

# **CONFLICT OF INTEREST POLICY**

## 1. INTRODUCTION

Directive 2014/65, which regulates financial markets and their standards on development and transposition in Spain, imposes numerous obligations regarding investor protection for companies that provide investment services. In particular, it establishes the need for companies providing investment services to adopt, implement and maintain an effective conflict of interest policy. The prevention and management of these conflicts is also mandatory in the field of the regulation applicable to the CII and Article 144 of the Regulation that implements the Law on Collective Investment Institutions requires that policies and procedures applicable thereto be in place, while Article 145 is devoted exclusively to conflicts of interest inherent to related-party operations.

In compliance with said obligations and with a clear objective of enhancing the protection of its clients, MAPFRE ASSET MANAGEMENT, SGIIC, SA ("**MAPFRE AM**" or the "**Company**") has developed this Conflict of Interest Policy (the "**Policy**" or "**Conflict of Interest Policy**"). The aim of this Policy is to detect and continuously stay up to date on situations of real or potential conflicts of interest and to prevent such situations from occurring. When this is not possible, adequate management of conflicts of interest must be ensured pursuant to current regulations by means of a recording and communication procedure within the organization.

The Policy is intended to:

- i) Identify, without being exhaustive, a list of circumstances that, as a result of implementing the activities envisaged in its program (both in the area of management, administration, representation and distribution of collective investment institutions (**CII**), and in relation to investment and/or auxiliary services or a combination thereof) by MAPFRE AM or on its behalf, may represent a possible conflict of interest and thus involve a risk of undermining the interests of one or more clients.
- ii) Take measures to prevent conflicts of interest from arising whenever possible.
- iii) Specify the procedures to be followed and the measures to be taken to manage conflicts of interest.
- iv) Communicate to the clients when the measures set forth to prevent or manage conflicts of interest are not sufficient to ensure, with reasonable certainty, the prevention of risks that may harm the client's interests.
- v) Adequately document the internal measures established by the Company to accomplish the above purposes.

This Policy therefore sets out the general principles of action to be followed at MAPFRE AM in relation to conflicts of interest that may arise in the provision of all the Company's services and activities, without prejudice to the provisions set out in the MAPFRE Group's Policy for Managing Conflicts of Interest and Operations Linked to Significant Shareholders and Senior Representative and Senior Management Roles to which the Company adheres, as well as the Code of Ethics and Conduct (hereinafter, the "**Code**") and in the MAPFRE Internal Code of Conduct concerning listed securities, and in the Company's own Internal Code of Conduct ("**ICC**").

## 2. SCOPE OF APPLICATION

This Policy and its implementing rules are binding upon all board directors, directors, employees, company agents, and parties directly or indirectly related thereto, as defined below ("**Related Parties**") (collectively, the "**Affected Subjects**"), who must be aware of and comply with this Policy.

Related Parties shall mean:

- i) Legal persons who have a controlling link with the board directors, directors and employees of the Company, or with the Company itself, and any individuals who have a personal link with them.

For these purposes, the following will be considered to be a controlling link:

- 1) Owning 20 percent or more of the voting rights of a company's capital directly or indirectly, or through a controlling link, or
- 2) A controlling link pursuant to the terms of Article 4 of the Security Markets Law.

Furthermore, family relationships with the following persons will be considered personal:

- 1) A spouse or any person bound to the person in question through a similar relationship, in accordance with the legislation in force.
- 2) Dependent children or stepchildren.
- 3) Any other relatives who have lived with the person in question for at least one year before the date of the personal operation in question.

- ii) The depositary companies of vehicles managed by the Company.
- iii) Any group company to which the Company belongs, the depositary or any of its members of their respective boards of directors or other management body or depositaries belonging to the same group.
- iv) Companies that share members of management bodies (with executive or non-executive positions, where said persons participate in or influence decision-making that may potentially lead to conflict) with the Company<sup>1</sup>.

This Policy shall apply both in the area of CII management, administration, representation and distribution, and in relation to investment and/or auxiliary services provided by MAPFRE AM or a combination thereof.

