



# **Candriam policy for the identification, prevention and management of conflicts of interest**

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# 1. Introduction

## 1.1. What is the scope of this policy?

This policy applies worldwide to the all activities and business of Candriam Luxembourg, its branches and subsidiaries (hereafter collectively referred to as “Candriam”) including any third parties involved in the provisions of services as well as to everyone linked to Candriam directly or indirectly by employment or contract.

## 1.2. What is the purpose of this policy?

In the normal course of business, as in any financial institution, Candriam may encounter situations resulting in potential or actual conflicts of interests (“COI”) during the performance of its various activities for its clients.

As an asset management company, we are committed to act honestly, fairly, with due skill, care and diligence in the best interest of our clients.

In particular, we are required to take reasonable steps to avoid conflicts of interests and, when they cannot be avoided, to identify, manage and monitor and, where applicable, disclose, those conflicts of interest pursuant to applicable regulations (cf. Appendix I).

At Candriam (which stands for « Conviction and Responsibility in Asset Management »), integrity, fairness, impartiality and primacy of clients’ interests occupy a leading place in our ethical rules and values.

We act in the best interests of our clients and the integrity of the market. As such, Candriam has no appetite for unfair customer outcomes or poor market conduct, whether through deliberate or negligent actions. Consistent with our values, where unfair outcomes arise, Candriam will put it right in a fair and prompt manner.

Candriam has several policies and procedures dealing with the management of conflicts of interests.

On the top of these, the Policy for the identification, prevention and management of conflicts of interests (“COI Policy”) outlines Candriam governing principles for the Candriam, prevention and management of conflicts of interest (COI) that could possibly arise between Candriam and its clients or business partners.

## 1.3. What is a conflict of interest?

A conflict of interests is any situation whereby a person or an organization has an interest of a material, professional, commercial or financial nature which could adversely influence the motivation or decision-making of that person or that organization to act in the best interest of the clients or the organization itself.

Conflicts of interests may take various forms. They can be:

- Actual – involving a direct conflict between current duties or interests;
- Potential – involving likely future conflicts; or
- Perceived – not involving an actual conflict but only the perception of a conflict.

Conflicts of interests may be professional or personal:

- Professional conflicts of interests arise from the structure or business decisions taken by the organization for which the organization cannot act objectively because of its own direct interests but also when the organization decides to favour the interests of any other client or third party.
- Personal conflicts of interests arise when a person puts his/her own interests ahead of his/her duties to the organization or clients because of financial, social, political, family or other personal interests or loyalties that interfere with his/her professional responsibilities.



For the purposes of identifying the types of conflict of interest that arise and whose existence may damage the interests of a client, including his or her sustainability preferences, Candriam takes into account, by way of minimum criteria, whether Candriam or a relevant person, or a person directly or indirectly linked by control to the firm, is in any of the following situations:

- the firm or that person is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- the firm or that person has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- the firm or that person has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- the firm or that person carries on the same business as the client;
- the firm or that person receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monetary or non-monetary benefits or services.

#### **1.4. Between whom can conflicts of interest arise?**

The definition encompasses, in particular, situations in which there is a conflict between the interests of:

- the management company including its managers, employees or any persons directly or indirectly linked to the management company (including the parent company, subsidiaries, delegates, sub-delegates);
- persons acting on behalf of the Management Company (hereafter referred as "Employees") including its Executive and non-executive Directors, employees, external consultants and any representatives of Candriam;
- any persons directly or indirectly linked to the management company (including the parent company, subsidiaries, delegates, sub-delegates, service providers);
- investment funds and their shareholders;
- direct clients of investment services;
- several clients (in case of diverging interests).

#### **1.5. During what activities can conflicts of interest arise?**

At Candriam, conflicts of interest can arise among other during the following business activities:

- Management of collective investment funds;
- Exercise of voting rights ;
- Investment advising;
- Discretionary portfolio management;
- Reception and transmission of orders;
- Marketing of in-house or third-party investment funds;
- Managing the donation program to the Candriam institute;
- Delegation and outsourcing of activities.

## 2. Our prevention and management system

### 2.1. Principles, monitoring procedures and controls

We have established effective principles on the handling of conflicts of interest that are specified by the Compliance department and approved by the Senior Management of Candriam.

