



CONFLICT OF INTEREST MANAGEMENT POLICY

LYXOR ASSET MANAGEMENT
LYXOR INTERNATIONAL ASSET MANAGEMENT
LYXOR INTERNATIONAL ASSET MANAGEMENT DEUTSCHLAND

Conflict of interest management policy

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PURPOSE AND REGULATORY FRAMEWORK

The purpose of this document is to present the procedures for managing conflicts of interest established at Lyxor (1) to prevent any prejudice to clients' interests arising from a conflict of interest.

Pursuant to Article L.533-10 (subparagraph 3) of the Monetary and Financial Code, Articles 313-18 to 313-28 and 318-12 à 318-15 of the AMF General Regulations as well as the requirements of Directive 2014/65/EU of the European Parliament and Council of 15 May 2014 on Markets in Financial Instruments and its associated regulations (hereinafter, "MiFID II") regarding the requirement for investment service providers to establish in writing and maintain and operate an effective policy for managing conflicts of interest, Lyxor has established a policy to identify, prevent and manage conflicts of interest in line with the nature of its business, its size and its organisation.

On the last point, the implementation of this policy at Lyxor takes into consideration that it is part of the Crédit Agricole / Amundi AM Group.

Lyxor's policy is therefore based on:

- identifying situations which give rise or might give rise to a conflict of interest that might be prejudicial to the interests of one or more clients;
- establishing procedures and measures to prevent and manage such conflicts of interest;
- keeping an up-to-date register to record the services and activities for which a conflict of interest has occurred or might occur.

1. DETECTING CONFLICTS OF INTEREST

1.1. Definition

In general, a conflict of interest is defined as a situation in which the investment service provider engages, on its own or on clients' behalf, in activities with apparently conflicting objectives whose execution, if the activities are not organised and verified accordingly, might be prejudicial to the interests of a client or a category of client.

The three categories of potential conflicts are:

- conflicts between different clients: for instance, the management company provides services to two clients with a bias towards one of them by giving priority to the processing of its transactions;
- conflicts between the management company or a third party and clients: for instance, the management company offers a more profitable service to the detriment of the client's interests;
- conflicts between the management company's employees and clients: for instance, employees use confidential information about clients or portfolios managed for proprietary trading purposes.

Thus, at Lyxor, a conflict of interest can be characterised as a situation in which:

(1) "Lyxor" refers to Lyxor Asset Management S.A.S (LAM) and Lyxor International Asset Management S.A.S (LIAM)

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- (i) Lyxor's or its employees' interests are in competition with the interests of a fund managed by Lyxor – and therefore of the unitholders of the fund in question; or
- (ii) the interests of a fund, or of a client of a fund are in competition with the interests of another fund or another client of the same fund.

The procedure at Lyxor is based primarily on the underlying principle that clients' interests take precedence over those of Lyxor. In the first instance, Lyxor has identified potential conflict of interest situations that might arise.

1.2. Identifying potential conflicts of interest

The situations that might generate conflicts of interest include, in accordance with the provisions of the AMF General Regulations, but are not limited to, the following:

- the management company or employee is likely to make a financial gain or avoid a financial loss at the client's expense;
- the management company or employee has an interest in the outcome of a service provided to clients or a transaction executed on behalf of the latter which is at variance with the client's interest;
- the management company or employee is encouraged, for financial or other reasons, to favour the interests of one client (or of a group of clients) relative to the interests of the client to which the service is provided;
- the management company is engaged in the same business as the client;
- the management company or employee receives from a person other than the client a benefit relating to the service provided to the client, regardless of the form it may take, other than the fee or charges normally invoiced for that service;
- the interests of the management company's clients are in competition with those of the group to which the management company belongs.

The above list is non-exhaustive and is not intended to cover all the conflict of interest situations that might arise. Lyxor has mapped the various conflict of interest situations within its activities that might be prejudicial to clients' interests.

This map, which is appended to this policy, is regularly updated by Lyxor's Compliance department.

2. PREVENTING CONFLICTS OF INTEREST

Lyxor has defined an organisation and procedures aimed at preventing conflict of interest situations, identifying them and dealing with them as quickly as possible.

These procedures are intended to provide a framework for the services and operations for which a conflict of interest has occurred or might occur. In this way, they aim to ensure that the employees engaged in various activities involving a conflict of interest conduct such activities with an appropriate degree of autonomy.

Preventing and managing the risk of conflicts of interest is therefore based primarily on:

- **employee compliance with ethical principles:** every employee is required to comply with the internal regulations and their code of ethics appendices, together with many specific application procedures, which emphasize in particular the precedence of the interests of fund unitholders, compliance with the duty of professional secrecy, market integrity and compliance with laws and regulations,

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- **establishing procedures to implement the fundamental principles of third-party asset management**, particularly in terms of an independent approach to asset management and the precedence of clients' interests when managing mandates and UCITS,
- **organising business lines to ensure the physical separation of activities** which, if not separated, would be likely to create conflicts of interest;
- **employee training** to ensure satisfactory knowledge of their duties and obligations;
- **observance of a strict policy on gifts and donations.**

If, despite the prevention procedures, an employee encounters a conflict of interest situation, he or she must alert his or her line management immediately, as well as the Head of Compliance in accordance with the internal procedure for managing conflicts of interest described below.

