

Generali Insurance Asset Management S.p.A. SGR

CONFLICTS OF INTEREST POLICY

POLICY - EXTRACT



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Introduction

This document illustrates the policy adopted by Generali Insurance Asset Management S.p.A. SGR (hereinafter, "GIAM") for the management of conflicts of interest during the execution of collective asset management activity and of investment services and related ancillary services provision, as provided for by Italian Legislative Decree no. 58 of 24 February 1998 ("TUF") and Consob Regulation adopted with resolution no. 20307 of 15 February 2018¹ ("Intermediaries Regulation") (as amended).

The Intermediaries Regulation - issued according to the article 6, clause 2 of the TUF – constitutes the regulatory framework concerning conflicts of interest related to collective portfolio management and investments services, pursuant to:

- Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (hereinafter "AIFMD");
- Commission delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing the AIFMD of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision (Supplementing AIFMD Directive);
- Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions (UCITS V);
- Directive 2014/65/EU of the European Parliament on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID II);
- Commission Delegated Regulation (EU) 2017/565 supplementing Directive 2014/65/EU of the European Parliament and of the Council as regards organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive (Supplementing MiFID II Directive).

This Policy is regularly reviewed and updated by GIAM Compliance function, having regard to possible changes in circumstances, GIAM's organization, new businesses, regulatory requirements and internal regulation. Regardless of the above, said function shall evaluate this Policy at least once a year and whenever there is a relevant change, in order to ensure its adequacy.

General principles

A conflict of interest may arise whenever GIAM has a distinct interest in the outcome of a service provided to the client and/or subscriber, or of a transaction carried out on behalf of the client, the UCITS or the AIF it manages, which may result in a financial gain or prevention of a loss, at the expense of the client and/or subscriber, the UCITS or the AIF under management.

The conflict of interest may arise between:

- GIAM, Relevant Persons or companies belonging to Assicurazioni Generali Group (hereinafter, "Group companies") and one or more UCITSs or AIFs managed by GIAM;
- GIAM, Relevant Persons or Group companies and GIAM's stakeholders²;
- UCITSs and AIFs managed by GIAM;
- GIAM's stakeholders;
- one or more UCITSs and AIFs managed by GIAM and one or more portfolio management mandates awarded to the latter.

In general, and pursuant to the applicable regulatory requirements, the rules adopted by GIAM to manage conflicts of interest are based on the following three pillars:

1. **Duty of identification:** GIAM identifies, in connection with its activities and services, the circumstances that give rise or could give rise to conflicts of interest, whether actual or potential, that may be detrimental to its customers' interests;
2. **Duty of organization:** GIAM adopts procedures describing the methodology for identifying and managing conflicts of interest, whether actual or potential, which may affect its own ability to act independently and could therefore damage the interests of one or more of its customers; in addition, said procedures describe the instances of relevant conflicts to which the so-called enhanced approval process and the respective measures apply;
3. **Duty of disclosure:** should GIAM deem the organizational and administrative arrangements insufficient to prevent – with reasonable certainty – the risk of damaging its clients' interests, prior to acting on their behalf, it shall inform them clearly of the nature and origin of the conflict of interest, so that clients can make an informed decision on the service being provided to them. With regard to the UCITSs and AIFs managed by GIAM, should the above-mentioned circumstances arise, the board of directors shall take the necessary decisions to ensure fair treatment of the UCITSs and AIFs and their respective share and unit holders.

¹ Which repeals the Regulation formerly adopted by Consob with resolution no. 16190 of 29 October 2007.

² "Stakeholders" shall comprise as well GIAM's clients and subscribers.

In any case, in providing investment and ancillary services, GIAM acts with integrity and based on adequate professional standards, in accordance with the best interests of its clients. In the same way, in the transactions with Group companies, GIAM acts as not to threaten the objectivity and impartiality of decisions relating to such transactions.

