EDMOND DE ROTHSCHILD

# Conflicts of interest policy

## 1. Introduction

The purpose of this document is to set out the Edmond de Rothschild (Suisse) S.A. policy on conflicts of interests.

The principal aim of this policy is to ensure that clients' interests are upheld and prioritised in all circumstances. Accordingly, it involves:

- Identifying circumstances which may give rise to conflicts of interests likely to be harmful to clients' interests;
- Implementing organisational measures with a view to avoiding the conflicts of interests identified;
- Informing the clients concerned when it has been impossible to avoid a conflict of interest entirely;
- Recording conflicts of interests and the measures taken in an ad hoc register.

## 2. Scope

This policy applies to the registered office of Edmond de Rothschild (Suisse) S.A. and to its branches and agencies in Switzerland and its representative offices abroad, collectively referred to as "the Bank".

## 3. Definition of conflict of interests

Many situations may give rise to a conflict of interests in the provision of financial services. Generally, a conflict is likely to exist where there is a risk that a situation may be detrimental to a client's interests. The three main categories of conflicts of interests are:

(i) conflicts between the Bank and its clients;
(ii) conflicts between the Bank's staff and clients;
(iii) conflicts between one client (or group of clients) and another client (or another group of clients).

In this regard, it should be noted that acts intended to generate returns do not of themselves constitute a conflict of interests.

Conflicts of interests resulting from economic relationships with third parties, including entities belonging to the Edmond de Rothschild Group, are also considered.

All types of conflicts of interests are included, whether established or potential. An established conflict means an actual conflict between existing obligations and/or interests. A potential conflict refers to a conflict which does not yet exist, but which could arise due to a change in circumstances.

## 4. Application

The Bank has put in place organisational measures to check whether it, a staff member or any person directly or indirectly connected to it by a relationship of control, could have any incentive to ignore clients' interests or to treat them as secondary to their own interests. This is the case in particular when the Bank, a staff member or a person connected by a relationship of control:

(i) Could make a financial gain or avoid a financial loss at the client's expense;
(ii) Has an interest in the outcome of a service provided to the client or of a transaction undertaken on the client's behalf which differs from the client's interest in that outcome;
(iii) Has an incentive, for financial or other reasons, to prioritise the interests of another client or group of clients over those of the client concerned;
(iv) Engages in the same professional activity as the client;
(v) Receives or will receive, from a person other than the client, an incentive relating to the service provided to the client, in the form of services or monetary or non-monetary benefits.

Further, Bank staff are required to identify conflicts of interests and to report them to their line managers and to the Compliance department.

To prevent or manage the conflicts of interests identified, the Bank has implemented appropriate measures, such as:

- **Information barriers or Chinese Walls**: physical, procedural or electronic barriers to isolate information and manage the circulation of privileged information within the Bank.
- **Separation of duties and/or tasks**: Bank staff cannot simultaneously or successively exercise various functions and/or duties likely to create a conflict of interest.

- **Remuneration policy**: the Bank has put in place a remuneration system to avoid its staff having any incentive to infringe legal obligations or to engage in conduct which is detrimental to clients.
- **Employee operations**: internal rules are in place to ensure that staff operations carried out on financial instruments are strictly managed. Monitoring is undertaken to ensure these rules are complied with.
- **Gifts and personal benefits**: internal rules cover the giving and receiving of gifts and other personal benefits.
- **Internal training**: Bank staff receive training to raise their awareness of this issue so they can recognise a potential conflict of interests and act appropriately.

Lastly, the Compliance department documents all potential or established conflicts of interests.

## 5. Disclosure of conflicts of interests

If the organisational measures referred to above are not sufficient to reasonably prevent conflicts of interests likely to be detrimental to clients' interests, the Bank will deal with the conflict of interest in question by choosing either not to provide the service involved, or to give the clients or third parties concerned appropriate information regarding the existence and nature of the conflict of interests, and of the associated risks.

## 6. Specific cases

### 6.1. Conflicts of interests between the Bank and its clients

#### 6.1.1. Selection of Own Financial Instruments

Within the framework of its portfolio management and investment advisory services, the Bank uses both own financial instruments and third-party instruments. Therefore, like many other financial establishments, it takes a combined approach to the selection of indirect financial instruments.

"**Own Financial Instrument**" means both financial instruments issued by the Bank or by an entity of the Edmond de Rothschild Group and financial instruments issued or offered by third parties with economic links to the Bank (for example, financial instruments where the Bank is guarantor or financial instruments for which the Bank acts as manager or adviser).

The inclusion of Own Financial Instruments alongside third-party instruments offers advantages (improved transparency in relation to the investments they contain and easier alignment with the Bank's strategic choices), but also potential disadvantages.

