Policy for handling of conflicts of interest

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Introduction

SEB Pank Group provides a wide range of financial services to its clients and can undertake operations for its own account. This may result in conflicts of interest arising between different functions and/or units of the SEB Pank Group, but also between the SEB Pank Group (including SEB Pank Group’s managers, employees and agents, or any person directly or indirectly linked to them by control) and its clients or between different clients of the SEB Pank Group.

This „Policy for Handling of Conflicts of Interests” specifies the rules and procedures to be followed by the SEB Pank Group for identification of the circumstances which constitute or may give rise to a conflict of interest entailing a (material) risk of damage to the interests of one or more clients.

The policy also specify the procedures to be followed and measures that have been adopted in order to prevent any such potential theoretical conflict of interest from arising, or, where they do arise, from adversely affecting the interests of the clients of the SEB Pank Group.

The policy shall be implemented in all units of the SEB Pank Group and it shall be applicable to all types of clients.

Definitions

In this instruction (hereinafter: the policy), the following terms shall have the meaning ascribed to them below:

Depositary services means the services provided by the depositary related to the activities specified in part 4. (Section 285 and following) of the Investment Funds Act (hereinafter: the IFA).

Depositary is the institution specified in clause 12 (1) 2) of the IFA.

Corporate Finance means operations covering underwriting and other participation in conjunction with the issuance of securities or offers concerning the purchase or sale of financial instruments, financial advisory services in the investment banking field regarding, e.g. mergers, corporate acquisitions, sales and restructurings, especially as regards listed companies, as well as brokering of contacts between buyers and sellers of financial instruments.

Financial analyst means an employee, who produces investment analyses, referred to in Article 37 of Delegated Regulation (EU) 2017/565
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Fund means a pool of assets established for collective investment, including an undertaking for collective investment in transferable securities (UCITS), alternative investment funds, common funds of the management company traded on a regulated market and stock exchange or another investment fund, established as an investment company.

Management of a fund means above all investment of the fund’s assets and management of the risks related to the investment of the fund’s assets, administration of the fund and provision of the fund, as well as other activities specified in Section 305 of the IFA.

Conflict of interests means a situation where different parties have interests that conflict with each other. Such conflicts may arise within the SEB Pank Group between different business areas, between the units of the SEB Pank Group, but also between the SEB Pank Group (including SEB Pank Group’s managers, employees, representatives and any persons directly or indirectly linked to them by control) and their clients or between different clients of the SEB Pank Group.

Investment services are investment services within the meaning of Section 43 of the Securities Market Act (SMA).

Ancillary services are ancillary services to investment services as specified in Section 44 of the SMA.

Investment advisory service means making a personal recommendation to the client regarding a transaction related to a security within the meaning of Article 9 of Commission Delegated Regulation (EU) 2017/565

Personal account dealing means a transaction undertaken for the account of an employee.

Trading for the account of the client means arrangement of transactions with securities on behalf of the client or SEB and for the account of the client.

Trading for own account means a securities transaction undertaken by SEB for the account of SEB’s own funds.

SEB Group means Skandinaviska Enskilda Banken AB (publ) and all its subsidiaries.

SEB means AS SEB Pank.

SEB Bank Group means AS SEB Pank together with its subsidiaries and other SEB Group companies incorporated in Estonia.

Employee means an employee of the SEB Pank Group and anyone else who represents the SEB Pank Group unit under a contract, including a management board member, contractors or consultant.

Portfolio management means managing the client’s portfolio comprised of money and/or securities in accordance with a mandate given by the client.

External assignment is an employee’s commitment to the external activities of the SEB Pank Group, such as taking up employment outside the SEB Pank Group (either part-time or full-time) or participating in another company or organisation as a member of the management board, supervisory board or similar body, or owning a business or doing business in any field of activity.

Unit means the area, department or division of SEB but also the SEB Pank Group companies and their internal business units, depending on the context.

1. Scope of application and purpose

1.1 The purpose of this policy is to recognise, prevent and manage conflicts of interest when providing the financial services, between different business areas and units of the SEB Pank Group including SEB Pank Group’s employees and any persons directly or indirectly linked to them by control and their clients or, between different clients of the SEB Pank Group.

