management of investments, as well as management of investment fund subscriptions and reimbursements from investment funds and SICAVs.
- Discretionary and individualised management of investment portfolios, including pension funds (“DPM”).
- Investment advice.
- Receipt and transfer of customer orders (“RTO”).
- Marketing UCITS and pension plans.

The Policy will also apply to persons subject to EDM's Internal Code of Conduct (“ICC”).

2 DEFINITION OF CONFLICT OF INTEREST

A Conflict of Interest is considered to exist if, in the provision of investment services or ancillary services or in the collective management and marketing activity of UCITS, the Manager or any of its employees or directly or indirectly linked persons are in one of the following situations:

- The Manager, an employee or a competent person may obtain a financial benefit or avoid a financial loss at the expense of the customer, a UCITS or its investors.
- The Manager, an employee or competent person has an interest in the result of a service provided to the customer, a transaction carried out on behalf of the customer or any activity carried out on behalf of a UCITS that is different from the interest of the customer, the UCITS or its investors.
- The Manager, an employee or competent person has financial or other incentives to favour the interests of third-party customers or UCITS over the interests of the customer or UCITS in question or its investors.
- The Manager, an employee or competent person carries out the same activity as the customer.
- The Manager, an employee or competent person receives or will receive an incentive from a person other than the customer, the UCITS or its investors in relation to the service provided or the activity carried out, in the form of monetary or non-monetary benefits or services.

This policy only applies to conflicts of interest whose existence may entail a material risk of harming the interests of a customer, a UCITS or its investors. It is not sufficient for the Manager, an employee or another customer to obtain a benefit (or avoid a loss) if there is also no possible loss or other disadvantage for the customer, the UCITS or its investors.

3 GENERAL PRINCIPLES FOR ACTION IN VIEW OF POTENTIAL CONFLICTS OF INTEREST

EDM guarantees that it will take all necessary measures and establish adequate procedures to detect, manage, control, minimise and effectively avoid possible and existing conflicts of interest. Where they cannot be avoided, conflicts of interest will be mitigated and, where appropriate, disclosed, to avoid them harming the interests of customers, UCITS or their investors, and to ensure that they receive equal treatment.

The Manager will guarantee the independence and separate, in its own operational scope, the tasks and responsibilities that may be considered incompatible with one another or that may give rise to systematic conflicts of interest, and will assess whether the conditions under which it carries out its activity may entail any other significant conflicts of interest.

The procedures and measures established by EDM are, among others, as follows:

- Procedures to prevent or control the exchange of information between competent persons involved in the provision of investment services or in the management and marketing activity of UCITS that entail the risk of a conflict of interest, where that exchange may harm the interests of one or more customers, UCITS or investors in UCITS.
- Separate supervision of those competent persons whose main functions are the provision of investment or marketing services of UCITS or the management activities of UCITS or portfolios of customers with different interests that may conflict, or of competent persons who otherwise represent different interests that may conflict, including those of the Manager itself.
- Removal of any direct relationship between the remuneration of the competent persons who mainly perform an activity and the remuneration or revenue generated by other competent persons who mainly perform another activity or between the remuneration of the former and the revenue generated by the latter, when a conflict of interest may arise between the two activities.
- Measures to prevent or limit any person from or in exercising inappropriate influence over the provision of investment or ancillary services or the management or marketing activity of UCITS by a competent person.
- Measures to prevent or control the simultaneous or consecutive participation of a competent person in various investment or ancillary services or in separate management activities where that participation may be detrimental to the proper management of conflicts of interest.

4 IDENTIFICATION OF POTENTIAL CONFLICTS OF INTEREST AND THEIR MANAGEMENT

The scenarios identified by the Manager in which conflicts of interest may potentially arise are as follows:

4.1. Potential conflicts of interest related to the collective management activity and the DPM and investment advice service

1. Related to EDM Group UCITS


The Manager includes UCITS and pension funds managed by the EDM Group, and for which it receives management fees, among the products that are part of the customer portfolios of the DPMC or advisory service, as well as in the UCITS investing in other UCITS. Purchasing products from the EDM Group instead of those from third parties could generate greater benefit for the EDM Group and an implicit incentive to include products with higher risk (and with higher management fees) or that are unsuitable for the customer or the UCITS that is investing, with a greater margin for the Group.

When EDM invests in UCITS as part of the activity of DPM, that investment must take place in “clean” classes of shares, i.e. classes in which its fees do not include distribution costs. If the UCITS to be invested in has a single type of share, EDM will return the portion of the management fee corresponding to the distribution costs (incentive) to customers.