The provisions set forth herein must be considered in conjunction with other internal policies and guidelines that will be published to this end and that aim to further detail the procedures, contents or supports put in place in order to comply with the obligations set out in this Policy.

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<sup>1</sup> For example, according to the criteria applied by European Securities and Markets Authority (ESMA) under the scope of the Market Abuse Regulation, no conflict of interest arises in cases when members of the Company's management body do not participate in or influence decision-making concerning transactions with financial instruments of the other company of which they are also members of the management body.

### **3. DEFINITION OF CONFLICT OF INTEREST**

A conflict of interest shall be understood to exist:

- i) between the company and its clients
- ii) between an Affected Subject and the company or its clients
- iii) between clients for the provision of an investment service
- iv) between one of its clients for the provision of an investment service and a CII
- v) between two CII

when two competing interests that may compromise the impartial provision of a service (both in the area of CII management, administration, representation and distribution, as well as in relation to investment and/or auxiliary services or a combination thereof) are competing for the same Affected Subject or scope of decision and when a risk of causing harm to the interests of the client, the managed CII or the investors of said CII is identified.

The following is a non-exhaustive list of circumstances or situations that, for the purposes of this Policy, may constitute a conflict of interest:

- i) If a financial advantage can be obtained, or a financial loss can be avoided, at the expense of the client, the CII or its investors.
- ii) If the result of an activity or service provided to the CII or its investors or to another client, or an operation carried out on behalf of the CII or another client, leads to an ulterior interest other than that of the CII or another client.
- iii) If there is a financial incentive or any other type of incentive that favors:
  - The interests of a CII, a client, or a group of clients over the interests of another CII or client.
  - The interests of an investor over those of another investor or group of investors of the same CII.
- iv) If an operation is performed on the same asset for two CII or for another client.
- v) If an incentive, in the form of money, goods or services, other than the commission or normal rate established for such service, is received or is to be received from a person other than the CII or its investors or from the client, as appropriate. This group includes the receipt or payment of third-party fees, commissions or non-monetary benefits by the Company or any Affected Subject in relation to the provision of investment services.
- vi) If all or part of an investor's portfolio is invested in CII stocks or shares managed by the Company.
- vii) Situations in which the Company or any Affected Subject may perform the same activity as the client and may come into conflict with the latter.
- viii) The remuneration of the Company and the Affected Subjects and other employee remuneration structures.
- ix) In the exchange of information between Affected Subjects participating in the elaboration of marketing communications where the exchange of such information may be detrimental to the interests of one or more clients.

- x) Any other circumstance that may arise at the time of providing an investment or auxiliary service that involves a risk of injury to the interests of the client.

To this end, it shall be deemed inappropriate that the Company, the Affected Subject or a person that has a direct or indirect controlling link with the Company obtain a benefit, only if there is a possible risk for a client, or that a client obtains a profit or prevents a loss, only if there is a possibility of a loss for another client.

#### **4. IDENTIFYING AND MANAGING CONFLICTS OF INTEREST**

In order to prevent and/or properly manage conflicts of interest, MAPFRE AM possesses procedures that identify the actions of the Company and the Affected Subjects in relation to conflicts of interest, their monitoring and how report such conflicts to senior management, based on the following general principles:

- i) The interest of the CII, their shareholders and stakeholders, and the clients shall always take precedence over that of the Company, the Affected Subjects. The Company therefore possesses an internal procedure, the purpose of which is to ensure that any related-party operations that may be carried out by or on behalf of the CII or the client that corresponds to these persons or companies are made in the best interest of the CII or clients and at market prices.
- ii) In the event that a conflict of interest that cannot be properly managed should arise, the situation causing it shall be avoided, or the CII, its shareholders or stakeholders and/or clients will be duly informed thereof so that they can make an appropriate decision.
- iii) Financial instruments shall be selected once their appropriateness and suitability to the CII's investment policy or to the contract entered into with the client have been analyzed, as appropriate, as have their various risks, which are continuously monitored throughout the investment period.
- iv) The voting rights granted by certain instruments are exercised exclusively in the interests of the CII and their shareholders or stakeholders. For other types of clients, actions will be taken in accordance with the provisions of the contracts signed with them and the company shall act exclusively in the interests of the client in all cases.
- v) When selecting third-party funds, where appropriate, the classes with the most economical conditions that can be accessed by the CII and/or clients are always chosen.
- vi) The process of pre-assigning and contracting operations is carried out in a formalized and controlled framework whereby the different areas involved are segregated, respecting the interests of each group of clients and avoiding situations of discrimination.
- vii) Financial intermediaries are selected based on objective and independent criteria.
- viii) Any direct relationship between the remuneration of Affected Subjects that mainly carry out one activity and the remuneration of other Affected Subjects that mainly carry out another activity, or the revenue generated by them, that could pose a conflict of interest in relation to these activities, has been eliminated.
- ix) There is functional, hierarchical and physical separation between the Company and other MAPFRE Group companies; there are information barriers that prevent or

