



Conflicts of Interest and Inducements Policy

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Policy owner:	The CEO
Independent reviewer:	The Compliance Function
Classification:	Confidential

Introduction

A conflict of interest occurs where competing obligations or motivations result in, or are likely to result in, material risk of damage to the interests of a client or a group of clients. Circulus Asset Management AB (“the Company”) periodically faces actual and potential conflicts of interest. As a regulated investment manager licensed under the Swedish Securities Market Act (2007:528) to provide discretionary portfolio management and foreign exchange services where these are connected to investment services, the Company is obligated to take all reasonable steps to maintain and operate effective arrangements to identify, manage and prevent relevant conflicts that may entail a material risk for damage to the interest of a client, a client account, a fund managed by The Company or a fund’s shareholders (hereinafter referred to as “Clients”).

The Company has adopted the following policies and procedures (“the Policy”) for identifying, reporting, managing and preventing conflicts of interest, including those conflicts that relate to inducements and remunerations. The Policy has been developed bearing in mind in particular the provisions on conflicts of interest management in Articles 33 and 34 of Commission Delegated Regulation (EU)2017/565 and Chapter 9 Article 9 of the Swedish Securities Market Act. The below section on inducements has been developed bearing in mind relevant provisions set out in Chapter 9 Articles 21 and 22 of the Swedish Securities Market Act, and Chapter 7 of the Swedish Financial Supervisory Authority’s Regulations regarding investment services and activities (FFFS 2017:2).

Scope and Application

For the purposes of this document this Policy applies to those conflicts of interest that may give rise to a material risk of damage to the interests of Clients (including the Clients’ sustainability preferences). Conflicts of interest may arise between:

- The Company and a Client;
- a Relevant person (as defined below) and a Client;



- two or more Clients of The Company in the context of the provision of portfolio management services by The Company to those Clients, and
- Related legal and natural persons (as defined below) and Clients.

The Policy applies globally to all types of business activities that The Company may undertake. It applies to employees, and, to the applicable extent, outsourced staff and board members (all hereinafter “Relevant persons”).

For the purpose of this Policy, Related legal person means a legal entity in which a Relevant person has a material interest or exercises control. A Related natural person may be a spouse, a minor child under the care of the Relevant person, or other closely Related persons with whom the Relevant person share mutual interests that may conflict with the interests of Clients.

Identifying, Preventing and Managing Conflicts the Board of Directors is responsible for establishing and continuously reviewing this Policy, and for making sure that the CEO takes adequate measures to implement the policy in The Company.

The Company’s CEO is responsible for implementing this Policy and for making sure that the Policy is reviewed at least annually.

Relevant persons, under the leadership of the CEO, are responsible for complying with this policy with the superior objective to ensure that The Company conducts its business fairly and with its clients’ best interest in mind.

The Compliance Function is responsible for independent reviews of this Policy and related procedures, so as to ensure that The Company’s measures to prevent and mitigate conflicts of interest are effective. The Compliance Function is also responsible for maintaining a record of identified potential and actual conflicts of interest.

The Company’s Relevant persons are expected to pay attention to circumstances and situations that may constitute or give rise to conflicts of interest in specific business activities carried out by The Company. Relevant persons shall immediately communicate and report actual and potential conflicts of interest or changed circumstances regarding actual and potential conflicts of interest to the CCO. The Company acknowledges that conflicts of interest may arise at least when:

- providing discretionary portfolio management services and independently allocating assets to Client’s account;
- providing portfolio management services and placing orders with preferred broker companies;
- trading on a personal account and trading a client account at the same time and/or trading the same security;



- conducting outside business, and
- accepting, or giving, gifts and benefits, e.g. soft commissions.

Relevant persons shall assess the risk of conflicts of interests in at least the following situations:

- before entering into new portfolio management agreements or materially amending existing agreements;
- before considering taking up a new outside business activity;
- before making any material changes to the business;
- before deciding to trade on a personal account, and
- before accepting or giving a gift or benefit to a client.

