



CONFLICTS OF INTEREST POLICY

1. INTRODUCTION

1.1. What is the purpose of this policy?

As a financial institution, **Fund for social and economic development of the regions "Treasury Creator RA"** (hereafter referred to as FUND RA) may encounter conflicts of interest during the performance of its various activities for its clients. In line with our Code of Conduct, FUND RA aims to have adequate governance arrangements in place that enables FUND RA to effectively manage its conflicts of interest. FUND RA has several policies and procedures dealing with the management of conflicts of interest. This policy gives a general insight into the organisational and administrative arrangements FUND RA has in place to manage conflicts of interest.

1.2. Why do we need this policy?

FUND RA offers a variety of financial services and that can give rise to conflicts of interests potentially affecting the interests of our clients and the fund or improperly influencing the performance of employees' duties and responsibilities. This policy supports FUND RA in its efforts to properly identify, assess, manage and mitigate or prevent any actual or potential conflict of interest from happening. FUND RA employees are required to promptly disclose internally any matter that may result, or has already resulted, in a conflict of interest.[example] Herewith FUND RA complies with international and local laws and best market practices.

1.3. What is the scope of this policy?

This policy applies worldwide to all FUND RA group companies and businesses including any third parties involved in the provision of services as well as to everyone linked to the fund directly or indirectly by employment, contract or control (employee).

Under extraordinary circumstances, for instance if local laws or regulations impair the full execution of this policy, the business may request Compliance for a waiver for certain provisions of the policy.

This policy is reviewed yearly.

1.4. What is a conflict of interest?

A conflict of interest is any situation in which a person or organisation is involved in an interest (financial or other) which could adversely influence the motivation or decision-making of that person or organisation to act in the best interest of the clients or the fund. This could adversely affect the interests of the clients or the fund. Note that in this policy, all references to clients also refer to potential clients. Conflicts of interest may take various forms. They can be:

1. actual – involving a direct conflict between current duties or interests;
2. potential – involving likely future conflicts; or
3. perceived – not involving an actual conflict but only the perception of a conflict.

Conflicts of interest may be business-related or personal.

Business-related conflicts

Business-related conflicts may arise as a result of the structure and different activities of the fund's businesses or companies.

The following are business-related conflicts of interest:

- Conflicts between the interests of the fund and those of the client.
- Conflicts between the interests of one client and those of another client;
- Conflicts between the interests of the fund and those of third parties (e.g. suppliers, business partners)

Personal conflicts of interest

Personal conflicts of interest are those between the interests of an employee and those of the fund or the client. Personal conflicts of interest may arise because of financial, social, political, family or other personal interests or loyalties that interfere with our employees' professional responsibilities. Examples of situations where conflicts may occur are: outside business activities, personal account dealing and investments, gifts offered or provided as inducements. The basic principle is that conflicts of interest that persist need to be managed permanently. Conflicts of interest that occur unexpectedly with regard to a single event (e.g. a transaction, the selection of service provider, etc) can usually be managed with a one-off measure.

2. POLICY PRINCIPLES AND RULES

2.1. Managing business-related conflicts of interest

The proper management of conflicts of interest is ultimately a governance and conduct matter.

In this regard it is our fund's policy to:

- act honestly, fairly and professionally in accordance with the best interest of its clients;
- establish, implement and maintain an effective, written Conflicts of Interest Policy;
- maintain and operate effective organisational and administrative arrangements designed to take all appropriate steps to identify and prevent conflicts of interest from adversely affecting the interests of its clients;
- provide clients, in good time before the provision of services, with a summary of the Conflicts of Interest Policy and, if the client requests, the full version of the conflicts of interest policy;
- identify, assess, prevent or mitigate conflicts of interest;
- disclose in sufficient detail, as a measure of last resort and before undertaking business for the client, the general nature and the sources of any residual potential conflicts of interest and the steps taken to mitigate them;
- keep records of conflicts and the services and activities (being) performed, during which these conflicts of interest may arise or have arisen and report on such conflicts regularly to senior management and at least annually to the Managing Board; and
- communicate material actual, or potential, conflicts of interest to the Managing Board.