otherwise control the exchange of information, and areas are separated so as to prevent the flow of privileged or non-public information between MAPFRE Group companies.

- x) The Company has adopted measures to prevent or restrict the possibility of any party improperly influencing the manner in which portfolio management activities are performed by an Affected Subject.
- xi) The Company has implemented measures to control the simultaneous or consecutive participation of an Affected Subject in separate management activities. Appropriate measures shall be taken when such participation may affect the proper management of any conflict of interest.
- xii) As a result of the relationship between the Company and CII's depository company, there are procedures in place that guarantee that conflicts of interest arising from such a relationship are identified and all reasonable measures that prevent such conflicts are adopted.

Where conflicts of interest cannot be avoided, both companies shall control and disclose such conflict in order to avoid adversely affecting the interests of the CII's and their investors.

- xiii) Incentives paid to or received from third parties. The Company possesses procedures to verify that it does not accept or withhold fees, commissions or other monetary or non-monetary benefits paid or provided by a third party or by a person acting on behalf of a third party in relation to the provision of the discretionary portfolio management service to its clients.

In the event that the Company receives fees, commissions or other monetary or non-monetary benefits, these must be returned to the client in full as soon as possible following receipt of the payments in question. The Company is not authorized to compensate such third-party payments with appropriate fees by the client to the Company.

- xiv) Possible conflicts in providing investment and/or auxiliary services. The analysis and, where appropriate, identification and handling of potential conflicts of interest in providing these services shall be carried out at the following levels:
  - The internal approval procedure for the Company's products and services establishes the need to analyze potential conflicts of interest that could arise between the Company and the client, the CII or its investors, or between clients, CII's and their investors.

If, during the products and services approval process, it is concluded that there may be a potential conflict, appropriate measures shall be taken to properly manage the potential conflict. If the product is then approved, appropriate measures shall be indicated to minimize its effects, and both the warnings to be issued and the statements to be obtained from the client during the distribution process shall be established for cases in which the measures taken cannot prevent possible harm to clients.

- The Affected Subjects, when providing investment and/or auxiliary services, must analyze whether there is any situation in which a potential conflict of interest may arise, other than those previously identified by the Company. If so, they must comply with the measures set forth in this Policy.

Furthermore, as a result of the specific acts of providing said services, those who provide the services must analyze whether there is any situation arising from the subjective, objective or other concurrent circumstances that determine, there being no general conflict with respect to the service, that there is indeed in this specific case.

- xv) Marketing communications. When releasing marketing communications or when entrusting third parties to make marketing communications that are intended to be disseminated or that could be disseminated to clients or to the general public, the Company will ensure the following measures to prevent conflicts of interest:
- Prevent the exchange of information between Affected Subjects participating in the elaboration of marketing communications where the exchange of such information may be detrimental to the interests of one or more clients.
  - When the Company issues marketing communications for clients with competing interests, decisions relating to said communications must be made separately to avoid any damage that may arise due to there being a potential conflict of interest.
  - Eliminating any direct relationship between the remuneration of Affected Subjects that mainly issue the marketing communications and the remuneration of other pertinent people that mainly carry out another activity, or the revenue generated by them, when a conflict of interest may arise.
  - Prevent or limit undue influences on the way in which an Affected Subject issues marketing communications.