In addition, the Manager requests express consent from the customer, within the DPM agreement, to invest up to 100% in those instruments.

Moreover, customers are informed in the Welcome Pack and in the respective contracts that the DPM and advisory service will be mainly implemented by investing in the EDM Group's UCITS.

Likewise, in compliance with the MiFID II regulations, the Manager performs the DPM and advisory service within the scope of suitability, for which it obtains information from its customers on their objectives, experience and knowledge to set up a portfolio in line with them. The Regulatory Compliance and Risk Management Unit performs regular controls to ensure consistency between customers' risk profiles and their portfolios. The Manager will perform an analysis of the risks, costs and complexity, as well as the customer's characteristics, to guarantee the selection of the financial instrument.

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Finally, in relation to the UCITS management activity, when EDM invests in an UCITS managed by it or by entities of the same group, it does so in “clean” classes that do not include distribution costs or, if the underlying is a UCITS with more expensive or no classes, they return part of the management fee that could be allocated to marketing expenses to the investor fund.

2. Related to acquiring the most advantageous class for the customer in the case of UCITS with different classes

In the case of UCITS with different classes or in master-feeder structures managed by the EDM Group and acquired within the framework of the UCITS marketing service, the Manager could acquire the most expensive classes and, consequently, obtain a higher management fee through a higher cost for the customer.

To avoid this conflict of interest, the Manager offers its customers the most favourable classes of shares within the classes to which the customers have access, which are determined by their own characteristics, normally depending on whether they are retail or institutional customers, the amount invested by the customer and the type of investment service or the activity provided to it (DPM, advice or marketing).


In addition, the Manager has established regular reclassification procedures to verify that, as a result of successive subscriptions, transfers or reimbursements, and based on the specific service provided, the customer has invested in the class of UCITS with the best economic conditions among the classes to which it has access.

3. Related to Financial Brokers

The Manager may transfer transactions within the DPM, RTO or UCITS management activity through financial brokers from which they receive remuneration, discounts or that provide non-monetary benefits to it.

The Manager has a Best Execution policy to ensure the best possible execution in the transactions of its DPM and RTO customers, as well as its UCITS. In particular, in the case of retail customers, the fundamental factor in selecting the financial broker is the “total consideration”, meaning the price of the financial instrument and all the items and expenses related to the execution and settlement of the order. The selection of brokers by EDM is sufficiently documented and reviewed on a regular basis to verify that they continue to provide the best execution.

In addition, as regards the collective management activity, EDM has a related-party transactions procedure that makes it possible to verify that transactions between related parties are carried out under market or more favourable conditions and in the exclusive interest of the UCITS.

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4. Related to equitable treatment of customers

The Manager could favour some customers or UCITS over others, particularly if the fees paid are different.

The Manager has a Best Execution policy that establishes objective criteria for assigning customer orders and UCITS.

When setting the fees applicable to the UCITS, or to the different classes of the same UCITS, EDM performs a comparison with similar UCITS existing in the market, taking into account a reasonable spread of margins between the UCITS, and with the margins and price policy of EDM and its group.

In addition, as regards the DPM, advisory and RTO fees, EDM has procedures to ensure that these fees are the same for all customers, and commercial discounts may be established in accordance with objective criteria, such as managed assets, services provided to customers or their potential.

The Regulatory Compliance and Risk Management Unit performs regular audits to ensure that these criteria are met.

5. Related to the assessment of customer portfolios and UCITS

The Manager could have incentives to overstate the managed portfolios, either to increase fees charged to customers or UCITS, based on equity or results, or to conceal low returns.


In the contracts with customers and in the legal documentation of the UCITS, the Manager establishes the criteria to be followed when assessing the assets of the managed portfolios. Likewise, the Regulatory Compliance and Risk Management Unit regularly checks the purchase prices of the assets that are part of the portfolios, and the prices used to assess them.

In addition, in the case of the DPM service, the Manager will inform the customer when the overall value of its portfolio, as measured at the beginning of each reporting period, has depreciated by 10% and, subsequently, by multiples of 10%, by the end of the business day on which the threshold is exceeded or, if the threshold is exceeded on a non-business day, at the end of the following business day, at the latest.

6. Related to applications between customers or between customers and personnel of the Manager

If the Manager performs applications, even if it believes there is no harm to any of the parties, these transactions cause a conflict of interest, since the Manager must guarantee the most favourable price for the buyer and the seller.

The Manager has a related-party transaction procedure that ensures that this type of transaction is carried out exclusively on a one-off basis, requires prior authorisation and meets the requirements

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to be performed in the exclusive interest of both parties and at prices or under conditions equal to or better than market conditions.

