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| Document name / Content<br>Policy regarding conflicts of interest | Document number           | Version                           | Document type<br>Policy or Instruction signed by the board |  |
| Created by<br>Christian Dahlheim                                  | Create date<br>2018-12-12 | Business unit<br>ISEC Services AB |  |   |
| Approved by<br>The board  | Valid from<br>2018-12-19  | Last updated                      | Confidentiality<br>Public                                  |   |

## 1 INTRODUCTION

1.1 ISEC Services AB (hereinafter "the Company") conducts operations subject to authorization in accordance with the Securities Funds Act (2004:46) and the Act (2013:561) on the Managers of Alternative Investment Funds (LAIF). The Company is part of a corporate group (ISEC Group). Within the framework of the licensed operations as a fund company, the Company also performs a number of operational and risk management services for various players in the securities market on assignment. The Company is aimed at asset managers, institutions and other securities players. As the Company is part of a corporate group, has a number of business relationships and offers a variety of services, it is of great importance for the Company that it manages conflicts of interest. The Company must also have procedures and processes for managing, resolving and documenting identified conflicts of interest.

1.2 In its delegated Regulation (EU) No. 231/2013, the Commission has established that an AIFM that manages an open AIF must have internal rules that specify how the Company manages conflicts of interest. In Chapter 15 of the Swedish Financial Supervisory Authority's regulations for securities funds (FFFS 2013:9), the Financial Supervisory Authority has stated that a fund company must have internal rules stating how the fund company manages conflicts of interest. The rules must be adopted by the Board and be appropriate in view of the size and organization of the company and the nature, scope and complexity of the business.

## 2 PURPOSE AND APPLICATION

2.1 Against this background, the Company has defined the following principles for the management of conflicts of interest. The purpose of the guideline is to specify how the Company:

- Identifies conflicts of interest
- Documents identified conflicts of interest
- Escalates and reports conflicts of interest to forums where these can be resolved and managed
- Resolves and manages conflicts of interest that arise in the various business relationships and within the Company itself

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2.2 The guideline also addresses the circumstances that are likely to lead to conflicts of interest. The description is not intended to be exhaustive, but is intended as a guide only. The work of identifying conflicts of interest and assessing how to resolve them is necessarily an ongoing activity in a changing and dynamic business environment. This work sometimes also borders other areas of the Company's operations, and part of the Company's work with conflicts of interest is covered by guidelines for other areas. This guideline should therefore be read in conjunction with, for example, the following guidelines, which have also been adopted by the Board:

- Guidelines for dealing with ethical issues
- Guidelines for outsourcing
- Guidelines for valuation
- Guidelines for employees' own transactions with financial instruments
- Ownership Policy

2.3 This Guideline applies to all of the Company's business relations, all services performed for the Company's customers and to all fund products in which the Company acts as a fund company for mutual funds or a responsible AIFM. The guideline applies to all of the Company's employees, as well as to any side assignments and hired consultants and advisors. The guideline shall be applied throughout the corporate group at large in which the Company is included and for all members of the management group and boards.

### **3 DEFINITION OF CONCEPTS AND ABBREVIATIONS**

3.1 A conflict of interest is defined in this guideline as the result of a situation where two or more parties have conflicting or potentially conflicting interests and/or a conflict between a person's individual interests and responsibilities in a position of trust. Conflicting interests can, for example, lead to conflicts, wrong decisions or decision making on the wrong grounds. Conflicts of interest may arise between, for example, different persons, functions, reporting relationships, in hierarchies, between the Company and service providers or affiliated agents, investors, board members and management personnel.

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#### 4 CIRCUMSTANCES LIKELY TO LEAD TO A CONFLICT OF INTEREST

4.1 Since conflicts of interest may arise at short notice, are variable over time, and depend on many different relationships between persons and business relationships in the Company, it is not meaningful to state all the circumstances that may cause conflicts of interest. On the other hand, there are situations that are more likely to lead to conflicts of interest and where attention must be paid to conflicts of interest. The circumstances identified below shall in no way be considered complete or mutually exclusive. Work on systematically identifying conflicts of interest should be an ongoing activity.

4.2 Areas and situations where the Company faces a particularly high risk of potential conflicts of interest are those in which the Company itself, one or more employees, managers, board members, affiliated representatives or service providers within and for the Company or the Group:

- are likely to receive a financial gain or avoid a financial loss at the expense of the mutual fund, the alternative investment fund or a co-owner of one of the Company's managed fund products
- have an interest which differs from that of the unit holders, the results of operations or a portfolio transaction carried out on behalf of the fund;
- are appointed as trustee of the Company and manage a fund that is in direct competition with another fund product the Company manages
- have an economic or other reason to favour a customer or the interests of a customer or customer group over the unit holders;
- represent another organization that performs services for the Company or an organization that performs the same kind of operations for the Fund as for one or more other clients and is affiliated with the Company
- in connection with fund operations, receive or will receive money, goods or services, in addition to the standard commission or fee for the service or activity in question from someone other than the fund.

