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## Conflicts of Interest Policy

AUDE FM Limited

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## **Types of Conflicts of interest**

For the purpose of identifying the types of conflicts of interest that arise in the course of managing an AIF, the Company shall take into account, in particular, whether the Company, a relevant person or a person directly or indirectly linked by way of control to the Company:

- a. Is likely to make a financial gain, or avoid a financial loss, at the expense of the AIF or its investors;
- b. Has an interest in the outcome of a service or an activity provided to the AIF or its investors or to a client or of a transaction carried out on behalf of the AIF or a client, which is distinct from the AIF's interest in that outcome;
- c. Has a financial or other incentive to favour:
  - i. The interest of a client or group of clients or another AIF over the interest of the AIF,
  - ii. The interest of one investor over the interest of another investor or group of investors in the same AIF;
- d. Carries out the same activities for the AIF and for another AIF, or client; or
- e. Receives or will receive from a person other than the AIF or its investors an inducement in relation to collective portfolio management activities provided to the AIF, in the form of monies, goods or services other than the standard commission or fee for that service.

## **Conflict of Interest Policy**

The BoD is responsible of ensuring that the Company establishes, implements and applies an effective conflicts of interest policy. The policy shall be set out in writing and shall be appropriate to the size and organisation of the Company and the nature, scale and complexity of its business.

The purpose of the Conflict of Interest Policy of the Company is:

- a. To identify circumstances which constitute or may give rise to a conflict of interest entailing a material risk of damage to the interests of one or more AIF or its investors;
- b. To specify procedures to be followed and measures to be adopted in order to manage such conflicts;
- c. To communicate this information to all those who are in the Company.

The policy includes arrangements designed to ensure that relevant persons, engaged in different business activities that may involve a conflict of interest, carry on those activities at a level of independence appropriate to the size and activities of the Company, and to the materiality of risk of damage to the interests of one or more AIF or its investors. For the purpose of the Conflict of Interest Policy of the company, relevant persons include persons carrying out activities on behalf of the Company, including activities carried out by a delegate, sub- delegate, external valuer or counterparty.

The Company shall take all reasonable steps to identify conflicts of interest between:

- a. The Company (including its managers, employees, delegates or any person directly or indirectly linked to them by control), and a client of the Company; or
- b. One client of the Company and another client.

With the purpose of identifying the types of conflict that arise in the course of providing a service and where there may be a material risk of damage to the interests of a client, the Company must take into account whether the Company, or a relevant person, or a person directly or indirectly linked by control to the Company:

- a. Is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- b. 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;
- c. May have a financial or other incentive to favor the interest of another client, or group of clients, over the interests of the client;
- d. Carries on the same business as the client does;
- e. Receives or may receive from a person, other than the client, an inducement in relation to a service provided to the client, in the form of monies, goods or services other than the standard commission or fee for that service.
- f. Obtain a financial gain or avoid a financial loss by increasing the sustainability risks of the Funds arising greenwashing in processes, systems and controls in the framework of environmental (E), social (S) or governance (G) risks (collectively, "ESG") for Funds not listed as Article 6 as per SFDR Regulation.

The Compliance Function is responsible for ensuring that Directors and all personnel are aware of the aspects of the Conflict of Interest Policy relevant to them. In the day-to-day administration of the conflicts of interest policy the Compliance Function will work with line management to identify and eliminate such conflicts. A Conflicts of Interest Register will be used to record both the conflicts arising and the arrangements for controlling/mitigating

them. The more serious conflicts will be reported to the Senior Management and the BoD for consideration.

Set out below are typical situations in which conflicts of interest may arise. The list is not exhaustive and employees should only use it as guidance to identify and report conflicts.