7. Related to the use of inside information

As a result of their position in EDM, portfolio and UCITS managers could obtain inside information before it is made public. These employees would be able to use that information to perform personal transactions, resulting in profits for them and a potential disadvantage for customers or managed UCITS.

The Manager has an ICC to which all its employees must assent. It outlines the obligations to act and notify the ICC control body of the personal transactions performed, among others, by the Manager's employees. The ICC control body is responsible for regularly verifying these transactions and reporting to the Manager's Board in the event of incidents.


Furthermore, provided that the Manager and its employees have access to inside information, Regulation (EU) 565/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (the "MAR") will apply. The Manager will keep a list of persons who have had access to inside information ("insiders list") and will expressly prohibit trading on the securities or companies subject to inside information.

8. Related to remuneration of managers and UCITS.

There could be a potential conflict of interest if the remuneration of portfolio managers and UCITS were based on their performance. In these cases, there could be an implicit incentive related to increasing returns, which could give rise to situations in which managers, when providing the service, might not take into account the risks inherent to their investment decisions, giving rise to actions contrary to the interests of a customer.

EDM has a remuneration policy that links the remuneration of the investment team to both qualitative and quantitative targets, and so in no case will remuneration be significantly conditional on the performance of the managed portfolios.

In compliance with the MiFID regulations, the Manager performs the DPM service within the scope of suitability, for which it obtains information from its customers on their objectives, experience and knowledge to set up a portfolio in line with them. Furthermore, the Commercial Department and

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the Regulatory Compliance and Risk Management Unit perform regular controls to ensure consistency between customers' risk profiles and their portfolios.

Meanwhile, the management of UCITS is carried out in accordance with the investment policy established in the prospectus for each of them.

4.2. Other potential conflicts of interest

1. Related to the segregation of duties and remuneration of employees with control functions

The Manager has established effective measures to ensure adequate segregation of duties, especially for those responsible for control functions.

These include direct reporting to the Board, including sending reports directly.

Furthermore, the control functions have variable remuneration equal to that established for the other employees of the EDM Group, linked to achieving targets related to their functions independently from the results of the areas of business they control. This variable remuneration is not significant, and so it does not encourage inappropriate actions by employees with control functions.

Lastly, employees with control functions only perform these types of functions and do not have administration or management functions, although management tasks are permitted.

2. Related to the control of the flow of information between separate areas

To prevent a possible conflict of interest in the management of UCITS or the provision of investment services by an EDM Group entity and the DPM or the advice provided by the Manager, the following measures have been established:

- Establishment of an ICC to be followed by persons subject to it.
- IT access restrictions for each separate area with personal access keys.
- Control measures for access to and storage of information.
- Physical separation of the areas.

3. Related to the personal transactions of the Manager's personnel

The Manager allows the Competent Persons to perform personal transactions. However, the Manager must ensure that they do not put their personal interests before those of customers.

The Manager has an ICC to which all the competent persons must assent. It outlines the obligations to act and notify the ICC control body of the personal transactions performed. The ICC control body is responsible for regularly verifying these transactions and reporting to the Manager's Board in the event of incidents.

4. Related-party transactions

Certain transactions performed by the Manager with related parties, meaning the depositaries of the UCITS, who hold administration or management positions in the Manager or in the depositary of the UCITS, any company of the Manager's or the depositary's group and those who hold administration or management positions in those entities, shareholders or unitholders in the managed UCITS who hold significant stakes, other UCITS managed by the Manager or entities of its group, Competent Persons or customers, are considered related-party transactions and involve significant conflicts of interest. When these transactions are carried out through intermediate companies, they will also be considered related-party transactions.

EDM has a related-party transactions procedure that makes it possible to verify that transactions between related parties are carried out under market or more favourable conditions and in the exclusive interest of the UCITS.

5 PROCEDURE FOR COMMUNICATING AND RECORDING CONFLICTS OF INTEREST

The Manager delivers the Policy to all its customers within the pre-contractual information package, delivered before providing the services offered by it.

The Policy will be kept up to date on the Manager's website (www.edm.es). In turn, a copy of it will be available to customers in both the main office and branches of the Manager.

The Regulatory Compliance and Risk Management Unit will keep a record of the types of investment or ancillary services, or collective management activities, performed by the Manager in which a conflict of interest has arisen that may entail or has entailed a major risk of harm to the interests of one or more customers.