FUND RA's approach to preventing and managing conflicts of interest is through proper organisational set-up of internal rules, monitoring and control measures as well as continued education and raising awareness.

Such measures include rules of conduct, information barriers, policies and global standards, procedures, awareness campaigns and training programs. They are designed to identify, analyse, prevent and manage conflicts of interest.

2.1.1. Identifying business conflicts of interest

At FUND RA it is our policy to take reasonable steps to identify (potential) conflicts of interest both before accepting a new engagement with a client and during a business relationship.

In identifying conflicts of interest we consider all circumstances regarding a potential business relationship and take into account whether the fund or an employee:

- is likely to profit, or avoid a loss, to the detriment of the client;
 - has an interest in the outcome of a service or transaction for the client, that differs from the client's interest in that outcome;
 - has an incentive to favour one client, or a group of clients, over another;
 - receives from a person, other than the client, an inducement in relation to a service provided to the client, other than the standard commission or fee for that service. Such inducement may be monetary or non-monetary, in the form of goods, services or entertainment;
 - has an incentive to favour own interests above those of a client where the fund or the employee:
 - carries out the same business as the client;
 - has an incentive to provide non-impartial investment advice or investment research to the client;
- and
- stands to gain from volumes of business with the client.

2.1.2. Registration

FUND RA maintains a Catalogue of business activities carried out by or on behalf of the fund that entail or may entail conflicts of interest. The Catalogue covers all FUND RA businesses and facilitates the management of conflicts of interests and potential conflicts of interests.

When providing services to our clients, we identify specific (potential) conflicts, evaluate them and record them in a register. If and when required, we update the catalogue accordingly. Once a (potential) conflict of interest has been identified, we evaluate the conflict to determine the best course of action with a focus on preventing and managing the conflict of interest.

2.1.3. Preventing and managing conflicts of interest

Internal rules and separation of functions FUND RA's control environment for managing risks, such as conflicts of interest, is governed by the "Three lines of defence" model, which provides that:

- The 1st line of defence owns and manages the risks. These are our business departments that serve our clients. They are responsible for identifying and managing conflicts of interest.
- The 2nd line of defence provides independent risk control and monitoring. These are our risk and compliance departments which challenge the business and provide guidance on the managing of conflicts of interest.
- The 3rd line of defence evaluates independently the risk management and controls of the 1st and 2nd lines of defence and provides independent and objective assurance. This is the task of auditors who make sure that the tools and processes to manage conflicts of interest are effective.

Roles and Responsibilities

Senior Management

Members of senior management are responsible for overseeing the identification, documentation, escalation and management of conflicts of interest as they arise within their relevant areas of responsibility at the fund. Members of Senior Management are required to promote an appropriate culture which emphasizes the importance of ethical treatment of clients and the fair handling of conflicts of interest. In particular it is important that members of the Management Body¹ are aware that they may face conflicts of interest at the level of the management body which may impede the ability of members of the management body to take objective and impartial decisions that aim to fulfil the best interests of the institution or the client. These types of (potential) conflicts of interest are governed by the Rules of Procedure of the Executive Board (includes the Rules of Procedure of Executive Committee) and the Rules of Procedure of the Supervisory Board

For members of the Management Body, the examples of situations where conflicts of interest may arise will need be considered in order to identify any actual or potential conflict of interest that may impede the independence of mind required for the function.

All employees

Employees are responsible for identifying and managing conflicts of interest on an ongoing basis and the fund requires that all employees comply with this policy, rules and other applicable policies and procedures relating to the identification, documentation, escalation and management of conflicts of interest. All employees should challenge and escalate promptly issues of concern to their supervisors and Compliance so that conflicts of interest may be appropriately reviewed, managed and resolved. For the avoidance of any doubt, senior management is also considered an employee for the purpose of this policy.