- a. **Remuneration:** a conflict of interest may arise when estimating the assets of each client to calculate management and performance fee to be paid to the Company. The Company will ensure that all investment holding valuations are conducted in accordance with the relevant valuation policy and where possible on an arms-length basis by an independent fund administrator or custodian of good reputation.
- b. **Inappropriate influence / inappropriate simultaneous or sequential involvement:** a conflict of interest may arise when relevant persons that carry out investments or functions are inappropriately influenced over the way they perform their duties. Similarly a conflict of interest may arise when there is simultaneous or sequential involvement of a relevant person in separate investments or functions which may impair the proper management of potential conflicts of interest. The Company has clear and defined roles and reporting lines to ensure an adequate degree of independence. The Company ensures proper supervision and control by the line managers, Compliance Function, Senior Management and BoD to prevent and limit any person from exercising inappropriate influence and to prevent and control any excessive involvement in separate activities. All relevant persons have a duty to report immediately to their line manager and to the Compliance Function any attempt to exercise inappropriate influence.
- c. **Personal Transactions:** a conflict of interest may arise where an employee uses information acquired in the course of the Company's activities for dealings in his or her personal account. The Company will ensure that its personnel abide by the personal account dealing rules set out in this Manual. The Company provides regular reporting on personal account holdings in order to prevent possible conflicts of interest;

- d. **Personal Interest in AIFs:** the Company will ensure no conflict of interest arises with the AIF(s) ensuring no personal interest of any employee/member of the Company prevails and/or has any negative consequences on the other investors in the AIF(s);
- e. **Inducements:** a conflict may arise where personnel receive inducements in connection with their services to the Company that can improperly influence their decisions. The Company takes reasonable steps to ensure that neither it nor its employees offer or give, or solicit or accept, in the course of business, any inducements which may lead to conflicts. Due to the various relationships the Company may have with its clients and other entities, employees may not solicit gifts or gratuities nor give inducements, except in accordance with this Manual. The term “inducements” means gifts, entertainment and similar benefits which are offered to or given by employees. Gifts of an extraordinary or extravagant nature to an employee are to be declined or returned in order not to compromise the reputation of the employee or the firm. Gifts of nominal value or those that are customary in the industry, such as meals or entertainment may be appropriate. The Company prohibits any form of a loan by an employee to a client or by a client to an employee;
- f. **Dealing, managing and allocating trades:** a conflict may arise when the Company aggregates orders for more than one client and there is need to allocate the executed trades to many different accounts. In such a case the Company will ensure that the allocation of trades to each portfolio is performed in a fair manner and independent of the specific portfolio manager. If needed the Company will put in place a transparent policy for order allocation, which will define the way that allocations are performed on a pro rata basis. The policy will ensure that all clients achieve same average executed price.
- g. **Greenwashing and sustainable risks:** a conflict may arise when the company invests on behalf of the funds is acting as external manager in any investments not fulfilling the investment restrictions as defined in funds prospectus or other documents or it makes misleading or exaggerated claims about the environmental benefits of its products or services.

The arrangements that are in place in order to manage conflicts are the following:

**a. Governance:**

- i. The Company has rigorous governance rules. Key business decisions are taken by the Senior Management and by the BoD. The Compliance Function, working independently, reports directly to the BoD;

The Company has set out specific rules governing employee conduct in the standard employment terms and conditions, including rules regarding dealings in personal accounts, with the purpose of eliminate any possible conflict of interest; The Company has rigorous and clear reporting lines. An organisational chart is maintained by the Compliance Function.