For this purpose, "marketing communication" shall be understood as information recommending or suggesting an investment strategy, either explicitly or implicitly, in relation to one or more financial instruments or to the issuers thereof, including any opinion on the current or future value or price of such instruments, intended for distribution channels or the public that meets the following conditions: (i) the information does not correspond to the name or description of the investment report or similar terms, or in any case is not presented as an objective or independent explanation of the recommended object; (ii) if information is provided to a client, it does not constitute investment advice and (iii) the marketing communications, advertising activity, sales communications or similar must be clearly identified as such.

## **5. APPLICABLE RULES IN CONFLICTS OF INTEREST**

### **5.1. GENERAL RULES**

In relation to the previous conflict of interest guidelines, the following applicable rules will be taken into account for proper management:

- Independence: The Affected Subjects must act at all times with freedom of judgment, with loyalty to the Company, its shareholders and clients and regardless of their own interests or those of Related Parties. In accordance with this principle, the Company will control and prevent the simultaneous or consecutive participation of an Affected Subject in various investment or auxiliary services or activities where such participation may be detrimental to proper conflict-of-interest management.
- Abstention: The Affected Subjects must refrain from intervening in or influencing



decision-making that may affect individuals or companies with which there is a conflict of interest, and must refrain from accessing relevant information that affects said conflict. The possibility of any person improperly influencing the way in which an Affected Subject performs investment or ancillary services or activities will therefore be prevented and limited.

- Communication: Affected Subjects must inform the Company's Regulatory Compliance Unit of any conflicts of interest in which they are involved as a result of activities outside the Company, family relations, personal assets, or for any other reason.
- Transparency: Prior to conducting any transaction, clients should be informed of any economic or other relations that may constitute a conflict of interest for them.
- Disclosure: If the conflict cannot be avoided in accordance with the above rules, prior to providing the investment service subject to a conflict of interest, the affected client must be duly informed, which includes:
  - Providing them with sufficient information regarding said conflict on a durable medium. The information must include:
    - A specific description of the conflict, which must contain an explanation of the general nature and origin of the conflict, and an explanation of the risks posed to the client.
    - The organizational and administrative measures that have been taken to manage and mitigate the conflict of interest.
    - That these measures have not been sufficient to ensure, with reasonable certainty, that risks that may harm the client's interests will be prevented.
  - The above information must be provided in sufficient detail, taking into account the nature of the client, in order to ensure that the latter, knowing the cause, can make a decision regarding whether or not to continue the service in question. In some cases, in the event that the client wishes to proceed with the provision of the service, it will be recommended that they provide an express written statement saying that they have been duly informed of the conflict of interest and agree to continue with the provision of the service.

Conflicts of interest must be disclosed to clients when there is no reasonable certainty that organizational or administrative measures taken to prevent conflicts of interest from harming the interests of clients are sufficient to guarantee that said conflicts will be prevented with a reasonable degree of confidence.

## **5.2. SPECIFIC RULES:**

The following specific applicable rules should be considered in light of the possible types of conflicts of interest that may arise in the Company's activity, including, among others, the following:

- i) Conflicts of interest between clients:
  - Under no circumstances should executing an operation for one client to benefit



another be promoted, unless both are aware of their different positions and expressly agree to perform the operation.

- Clients must be informed of any economic or other relations that may constitute a conflict of interest for them.

ii) Conflicts of interest between the Company and its clients:

- Clients should not be given special treatment or conditions, nor should others be influenced to do so, based on personal, family or other relationships.
- Exclusive relationships with a client that may result in excessive personal relations or may restrict the client's access to other employees or channels within the Group must be avoided.

iii) Conflicts of interest between the Group and its employees:

Company employees must always act in such a way that their private interests, or those of their Related Parties, do not prevail over those of the Group or those of its clients. In this regard:

- Operations of any kind in which employees or their Related Parties are listed as beneficiaries or guarantors may not be approved, intervened in or otherwise influenced.
- No payment, commission, gift, invitation or remuneration from clients, providers, intermediaries, counterparties or any other third party may be requested or accepted for operations carried out by the Group, nor may their position within the Group be otherwise used as an advantage for their own benefit.
- Professional services may not be provided to other competing entities or companies, paid or otherwise, unless expressly authorized by the human resources and compliance areas and by the manager of the area concerned.