An internal set of policies and procedures on conflicts of interest was drafted for identifying new conflicts of interest. The main pillars of the prevention framework are :

- The Conflict of Interests policy
- The Code of Ethics
- The Code of Conduct
- The Selection of entities to which Candriam transmits orders for execution policy
- The Gift and Entertainment policy
- The Transmission of portfolios inventories policy
- The Product Approval and Review policy
- The Order Placement Policy
- The Data Classification policy
- The Personal Data Protection policy
- The Remuneration policy
- The Complaints handling policy
- The Inducement procedure
- The in-house fund investment procedures
- The Whistleblowing procedure

Relevant monitoring controls are performed appropriately according to the above mentioned control processes (“first-level controls”) and testing controls are carried out by the Compliance (“second-level controls”).

### 2.2. Roles and responsibilities

#### Senior Management

Members of the Senior Management are responsible for overseeing the identification, documentation, escalation and management of conflict of interests as they arise within their relevant areas of responsibility.

As such, each Candriam department is responsible for detecting and preventing the COI inherent to its particular activity. Each potential or actual conflict of interest must be disclosed without delay to the Compliance department.

#### The Compliance Department

The Compliance Department is independent of the commercial, processing, and other business departments and can thus perform its activities neutrally and without being bound by instructions. Among its other tasks, the Compliance department is responsible for identifying circumstances that could give rise to a conflict of interest that might materially disadvantage an investor and taking reasonable and effective precautions to deal with conflicts in the interests of investors.

#### All employees

Employees are responsible for identifying and managing conflicts of interests on an ongoing basis and must comply with applicable internal policies and procedures. All employees should challenge and escalate promptly issues of concern regarding a personal or professional situation to their supervisors and/or Compliance.



Employees should avoid, where possible, any possible conflict of interests, and be aware of potential areas of conflicts of interest; declare any situation in which they have or can have a direct or indirect interest that conflicts with the Management Company interests; and comply with any appropriate mitigating actions which may be required by the Management Company in the circumstances.

Employees who are entitled to receive any confidential information are reminded that information must be kept internally and externally confidential and they should not use such information to their own or a third party's advantage.

## 2.3. Identifying potential conflicts of interests

Based on the assessment conducted by Compliance alongside the business units, the conflict-of-interest situations which might arise are listed in the **mapping of potential conflict-of-interest situations** (the "**Cartography**"). This Cartography, maintained by the Compliance department, covers all Candriam activities and outlines the main measures for managing and monitoring potential professional and personal conflicts of interests.

Information on the potential professional conflicts of interests has to be transmitted by the business line/ department in question to the Compliance Department in the form of a report/email mentioning the features of the potential conflict-of-interest situation and specifying the proposed measures required to manage it.

In order to ensure that all situation of personal conflicts of interests have been identified, Compliance send annually to all Candriam employees a questionnaire aiming to identify the situation that each employee could face and that could have an impact on their day-to-day activity at Candriam. This questionnaire must also be completed by new joiners.

The Compliance Department can also discover situations via the whistleblowing channel open to all Candriam employees and business partners.

The Cartography is presented by the Compliance Department to the Board of Management for approval on yearly basis and then made public to all Candriam employees on the Candriam Compliance Manual available on the intranet.

## 2.4. Perceived conflicts of interests

In some situations, there may be no actual or potential conflict, but someone could think there is one and this can have its own consequences. Mismanaged perceived conflicts of interest, even when they do not turn into real conflicts of interest, may undermine the trust and public confidence.

Therefore, Candriam and its employees must take reasonable steps to avoid situations where it could be perceived that private or business interests are improperly influencing the performance of official duties towards the clients whether or not that is actually the case.

This type of situation can for instance be reported by a client through a complaint or by a third party. When considering whether a perceived conflict of interest exists, the Compliance Department will assess the circumstances from the point of view of a theoretical "reasonable market user". Having carried out such an assessment, the Directors of Candriam may decide to take clarification actions, not to act, or to seek external guidance.