- b. Conflict of Interest Register:** as a mechanism for identifying, managing, monitoring and mitigating conflicts of interest, the Compliance Function maintains a Conflicts of Interest Register. The Company keeps the register updated with the kinds of investment or ancillary service or investment activity carried out by or on behalf of the Company in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen or, in the case of an on-going service or activity, may arise. The register has also the purpose of identifying mitigating controls and responsibilities. All the persons involved in the activity of the Company must familiarise themselves with the contents of the Conflicts of Interest Register and with the terms of the Conflict of Interests Policy and apply them to their own activities within the Company.
- c. Segregation of functions:** duties and functions are segregated as appropriate to avoid conflicts of interests and meet the relevant legislation requiring segregation of functions. These duties are set out by the individual job descriptions and procedure manuals. The line managers will ensure these duties remain segregated as advised by the Compliance Function.
- d. Remuneration of Personnel Policy:** The level of remuneration of the personnel in the Company is fixed unless decided differently by the BoD. When decided to consist elements of variable dependent on Company's actual performance the Company ensures that its interests and employee interests are aligned with those of the Company's clients. The Company needs to ensure that the remuneration policy and the way the personnel are remunerated does not lead them to take any excessive risk especially in respect to sustainability risks. Risk management and control procedures are in place to avoid that too much risk may be taken with a client's portfolio in order to increase employees' personal gains;
- e. Disclosure of Personal Conflicts:** All employees and Directors are required to disclose any possible conflict of interest. Employees are obliged to disclose any conflicts of interest to their line manager who in turn must inform the Compliance Function. Directors will disclose any conflicts directly to the Compliance Function. The Compliance Function will record any conflict of interest in the appropriate register and will inform the Board of Directors of any action taken;
- f. Disclosure to Clients:** If the Company's arrangements to manage a conflict of interest are judged not sufficient to prevent, with reasonable confidence, the risk of damage to a client's interests, the Company shall inform the client of the type and source of the conflict in a durable medium and in sufficient detail to enable the client to make an informed decision with respect to the investment or ancillary service in the context of which the conflict of interest arises.

Other systems and controls in place to identify, limit and mitigate possible conflicts of interests include:

- a. **Constant review and update of procedures and controls:** systems and controls are documented in this Internal Procedures Manual. To ensure all procedures are up to date and fit for purpose they will be reviewed at least once a year by a reviewer appointed by the BoD and the Manual will be amended accordingly;
- b. **Recruitment and Training:** when recruiting individuals, the Compliance Function will assess their fitness and suitability as well as technical and managerial ability. Suitable background checks will be performed and references requested. The Compliance Function will ensure that appropriate training relevant to conflicts of interests is planned and given to all its members. For detailed recruitment process please refer section titled Employment and evaluation procedures.
- c. **Internal Audit and Periodic Reviews:** the Compliance Function, by delegation if needed to the Internal Audit Department/Internal Auditor, oversees and executes a suitable audit programme at least once a year to verify that systems and controls are being applied. The Compliance Function will verify compliance with the Policy on a monthly basis and report the findings formally to the Board of Directors;
- d. **Confidentiality:** the content of this Manual is strictly confidential. No portion of it can be copied, reproduced or shown to any person who is not a Director or an employee of the Company, a representative of a relevant legal or regulatory authority or a relevant professional advisor.

It is the responsibility of all the persons within the Company to report conflicts of interest through the appropriate channels to the Compliance Function. Failure to adhere to this policy can be taken to be a breach of an employee's contract.

### **Conflict of Interest with regards to the Depositary**

In order to avoid conflicts of interest between the Company, the depositary, the AIF and/or its investors:

- a. The asset safe-keeping and management functions must be separated, thus the Company should not act as a depositary;
- b. A prime broker acting as a counterparty to an AIF, shall not act as depositary for that AIF, unless it has functionally and hierarchically separated the performance of its depositary functions from its tasks as prime broker and the potential conflicts of interest are properly identified, manage, monitored and disclosed to the investors of the AIF.;

- c. The depositary shall not carry out activities with regard to the AIF or the Company on behalf of the AIF that may create conflicts of interest between the AIF, the investors in the AIF, the Company and itself, unless the depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks, and the potential conflicts of interest are properly identified, managed, monitored and disclosed to the investors of the AIF.;
- d. The same person shall not exercise both the duties of the external manager and the depositary of an AIF but they shall perform their duties independently and exclusively in the interest of the investors of the AIF as a whole.

The depositary appointed for an AIF shall not be appointed as external valuer of that AIF, unless it has functionally and hierarchically separated the performance of its depositary functions from its tasks as external valuer and the potential conflicts of interest are properly identified, managed, monitored and disclosed to the investors of the AIF.