Controls, policy and procedures

FUND RA has implemented controls to help manage conflicts of interest at the operational level. These controls include information barriers, separation of premises, personnel, reporting lines, files and systems. The administrative framework includes the preparation and implementation of policies and procedures that address conflicts of interest.

Information barriers

Our staff respect the confidentiality of client information and do not pass it on or use it inappropriately. In addition, for particularly sensitive cases, we have established Chinese walls and adopted “Chinese wall” procedures to prevent unauthorised exchange of information between staff.

Training and monitoring

Our staff is provided guidance and training on conflicts of interest on a regular basis. Our procedures involves internal reporting and monitoring of the effectiveness of the policies and procedures to manage conflicts of interest.

Examples of measures to prevent and manage conflicts of interest are:

- Measures to establish information barriers, or “Chinese walls”, to prevent and control the exchange of information between persons involved in activities where conflict of interest may arise. This is dealt with in the fund’s relevant policies and procedures on preventing market abuse, use of inside information and personal account dealing. FUND RA has in place secure and confidential systems to record material information to assist in the identification and management of potential conflicts of interest. There are “Watch Lists” and “Restricted Lists” that help tracking the flow of non-public information within the fund and the maintenance and monitoring of information barriers. This enables the fund to identify and manage potential conflicts of interest arising from sales, trading and research activities in the period before, during and after investment financial transactions.
- Measures to ensure that persons who represent different interests that may conflict are supervised separately. Such persons include those who provide services to clients or on behalf of clients.
- Measures to remove any direct link between the remuneration of persons whose core activities relate in a way that allows conflicts of interest to arise.
- Measures to prevent or limit any person from influencing inappropriately the way in which a person carries out investment or ancillary services or activities;
- Measures to ensure that one person is not involved in separate investment or ancillary services or activities at the same time or in sequence if such involvement may result in conflicts of interest.
- Measures to prevent the fund from paying or receiving any fee or commission or non-monetary benefit in relation to the provision of investment or ancillary services³ to a Client (an “inducement”), unless such payment or receipt falls within an exception. An inducement could create a conflict of interest where the payment or receipt of the Inducement would distract the fund from its obligations to serve the best interests of its client. In order to closely monitor potential conflict of interest scenarios with regards to inducements, the fund has established

policies, procedures and controls around inducements that all relevant employees are required to follow and comply with.

2.1.4. Disclosure of conflicts of interest or discontinuation of service

Where our organisational and administrative arrangements are deemed insufficient to avoid the risk of damage to our client's interests we may decide to discontinue or not provide the service to the client. As a measure of last resort, we may also decide to disclose the potential conflict of interest to the client. Such disclosure will clearly state that our organisational and administrative measures are insufficient to ensure that the risks of damage to the client's interest will be prevented. This disclosure describes the specific conflicts of interest involved including:

- the general nature and sources of conflicts of interest;
- the risks to the client associated with these conflicts of interest; and
- the steps taken to mitigate these risks.

This disclosure is made on a durable medium⁴. It should be appropriate, complete and clear to the client in order to allow the client to assess the conflict situation and to take an informed decision as to whether he or she still wants to conduct business with FUND RA.

2.2. Managing personal conflicts of interest

Personal conflicts of interests are when an employee's interests conflict with those of FUND RA or of the client. Examples where employees should be aware of potential conflicts of interests are:

- a. economic interests (e.g. shares, other ownership rights and memberships, financial holdings and other economic interests in commercial customers, intellectual property rights, loans granted by FUND RA to a company owned by staff, membership in a body or ownership of a body or entity with conflicting interests);
- b. personal or professional relationships with the owners of qualifying holdings in FUND RA;
- c. personal or professional relationships with staff of the institution or entities within FUND RA group (e.g. family relationships);
- d. other employment and previous employment within the recent past (e.g. five years);
- e. personal or professional relationships with relevant external stakeholders (e.g. being associated with material suppliers, consultancies or other service providers); and
- f. political influence or political relationships.