When a situation arises that causes a conflict of interest that entails a major risk of harm to the interests of one or more customers, the competent person who detects the situation or is in the situation giving rise to the conflict must immediately notify (i) the Regulatory Compliance and Risk Management Unit and (ii) the head of the area of business responsible for providing the investment

service concerned, to agree the necessary and appropriate alternative or supplementary measures and procedures for that purpose.

The Manager's Regulatory Compliance and Risk Management Unit will keep a record, updated annually, with the circumstances that give or may give rise to a conflict of interest that entails a major risk of harm to the interests of one or more customers, and the procedures to be followed and the measures to be taken to manage those conflicts. If the circumstances so warrant, the record will be updated when the event giving rise to a conflict of interest involving a major risk of harm to the interests of one or more customers occurs.

The Record will include the following information:

- The identity of the area in which the conflict has arisen or may arise.
- The identity of the competent persons who have been exposed to conflicts of interest.
- The date on which the conflict of interest arose, in cases where it has already arisen and is not a potential conflict of interest.
- Financial instruments, services or activities referred to in the conflict of interest.
- The reason for the conflict and the detailed description of the situation.
- A description of the management and mitigation process or, where applicable, the correction of the situation.

The record will be kept for a minimum period of five (5) years from the date on which the specific conflicts of interest arose, and any change made in them must also be kept for the same period of time.

6 DISCLOSURE OF CONFLICTS OF INTEREST TO CUSTOMERS

When the measures taken are considered not reasonably sufficient to avoid, with reasonable certainty, the risk that the interests of a customer or group of customers might be harmed, they must be informed, in a durable medium, of the nature or origin of the conflict to allow customers to make a reasoned decision regarding the financial instrument or investment service to be contracted with the Manager. The notice must clearly state that the organisational and administrative measures established by the Manager to prevent or manage the conflict are not sufficient to ensure, with reasonable certainty, that the risk of harm to the customer's interests will be avoided.

Disclosure of conflicts of interest to customers will be a measure of last resort that may only be used in cases where the measures established are not sufficient to prevent harm to customers' interests. Excessive recourse to disclosure of conflicts to customers will be considered a deficiency in the Policy and will highlight the need to review the management and mitigation measures established in it.

7 RESPONSIBILITIES REGARDING CONFLICTS OF INTEREST

8.1. BOARD OF DIRECTORS

EDM's Board of Directors will ensure that the requirements regarding conflicts of interest are met, establishing the policies, procedures and measures necessary to do so, and will be ultimately responsible for complying with this obligation. It must also guarantee and, where appropriate, provide EDM with sufficient means to properly comply with the Policy.


The Board will be responsible for approving this Policy and, to ensure its effective control, receiving information on the degree of compliance with the incentives obligations in EDM from the Regulatory Compliance and Risk Management Unit on a regular basis.

The Board will also be responsible for informing all competent persons of the obligations imposed by this Policy. They will also inform them of their obligation to follow the communication procedure envisaged in this Policy in cases where they are subject to situations that may be considered a conflict of interest.

8.2. REGULATORY COMPLIANCE UNIT

The Regulatory Compliance and Risk Management Unit will be responsible for preparing this Policy, for regularly reviewing it and, where applicable, for making the necessary modifications. It is also responsible for keeping and maintaining the conflicts of interest record.

Finally, it will keep the Board informed of EDM's compliance with its incentives obligations. In particular, it will report to the Board, in its regular reports, the potential conflicts of interest identified during the reporting period and any relevant breaches or incidents detected.

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Breach of the Policy may entail disciplinary actions that may lead to other applicable measures in accordance with labour legislation.

8.3. INTERNAL AUDIT UNIT

The Internal Audit Unit will verify the supervisory tasks carried out by the Regulatory Compliance Unit, to assess the adequacy and effectiveness of EDM's internal control systems and procedures.

8.4. AREAS OF BUSINESS

It will be the responsibility of the director of each of the areas of business or departments linked to the provision of investment services to identify the circumstances in which there is a major risk of harm to the interests of a customer or multiple customers.

Employees in business areas are responsible for identifying and notifying their manager and the Regulatory Compliance and Risk Management Unit of situations that, in the performance of their duties, may generate conflicts of interest.

Furthermore, employees of the Commercial Department are responsible for providing the customer, before providing the service in question, with the Welcome Pack and specific information on conflicts of interest.

8 APPROVAL AND REVIEW OF THE CONFLICTS OF INTEREST MANAGEMENT POLICY

This Policy, and any amendments considered relevant, will be approved by EDM's Board. The Policy must be reviewed at least annually, in accordance with:

- (i) The content of the Policy and its adaptation to regulatory requirements,
- (ii) The effectiveness of the measures adopted in the framework of the management of the identified conflicts of interest.