1.2 To achieve the abovementioned purpose, this policy shall determine:

1.2.1 the activities related to each specific investment service and ancillary service provided by SEB or on its behalf, which constitute or which may give rise to a conflict of interest or entail a risk of damage to the interests of one or more clients;

1.2.2 the circumstances of any other financial service provided by the SEB Pank Group or on its behalf, which constitute or which may give rise to a conflict of interest or entail a material risk of damage to the interests of one or more clients;

1.2.3 specified rules, which must be followed and measures which must be implemented in order to avoid the conflict of interest and mitigating the risk of damage to the interests of clients to the largest possible extent;

1.2.4 rules, which must be followed when notifying of the conflicts of interest.
2. Application

2.1 This policy shall be applicable to all SEB Pank Group units that provide financial services.

2.2 In addition, management of conflicts of interest is regulated in SEB Pank Group inter alia mainly with the internal rules listed in Annex 4.

2.3 In addition to this policy, the principles established in the Credit Institutions Act, Securities Market Act, Investment Funds Act, Insurance Activities Act and Funded Pensions Act shall apply to the management of conflicts of interest.

2.4 This policy will be reviewed as necessary, but at least once a year to ensure that it is up to date.

3. Services and activities involving possible conflict of interest

3.1 It is not possible to foresee or describe all potential conflicts of interest in this policy. The fact that a specific activity, situation, practice or custom is not prohibited with the policy does not necessarily mean that it is allowed. Accordingly, an employee or representative of a unit must contact their immediate superior or the Compliance Department in all matters concerning conflicts of interests and directly not regulated with this policy.

3.2 Arising of a conflict of interest and risk of (material) damage to the interest of clients is possible also in the following services and activities of the SEB Pank Group and situations:

3.2.1 Investment advisory service

3.2.1.1 The purpose of the investment advisory service is to provide appropriate advice that fits the interests of the specific client and is suitable for them. This interest may conflict with the interests of the following persons:

(i) SEB’s clients seeking to issue or acquire securities at the best possible price, or to achieve other strategic goals;

(ii) SEB’s interests in managing its own proprietary positions;

(iii) the desire of SEB’s investing clients, or its portfolio managers and fund managers, to deal in the securities on the most favourable terms;

(iv) the interests of SEB and its affiliates as issuers/providers of financial instruments, insurance products and other financial products and services;

(v) remuneration structures for Employees.

3.2.2 Portfolio management and fund management

3.2.2.1 The purpose of portfolio and fund management service is to maximise the return within the established limitations on investment; accordingly, the interests and judgements of portfolio managers and fund managers may conflict with the interests of the following persons:

(i) SEB’s corporate clients seeking to issue, transfer or acquire securities at the best possible price, or to achieve other strategic goals;

(ii) SEB’s interests in managing its own proprietary positions;

(iii) interests of SEB and/or its affiliates as issuers/providers of financial instruments.

3.2.2.2 Conflicts may arise also from improper timing, consolidation or allocation considerations, since these may give an unfair information or timely advantage to certain funds/portfolios or clients compared to other funds/portfolios or clients.

3.2.3 Trading for own account

3.2.3.1 Trading for own account seeks to maximise the return from the positions which SEB takes. This interest is distinct from the interests of SEB’s clients and thus conflicts of interest can arise between SEB and its clients. A conflict may arise above all with the interests and activities of the following persons:

(i) clients who enter into transactions with SEB or by the agency of SEB in the course of their investment activities;

(ii) SEB’s activity in providing investment advice and in portfolio and fund management.

3.2.4 Personal account dealing

3.2.4.1 Employees may engage in securities transactions for their own account and their interests in so doing may conflict with the interests of either the SEB Pank Group itself or those of its clients. A conflict may arise also from inappropriate advantage of information or time.

3.2.4.2 A conflict of interests may arise also from the sale of other property to the employees and the persons closely related to them. Management of the conflict of interests upon selling property to the employees and the related persons is regulated in more detail in Annex 1 to this policy Rules of selling property to employees.
3.2.5. **External assignments**

3.2.5.1 The external assignments of employees may conflict with the interests of the SEB Group itself or its clients.

3.2.6 **Trading with clients and for their account**

3.2.6.1 When arranging transactions with and for clients, SEB obtains information relating to their affairs, which may raise potential conflict of interest between the clients and the following persons:

(i) other clients of SEB, whether engaging in trading in the same securities or seeking other services (inter alia those clients to whom SEB provides the portfolio management or investment advisory service);

(ii) SEB itself, when trading for its own account;

(iii) employees of SEB, engaging in personal account dealings;

(iv) an SEB employee makes a private transaction with the client.