4.3 More information on situations that may lead to conflicts of interest and a list of all identified conflicts of interest shall be documented in the "Register for conflicts of interest" kept by the Company's compliance officer.

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## 5 MEASURES TO PREVENT, AND PREVENT THE EMERGENCE OF, CONFLICTS OF INTEREST

The Company strives to always and, in every situation, act in the best interests of the unit holders and customers. All of the Company's business activities and customer relationships are based on trust in the Company and its internal governance. The Company's goal is therefore to develop and maintain routines and instructions to effectively and adequately prevent conflicts of interest, pay attention to conflicts of interest and manage conflicts of interest in a manner that is appropriate for the parties. Because the Company has a very broad business and is part of a group, conflicts of interest are very difficult to completely prevent. For this reason, the Board pays particular attention to the management of conflicts that arise and are identified. The following principles shall apply in order to remedy, prevent, and prevent the occurrence of, conflicts of interest.

### 5.1 Training and information regarding conflicts of interest

The Company's staff shall receive training regarding the content of the Company's internal rules for handling conflicts of interest. Part of this training should consist of clarifying the importance of identifying conflicts of interest and that each employee is required to report the occurrence of such to the management or the compliance officer.

### 5.2 Resources and competence

The Company shall endeavour to have the adequate resources and systems, personnel and the general ability for the assignment (assignments) and to be able to carry out the assignments without having to compromise its independent position and opportunity to act in the interests of the unit holders.

### 5.3 Delegation of work to third parties and customer acceptance

The Company shall have robust routines and instructions for conducting initial review and acceptance of new customer relationships that will lead to work delegated to third parties. The Board of Directors decides on any such relationship and shall, prior to any new delegation or change of delegation to third parties, receive full and updated information on conflicts of interest, potential and identified, before making a decision and before concluding an agreement with third parties for the performance of services on behalf of the Company and during the Company's licensed operations. It is the CEO who is responsible for making such material available to the Board.

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The Board of Directors shall annually be updated on a continuous review of all service providers who, through delegation, carry out work on behalf of the Company. The continuous review must contain information on conflicts of interest, both potential and identified.

For each delegation to third parties of such services the Company has defined as its core business (division is stated in the Outsourcing Guideline), including but not limited to distribution, portfolio management, fund management, transfer agent and ManCo services the Company's management shall ensure that work and services are delegated only through legally binding agreements. Such agreements must state that the service provider undertakes to either have its own guidelines on conflicts of interest or to follow the Company's guidelines for conflicts of interest. Where further delegation is permitted, the same requirements shall be made according to legally binding agreements throughout the delegation chain.

#### 5.4 Disputes and side assignments, exercise of ownership influence

The Company has observed that relevant persons, and persons who in addition to ownership control, may have board assignments or ownership in companies that carry on competing activities or otherwise have interests that conflict with the interests of the Company. This can lead to conflict situations where the interests of the Company or the fund unit holders and customers are not fully safeguarded. The potential conflict of interest is currently handled by prohibiting employees and other relevant persons from:

- addressing issues on behalf of the Company in cases where an employee, related employee or a company related to the employee may have an interest that conflicts with the Company's interests;
- participate in other business operations on behalf of themselves or third parties without the prior consent of the CEO or, as far as the CEO is concerned, of the Chairman of the Board, and
- receive assignments outside employment (for example, an assignment to sit on a board or otherwise act as advisor) without the prior consent of the CEO or, as far as the CEO is concerned, of the Chairman of the Board.

When the Company acts as a Fund Company or AIF manager but delegates the portfolio management to a third party, it is mandatory to always enter into legally binding agreements stating that the right to exert influence in the investments acquired for the funds is given to the party managing the portfolio management. This is to avoid putting the Company in a situation where the Company has interests which differ from those of its customers for one and the same investment in the funds. In the event that a portfolio manager reports a conflict of interest in the exercise of his ownership influence on behalf

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of the Funds, the portfolio manager shall act in accordance with his own policy for managing conflicts of interest or apply the Company's.

The obligation to identify, register, manage and report conflicts of interest shall be stated in the agreement entered into by the Company with the portfolio manager.

