



Policy for managing conflicts of interest in Sparinvest S.A. when providing investment and ancillary services

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Sparinvest

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Policy for managing conflicts of interest in Sparinvest S.A. when providing investment ancillary services

Sparinvest S.A. (henceforth called Sparinvest) trades in securities and other financial instruments for Danish and international clients. When providing investment and ancillary services, in order to maintain and operate effective organisational and administrative arrangements, Sparinvest takes all appropriate steps to ensure that conflicts of interest are identified, prevented or managed so that the interests of our clients are safeguarded in the best possible way.

Sparinvest S.A. is part of the Sparinvest Group. Accordingly, this policy applies to conflicts of interest in Sparinvest S.A. as well as conflicts of interest that may arise as a result of other group entities' organisational structure, ownership and business activities.

Sparinvest's clients are informed of this conflicts of interest policy, which is available at sparinvest.lu and sparinvest.dk. Sparinvest will also inform clients whenever a specific conflict of interest arises between Sparinvest or an employee of Sparinvest and a client.

Sparinvest aims to ensure that all clients are treated honestly, fairly and professionally so that conflicts of interest or suspected conflicts of interest may be prevented to the greatest possible extent. Accordingly, Sparinvest expect our employees to always act properly, diligently, honestly, lawfully and thoughtfully, to observe market standards and, not least, to always act in the interests of our clients.

It is the responsibility of the respective business units in Sparinvest to ensure that this policy is known and followed by the employees.

Identifying conflicts of interest

Sparinvest takes all appropriate steps to identify and to prevent or manage conflicts of interests between

- Sparinvest or one of our directors, managers or employees, or any person directly or indirectly linked to Sparinvest by control and our clients, or
- between one client and another that arise in the course of providing any investment or ancillary services, or combinations thereof, including those caused by the receipt of inducements from third parties, or
- by Sparinvest's own remuneration and other incentive structures,

A conflict of interest is defined as a situation where Sparinvest gains a benefit which leads to a disadvantage to a client, or, where a client to whom Sparinvest owes a duty makes a gain or avoids a loss leading to a possible loss to another client.

It is not possible to describe all situations involving potential conflicts of interest. However, key situations that can specifically lead to a conflict of interest are outlined below. They include situations where:

- Any Sparinvest employee has significant ownership or other economic interest in any of Sparinvest's clients, counterparties, suppliers, etc.
- Sparinvest or any of its employees may obtain a financial gain or avoid a financial loss at the expense of the client
- Sparinvest or any of its employees and the client have different interests in the outcome of a service provided to the client or a transaction carried out on behalf of the client
- Sparinvest or any of its employees has a financial or other incentive to prioritise the interests of another client or client group over those of the client
- Sparinvest or any of its employees is or given or promised an incentive by a person other than the client in connection with a service provided to the client.
- Sparinvest has remuneration and other incentive structures that promotes its employees to act in conflict with the client's interests
- Sparinvest receives inducements from third parties
- Sparinvest produces and/or disseminate investment research

Delegation/outsourcing of activities will not release Sparinvest from its responsibilities under applicable legislation. Sparinvest must therefore ensure that all its service providers at all times comply with statutory requirements regarding identification and management of conflicts of interest.

Conflict of interest related to the trading of securities and the exercise of voting right (stewardship)

Sparinvest have identified securities where Sparinvest have a potential conflict of interest, as including those issued by the following entities:

- The parent company, Sparinvest Holdings SE (as a matter of policy, Sparinvest does not invest actively managed portfolios in shares of the company)
- A company that is a shareholder of Sparinvest Holdings SE
- An investee company that is also a Segregated Client.
- An investee company where a Director or Officer of any Sparinvest Group company is also a Director of that company.
- An investee company where an employee of Sparinvest Group is a Director of that company.
- A significant distributor of our products.
- Any other companies which may be relevant from time to time.

Voting is carried out by Sparinvest Investment staff and they could experience a conflict of interest in the following hypothetical scenarios:

- If they were placed under pressure to invest in the shares of those companies that own shares in Sparinvest Holdings;
- If they were asked to participate in capital raising by such companies;
- If they were asked to vote certain ways at general meetings of such companies.

Sparinvest has therefore taken preventive measures against such scenarios, as described below under systems and controls.

Managing conflicts of interest

Sparinvest is committed to providing professional and competent services to our clients and has therefore implemented measures to ensure that Sparinvest act in the best interests of our clients. This commitment is reflected in Sparinvest's organisational structure, policies, business procedures, systems, product mix and training of our employees.

Employees are encouraged to bring any transaction or relationship that could reasonably be expected to give rise to a conflict of interest to the attention of senior management, so that it can be discussed with Group Compliance. Such conflict of interest may arise inadvertently or first be recognized after it occurs. In either case, employees are required to bring it to the attention of Group Compliance as promptly as possible

If a conflict of interest between a client and Sparinvest or one of our employees is identified, the client is informed of such conflict so as to allow him/her to safeguard his/her interests on an informed basis.