2.1. Distributing and protecting information: organising Chinese walls within Lyxor

2.1.1 Description

In accordance with regulations, Lyxor has adopted and maintains organisational measures so as to take all reasonable measures to reduce conflicts of interest.

Information barriers (Chinese walls), which involve separating activities on a structural and functional basis, restrict the distribution of non-public information between legal entities, Lyxor's various departments, and prevent the occurrence of conflicts of interest by managing the confidentiality of information and protecting clients' interests.

This adheres to the principle of separating commercial, management, support and control functions.

Lyxor's employees may neither receive nor try to obtain confidential or inside information from other departments at Lyxor where Chinese walls apply.

2.1.2 The main Chinese walls within Lyxor

In practice, at Lyxor, a series of measures have been put in place to restrict in a satisfactory manner the distribution of confidential or inside information. These measures enable Lyxor's different departments to carry out their activities with the objectivity and independence needed to act in clients' exclusive interests at all times.

Several criteria determine how Chinese walls are set up at Lyxor.

Lyxor takes into consideration:

- (i) its membership of the Crédit Agricole / Amundi AM Group;
- (ii) the likelihood that some of Lyxor's departments or employees may have access to inside or confidential information and the need to separate its different business lines.

(i) Chinese wall between Lyxor and Crédit Agricole / Amundi AM:

A Chinese wall separates Lyxor's asset management activities from those of Crédit Agricole / Amundi AM and other Group entities.

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In this way, the investment policy for the activities carried out by Lyxor remains its sole responsibility. Lyxor receives no instructions from Crédit Agricole / Amundi AM with regard to investments or disinvestments to be made on behalf of its clients.

Therefore, in order to avoid conflict of interest situations, Crédit Agricole / Amundi AM Group entities have no access to confidential information held by Lyxor.

These principles ensure that, in carrying out its activities, Lyxor gives precedence to the interests of unitholders and shareholders of the UCITS under management.

(ii) Chinese walls between Lyxor's different business lines:

Chinese walls separate Lyxor's different business lines.

The main departments at Lyxor affected by Chinese walls are:

- **The dedicated accounts platform:** this platform is strictly separated from other activities carried out at Lyxor. Accordingly, it has a dedicated IT tool and a secure database in which the platform's legal documents are kept. Access to these tools is strictly controlled.
- **Asset allocation:** this activity is entrusted to teams of dedicated managers separate from the other asset management functions.
- **Quantitative management:** this activity is carried out by dedicated teams within the management department. The teams also develop their own tools, databases and other decision-support tools. These tools cannot be accessed by other management functions.
- **Index management:** this activity is entrusted to teams of dedicated managers separate from the other management functions. These activities are structurally and functionally separate from each other.

2.1.3. The procedure for overcoming Chinese walls

In exceptional circumstances, there may be a need for contact between the different business lines affected by Chinese walls. A formal procedure governs how these walls are overcome and this may only be done with the prior consent of the Head of Compliance.

2.2. Procedures for preventing the occurrence of conflicts of interest

2.2.1 Transfers between funds

Because they present a high risk of conflicts of interest, Lyxor has established a procedure that strictly controls the conditions under which transfers between funds are carried out in order to ensure that this is done in the exclusive interests of unitholders.

2.2.2 Gifts and donations

Lyxor applies a policy for gifts and donations which its employees must follow.

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Lyxor allows gifts and donations to be given to and received from clients provided that:

- they remain within reason,
- they comply with business standards and practices and local regulations,
- they protect the dignity and image of the Group and its employees.

2.2.3 Employee transactions

Regulations have established a code of ethics and controls on personal transactions. In accordance with these regulations, Lyxor employees must comply with the internal regulations and their code of ethics appendices, together with the many specific application procedures including procedures governing employees's personal transactions.

In addition, the framework of the Volcker rule (investment restrictions in connection with the application of Article 619 of the Dodd–Frank Wall Street Reform and Consumer Protection Act) and in order to prevent conflicts of interest between the Crédit Agricole / Amundi AM Group and its employees - including those seconded to Lyxor - Lyxor employees are not permitted to invest in so-called “covered funds” sponsored by Crédit Agricole / Amundi AM. In practice, this restriction concerns a number of Lyxor funds.

2.2.4 Best execution policy

In accordance with the requirements of MiFID II, Lyxor constantly checks that the selected counterparty meets the best selection criteria. This choice ensures the best possible outcome for clients.

2.2.5 Employee compliance with ethical guidelines

In carrying out their activities Lyxor Asset Management and Lyxor International Asset Management give precedence to the interests of fund unitholders and shareholders and of managed mandate clients.