## 2.5. Prevention measures

Candriam has put in place a proper set-up of internal rules, organization, monitoring and control measures taken to prevent the conflicts of interests from actually arising. Candriam also makes sure to maintain proper governance arrangements and staff awareness by a continuous training.

To manage these potential conflict-of-interest situations, Candriam has implemented a series of structural (and ad hoc) measures for the processing of specific conflict-of-interest situations.

In particular, the following measures are intended to prevent professional conflicts of interests:

1. Sound internal control environment governed by the “Three lines of defence” model which allows independent control functions to challenge the business and provide guidance on the management of the conflicts of interests to Senior Management;
2. A clear separation of functions that may be viewed as incompatible with each other or could potentially give rise to conflicts of interest (front office, middle office, permanent control, audit, administration, registrar, custodian);
3. Obligations of discretion and confidentiality with respect to any and all information related to clients or Candriam activities;
4. Physical and electronic information barriers which are designed to prevent the inappropriate exchange or the misuse of client information and of material, non-public information (restriction on a “need-to-know basis”);
5. Investment procedures safeguarding the interests of the investors in the investment advising or portfolio management (order and pre allocation principles, best execution, autonomous investment decision-making, cross trade, liquidity risk monitoring, etc.);
6. Strict application of the voting policy related to the exercise of the voting rights on behalf of funds or clients when relevant;
7. Product governance arrangements assessing potential conflicts of interests during the approval and review process for products and services;
8. Vigilant approach to commissions and other non monetary benefits (“Inducement rules”) offered of received by Candriam;
9. Remuneration policy removing 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;
10. Due skill, care and diligence in selecting the outsourcing companies and delegation agreements.
11. Internal awareness training to ensure employees are adequately trained on their obligations and on the applicable procedure concerning conflicts of interest management.
12. Recording of portfolio transaction information which is sufficient to reconstruct the details of the order and the executed transaction;

In addition, the following measures are intended to prevent personal conflicts of interest:

1. When dealing with clients, staff Members must act honestly, fairly and professionally in accordance with the best interests of the clients and in compliance with all applicable legislation (Duty of care);
2. Our employees must keep business activities separate from personal activities to avoid a conflict or the perception of a conflict and must disclose any relevant outside activities and external mandates;
3. Restrictions on personal account dealing of employees who must disclose all personal transactions in financial instruments covered by the Code of Ethics (including funds managed by Candriam) of the relevant employees whose activities may give rise to a conflict of interest;
4. principles and restrictions related to the acceptance, or the granting of gifts and other benefits related to third parties;
5. remuneration principles aiming to provide an appropriate remuneration environment and to ensure that employees are not incentivized to take inappropriate and/or excessive risks which



are inconsistent with the risk profile of Candriam and, where appropriate, the managed or advised portfolios.

## 2.6. How are conflicts of interest managed?

Each head of business unit is responsible for managing the conflict of interests of the perimeter under its responsibility by properly applying the related policies and procedures. The Compliance Department is responsible for monitoring and controlling the implementation, application and effectiveness of the measures.

Candriam will 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.

Where an actual conflict of interest occurs, the Compliance Department of Candriam will evaluate the situation, inform the Board of Management and propose the best course of action with a focus of protecting the interests of all concerned clients' interests.

Ultimately, the Board of Management decides if a situation is acceptable or not and if mitigation actions must be taken or not. In the process, the interests of investors take precedence over those of Candriam or the Candriam group of companies and those of employees and managers of Candriam as a basic principle.

Where there is an actual conflict of interest between investors, the relevant interests and concerns of the investors must be weighed against each other as well as possible. Where disclosure seems productive in terms of resolving the conflict of interest and there are no legal reasons conflicting with disclosure, Candriam is permitted to disclose the conflict of interests to the investors involved in order to bring about an amicable resolution.

Where Candriam considers that the conflict of interests cannot be managed in any other way, Candriam may decline to act for a client.

## 2.7. Recording of actual conflicts of interests

Each actual conflict of interest identified is recorded in the corresponding register (the "Register"). The Register is maintained by the Compliance department, in consultation with all relevant business areas of the company and is amended whenever required by the circumstances.