3.2.7 **Corporate Finance**

3.2.7.1 Services provided to the clients of SEB may involve advising companies on high level strategy and financial matters generally, including giving advice on mergers, acquisitions, disposals, joint ventures, capital raisings and financing in connection with mergers and acquisitions. In the course of such activities, SEB obtains information relating to its client which could theoretically be misused as follows:

(i) in the interests of other clients of SEB, whether investors or competitors of the client in question;

(ii) in providing investment advisory service in SEB’s interests;

(iii) when trading for own account in the SEB’s interests, as well as for the account of clients;

(iv) in the interests of employees in undertaking personal account dealings.

The employees involved in arranging transactions specified in clause 3.2.7.1 shall act in the best interests of their client, notwithstanding that this may conflict with the interests of either other clients of the SEB Pank Group or the SEB Pank Group itself.

3.2.8 **Risk management**

3.2.8.1 Operations related to management and mitigation of risks include analysis and management of credit risks and market risk in a situation, where the employees obtain confidential information relating to clients, positions of the SEB Pank Group, and proposed actions of the SEB Pank Group relating thereto. This information could be misused as follows:

(i) in the interests of other clients of the SEB Pank Group, whether investors or competitors of the client in question;

(ii) in providing investment advisory service in SEB’s interests;

(iii) when trading for own account in the SEB Pank Group’s interests;

(iv) when undertaking personal account dealings in the interests of the employees.

3.2.8.2 These employees will give instructions and take such actions as they feel necessary to protect the interests of the SEB Pank Group, however may conflict with the interests of the SEB Pank Group’s clients.

3.2.8.3 According to the SEB Group Risk Policy, the group must establish an independent risk control function. Dependence of the risk control on business activity may jeopardise the clients’ interests.

3.2.9 **Custodian operation**

3.2.9.1 Within the units of SEB which provide services for custody of clients’ securities, instructions shall be adopted for the safeguarding of the interests of each client independently of other clients’ interests or the interests of other units of SEB. Whereas it shall be ensured that information concerning a client’s assets and transactions is not disclosed to another unit of SEB without the client’s consent.

3.2.9.2 In its capacity as depositary, SEB, in its custodianship of a fund’s assets, shall keep such operations separate from the operations of the management company, and operations which consist of providing credit to the fund concerned.

3.2.9.3 The unit providing the depositary services shall adopt rules ensuring fulfilment of obligations related to its control function.

3.2.10 **Credit and financing**

3.2.10.1 The activity of SEB’s structural units offering credit and financing services (for instance Credit Department, Retail Banking Area and Corporate Banking Area, AS SEB Liising) includes arrangement of financing and management of credit risk, including in connection with establishment and enforcement of collateral, which could lead to a potential conflict of interest between the activities of these and the other units of SEB or between the interests of other clients.
3.2.10.2 A conflict of interest may arise also with such decisions that are related to granting of loans to the following persons:

(i) members of the SEB supervisory and management board and the head of Internal Audit;
(ii) the spouses or partners, children, parents, sisters and brothers of the persons mentioned in the above clause (i);
(iii) for the purpose of Section 10 of the SMA, a company controlled by the person mentioned in clauses (i) and (ii) and the parent company or subsidiary of such company;
(iv) a shareholder, who is a natural person and has a qualifying holding in SEB or a management board member or of a substituting body of a shareholder, who is a legal person;
(v) companies, in which the persons listed in the above clause have equivalent economic interest (see Section 84 of the Credit Institutions Act) as the holder of shares or member of a directing body;
(vi) SEB Group auditors and other persons to whom additional rules have been set by SEB in granting loans.

3.2.11 Remuneration system of employees

3.2.11.1 A conflict of interest may arise in a situation where the employees’ remuneration systems (including sales bonuses) is based on the achievement of sales targets. In this case there is a risk that the employee prefers the financial gain instead of the client’s interest and focuses on selling a product or service without taking interest in the actual needs and goals of the client.

