
Conflicts of Interest

Policy

Last update

16/06/2022

1. Introduction

MUFG Lux Management Company S.A. (hereinafter "MUFGLM") conducts its business according to the principle that it must manage its conflicts of interests fairly, both between itself and its customers, and between one customer and another. The term "customer" includes direct customer of MUFGLM - the fund and its initiator, counterparties to whom certain activities are delegated (distributor, portfolio manager, central administrator), investment advisor, investor, as well as third-party which provides certain services, such as auditor, legal advisor, or software provider.

Potential and actual conflicts of interests may arise from time to time. If these conflicts are not identified and appropriately managed, this could lead to reputational damage and/or legal or regulatory action.

2. Regulatory framework

- Law of 5 April 1993 on the financial sector;
- Law of 12 July 2013 on alternative investment fund managers;
- Law of 17 December 2010 relating to undertakings for collective investment;
- Law of 30 May 2018 on markets in financial instruments;
- CSSF Regulation 10-04 transposing Commission Directive 2010/43/EU of 1 July 2010 implementing Directive 2009/65/EC of the European Parliament and of the Council as regards organisational requirements, conflicts of interest, conduct of business, risk management and content of the agreement between a depositary and a management company;
- Circular CSSF 14/585 on remuneration policies and practices;
- Circular CSSF 18/698 on authorisation and organisation of investment fund managers incorporated under Luxembourg law & specific provisions on the fight against money laundering and terrorist financing applicable to investment fund managers and entities carrying out the activity of registrar agent (hereinafter "Circular 18/698").

3. Objective and responsibilities

This Conflicts of Interest Policy (hereinafter the "Policy") aims to:

- identify the circumstances which constitute or may give rise to a conflict of interest;
- specify the procedure to be followed when a conflict of interest occurs or has been identified;
- specify the measures to be adopted in order to manage such conflicts.

The responsibility for the identification of conflicts of interest rests with all employees of MUFGLM. Each employee must be aware of the extent and nature of the risk that their business area poses in terms of conflicts of interests and is required to report to the MUFGLM compliance function every time he/she becomes aware of a conflict of interest.

A record of conflicts is held within the Conflicts of Interest Register maintained by the compliance function.

4. Definition of a conflict of interest

A conflict of interest is a conflict that can arise in any area of business in which MUFGLM provides services and that adversely affects the interests of one or more customers.

A conflict of interest may arise between:

- a) MUFGLM and a customer.

Potential conflicts may exist between customer interests and interests of a particular business area. These types of conflicts include situations where MUFGLM may be unfairly advantaged at the expense of the customer.

- b) Employee or any person directly or indirectly linked to MUFGLM by control (hereinafter “relevant person”) and a customer.

Potential conflicts may exist between the interests of an employee and the interests of a customer. In these situations employee’s interests may not be aligned with the best interests of a customer.

- c) One customer and another.

Potential conflict may also exist between different customers or different types of customer. In these situations, one customer may receive preferential treatment which could negatively impact another customer.

5. Identifying conflicts of interest

For the purposes of identifying the conflicts of interest that could arise in the course of business, MUFGLM takes into account the situations (non-exhaustive list) where MUFGLM or a relevant person:

- a) is likely to make a financial gain, or avoid a financial loss, at the expense of the customer;
- b) has an interest in the outcome of a service provided to the customer or of a transaction carried out on behalf of the customer, which is distinct from the customer’s interest in that outcome;
- c) has a financial or other incentive to favour the interests of another customer or group of customers over the interests of the customer (including with respect to sustainability risks, sustainability factors and sustainability preferences of any customer or group of customers);

- d) carries on the same activities for the fund and for another customer which is not a fund;
- e) receives an inducement in the form of monies, goods or services, other than the standard commission or fee.

6. Managing/mitigating potential and actual conflicts of interest

As per point 375 of Circular 18/698, MUFGLM, in the first instance, must try to avoid conflicts of interest and, when they cannot be avoided, to identify, manage/mitigate and monitor and, where appropriate, disclose these conflicts of interest in order to prevent them from adversely affecting the interests of the funds managed by MUFGLM and their investors and to ensure that they are treated fairly.

In order to limit any such conflicts and to manage/mitigate any conflicts which do arise, the following controls and internal procedures have been put in place:

- 1) each Conducting Officer of MUFGLM is assigned with specific areas of responsibilities. This split of tasks is organised so as to ensure that the functions of risk-taking and the independent control of the same risks are not assigned to the same Conducting Officer;
- 2) Conducting Officers are obliged to disclose to the Executive Committee (hereinafter "ExCo") the mandates they have outside of MUFGLM;
- 3) MUFGLM has separated the compliance function and risk management function from the operating units, including from the function of investment management;
- 4) MUFGLM does not act as depository bank, and the Conducting Officers of MUFGLM are not employees or board members of a depository of any of the funds which MUFGLM manages;
- 5) MUFGLM uses physical and electronic information barriers to stop and control the flow of information between certain parts of the business. This is also known as a "Chinese Wall";
- 6) MUFGLM Code of Conduct sets out and defines all the rules of good conduct applicable to everyone within MUFGLM;
- 7) the remuneration of MUFGLM employees is structured in a way that minimizes conflicts of interest;
- 8) MUFGLM has ensured that the process for valuation of assets and calculation of the net asset value of all managed funds are functionally independent from the portfolio management function;
- 9) personal account dealing of MUFGLM employees requires pre-approval from the compliance function;
- 10) MUFGLM does not offer or accept gifts or entertainment that are considered to be a source of conflict of interest with regard to its obligations;
- 11) MUFGLM does not accept inducements;
- 12) MUFGLM develops adequate and effective strategies for determining when and how voting rights attached to instruments held in the managed portfolios are to be exercised;

- 13) in the case where MUFGLM partly or wholly delegates one or several functions, it verifies that the delegates have taken suitable measures so as to comply with the requirements in the area of conflicts of interest;
- 14) MUFGLM has established a Conflicts of Interest Register, maintained and monitored by the compliance function.

7. Avoidance of conflicts of interest

Where a conflict of interest cannot be managed by policies/procedures or in any other compliant way, MUFGLM may decide that one of the below actions is appropriate:

- to cease the activity altogether;
- to cease the activity for one particular customer or group of customers;
- not to commence the activity;
- not to commence the activity for one particular customer or group of customers.

In the event of the potential for such circumstances to arise, the consideration of all the facts and the ultimate decision-making will be at the discretion of the Board of Directors of MUFGLM.

8. Disclosure of the conflicts of interest

Where a conflict cannot be managed by policies and/or procedures and avoidance is not an option, disclosure must be considered. This must additionally be the case even though arrangements are in place for management in circumstances where those arrangements may not be sufficient to ensure prevention of "material damage" to the customer.

Disclosure must be made in writing and give sufficient detail, taking into account the nature of the customer, to enable that customer to take an informed decision with respect to the service in the context of which the conflict of interest arise.

In the event that such a conflict is identified, MUFGLM ExCo must be informed immediately so that disclosure and any other appropriate steps, including whether it is appropriate to decline to undertake the business, are properly considered by the Conducting Officers and the Board of Directors. The latter will take the ultimate decision.