The Register shall record at least the following:

- the description of the conflict of interests;
- the identification of the person or units concerned by the conflict of interest;
- the date on which the conflict of interest occurred or was discovered;
- the potential or actual impacts of the conflict of interest;
- the description of the envisaged resolution measures;
- where appropriate, the arrangements for informing investors;
- when applicable the date of termination of the situation.

The decision regarding the inclusion in or exclusion from the Register is taken by Global Head of Compliance or his/her delegate.





The Register is:

- updated when necessary and at least annually,
- and (re)approved by the Board of Management at least on an annual basis.

The Board of Management and the Board of Directors of Candriam will be kept informed of any conflicts of interest during their regular meetings. At least annually, the Board of Managers and the Board of Directors/of the relevant funds receives a written report on the situations referred to in this policy from the Compliance Department.

As the Register contains highly confidential information (including personal information), it may not be shared externally and internally except to Board Members and to designated Senior Compliance Officers, in charge of managing the Register.

## **2.8. Disclosure of conflicts of interest**

The disclosure of conflicts of interests should be a measure of last resort to be used only where arrangements made by Candriam are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client will be prevented.

In case of disclosure decision taken by the Board of Management, the disclosure must :

- be made in a durable medium;
- clearly state that the organisational and administrative arrangements established by the firm 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 will be prevented;
- include specific description of the conflicts of interest that arise in the provision of collective investment activities, investment services or ancillary services;
- explain the risks to the client that arise as a result of the conflicts of interest; and
- include sufficient detail, taking into account the nature of the client, to enable that client to take an informed decision with respect to the service in the context of which the conflict of interest arises

The disclosure of conflicts of interest does not exempt the company from the obligation to maintain and operate the effective organisation and administrative arrangements.



### **3. RECORD KEEPING REQUIREMENTS**

As an investment management company having activities, Candriam is subject to various regulations regarding maintenance and retention of records and documents collected and produced for the purpose of its activities.

In application of Candriam Record Keeping Policy, all conflict-of-Interest related records (declarations, cartography, register, disclosures) must be kept for at least 5 years by Compliance.

### **4. POLICY UPDATE AND APPROVAL**

This policy will be reviewed and updated by the Compliance department on a regular basis and at any time if necessary (if Candriam intends to start a new activity for instance). Both the Board of Managers and the Board of Directors will be required to approve this policy on a regular basis and after each update.

This policy is made available to all Candriam employees and to the public.



## 5. APPENDIX I: Regulatory framework

This COI Policy is part of the application of the following provisions:

- EU Regulation n°596/2014 of April 16, 2014 relating to market abuse (“MAR”);
- EU Directive n°2014/65/EU of May 15, 2014 on the Markets in Financial Instruments (“MiFID 2”);
- Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU;
- Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (“AIFMD”);
- Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU;
- Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (“UCITS”).
- The Investment Advisers Act of 1940 (the “40 Act”),
- National laws and regulations as listed below:

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|--------------------------|--|
| <p><b>Luxembourg</b></p> | <ul style="list-style-type: none"> <li>• Law of 30 May 2018 on markets in financial instruments transposing Directive 2014/65/EU;</li> <li>• Circular CSSF 18/698 relating to authorisation and organisation of investment fund managers incorporated under Luxembourg law;</li> <li>• Law of 5 April 1993 on the financial sector;</li> <li>• Law of 17 December 2010 relating to undertakings for collective investment;</li> <li>• CSSF Regulation No 10-04 transposing Commission Directive 2010/43/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards organizational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company;</li> <li>• Circular CSSF 07/307 relating to MiFID: Conduct of business rules in the financial sector.</li> </ul> |
| <p><b>Belgique</b></p>   | <ul style="list-style-type: none"> <li>• Law of 2 August 2002 on the supervision of the financial sector and on financial services;</li> <li>• Royal Decree of 19 December 2017 laying down the rules and procedures aimed at transposing the Directive on markets in financial instruments;</li> <li>• Law of 21 November 2017 on financial instruments market infrastructures and transposing Directive 2014/65/EU.</li> </ul>   |
| <p><b>France</b></p>     | <ul style="list-style-type: none"> <li>• Monetary and Financial Code (article L533.10);</li> <li>• General Regulations of the Autorité des Marchés Financiers and related instructions and positions.</li> </ul>   |