In order to assess the possible existence of conflicts of interest with respect to employees, the Regulatory Compliance Unit may collect from employees or their Related Parties recent personal or professional data or circumstances that may influence the performance of their professional and decision-making duties, such as:

- Employees' economic interests that may pose a conflict of interest with the Group
- Personal or professional relationships with shareholders who have significant holdings in the Group
- Personal or professional relationships with Group executives
- Professional activities on their own account or with companies outside the Group
- Personal or professional relationships with the Group's main business partners, third parties and providers
- Public positions or positions of authority within the Public Administration

In any case, employees will be responsible for promptly communicating to their direct manager and to the Human Resources and Regulatory Compliance Units any situation that affects their personal or professional circumstances and may lead to a potential conflict of interest with the Group.

## 6. PROCEDURE FOR HANDLING POTENTIAL CONFLICTS OF INTEREST

In order to properly handle any conflicts of interest that may occur between the Company (or the Affected Subjects) and clients, the CII and its investors or between the clients, CII or its investors themselves, MAPFRE AM possesses the following specific action procedures:

- i) The conflicts of interest must be resolved by the manager of the area that has been affected. Said manager will make the corresponding decision regarding the conflict that has arisen. If the conflict of interest occurs between two areas, it will be resolved by the hierarchical superior of both affected areas.

Where necessary, the matter will be escalated to the Company's Regulatory Compliance Unit, which may be supported by other areas in order to decide on the matter.

In any case, when a conflict is confirmed to exist:

- Measures shall be taken to prevent the conflict from occurring or, where appropriate, the conflict must be managed by the competent body pursuant to the guidelines set out in this Policy.
  - Appropriate communications will be made to clients whenever the conflict cannot be avoided or managed and whenever it will be detrimental to or harm the interests of a client. The Company may only carry out the services or operations in which a conflict of interest has emerged when the clients provide their express consent. It must be noted that excessively disclosing conflicts of interest shall be considered a deficiency of this Policy.
- ii) The provisions of the preceding section are without prejudice to the special rules provided for in the event of a conflict affecting other specific situations set out in the Code, in the MAPFRE Internal Code of Conduct concerning listed securities or in the ICC in general.

## 7. RECORDING CONFLICTS OF INTEREST

The Company shall maintain and regularly update a record of all situations (both in the area of CII management, administration and representation, as well as in relation to investment and/or auxiliary services or a combination thereof) in which either a conflict of interest has arisen that has posed a potential risk to the interests of one or more clients, CII and its investors or, if relating to an activity currently in progress, a conflict of interest may arise in the future.

This record shall specify the procedures and measures taken in relation to potential conflicts of interest. The Compliance Unit is responsible for maintaining this record.

The Board of Directors of the Management Company shall regularly receive, at least annually, reports prepared by the Regulatory Compliance Unit on the degree of compliance with this policy. They must also receive an account of the situations in which a conflict of interest has arisen or, if relating to an activity currently in progress, may arise in the future, and has not been properly resolved, and may result in a conflict of interest that is harmful to the client, CII or its investors.

The Record of Conflicts of Interest shall be maintained for a minimum period of five (5) years, counted from the moment the conflict of interest or potential conflict of interest is identified, and any change made thereto shall also be recorded for the same period of time.

**8. APPROVAL AND REVIEW OF THE POLICY**

This Policy shall be approved by MAPFRE AM's Board of Directors and enters into force on November 1, 2018.

This Policy must be reviewed at least once a year by the Regulatory Compliance Unit and whenever situations that substantially change the nature or structure of the Policy occur.

If there is a substantial change to this Policy at any time, the Board of Directors shall be informed of this so that it may give its approval. Regardless of whether or not a substantial modification has occurred, this Policy will be reviewed annually. If necessary, it will be updated for approval or ratification by the Board of Directors.

**VERSION CONTROL**

Version	002
Latest date of review and approval	12/19/2019
Object of approval/review	Adaptation to regulations
Next date of review	During the 2020 fiscal year
Area responsible for the Policy	Regulatory Compliance.