In particular, conflicts of interests may arise when Own Financial Instruments are used, because:

(i) in accordance with its Terms of Business the Bank may, in certain cases, receive benefits from third parties in the form of commissions or distribution fees in relation to the purchase, holding or sale of Own Financial Instruments;

(ii) the Bank or another entity of the Edmond de Rothschild Group may exercise a specific role in addition to the distribution of these financial instruments, such as, for example, the role of manager, adviser or custodian; and

(iii) the Bank or another entity of the Edmond de Rothschild Group may be paid fees in relation to the financial instrument, resulting in the receipt of a double fee, one fee for financial services provided to clients and another for similar financial services provided in relation to the financial instrument in question.

The Bank could therefore have an incentive to favour an Own Financial Instrument to the detriment of an investment, or a recommended investment, in a third-party financial instrument or directly in the underlying asset.

To manage the risks of conflicts of interests associated with the use of Own Financial Instruments in a professional and responsible manner, the Bank applies the following principles, subject to any specific instructions given to the Bank by a client:

1. The Bank does not as a rule receive benefits from third parties (in the form of commissions or distribution fees) when investing in funds of the Edmond de Rothschild Group within a management mandate.
2. So far as possible, for clients who have given the Bank a management or an advisory mandate, the Bank subscribes to unit classes in Own Financial Instruments having favourable pricing compared with the subscriptions that clients could make directly in the same financial instruments outside the scope of a management or an advisory mandate, and this favourable pricing applies without the requirement for substantial investment in the same instruments. Where requested by clients, the Bank can provide information on the fees obtained by the Bank in connection with the Own Financial Instruments it has selected. It should be noted that this information is already available in the public documents relating to these financial instruments (for example the prospectus or the key information document, if applicable).
3. The Bank adopts a rigorous selection process for Own Financial Instruments which is similar to the process adopted for selection of third-party instruments and is based on quantitative and qualitative criteria. The choice of financial instruments (i) in which the client's assets are invested (management mandate) or (ii) which may be recommended (advisory mandate) is made centrally by teams specialising in this field which are independent of the teams in contact with clients. Where cost and performance are similar, the Bank may favour an Own Financial Instrument.

#### 6.1.2. Selection of third-party financial instruments

The Bank may be exposed to risks of conflicts of interests when choosing the third-party financial instruments, which the Bank can acquire on behalf of its clients or recommend to them.

In accordance with its Terms of Business, the Bank may effectively receive benefits from third parties in the form of return commission or distribution fees in relation to the purchase, holding or sale of third-party financial instruments, which could therefore give the Bank an incentive to favour certain third-party financial instruments.

In order to limit the risks of conflict of interests inherent in these benefits from third parties, the Bank ensures that the choice of third-party financial instruments is not limited to issuers and businesses with which it has economic relationships and bases its choice on an analysis of multiple financial instruments available on the market, taking into consideration qualitative and quantitative criteria, including in particular their suitability with the client's profile, transparency of their investment policy, quality of their issuer, their performance and their cost for the client. The choice of third-party financial instruments (i) in which the client's assets are invested (management mandate) or (ii) which may be recommended (advisory mandate) is made centrally by teams specialising in this field which are independent of the teams in contact with clients.

#### 6.1.3. Own account transactions (nostro)

Where the Bank executes own account transactions (nostro) prior to clients' transactions because it has knowledge of these orders (front running), a conflict of interests may arise with the Bank's duty of loyalty to clients. The same applies to parallel running, which involves the execution of own account transactions in parallel with client transactions, and to after running, which involves interposing own account transactions between various client orders executed in tranches.

These practices may result in artificial price fluctuations or reduced liquidity or have an impact on the quality of execution of orders for the client, negatively affecting the potential return on investment.

To avoid the Bank's own account operations harming the interests of its clients, the Bank ensures that operations on account of clients and own account operations are strictly separated.

#### 6.1.4. Transactions which are not in clients' economic interest

Transactions on client deposits may be undertaken in order to generate additional revenue for the Bank rather than in the clients' interests (churning).

In the event of churning, the additional cost of the accumulated commission may considerably reduce the net return on the client's investments, negatively impacting the value of their portfolio. Additionally, frequent transactions increase the client's exposure to market risks, particularly if the trading decisions are based on reasons relating to commission rather than strategic movements. This may also increase the volatility of the portfolio, which may not be aligned with the client's investment objectives or risk profile. Further, churning may lead to unfavourable tax consequences as a result of frequent asset sales, which may increase the client's tax burden.

In order to avoid any transactions which are not in its clients' economic interest, the Bank has implemented checks on the turnover ratio of portfolios.

### 6.2. Conflicts of interests between the Bank's staff and clients

#### 6.2.1. Staff operations

Execution by the Bank's staff of front running, parallel running and after running operations, as defined at point 6.1.3, may also create a conflict of interests with the staff member's duty of loyalty vis-à-vis clients.

These practices may result in artificial price fluctuations or reduced liquidity or have an impact on the quality of execution of orders for the client, negatively affecting the potential return on investment.

In order to avoid staff operations harming the interests of their clients, Bank staff who are aware of a client order on a listed share, bond or derivative are not entitled to carry out an own account operation on the same security during the four hours before or after the relevant client order has been entered in the system.