To this end, each employee is required to comply with the code of conduct which emphasises in particular the precedence of the interests of fund unitholders and compliance with market integrity. Training sessions are also organised to raise employee awareness about conflict of interest issues.

Furthermore, fund managers, as part of their duties, must focus exclusively on the business of third party asset management separately from all other activities, except for related services pre-planned by the management company and declared to the Autorité des Marchés Financiers. Their professional activities must be carried out exclusively for the benefit of their employer.

They may not act in a personal capacity in an advisory, management or administrative function, in particular within a commercial company, and may not accept any remuneration without their employer's prior consent. Similarly, they must formally refrain from soliciting or accepting from intermediaries or unitholders and shareholders any gifts or benefits that might compromise their impartiality or independent decision-making or affect their independence owing to a privileged client relationship.

In the event of a situation being observed that might lead to an exception to these principles, the employee concerned must refer the matter systematically to his or her line manager and the Head of Compliance who will take the necessary steps.

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An annual reminder of the guidelines on conflicts of interest together with the conflict of interest management policy is also sent to all Lyxor's employees.

2.2.6 Employee remuneration policy

Lyxor's remuneration policy is designed to avoid creating inducements that might lead to situations of conflicts of interest between its employees and its clients. Lyxor has thus established governance and strict guidelines to prevent conflicts of interest.

2.2.7 Policy on fees, remuneration and non-cash benefits

Lyxor has established a policy for fees, remuneration and non-cash benefits. Consequently, Lyxor's clients are informed of the existence of any remuneration or benefit paid to or received from a third party other than the client. Any remuneration or benefit is only authorised if its aim is to improve the quality of service provided and it does not undermine compliance with the obligation to act honestly, fairly and professionally in the client's best interests.

2.2.8 Research policy

MiFID II research ("subject to MiFID") refers to a limited distribution document/service that contains analyses or material information regarding the value of a security, issuer or asset class.

The following are not included in this scope: news, volume reporting, market sentiment, summary analysis of a current operation (Primary, Corporate Action), any sales or marketing documents. It should be noted that any research accessible by the general public cannot be considered subject to MiFID.

MiFID II terms a service "research" if it is received free of charge as an inducement, unless it can be shown that it is only a minor non-cash benefit (e.g. a marketing document). In principle, the provision of such services may generate potential conflicts of interest, mainly in terms of the best execution of transactions.

Therefore, in order to avoid any suspicion of a conflict of interest, no research subject to MiFID may be used free of charge but should give rise to a contractual arrangement.

2.2.9 Engagement and voting policy

As part of its policy for Socially Responsible Investments, Lyxor may face conflict of interest situations in the implementation of its engagement and voting policy. In order to prevent these potential conflicts of interest a set of measures has been defined such as an SRI team independent of the commercial and the investment management teams, an engagement and voting policy transparent and an internal governance on ESG issues.

3. CONFLICT OF INTEREST MANAGEMENT

Conflict of interest management consists in defining the measures to be taken in order to manage conflicts of interest. Such measures must also describe the operating method to be followed in order to deal with conflicts of interest.

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Furthermore, if such measures do not suffice to ensure, with reasonable certainty, that the risk of prejudice to the clients' interests will be averted, Lyxor informs the client, before acting on their behalf, of the general nature or source of such conflicts of interest (3.2).

3.1 Measures in the event of the occurrence of conflicts of interest

Lyxor's employees must endeavour to avoid conflicts of interest. However, if a situation likely to give rise to a potential conflict of interest occurs, the employee must immediately alert his or her line management and Lyxor's Head of Compliance.

If the conflict of interest is established, then the Head of Compliance gives his or her opinion on the solution to be adopted and informs the Management accordingly.

When facing a conflict of interest situation, Lyxor may either:

- carry out the transaction that gives rise to a conflict of interest while taking the steps needed to manage the conflict without prejudice to the interests of the client in question,
- not carry out the transaction potentially causing a conflict of interest and,
- give the clients concerned all necessary information on the nature of the conflict of interest so that they may make an informed decision.

These measures are based on procedures that apply to all Lyxor employees; similar procedures are in use at other Crédit Agricole / Amundi AM Group companies.

3.2 Information given to clients

If the measures taken by Lyxor do not enable it to ensure that the risk of prejudice to the clients' interests will be averted with certainty, Lyxor will give the clients in question all necessary information on the nature of the conflict of interest so that they may make an informed decision.

4. KEEPING A CONFLICT OF INTEREST REGISTER

Lyxor keeps and updates on a regular basis a register recording known or potential conflicts of interest as well as the various measures taken by Lyxor to prevent or manage such conflicts of interest.

5. PERMANENT CONTROL PROCEDURES

Lyxor has established permanent control procedures to ensure compliance with the procedures for preventing and managing conflicts of interest.

The Head of Compliance reports to the management bodies at least once a year on the effectiveness and monitoring of the procedure for preventing and managing conflicts of interest.

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