

# CONFLICTS OF INTEREST GUIDELINES

ABN AMRO – ODDO BHF B.V.



Date: 7 July 2023



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## 1. Introduction

### 1.1. *What is the purpose of these guidelines?*

The Joint Venture ABN AMRO – ODDO BHF (“the JV”) and its employees may encounter conflicts of interest during the performance of its various activities for its clients and in dealing with suppliers. In line with our Code of Conduct<sup>1</sup>, the JV aims to have adequate governance arrangements in place that enables the JV to effectively manage its conflicts of interest.

The guidelines support the JV in its efforts to effectively identify, assess, manage and mitigate or prevent from happening any actual or potential conflict of interest.

Herewith the JV complies with local and international laws and best market practices.

### 1.2. *What is the scope of these guidelines?*

These guidelines apply to everyone working for, or on behalf of, the JV regardless of the type or duration of the contract. It applies to all seniority levels.

## 2. Definitions

### 2.1. *What is a conflict of interest?*

A conflict of interest is any situation in which a person or organisation is involved in an interest (financial or other) which could adversely influence the motivation or decision-making of that person or organisation to act in the best interest of the clients or the JV. This could adversely affect the interests of the clients or the JV. Note that all references to clients in these guidelines also refer to potential clients.

Conflicts of interest may take various forms. They can be:

- Actual – involving a direct conflict of interests.
- Potential – involving likely future conflicts of interest.
- Perceived – not involving an actual conflict but only the perception of a conflict of interest.

Conflicts of interest may be business-related or personal.

### **Business-related conflicts**

Business-related conflicts may arise as a result of the structure and activities of the JV's business.

The following are business-related conflicts of interest:

- Conflicts between the interests or duties of the JV and those of the client.
- Conflicts between the interests of one client and those of another client.
- Conflicts between the interests of the JV and those of third parties (e.g. suppliers / vendors, business partners).

Examples of situations where such conflicts may occur are amongst others: conflicts between (i) the financial research and the brokerage department or the JV in case of primary deal or (ii) conflicts between two clients of the equity brokerage department.

### **Personal conflicts of interest**

Personal conflicts of interest are those between the interests of a person working for the JV and the interest of the JV or the client.

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<sup>1</sup> We conform to the Code of Conduct of ABN AMRO BANK N.V., which can be consulted on our website: [www.aa-ob.com](http://www.aa-ob.com).



Personal conflicts of interest may arise because of financial, social, political, family or other personal interests or loyalties that interfere with the professional responsibilities of those working for the JV. Personal conflicts of interest can not only apply to our staff, but also to the interests of their closest family members, when conflicting with the interests of our clients or the interests of the JV.

They may also arise not only from present but also from past personal or professional relationships. Examples of situations where personal conflicts of interest may occur are amongst others: outside business activities; personal account dealing and investments; family ties with a client of the JV or a vendor; gifts offered to or provided by a client as inducements.

### **3. Guidelines, principles and rules**

The JV strives to create a culture of integrity through its culture principles, its Code of Conduct, as well as training and awareness. Core principles for all employees are:

- Act honestly, fairly, professionally and in accordance with the best long-term interests of our clients and the JV.
- Avoid conflicts of interest (or the appearance of such conflicts) in any form.
- Do not ignore a perceived or potential conflict of interest.
- Recognise, identify and assess conflicts of interest, or the appearance of such conflicts, how to mitigate and manage them.
- Maintain and operate effective organisational and administrative arrangements designed to take all appropriate steps to identify and prevent conflicts of interest from adversely affecting the interests of its clients.
- Respect information barriers and measures regarding segregation of duties and do not cross 'ethical walls' without proper authorisation.
- Manage potential conflicts of interest, or the appearance of such conflicts, by: (i) discussing them with your manager and the Risk & Compliance officer; (ii) documenting and disclosing potential conflicts of interest according to our policies (iii) if appropriate, disclosing the potential conflict of interest to the clients or suppliers involved.
- Keep records of conflicts and the services and activities (being) performed, during which these conflicts of interest may arise or have arisen and report on such conflicts regularly to the Management Board.
- Not using the internal systems to manage own affairs or those of family members or acquaintances.
- Not acting in a capacity that could lead to a conflict of interest situation (for example, acting as personal custodian of securities, money or other property belonging to a client).

Conflicts of interest in the JV should be identified as early as possible, before they actually materialise. Once identified as a potential conflict, the JV may still be able to implement controls to mitigate effectively the risk that it occurs. On the other hand, a conflict that is identified too late can have significant legal and regulatory implications to the JV, having detrimental effect on client relationships as well as adversely impact the JV's reputation.

The basic principle is that conflicts of interest that persist (for example, due to different products and services regularly offered by the JV such as Research and Sales), need to be managed permanently. This shall be achieved by amongst others maintaining and operating effective organizational and administrative arrangements, as further set out below.