Identification of conflicts of interest potentially detrimental to clients and subscribers

In providing investment or ancillary services or carrying on investment activities GIAM must take all reasonable steps to identify and manage any conflict of interest, which might cause prejudice to/harm its clients' and/or subscribers' interest.

For the purpose of identifying conflicts of interest, GIAM takes into account, *inter alia*, whether GIAM, a Relevant Person or a party directly or indirectly linked by control (as case by case below detailed) to GIAM:

- may realize a financial gain or avoid a financial loss, at the expense of the clients and/or subscribers, the AIFs or the UCITSs it manages;
- has a different interest from the one of the AIFs and UCITSs managed, of the clients or the subscribers, in relation to:
 - a service or an activity provided to an AIF or UCITS managed by GIAM or in respect to the client or the subscriber;
 - a transaction carried out on behalf of an AIF or UCITS or a client and/or subscriber distinct from the AIF's or UCITS' or client's or subscriber's interest in that outcome;
- has a financial or other incentive to favour:
 - the interests of an AIF or UCITS it manages, a subscriber or group of subscribers, over the interest of another AIF or UCITS it manages or another subscriber;
 - the interest of one subscriber over the interest of another subscriber or group of subscribers belonging to the same AIF or UCITS;
 - the interest of one client over the interest of another client or group of clients;
- carries out the same activities provided to its client, the AIF or UCITS it manages, for another AIF, UCITS or client or subscriber;
- receives or will receive from a third party, other than the AIF, the UCITS it manages or its clients and/or subscribers, an inducement in relation to the services provided to the AIF, the UCITS, as well as its clients and/or subscribers, in the form of cash, goods or services other than the standard commission or fee for that service.

In order to identify all the circumstances from which conflicts of interest may arise, GIAM takes into account all the services it provides, in particular individual portfolio management, investment advisory services on financial instruments, collective investment management (UCITSs and AIFs) and Reception and Transmission of Orders service, as well as the activities carried out by Group companies.

In this context, GIAM has adopted a "matrix approach", aimed not only at establishing whether the provision of one or more services by GIAM and/or Group companies conflicts with the client's and/or subscriber's interests, but also whether the concurrent provision of one or more services by other relevant entities (other than GIAM itself and the Group companies, as detailed in each category of conflicts of interest listed hereinafter) could give rise to a conflict of interest.

Based on the Matrix all cases of conflicts of interest have been identified and aggregated into five categories:

- A. Financial instruments selection;
- B. Contractual counterparties selection;
- C. Exercise of voting rights attached to the assets under management;
- D. Production and distribution of internal research;
- E. "Other cases of conflicts of interest", which may be typical of/peculiar to GIAM's operations and which generally do not fall within the previously mentioned categories.

A. Financial instruments selection

- A.1. Investment in financial instruments issued by Group companies or by companies participating in GIAM or in other Group companies (hereinafter, "Participating companies").
- A.2. Investment in financial instruments offerings placed by Group companies or by Participating companies.
- A.3. Investment in units or shares of UCIs managed by GIAM (including UCIs issued by GIAM, Group Legal Entities or Third Parties) and/or UCIs managed by Group Legal Entities.
- A.4. Investment in financial instruments of an issuer in which a Group company or a Participating company has a significant interest (*i.e.* a shareholding exceeding or equal to 3%, if listed, or higher than 10% in case of not listed). For such purpose, financial instruments issued by entities directly or indirectly controlled by such issuers are also taken into consideration.
- A.5. Investment in financial instruments of an issuer having a significant interest in a Group company or in a Participating company (*i.e.* a shareholding exceeding or equal to 3%). For such purpose, financial instruments issued by entities directly or indirectly controlled by such issuers are also taken into consideration.