These types of conflicts include situations where:

- an employee is in the position to grant business on behalf of the fund in a way which benefits the employee or his or her family. An example is where an employee grants business on behalf of the fund to a family company, where another business would have been more suitable for the fund.
- an employee, or a close relative, uses its position at the fund to receive a benefit which is inappropriate and may differ from, or damage, the interests of the fund. An example is where an employee accepts entertainment, which may influence inappropriately his decision in selecting a preferred bidder in a tendering process.
- an employee's loyalties to, or financial dependence on, other persons or organisations may impair his or her objectivity. This may result in the employee carrying out duties for the fund in a

biased or detrimental to the fund manner. An example is an external employee carrying out work on a contracting part-time basis for the fund and another fund.

FUND RA's employees are aware of the risks of conflicts of interest associated with their work as well as the procedures designed to identify and mitigate these risks. They are expected to act proactively in identifying new conflicts of interest. Core principles for all employees, in line with our Code of Conduct are:

- act honestly, fairly and professionally and in accordance with the best interests of our clients and the fund;
- strive to prevent any conflicts of interests and conduct business in accordance with our conflict of interest policies, rules and accepted standards;
- take appropriate steps to identify any actual, potential or perceived conflicts of interests that arise before or during the course of business or outside business activities;
- assess the materiality of a conflict of interest and manage the conflict;
- when in a position of significant authority, function or role, promote a sound conflicts management culture and set an example.

FUND RA strives to create a culture of integrity through its culture principles, Code of Conduct, as well as training and awareness. This culture is complemented by a framework of policies and procedures to ensure personal conflicts of interest are managed properly. A summary of these principles follows:

Separation of personal and business interests

Our employees keep business activities separate from personal activities and interests to avoid a conflict, or the perception of a conflict, with their duties owed to the fund, its clients, counterparties or other third parties.

Duty of care

Our employees deal with clients and the fund in a transparent, respectful and fair manner. When providing services to clients, they act with the requisite skill, knowledge and expertise and in an honest, fair and professional manner.

Safeguarding the secrecy and security of information

Our employees protect the confidentiality of privileged information entrusted to them. They respect Chinese wall arrangements between departments, entities or teams and follow the rules on the safeguarding of information.

Related party transactions

Our employees make transactions with related parties, for example shareholders, executive officers, or members of the Board, on an independent basis where each party serves its own interests without exercising influence over the other party. Such transactions must be allowed under an appropriate and disclosed conflicts of interest policy and must not damage the interest of the fund and its clients.

Interested party dealings

Interested parties are parties within FUND RA who have a direct or indirect interest in the outcome of the fund's business activities. Interested parties abstain from voting and decisions if they have a conflict of interest that makes them incapable of properly fulfilling their duties to the fund or its clients. If the conflict of interest is not of an exceptional but recurring nature, the fund considers alternative measures including permanent exclusion from decision-making bodies and alternative membership. Interested parties are not involved in managing or monitoring the business relationship in which they have an interest unless appropriate safeguards are in place to help manage the risk.

Gifts

FUND RA has a policy on gifts, which provides principles and rules that govern the acceptance and provision of gifts and other benefits to and by employees, so that such gifts, if permitted, do not impair employees' duty to act in the best interest of the client or the fund.

Outside business activities

FUND RA has a policy on outside business activities, which provides principles and rules that govern the notification, assessment and monitoring of employees' outside business activities in order to avoid a conflict with their business activities at the fund.

Personal account dealing

Employees' personal transactions in financial instruments for their own account are governed by policies and procedures to mitigate the risk that such transactions amount to market abuse and that conflicts of interest related to such transactions are prevented or managed appropriately.

Remuneration

The fund recognises that remuneration is a factor that may influence the conduct of Employees. The fund has in place remuneration policies and procedures which set out appropriate governance to prevent remuneration structures which may incentivise an Employee to act contrary to their responsibilities, regulatory requirements or the fund's Code of Conduct.