#### **3.1. Identifying business-related conflicts of interest**

It is the JV's responsibility to take all necessary steps to identify (potential) conflicts of interest throughout a business relationship, but also prior to accepting a new engagement with one of its shareholders (e.g. engagement related to their Equity Capital Markets Origination businesses).

In identifying conflicts of interest, all circumstances regarding a potential business relationship must be taken into consideration, additionally it shall be taken into account whether the JV or an employee:



- Is likely to profit, or avoid a loss, to the detriment of the client.
- Has an interest in the outcome of a service or transaction for the client, that differs from the client's interest in that outcome.
- Has an incentive to favour one client over another.
- Receives from a party, other than the client, an inducement in relation to a service provided to the client, other than the standard commission or fee for that service. Such inducement may be monetary or non-monetary, in the form of goods, services or entertainment.
- Has an incentive to favour its own interests above those of a client where the JV.
  - Has an incentive to provide non-impartial investment advice or investment research to the client.
  - Stands to gain from volumes of business with the client.

### 3.2 *Identifying personal conflicts of interest*

Personal conflicts of interest happen when interests of a person working for the JV may affect the interest of the JV or the client.

Examples of personal conflicts of interests are:

- Economic interests (e.g. shares, other ownership rights and memberships, financial holdings and other economic interests in commercial customers, intellectual property rights, membership in a body or ownership of a body or entity with conflicting interests).
- Personal or professional relationships with the owners of the shareholders of the JV.
- Personal or professional relationships with staff of the JV (e.g. family relationships).
- Other employment and previous employment recently (as in the previous 5 years).
- Personal or professional relationships with relevant external stakeholders (e.g. being associated with material suppliers, consultancies or other service providers).
- Political influence or political relationships.

These types of conflicts include situations where:

- An employee is in the position to grant business on behalf of the JV in a way which directly or indirectly benefits the employee or his or her family. An example is where an employee grants business on behalf of the JV to a family company, where another business would have been more suitable for the JV.
- An employee, or a relative person, uses its position at the JV to receive a benefit which is inappropriate and may differ from, or damage, the interests of the JV. An example is where an employee accepts entertainment, which may influence inappropriately his decision in selecting a preferred bidder in a tendering process.
- An employee's loyalties to, or financial dependence on, other persons or organisations may impair his or her objectivity. This may result in the employee carrying out duties for the JV in a biased or detrimental manner to the JV. An example is an external employee carrying out work on a contracting part-time basis for the JV and for another company.

The JV's employees are expected to be aware of the risks of conflicts of interest associated with their work as well as the procedures designed to identify and mitigate these risks. They are expected to act proactively in identifying new conflicts of interest.

### 3.3 *Managing conflicts of interest*

#### 3.3.1 *General arrangements and controls*

##### **Three lines of defence model**

The JV's control environment for managing risks, such as conflicts of interest, is governed by the Three Lines of Defence model, which provides that:

- The first line of defence owns the risks. These are our business departments that serve our clients. They are responsible for identifying and managing conflicts of interest.
- The second line of defence provides independent risk control and monitoring. The Risk &



- Compliance Officer challenges the business and provides guidance on managing of conflicts of interest. The Risk & Compliance Officer also maintains the conflicts of interest register.
- The third line of defence evaluates independently the risk management and controls of the first and second lines of defence and provides independent and objective assurance. This is the task of the auditor function that makes sure that the tools and processes to manage conflicts of interest are effective.

### **Independence and supervision**

Business areas operate with appropriate independence from each other. Where necessary, supervisory arrangements are established to facilitate the separate supervision of staff to ensure appropriate management of conflicts of interest.

### **Escalation process of the identified potential conflicts**

All employees must notify the Risk & Compliance Officer without delay about:

- any new actual or potential conflict of interest which involves the employee or a person with whom s/he is connected;
- any new actual or potential conflict of interest of which they become aware in the course of their employment.

The Risk & Compliance Officer shall involve the Management Board regarding (potential) conflicts of interest where the Risk & Compliance Officer deems that required. In addition, the Risk & Compliance Officer can escalate (potential) conflicts of interest directly to the Supervisory Board.

### **Control on the information flow within the organisation**

There are effective controls and procedures in place to control the internal flow of confidential information received by staff in order to avoid that it is (or may appear to be) misused, potentially harming the interests of a client. The JV has implemented controls to manage the internal flow of confidential information to keep it safeguarded and protected from misuse, which will facilitate the management of conflicts of interest at operational level.

Information controls allow employees to carry out business on behalf of clients (e.g. Sales) without being influenced by the information held by another part of the JV (e.g., a draft research report being prepared by the Research department) that may give rise to a potential conflict of interest or the perception of it.