3.2.12 Other grounds

3.2.12.1 In addition to the above-described, a conflict of interests may arise also in a situation, where the SEB Pank Group, its employee, manager or a third party under the SEB Pank Group’s control:

(i) is likely to make a financial gain, or avoid a financial loss, at the expense of a client;
(ii) has an interest in the outcome of a service provided to, or transaction carried out on behalf of, a client, which is distinct from the client’s interest;
(iii) is involved in a business that is the same as the client’s business (other than, of course, where SEB as a market participant is dealing with another financing institution who is not a market participant);
(iv) has a financial or other incentive to favour the interests of one client or group of clients over the interest of another client; or
(v) receives from (or gives to) a person other than the client an inducement for entering into a transaction with a client or for providing a service to it, in the form of a fee or a non-monetary benefit (hereinafter together referred to as benefit). The above shall not apply in case of a standard commission or fee that is payable for the specific service.

4. Prevention and mitigation of conflicts of interest

4.1 General rules

4.1.1 To prevent conflicts of interest from adversely affecting a client, actions taken in respect of the client must be based solely on the client’s interests. Such transactions and operations must be undertaken independently of the interests of other client’s, employees and units of the SEB Pank Group.

4.1.2 The below principles apply in the management of the conflicts of interest. The head of each unit which could be a possible source to a conflict of interests should upon need establish in addition to this policy relevant rules, specifying inter alia the following principles:

(i) no employee handles matters on behalf of the SEB Pank Group where they or a closely associated person (incl. a company) may have its own interests which conflict with the interests of the SEB Pank Group or its clients;
(ii) no employee engages in business activity (incl. by way of acquisition of holdings or control in any other way) on their own or any third party’s behalf without prior consent of SEB as the employer in each individual case;
(iii) to assume an assignment outside the SEB Pank Group, an employee shall obtain prior approval from their immediate superior and the superior of the immediate superior to avoid conflicts of interest;
(iv) employees in one business unit shall not exchange information with another business unit where the exchange of information could harm the interests of one or more clients;
(v) separate supervision has been established over the employees carrying out services or activities on behalf of clients if the clients’ interests may conflict with those of the SEB Pank Group;
(vi) there is no direct link between the remuneration of employees principally engaged in one activity and the remuneration of, or revenues generated by, different relevant employees principally engaged in another activity, where a conflict of interest may arise in relation to those activities;
(vii) employees within one unit cannot exercise notable influence over the way in which the employees of another unit perform their work assignments;
(viii) employees in one business unit shall not be simultaneously or sequentially involved in providing separate investment or ancillary services, unless such involvement is justified and could not impair the proper management of conflicts of interest;
(ix) the remuneration system of employees is designed in a way that the employees’ interest does not appear in material conflict with the client’s interest;
(x) other necessary and appropriate measures are taken for the management of conflicts of interest.

4.1.3 When it is unavoidable for an employee to be involved simultaneously or sequentially in the provision of separate investment or ancillary services or the related activities, such activity shall be controlled by internal instructions (incl. specifying rules established by the respective area head) ensuring the proper management of the resultant potential conflicts of interest.

4.2 Conflict of interests between SEB Pank Group units

4.2.1 In the event that a conflict of interest arises between two or more units of SEB Pank Group, or between the unit and a client that affects two or more units or their subunits, the units concerned shall take appropriate steps to ensure that the conflict of interest does not have material adverse effect on the interests of the clients.

4.2.2 SEB is the 100% parent company of AS SEB Varahaldus. The units in the SEB Pank Group provide both, the fund management as well as depositary services, resulting in potential conflict of interest. A depositary shall not carry out activities with regard to the UCITS or the management company on behalf of the UCITS that may create conflicts of interest between the UCITS, the investors in the UCITS, the management company and itself. The depositary has functionally and hierarchically separated the performance of its depositary tasks from its other potentially conflicting tasks, and the potential conflicts of interest are properly identified, managed, monitored and disclosed to the investors of the UCITS. The fund management and depositary services must therefore be provided independently of each other and exclusively in the common interest of the unit-holders. The SEB Pank Group internal risk management system shall ensure that risks relating to potential conflicts of interest are handled appropriately, and that the common financial interests of unit-holders take precedence over the interests of the SEB Pank Group. The respective unit providing the depositary services is an independent control function and shall ensure that the control function is applied to the maximum extent and independently from AS SEB Varahaldus and in the best interests of the unit-holder. Although SEB performs both the functions of AS SEB Varahaldus funds depositary, as well as the functions of fund management company transferred to it (for example, fund accounting, determination of the net asset value of the assets of funds, etc.), the performance of the depositary function is internally separated from the performance of the tasks of the fund management company transferred to SEB, and SEB implements the necessary administrative, technical, legal and organisational measures and systems to ensure the proper and purposeful pursuit of the functions and mutual independence of the structural units fulfilling the above-mentioned functions.