#### 5.5 Employee's own business, insider trading and market abuse

Persons with access to information about management decisions regarding managed fund products and/or other transactions carried out on behalf of clients can use such information in their own securities transactions. Similar situations may arise in the outsourced business. The potential conflicts of interest that may arise are prevented by the Company's adopted guideline on employees' own transactions with financial instruments and claims against contractors regarding appropriate procedures for handling insider information and market abuse.

#### 5.6 Remuneration

The design of remuneration systems can affect the performance of employees' tasks and thereby create conflicts with customers' interests. Employees who participate in the administration or perform other services could potentially take excessive risks or violate the fund rules and the Company's internal rules in order to increase their own level of remuneration in the short term. Furthermore, the fund assets could be valued at amounts higher than the market price in order to increase the fund Company's fee charges. In order to prevent conflicts of interest from arising regarding compensation issues, the Company has adopted a remuneration policy.

#### 5.7 Valuation

As a fund company and AIF manager, the Company is responsible for valuing the assets in the funds. Since the Company receives compensation in relation to fund assets, there is a potential conflict of interest in the valuation area. In order to prevent any conflicts of interest in valuing the assets in the funds, the Company has adopted a valuation guideline. This shows which independent checks of valuation are carried out for the funds and how issues regarding valuation are handled.

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## 6 REPORTING POTENTIAL CONFLICTS OF INTEREST

Reporting conflicts of interest takes place at various levels in the Company. Section 7 below summarizes the various instances where conflicts of interest should at a minimum be identified. The reporting of suspected conflicts of interest, i.e. potential conflicts of interest, shall take place as follows:

- All employees must immediately inform their immediate manager of situations where there are suspicions of potential conflicts of interest.
- Managers for functions or with personnel responsibility inform the CEO and the compliance function without undue delay of any suspicion of potential conflicts of interest .
- The compliance function investigates the potential conflict of interest and, if a conflict of interest has been identified, applies this policy for managing and documenting the conflict of interest.
- Corporate Governance Committee: The Company has established a committee to which conflicts of interest and related problems can be referred and reported. Managers report problems and conflicts of interest to the Compliance function and the Compliance function decides whether to convene the Committee or not.

The Company's Board of Directors shall receive a report at least once a year regarding the occurrence of potential conflicts of interest in the operation and regarding the conflicts of interest identified in connection with, or arising as a result of, new agreements and how they are handled. The compliance officer makes a general assessment of potential conflicts of interest at least once a year.

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## 7 IDENTIFICATION AND REGISTRATION OF CONFLICTS OF INTEREST

The Company's management must actively work to continuously identify, monitor and manage any conflicts of interest that may arise in the business. The Company's CEO is responsible for the implementation of instructions for identifying, registering, handling and documenting conflicts of interest and shall regularly review any situations that may arise that may constitute conflicts of interest and how to best ensure that neither party is unduly favoured.

In order to achieve the purpose of this guideline, the entire organization must work with risk management and have a culture that is permeated by an awareness of the risks that conflicts of interest in the business entail and the consequences thereof. The Company must therefore have an organization which means that:

- There is a clear distinction between the different "lines of defence" and that control functions work independently of the operations
- Conflicts of interest as far as possible can be avoided, and where conflicts of interest cannot be avoided, such conflicts of interest are identified and managed appropriately
- There is a clear division of responsibilities for each of them and an awareness of roles and tasks in job descriptions
- Routines and processes are documented in writing
- There are clear reporting routines and knowledge of how to escalate problems in the organization
- There are well-defined decision-making processes

### 7.1 Governance and control

The CEO shall ensure that regular meetings are held with the Company's compliance officer. The issue of identification, follow-up and management of conflicts of interest should be a standing item at these regular meetings where the CEO and the Company's compliance officer meet to discuss current compliance issues.

When the Company's management (CEO, Board of Directors, executives) decides on roles, tasks, division of responsibilities, participation in governing bodies and committees, special attention should be paid to the analysis of conflicts of interest that may arise in the performance of the duties. Conditions where a mix of different lines occurs in the Company's internal control structure (first, second, and third lines) or where work to be monitored is performed by the same person or function that is supposed monitor the work shall be avoided and reported to the compliance function.

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The CEO shall also establish procedures and instructions to ensure that:

- an employee, manager or board member of the Company or the Group does not carry out work, take decisions regarding, or otherwise address issues in the event such a person or close relatives of such person has interests that conflict with the interests of the Company or the interests of the unit holders or the funds;
- an employee, manager or board member of the Company or Group does not have or engage in side assignments or third-party assignments without written permission from the HR manager, CEO and/or compliance officer;
- there is no direct relationship or relationship between the employee's remuneration and remuneration paid or attributed to another person within the Company or the Group including all parties who form business relationships or are customers or affiliated agents;
- an employee, manager or board member of the Company or Group cannot exert undue influence on how another employee, manager or board member of the Company or Group performs its work.