These controls include:

- Information barriers, also known as “Ethical Walls”: Separation of floor spaces with restricted access, personnel, reporting lines, network drives, files and systems with controlled access. The administrative framework includes the preparation and implementation of policies and procedures that address conflicts of interest.
- “Need to Know” principle: The information barriers controls shall be supported by establishing an overarching principle across the JV in which confidential information is only shared with those who have a legitimate business need to receive and have it. An employee must not ask for or make an effort to obtain confidential information if the employee does not ‘need-to-know’ the information or is intending to use the information for another purpose than the purpose for which the information was provided for.
- Interested party dealings: interested parties are parties within the JV who have a direct or indirect interest in the outcome of the JV’s business activities. Interested parties abstain from voting and decisions if they have a conflict of interest that makes them incapable of properly fulfilling their duties to the JV or its clients.
- When the conflict of interest is not of an exceptional but recurring nature, the JV considers alternative measures including permanent exclusion from decision-making bodies and an alternative membership. Interested parties are not involved in managing or monitoring the business relationship in which they have an interest unless appropriate safeguards are in place to help manage the risk.



## **Reward**

The JV recognises that remuneration is a factor that may influence the conduct of employees. The JV has a policy in place which sets out appropriate governance to prevent remuneration structures which may incentivise an employee to act contrary to their responsibilities, regulatory requirements or the Code of Conduct.

## **Training and monitoring**

Our staff is provided guidance and training on conflicts of interest on a regular basis. Our procedures involve internal reporting and monitoring of the effectiveness of the policies and procedures to manage conflicts of interest.

### *3.3.2. Additional measures to manage personal conflicts of interest*

In addition to the measures mentioned in section 3.3.1, the JV has specific policies and procedures to address personal conflicts of interest related to the following topics:

## **Separation of personal and business interests**

Our employees keep business activities separate from personal activities and interests to avoid a conflict (or the perception of a conflict) with their duties owed to the JV, its clients, counterparties or other third parties.

## **Gifts and entertainment**

The JV will apply principles and rules that govern the acceptance and provision of gifts and other benefits such as entertainments to and by employees, so that, if permitted, they do not impair employees' duty to act in the best interest of the client or the JV.

## **Outside business activities**

The JV considers outside business activities on its Code of Conduct, with the aim to avoid a conflict with their business activities at the JV.

## **Personal account dealing and Private Investments**

Employees' personal transactions in financial instruments for their own account are governed by the Personal Account Dealing Procedures which ensure that conflicts of interest related to such transactions are prevented or managed appropriately and mitigating the risk that such transactions amount to market abuse.

Private Investments that are conducted by employees, such as investments in a private (not listed) company, partnership, hedge fund or commercial real estate, need also to be considered from a conflict of interest perspective.



### 3.4. *Disclosure of conflicts of interest or discontinuation of service*

If the organisational and administrative arrangements and measures aimed at preventing and managing a (potential) conflict of interest laid down in these guidelines are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client can be prevented, the JV will disclose the (potential) conflicts of interest to the client before undertaking business for the client.

This disclosure should describe the specific conflicts of interest involved, including:

- The general nature and sources of conflicts of interest.
- The risks to the client associated with these conflicts of interest.
- The steps taken to mitigate these risks.

This disclosure is made to the client on a durable medium<sup>2</sup>. It should be clear, fair and not misleading in order to allow the client to assess the conflict situation and to take an informed decision as to whether they still want to conduct business with the JV.

Finally, if the measures described above are insufficient to adequately address a specific conflict of interest related to a client, the JV should decline to act for a client or no longer carry on a particular activity or offer a particular service.

## 4. **Registration**

Conflicts of interests which are identified by the JV during the course of business need to be properly registered. For that purpose, the JV uses the different registration records of ABN AMRO, which should be used depending on the type of conflict involved.

### 4.1 *Conflicts of Interest Catalogue*

The JV uses the 'Conflicts of Interest Catalogue' (the 'Catalogue') of ABN AMRO containing circumstances which constitute or give rise to conflicts of interest in the organization, both at an institutional level and for staff, including those which entail a material risk of harm to our clients. The Catalogue is represented in the form of a taxonomy, meaning that when certain conflicts of interest share (underlying) characteristics they are grouped together as one category. When a conflict of interest is identified, the Catalogue is consulted to verify if a conflict management scenario is already in place including sufficient mitigating measures, so it is established such conflict is known, including the controls to manage it. Together with the 'List of specific examples (non-exhaustive)' (refer to section 6.2), the Catalogue serves as an overview of all conflicts of interest that are already identified and mitigated with implemented controls. Additionally, it is meant as an attribute to create awareness for Employees on the various conflicts of interest within the JV or the Bank and serves as a reference book for Employees to identify and register any conflict of interest, including those that are not yet captured in the Catalogue.

