

AMUNDI ALTERNATIVE INVESTMENTS, SAS POLICY ON PREVENTION AND MANAGEMENT OF CONFLICTS OF INTEREST

As a result of the European Directive on financial instrument markets “MIF Directive”, investment companies and investment service providers (ISP) in France have tightened up and formalised their management of conflicts of interest, notably by defining a policy on prevention and management of conflicts of interest and keeping a register of the situations encountered.

Amundi Alternative Investments, SAS (“Amundi AI, SAS”) is a portfolio management company specialising in alternative asset management (funds of hedge funds and managed accounts) and, as a sideline, providing investment advisory services.

Amundi AI, SAS has set up a branch in London bringing together the teams of due diligence analysts responsible for selecting European and Asian hedge funds or managers.

Amundi AI, SAS does not manage portfolios for its own account.

Amundi AI, SAS is likely to be faced with conflicts of interest situations. In order to protect and preserve priority for customers’ interests and comply with the applicable regulations, Amundi AI, SAS has introduced a policy and procedures designed to prevent conflicts of interest and rectify them where necessary.

The purpose of this memo is to set out the “Amundi AI, SAS’ policy on prevention and management of conflicts of interest”, which can be consulted on the Amundi AI, SAS website.

The objective of the policy is to identify situations which give rise or could give rise to a conflict of interest, establish a management and control system to cover these situations and record in a dedicated register the conflict situations actually encountered where there is a significant risk that the interests of one or more of Amundi AI, SAS’ customers could be harmed.

1. Scope of application:

Amundi AI, SAS' policy on prevention and management of conflicts of interest covers the various types of conflicts of interest which may occur during operation of all its activities.

The three categories of potential conflict are as follows:

- a) **Conflicts involving several customers**, for example when Amundi AI, SAS, in offering its services to two customers, might favour one of them ;
- b) **Conflicts involving Amundi AI, SAS and its customers**, for example when Amundi AI, SAS offers a service which would be more profitable for it without taking the customer's requirements into consideration;
- c) **Conflicts involving Amundi AI, SAS employees**, for example when employees carry out transactions for their own account using confidential information on customers or portfolios.

2. Identifying potential conflicts of interests - mapping:

Amundi AI, SAS has mapped the various possible theoretical conflicts of interest within its business line processes which might be harmful to customer interests, because Amundi AI, SAS or one of the players involved:

- is likely to obtain financial gain or avoid financial loss at the expense of the customer;
- has an interest in the result of a service provided to the customer which does not coincide with the customer's interest in the result;
- is encouraged for financial or other reasons to favour the interests of another customer (or group of customers) over the interests of the customer to whom the service is provided;
- operates the same business activity as that of the customer;
- receives or will receive from someone other than the customer a benefit in connection with the service provided to the customer, in any form whatsoever, other than the commission or expenses normally billed for that service.

This theoretical risk mapping is updated periodically and at least once a year, in order to integrate developments and changes in the conduct of Amundi AI, SAS business line processes. This tool enables Amundi AI, SAS to ensure that organisational or procedural measures are properly implemented in order to prevent or manage potential conflicts of interest and that the associated controls are performed.

3. Measures used to prevent and manage potential conflicts of interest :

3.1 Organisational measures

Amundi AI, SAS implements and applies organisational and administrative measures designed specifically to prevent conflicts of interest and manage proven conflicts. It also monitors activities on an ongoing basis to ensure that the internal control procedures used in this area are appropriate.

The control functions (Compliance, Risks) are completely autonomous thanks to online operation of the business line processes at Crédit Agricole Group level.

“Physical” independence (protected access to premises) and security of confidential information held is also ensured by means of authorisation procedures which limit access to those people who need it in order to carry out their business activity.

The Amundi AI, SAS policy also makes provision for recording the telephone calls of services, performing activities where there is a high risk of conflicts of interest, such as the Middle Office team, the Business Development team and the Portfolio Management team.