#### 6.2.2. Staff remuneration

The payment of a predominant variable remuneration, in the form of premiums and bonuses linked to sales performance, could give the Bank's staff an incentive to prioritise their own or the Bank's interests, sometimes to the detriment of the interests of clients, and therefore undermine the quality of the financial services provided.

This could also lead to investment recommendations based on the products offering the best commission, rather than those aligned with the investment objectives or risk profile of the client(s) concerned. Additionally, this could encourage high-risk behaviour, in which staff engage in aggressive investment strategies in order to maximise short-term profits to achieve performance targets.

The Bank has implemented a remuneration policy intended to eliminate these risks and ensure compliance with the duty of loyalty to its clients. This policy does not include any automatic mechanism for premiums, bonuses or commission linked to staff performance, to the revenues that the staff generates for the Bank or to the choice of certain products.

#### 6.2.3. Receipt of a benefit by a staff member

Receipt by a staff member of a monetary or non-monetary benefit (gifts, invitations) could create a conflict of interests with his duty of loyalty to clients.

Such benefits may influence the neutrality and quality of the financial services provided, as the staff member may feel obliged to the donor of gifts and therefore favour their products or services, to the detriment of clients' interests. This could, for example, lead to investment recommendations which do not entirely match the client's financial needs or objectives.

The Bank has implemented an internal policy relating to the acceptance of gifts or benefits prohibiting the solicitation or acceptance of gifts or other benefits, except for customary, occasional, symbolic gifts with low commercial value. The Bank provides its staff with regular training on this matter.

#### 6.2.4. External mandates and ancillary activities of staff

External mandates and ancillary activities of Bank staff could divert the staff member's attention and time from their principal responsibilities vis-à-vis the Bank, therefore compromising their ability to respond to clients' needs effectively. The staff member could be tempted to recommend services or products connected with their external activities, rather than those which are in the client's best interest.

The Bank has implemented an internal policy relating to the disclosure and authorisation of ancillary activities and undertakes ongoing monitoring to ensure that staff comply with the established ethical rules.

### 6.3. Conflicts of interests between one client (or group of clients) and another client (or another group of clients)

#### 6.3.1. Allocation in relation to issues

When new issues are carried out, one of the main concerns is that the Bank, in breach of the internal allocation rules, could favour certain clients over others by allocating securities disproportionately, due to existing relationships or financial incentives. For example, more influential institutional clients could receive a more favourable allotment compared with individual investors, which could compromise the fairness of the allocation process. Further, the price fixing process could be influenced by the Bank's own interests, such as where the issue is subscribed by its trading offices, which affects the transparency and objectivity of the valuation of the securities. A lack of clear communication regarding the allocation criteria may also exacerbate these conflicts, leaving clients uncertain as to the fairness and integrity of the process. To mitigate these risks, it is essential that the Bank implements rigorous processes to manage conflicts of interests and provides complete transparency in relation to the methods used to allocate and value securities, thus ensuring that all clients are treated fairly.

The Bank has implemented an internal policy and has laid down requirements in relation to objectivity and traceability to avoid an arbitrary allocation when public financial instruments are issued. It therefore ensures that allocations to its clients are made fairly and impartially and that no client is disadvantaged compared with others without objective reasons.

#### 6.3.2. Allotment when global orders are placed

When a global order is only partially executed, there may be a risk of unfair treatment between clients, because the way in which securities are distributed may favour certain clients to the detriment of others, particularly if the allotment decision is influenced by arbitrary preferences or priorities. This could harm those whose orders are executed partially or not at all, preventing them from benefiting from the market opportunities sought. This bias could lead to disparities in the execution of investment strategies, thus compromising the return and financial objectives.

To mitigate these risks, the Bank has implemented an internal policy for the allotment of securities aiming to ensure fair distribution when a global order is only partially executed and that grouped orders are processed on a non-discriminatory basis.

#### 6.3.3. Internal application

In over-the-counter operations between clients of the Bank, in which the price is fixed without taking market prices into account, the Bank may have an incentive to favour one client to the detriment of another, which may lead to unfair or incorrect evaluation of the price of the asset exchanged.

The Bank has implemented an internal policy to avoid an operation being placed between clients at a price benefiting one client to the detriment of one or more others. Therefore, the internal application price must be fixed in accordance with the market price and must in principle be unknown when the order is transmitted, in order to ensure fair treatment of clients and prevent any market timing attempts. Consequently, the client's order must in principle be "at best" and limit orders cannot be executed where the limit differs from the market price.

## 7. Updates to this policy

The Bank regularly reviews this policy and the measures taken to prevent and manage conflicts of interests.

This policy may be amended, at any time. The Bank will notify its clients by making the new version of this policy available on its website.

The aim of this document is to provide the essential information, which the Federal Act on Financial Services (FinSA) requires financial services providers to disclose to their clients before providing financial services.

The information contained in this document is not exhaustive and is subject to change. Further information can be obtained from your relationship manager. This is not a contractual document and it should not be treated as advertising or as an offer of financial services or a recommendation for the purchase or sale of financial instruments.

This information document, updated to include all changes made to its content, is available on the website www.edmond-de-rothschild.com.

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