## 7.2 Assessment of all conflicts of interest with regard to the Company's operations

The Company's compliance officer shall, in consultation with the CEO and business area managers, as well as the risk control officer, regularly and at least once a year make a general assessment of all of the Company's potential conflicts of interest. It is the compliance function that is responsible for making such an assessment and documenting the result in writing. The compliance function shall regularly update this assessment with the types of activities performed by the Company (according to an updated business plan) or on its behalf where a conflict of interest - with the actual risk that the interests of one or more funds or its unit holders will incur a loss - may have arisen or may occur for ongoing activities. Any identified conflicts of interest shall be entered in the Company's register in accordance with paragraph 7.3 below

## 7.3 Register of identified conflicts of interest

The Company's compliance officer shall keep a register of all identified conflicts of interest.

The register shall state:

- When the conflict of interest was identified
- Category and area
- Parties to the conflict of interest
- Measures to deal with conflicts of interest (report, control, prevention)
- Reporting conflicts of interest

The Company's compliance officer shall regularly meet with the Risk Control Officer and make a risk assessment of identified conflicts of interest, their management and potential consequences and impact on other risks.

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#### 7.4 Meetings of the Board, management and other governing bodies

The issue of identification, follow-up and management of conflicts of interest should be a standing point on the agenda and discussed and documented in writing at the following meetings:

- **Compliance Meetings:** Compliance Officer and CEO meet to discuss current compliance issues
- **Board meetings:** The Board's regular and extra meetings
- **Management Group Meetings:** Management meets to discuss business development, organizational issues, etc.
- **Corporate Governance Committee:** (Corporate Governance Team) meets at the initiative of the head of the fund management service. This Committee addresses issues of identified or potential conflicts of interest within the organization.

Other governing and decision-making bodies, current and future, shall, in their work, consider this guideline and apply it appropriately.

At each Board meeting, each member shall submit a written list, or following the previous meeting, amendments to the previously submitted list, of their other assignments. The list shall form part of the minutes of the Board meeting.

All minutes shall be submitted to the compliance officer and the risk control officer in writing and without delay after the meetings are closed.

#### 7.5 Sales, new products, new conditions

The Company has routines for the collection of information from potential customers as well as future service providers (for the ManCo services) to be able to provide quotations. When the Company analyses future potential customers and service providers, changes in services or products, changes in ownership or composition of the board of clients, conflicts of interest shall be included as a standing point in each analysis and assessment.

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## 8 MANAGING IDENTIFIED CONFLICTS OF INTEREST

Once a conflict of interest has been identified and confirmed, the following principles shall be applied to deal with the conflict of interest.

1. **Reporting without unnecessary delay:** All conflicts of interest identified must be reported to the compliance function without undue delay. It is of the utmost importance that the reporting is done before the matter is processed further and before any further decision on the matter is made.
2. **Suspension:** Once a conflict of interest has been identified, the affected business activity, appointment, division of work, quotation, contract or other must be cancelled. The matter must not be continued, discussed, assessed or analysed until reporting has been made and permission has been granted from the compliance officer.
3. **Management in the interests of the unit holders and the funds:** The general principle is that conflicts of interest must be managed and resolved with regard to the best interests of the unit holders and the funds. If the conflict of interest is impossible to avoid and is deemed not to be in the interests of the unit holders or the funds, such conflict of interest shall be disclosed to the unit holders in the funds. Publication shall occur without undue delay.
4. **Internal management:** If a conflict of interest has been identified within the Company concerning control functions, board assignments, disputes or which otherwise causes the Company's internal control and governance not to function as intended, the compliance function shall propose measures to the Board. The Board decides on this issue.
5. **Escalation:** Conflicts of interest identified must always be reported for information purposes to the compliance function and the CEO. Conflicts of interest must be resolved as far down in the organization as possible, and the work is distributed and organized in a way that avoids and prevents conflicts of interest. Conflicts of interest that cannot be resolved must be escalated. Escalation takes place to the nearest manager, then to the CEO and the Board.
6. **Final escalation level:** Problems and conflicts of interest that cannot be resolved at a lower level in the organization must be reported to, and decided by, the Board. The Board has appointed a Corporate Governance Committee of which the Chairman of the Board is a member. Finally, the Corporate Governance Committee and the Board of Directors are responsible for handling conflicts of interest.

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## 9 DOCUMENTS TO SUPPORT THIS POLICY

| Document                               | Description   |
|--|---|
| Evaluation of conflicts of interest    | Continuous evaluation of conflicts of interest according to section 7.2 |
| ISEC Register of conflicts of interest | Register of identified conflicts of interest according to section 7.3.  |