When seeking to identify conflicts of interest, The Company will consider all of the factual circumstances and The Company will take into account, *inter alia*, whether The Company, a Relevant person or a Related legal or natural person

- is likely to make a financial gain, or avoid a financial loss, at the expense of the Client;
- has an interest in the outcome of a service provided to the Client or of a transaction carried out on behalf of the Client, which is distinct from the Client's interest in that outcome;
- has a financial or other incentive to favor the interest of a client or group of Clients over the interests of another Client;
- carries out the same business as the Client; and/or
- receives or will receive from a person other than the Client an inducement in relation to a service provided to the Client, in the form of monies, goods or services, other than the standard commission or fee for that service.

A number of ethical principles have been laid down in The Company's *Code of Ethics*. The Code requires The Company to run its business according to high standards of integrity and fair business, to handle its clients in a proper manner and to ensure that Relevant persons uphold a high standard of ethical behavior when performing their duties. Should a conflict of interest still arise, it must be managed promptly and fairly. As a minimum standard The Company has in place arrangements designed to ensure that:

- Supervisory arrangements provide for separate supervision of staff where necessary for the fair management of conflicts of interest;
- there are appropriate controls in place to identify and manage outside business interests of Relevant persons;



- any relevant information is recorded promptly in a secure manner to enable identification and management of conflicts of interest;
- appropriate disclosure are made to Clients in a clear, fair and not misleading manner to enable Clients to make informed decisions;
- adequate records are maintained of the services and activities of The Company where a conflict of interest has been identified (see further below)
- where necessary, Relevant persons may be asked to step aside from working on a specific transaction or participating in the management of a potential conflict of interest;
- Relevant persons are subject to personal transaction rules; and
- there is a periodic review of the adequacy of the The Company's activities and internal controls.

Identified Conflicts of Interest

Performance Fees

In addition to its standard fixed fee arrangement, The Company may charge its Clients performance fees if such fee structure has been regulated in the fund prospectus or in an investment management agreement. Performance fees are usually charged annually if the value of the account outperforms its benchmark index.

The purpose of a performance fee is to align the interests of The Company's portfolio managers with Clients' interest. Although a performance fee may create incentives to generate positive returns, it can trigger the portfolio managers into excessive risk-taking at the expense of Clients. It can also lead the portfolio managers to favor one account over the other when, for instance, allocating trades to Clients' accounts. The Company has implemented the following procedures to mitigate these conflicts:

- Pre- and post-trade compliance controls ensure that accounts are managed within the limits defined by applicable law, investment management agreements as well as any internal limits defined by The Company. The pre-trade compliance control, performed by the portfolio managers, serves to mitigate the risk that the portfolio managers actively breach investment restrictions in order to generate returns that form basis for variable remuneration. The post-trade compliance reviews ensure that any active or passive breaches are picked up and rectified swiftly.
- Variable remuneration is paid only to the extent warranted by the portfolio managers' fulfillment of both financial and non-financial criteria relating to overall contribution to The Company's development and compliance with internal policies, procedures and applicable external regulations.
- The Company's policy is that all Clients should be treated fairly and that, to the extent possible, all Clients should receive equitable treatment over time. No Clients will receive more favorable treatment



or be disadvantaged over other Clients due to their fee arrangements with The Company. Please refer to the below section on *Aggregation and allocation of trades* for further information.

Performance fee is calculated and accrued with a frequency agreed with each Client. The fee is usually paid out at the end of each year.

If The Company charges performance fees, The Company will apply a high watermark principle. If during a given period, a portfolio has a performance which is lower than the performance of the benchmark index (i.e. a relative underperformance), such underperformance will be considered in the following periods as long as the performance of the account has not recovered from the underperformance and exceed the relevant benchmark index.

Clients are hereby informed that this information does not entail a full disclosure of performance fee conditions. Clients are encouraged to refer to their investment management agreement or Fund prospectuses for details on their actual fee arrangements with The Company.