- A.6. Investment in financial instruments issued by companies financed or guaranteed by financial institutions belonging to Banca Generali Banking Group or by Participating companies, should the ability to repaying in full or a substantial part of the loan to the above-mentioned entities depend on the outcome of the placement of said financial instruments.
- A.7. Investment in financial instruments issued by companies appointed as delegated third party or an independent appraiser to value the assets assigned or acquired by real estate AIFs, or by a company appointed to assess the compatibility and profitability of the assignments made to real estate AIFs with investment policy and solicitation activities carried out by the AIFs themselves.
- A.8. Investment in financial instruments of an issuer whose corporate bodies include Relevant Persons with operational powers or in financial instruments of an issuer in which a Relevant Person holds a significant position (i.e. a shareholding exceeding or equal to 3%, if listed, or higher than 10% in case of not listed).
- A.9. Cross trades in financial instruments belonging to portfolios under GIAM's management.
- A.10. Advisory services relating to financial instruments.
- A.11. Reception and Transmission of Orders service in favour of a Group company or in a Participating company.

B. Contractual counterparties selection

- B.12. Use of financial intermediaries or other entities belonging to Group companies or Participating companies for services provided on behalf of the assets under management.
- B.13. Use of brokers/ dealers providing GIAM with further services in addition to trade execution/ order transmission.
- B.14. Selection of research providers.
- B.15. Gifts and benefits.

C. Exercise of voting rights attached to the assets under management

- C.16. Exercise of voting rights attached to the assets under management and issued by Group companies or by companies with which GIAM, its shareholders or the Group companies maintain strategic relationships

D. Production and distribution of internal research

- D.17. Producing internal research on financial instruments issued by Group companies or by Participating companies.

E. Other cases of conflicts of interest

- E.18. Redemption of investments.
- E.19. Selection of third parties to manage an existing AIF.
- E.20. Credit Fund loan approval.
- E.21. Joint provision of individual/ collective portfolio management and investment advisory services.
- E.22. Provision of investment services (individual portfolios, investment advisory) and collective investment management (UCIs) along with the concurrent execution of proprietary trading activities on the same financial instrument, as well as "front running".

Operating procedures to manage conflicts of interest

In order to manage conflicts of interest GIAM has issued an internal policy concerning measures adopted for the management of conflicts of interest, suitable to the nature, size and complexity of the business activities carried out.

In order to manage conflicts of interest GIAM has also adopted the following measures:

- all the procedures to be followed and the measures to be taken for dealing with conflicts of interest;
- all GIAM areas/ structures have the duty to report to Compliance function any possible situation which may give rise to new conflicts of interest for the purpose of their managing and recording;
- the Compliance function intervenes when it receives such reports, with the aim of analysing and updating, if necessary, the list of possible conflicts of interest;
- constant monitoring of compliance with management procedures of conflicts of interest, through specific compliance controls aimed at checking compliance with applicable regulations within the provision of services and audits to assess the adequacy and effectiveness of control mechanisms;

- prohibiting conflicted GIAM areas/ structures to cooperate with each another;
- updating of GIAM's Code of Conduct;
- adoption of general rules on the behaviour of GIAM employees, as for confidentiality on relevant news.

Register of services giving rise to conflicts of interest

In accordance with applicable regulations, GIAM has arranged for a register to be kept in which the types of investment services provided by GIAM itself are entered, for which a conflict of interest that risks seriously harming the interests of one or more clients and/or subscribers has arisen or may arise.

To this end, GIAM:

- has established a register for recording conflicts of interest;
- has appointed Compliance function as responsible for keeping and updating the conflicts of interest register;
- has established a procedure to manage the conflicts of interest register.

Monitoring and supervision of conflicts of interest

Compliance function is responsible for checking and assessing on an ongoing basis the suitability and effectiveness of the organizational procedures and the measures adopted for correctly managing conflicts of interest.

An annual report is submitted to the Board of Directors on the activities carried out.

Conflicts of interest disclosure

Where GIAM is not reasonably confident that the organizational and administrative measures for managing the potential conflict will prevent or minimize the risk of damage to the affected clients' and/or subscribers' interests, GIAM discloses any potential conflict of interest to their clients and/or subscribers, prior to act on their behalf. In any case, the disclosure of a conflict of interest to a client and/or subscriber does not exempt GIAM from the obligation to adopt and enforce effective organizational and administrative measures.