3.2 Procedures and Internal Policy

Amundi AI, SAS has adopted a set of measures and instructions more specifically aimed at preventing and managing potential conflicts of interest. The main measures are defined below, although this list is not exhaustive.

Internal regulations, their codes of ethics appendices and the compliance manual, supplemented by targeted application procedures, control the risk that Amundi AI, SAS personnel might take advantage of information held to the detriment of customers or might act on the basis of interests which might conflict with those of the customers (procedures for monitoring the personal transactions of employees, declaration of gifts and benefits).

When joining Amundi AI, SAS every employee must be notified of this rules and disclose his/her commitment to comply with them.

The employees receive suitable training to ensure that they have adequate knowledge of their responsibilities and obligations.

Access to computers are controlled and an employee is not allowed to communicate his/her login or password, except in specific situations, previously defined by his/her management.

Besides, “Chinese Walls” are to be put in place when information, which could lead to situations of conflicts of interest, is shared between employees.

For its part, Amundi AI, SAS does not receive soft commissions and apart from charging performance commissions on the funds it manages, has no special incentive to take additional risks or adopt more speculative positions.

Constant attention is also given to **equality of treatment for portfolios and shareholders**, in terms of allocations of the underlying hedge funds in fund of funds portfolios, fees and commissions. Procedures have been drafted accordingly in all these areas and *a posteriori* controls are carried out to check that they have been applied correctly.

In particular, Amundi Alternative Investments, SAS does not accept subscription-redemption orders sent by customers after the centralisation deadline.

More generally, a review by the **New Activities & New Products Committee**, in which the Compliance Department participates, prior to the creation of any new fund or the introduction of any new activity, ensures that any potential conflicts of interest are identified and the proper measures diligently taken to address them.

Any **error or incident impacting on a customer** is analysed and managed using a procedure designed to ensure that the customer’s interests always take priority.

Lastly, any anomalies noted during controls give rise to corrective measures, whose effectiveness is then assessed.

4. Methods of handling proven conflicts of interest:

4.1 Conflict settlement process

When a conflict of interest is shown to have occurred, the ad hoc procedure must be implemented very quickly in order to put an end to said conflict. However, when the risk of harming the customer’s interests is inevitable, despite the procedures and measures put in place to manage conflicts of interest, Amundi AI, SAS clearly informs the customers of the general nature and origin of such conflicts of interest, before taking action on their behalf. Having been alerted in this way, customers can make an informed decision regarding provision of the investment service.

As a preliminary, when a proven conflict of interest has been confirmed, an arbitration process is organised at various levels depending on the individuals concerned or the complexity of the conflict of interest, so as to provide an appropriate solution quickly and avoid harming the interests of the customers.

The Compliance Management Committee is authorised to manage these exceptional situations and take the necessary decisions to inform the customer.

4.2 Informing customers

When the risk of harming the customer's interests cannot be controlled despite the procedures and measures for managing conflicts of interest which have been put in place, Amundi AI, SAS informs the customer of the existence of a conflict of interest.

This information is given to the customer as necessary on a durable medium which is kept for at least 5 years. It must also be sufficiently precise and detailed to enable customers to make an informed decision regarding provision of the product or investment service being offered to them.

4.3 Recording of proven conflicts of interest.

Reports on identified conflicts are prepared by the Compliance Department of Amundi AI, SAS and sent to the Compliance Department of Amundi Group every quarter, as part of the normal transmission of incidents or malfunctions. This normal procedure does not preclude sending information downstream to the Management of Crédit Agricole S.A. in the event of a particularly serious conflict of interest.

Reports are input into the conflict of interest register.

Amundi AI, SAS' Compliance Department keeps a permanent up to date register of conflicts of interest based on the information passed on to it. This register details the types of situation in which a conflict of interests entailing a significant risk of harm to the interests of one or more of its customers is likely to occur.

The information given in this register and the documents proving the existence of the conflict are kept for at least 5 years.