Sparinvest have set up an independent Group Compliance function to monitor Sparinvest's compliance with applicable legislative requirements, including requirements regarding the management of conflicts of interest, and related instructions and business procedures.

Relevant Sparinvest business units have drawn up policies, business procedures and processes to identify, prevent and manage conflicts of interest.

If the abovementioned administrative and organisational arrangements are not sufficient to ensure, with reasonable confidence, that risks of damage to client's interests will be prevented, Sparinvest will disclose to the client at hand the general nature and/or sources of conflicts of interest and the steps taken to mitigate those risks before undertaking business on the client's behalf. This disclosure will be made in a durable medium and include sufficient detail to enable the client at hand to take an informed decision with respect to the service in the context of which the conflict of interest has arisen. This will however only be a measure of last resort.

Systems & Controls

The systems and controls includes:

- The company-wide expectation that Sparinvest's employees will at all times act in the interests of our clients in performing their duties and report any perceived conflicts of interest to management
- The segregation of duties between analytical, trading and advisory functions as well as between Controlling, Compliance, Risk Management and Internal Audit
- The restriction of access to IT systems for relevant functions where conflicts of interest potentially may arise
- The establishment of 'Chinese walls' to prevent disclosure of information from persons or functions that could lead to a conflict of interest if the same knowledge were held by the person safeguarding the client's interests
- The implementation of policies, guidelines and business procedures, including: rules and internal procedures encompassing all employees to prevent misuse of knowledge concerning client actions
Procedures regarding due diligence investigations of outsourcing partners, including their procedures for identifying and managing conflicts of interest
- Procedures to ensure that operational errors are recorded and analysed to prevent repetition and that the client is compensated if the error has caused him to incur a loss
- Procedures for Sparinvest and Sparinvest employees regarding receipt of gifts, hospitality and other soft commissions

Systems and controls related to securities trading

Conflicts of Interest Register:

Sparinvest Group Compliance maintains a 'Conflicts of Interest Register' listing companies falling any either of the following categories:

- Companies which are shareholders of Sparinvest Holdings
- Companies that are segregated clients of Sparinvest or are significant distributors of our products
- Companies where any Sparinvest employees – including executive directors/officers have been appointed as Directors/Officers

The 'Conflicts of Interest Register' is made available to all relevant employees within Sparinvest as determined from time to time.

Other controls:

- A 'best execution policy', including procedures to ensure that one party is not favoured at the expense of another party in connection with the combining of orders and allocation of non-completed orders, applying, for instance, the pro-rata principle
- Ongoing update of insider lists to monitor and prevent dissemination and misuse of inside information, including price manipulation
- Procedures for investment analysts, including rules prohibiting analysts from owning/trading own positions in securities in their research portfolio
- Guidelines encompassing all employees to prohibit private investment in securities included in actively-managed Sparinvest S.A. funds
- Procedures for the recording of personal transactions carried out by employees who may gain access to inside information
- Policies to ensure that employee remuneration is fixed independently of Sparinvest's earnings from individual transactions or clients
- Controls to ensure, e.g., that:
 - policies, guidelines and business procedures are complied with
 - transactions are executed in accordance with rules, procedures and instructions
 - transactions are always executed at market prices and in accordance with the pricing procedures laid down for funds managed by Sparinvest S.A.
- Transactions between funds and portfolios managed by Sparinvest S.A. are executed solely in the interests of the buyer and the seller
- Keeping and regularly updating a Memorandum Record of the investment and ancillary services undertaken by or on behalf of Sparinvest in which the 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 ongoing collective portfolio management activity, may arise.

Related to Stewardship

From time to time Sparinvest may encounter conflicts of interest in respect of fulfilling its stewardship responsibilities. Please see the website for more information on our stewardship responsibilities, policy etc.

In order to manage potential stewardship conflicts of interest, the following systems are in place:

- A Conflict of Interest Policy is approved by the Board. This provides a basis for dealing with potential conflicts.

- The 'Conflicts of Interest Register' is made available to all staff who have operational control over voting activities and conflict-of-interest-sensitive investee companies are highlighted on ESG voting forms.
- Rationale for voting in a particular direction is recorded.
- Sparinvest ESG proxy voting database records where possible conflicts have been considered.
- Sparinvest reports on voting for these conflict-of-interest-sensitive stocks to Group Compliance.
- The ethical status of companies held in our ethical portfolios is independently assessed by an external ethical screening service provider. Their assessment forms the basis for:
 - Decisions regarding whether to avoid investment in/divest from or engage with companies for our range of ethical funds
 - Norms-related ESG engagement with companies held in other funds.