### 4.2 *Conflicts of Interest list of specific examples (non-exhaustive)*

In order to support the Conflicts of Interest Catalogue, a 'List of specific examples (non-exhaustive)' per each conflict of interest category is maintained as part of the Catalogue. As conflicts of interest arise in a variety of forms, which are often closely related and may have a large degree of overlap, the list of examples is meant to provide Employees with scenarios per conflict of interest category how a conflict of interest might arise. A conflict of interest experienced by an Employee may not be exactly described in

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<sup>2</sup> A durable medium is one that: 1) allows information to be addressed personally to the recipient; 2) enables the recipient to store information in a way that is accessible for future reference and for a period of time adequate for the purposes of the information; and 3) allows the unchanged reproduction of the information stored. This can be paper or digital medium, but needs to meet these requirements.





the list of specific examples, but it can still belong to an identified category listed in the Catalogue. Nevertheless, it should be the case that such a specific conflicting circumstance can be connected, with the help of the list of examples, to the respective conflict of interest category.

#### 4.3 *Conflicts of Interest Register*

The JV uses the Conflict of Interest Register of ABN AMRO which requires Employees to register any personal related conflicts of interest to ensure that the identified conflict of interest is properly registered together with its associated measures to manage it. Business related conflicts of interest do not require registration in the Register as they are registered in the Conflict of Interest Catalogue and list of examples (see above), including the associated measures to manage these.

### 5. **Roles and Responsibilities**

#### **Senior Management**

The Management Body (i.e. members of the Executive Board and Supervisory Board, including executive and non-executive members of equivalent bodies of ABN AMRO subsidiaries), (as specified in section 1.2) should be responsible for establishing, approving and overseeing the implementation and maintenance of this Policy and other specific policies related to conflict of interests.

In addition, members of Senior Management are responsible for overseeing the identification, documentation, escalation and management of conflicts of interest as they arise within their relevant areas of responsibility at the Bank. Members of Senior Management are required to promote an appropriate culture which emphasizes the importance of ethical treatment of clients and the fair handling of conflicts of interest.

#### ***Conflicts with members and prospect members of the Management Body***

In particular, it is important that members of the Management Body are aware that they may face conflicts of interest at the level of the Management Body which may impede the ability of members of the Management Body to take objective and impartial decisions that aim to fulfil the best interests of the Bank or the client.

These types of (potential) conflicts of interest are governed by the:

- Suitability Policy
- Rules of Procedure of the Executive Board (includes the Rules of Procedure of Executive Board),
- Rules of Procedure of the Supervisory Board and
- Related Party Transactions Standard.

For members and prospect members of the Management Body, the situations where conflicts of interest may arise need to be considered in order to establish whether they may impede the independence of mind required for the function.

#### **Risk & Compliance Officer**

The Risk & Compliance Officer is responsible for the management of actual and potential conflicts of interest and for advising the Management Board of any changes which it considers are required to these guidelines. In particular, the Risk & Compliance Officer shall consider the extent to which disclosure of conflicts of interest has been relied on to manage actual or potential conflicts of interest.

The Risk & Compliance Officer will prepare a written report each year on conflicts issues, the operation of the policies and procedures and on the specific matters recorded in the conflicts of interest catalogue that have arisen in the year and provide such report to the Management Board and the Supervisory Board.



## **Heads of department**

Heads of department are responsible for overseeing the identification, documentation, escalation and management of conflicts of interest as they arise within their relevant areas of responsibility at the JV.

Heads of department are required to promote an appropriate culture which emphasizes the importance of ethical treatment of clients and the fair handling of conflicts of interest.

## **All employees**

Employees are responsible for identifying and managing conflicts of interest on an ongoing basis and the JV requires all employees to comply with these guidelines, rules and other applicable policies and procedures relating to the identification, documentation, escalation and management of conflicts of interest. All employees should challenge and escalate promptly issues of concern to their head of department and the Risk & Compliance Officer so that conflicts of interest may be appropriately reviewed, managed and resolved.

## **6. Ownership and supervision of the guidelines**

These guidelines are owned by the Risk & Compliance Officer and must be approved by the Management Board. These guidelines will be reviewed and updated at least annually and where required by legislative or regulatory change. The JV will take all appropriate measures to address any deficiencies.

## **7. Reporting and Monitoring**

The quality and effectiveness of conflicts of interest management is monitored periodically by the first line of defence and tested by the second line of defence, through controls established by Monitoring Controls & Testing (MC&T). Those MC&T controls around the conflicts of interest management processes are defined by the first line of defence, in consultation with the second line, to adequately identify, prevent, manage and mitigate risks, taking into account, among others, requirements of the JV's policies, as well as input from risk assessments, such as Systematic Integrity Risk Assessment (SIRA).