4.2.2.1 Within the units that engage in fund management or provide depositary services, written rules have been established, which ensure:
(i) that the fund management and the depositary services in the SEB units are organised with appropriate information barriers, clear and explicit reporting channels for the maintenance of confidentiality, and a clear allocation of responsibility;
(ii) that the depositary can act independently of the management company in the efficient supervision of the assets under the control of the management company;
(iii) that services within the management company and the depositary are provided on customary market conditions.

4.2.2.2 The SEB Group has adopted the Instruction for the Activities of SEB Group, stipulating the manner in which operational decisions are taken in business units. The provisions contained in this instruction concerning the allocation of responsibility are intended, among other things, to protect against risks that may be inherent in conflicts of interest.
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5. Record keeping and reporting of services and activities potentially giving rise to conflicts of interest

5.1 Each unit shall ensure that:

(i) the unit takes an active role in and full responsibility for identifying actual and potential conflicts of interest;

(ii) in the event that it identifies an actual or potential conflict of interest (contrary to general potential conflicts of interest arising from the structure of the SEB Pank Group and the nature of its activities as described in Chapter 3) which could damage the interests of such client to which it is providing investment service or ancillary service or investment-related activities, such actual or potential conflict shall be documented by the respective unit and immediately reported to the employee of the SEB Compliance Department who, if necessary, advises the employee on measures to be taken for the prevention or mitigation of the conflict, and gives guidelines for further activities;

(iii) all such notices shall be filed together with the description of circumstances. If relevant, the identified conflict of interest is registered by the employee of the Compliance Department;

(iv) at least once a year, the management board of the SEB Pank Group receives written reports on conflicts of interest which may damage the interests of one or more clients;

(v) more specific rules designed for identification and mitigation of conflicts of interest are contained in the internal procedure rules pertaining to the respective unit and the process description must be reviewed and updated on regular basis;

(vi) the head of the SEB Compliance Department shall ensure that the SEB Pank Group monitors the effectiveness of the measures and procedures put in place pursuant to the current procedure, and that these are updated as and when necessary.

5.2 To identify potential conflicts of interest an analysis shall be performed at least on annual basis, in order to map the situations and circumstances, which theoretically may (materially) damage the interests of the clients. The analysis must be submitted to the employee of the Compliance Department, who shall enter the identified actual or potential conflict of interests into the respective register.

6. Benefits

6.1 Offering or receipt of a benefit (a fee or a non-monetary benefit) by the SEB unit in relation to a service provided to the client may raise a conflict of interests.

6.2 Payment of a fee directly to or by a client or someone acting on behalf of a client to an employee is not permitted, if this may affect the decision of the recipient with regard to SEB or it could be considered bribery.

6.3 In order to manage the conflict of interests related to benefits and gifts, the SEB Pank Group has established Annex 2, Granting and receiving of benefits, to this policy (in relation to investment services and ancillary services) and Annex 3, Instructions for gifts and business entertainment, which specify in more detail the general principles stipulated in this policy.

7. Disclosure of conflicts of interest

7.1 Where, in case of a specific conflict of interests, the relevant business unit is not reasonably confident that the measures adopted under this policy will prevent the risk of material damage to its clients, the general nature or source of the conflict of interest and the measures taken to mitigate such risks shall be disclosed, in a durable medium, to the clients concerned. Such disclosure is a last resort and should only be adopted in specific cases where the measures otherwise put in place and implemented are inadequate in this specific case to avoid the risk of (material) damage to the clients affected.

7.2 In such cases the SEB Pank Group shall disclose the relevant conflict of interests to the client before undertaking a business transaction. The information given to the client must be sufficiently detailed and consider the client type to enable the client to make an informed decision in the context of conflict of interests.

7.3 Disclosure of a conflict of interests shall not change the obligation stipulated in law to act in the best interests of the client in case of unavoidable conflict of interest.

7.4 Where an employee becomes aware of circumstances which they believe could constitute a conflict of interests and are likely to have a (material) damage to the client’s interests, they shall immediately report the matter to their immediate superior or the SEB Compliance Department.

7.5 In case of questions in relation to this policy and the annexes hereto, the Compliance Department must be consulted.