Valuation of Assets Under Management

Valuation of securities could present a potential conflict of interest. The Company may have the incentive to inflate the valuation of financial instrument in clients' accounts in order to generate profits and incorrect performance. The Company will not, however, be involved in the valuation of Client assets. Valuation will be the responsibility of either the fund administrator or the custodian bank where the assets under management are held.

Remunerations

Variable remuneration, or the prospects of being granted variable remuneration, may constitute a conflict of interest that can lead to excessive risk-taking by Relevant persons at the expense of Clients. High variable remuneration, based on quantitative criteria only, can increase an employee's focus on short-term gains rather than the Client's best interest. The Company has therefore adopted and implemented a *Remuneration Policy* which regulates The Company's remuneration, variable as well as fixed, and ensures that remuneration does not conflict with The Company's obligation to act in the best interest of its clients. The following measures have been implemented to manage conflicts of interest in relation to remuneration:

- All variable remunerations paid to identified staff (as defined in The Company's Remuneration Policy) exceeding SEK 100 000 are subject to deferrals over periods that can range from three to five years;
- The variable components must not exceed 100% of the fixed components;
- The variable components may be decreased to 0 should the financial situation of the Company require so, or if risks taken by portfolio managers materialize into harmful consequences for The Company or Clients;



- In addition to performance, variable remuneration is also based on pre-determined, qualitative criteria, and
- Variable remuneration must not be paid out unless The Company, under the oversight of an internal control function, has performed a risk adjustment of the remuneration in question, in order to detect adverse effects of any excessive or unsound risk-taking by the Relevant person.

Personal Securities Transactions

A potential conflict of interest could arise when a Relevant person trades in the same securities on their personal accounts as those purchased and sold for the accounts of Clients. In order to mitigate this potential conflict of interest, The Company's Portfolio Managers have to seek pre-approval for every personal transaction in reportable securities (as defined in The Company's *Personal Transaction Policy*) or their own or, if applicable, a Related person's behalf. The pre-approval procedure serves to ensure that personal trading does not occur in securities in circumstances where such dealings should be restricted, e.g. if there is a potential conflict of interest. Personal trades may under no circumstances be aggregated with Clients' trades.

Disqualification of Directors and Outside Business Activities

The Company acknowledges that Relevant persons and owners of The Company are entitled to take on other board assignments or have a significant influence in another company, provided it is not a competitor of The Company. Such board assignments could nonetheless be conflicting with The Company's interests. The potential conflicts of interest that this situation may give rise to, are managed according to the following:

- Relevant persons and other Employees are prohibited from handling matters on behalf of The Company in which the Relevant person or a Related person has a material interest that conflicts with The Company's interests.
- Prior to every board meeting, the CCO reviews the suggested agenda to identify conflicts of interest associated with any decision items. In the event that the CCO identifies a conflict, he/she will issue a recommendation that the director in question shall be disqualified from participating in the decision-making. Should the Board then not be in quorum, the matter may be referred to The Company's General Assembly as far as this is permissible with respect to principles of Swedish corporate law.
- Relevant persons are not allowed to take on outside business assignments (voluntary or paid) for his/her own account or on behalf of a third party without pre-approval from The Company's CCO. No outside business activity which potentially conflicts with the person's duties and loyalty to The Company, and its Clients will be approved.



Outsourcing Arrangements

The Company has outsourced a number of critical functions to its sister companies The Company Shared Services AB and The Company Asset Management AB. When outsourcing critical functions internally within the The Company group, potential conflicts of interest may arise in relation to the persons that carry out tasks within The Company's responsibility as a purchaser or evaluator, especially in questions that directly or indirectly concern the outsourcing at hand. This may be the case if a member of The Company's Board of Directors, which is the body responsible for approving outsourcing of critical functions such as compliance or risk, is also a member of management or the Board of an outsourcing partner, i.e., a vendor, within The Company group. He or she shall therefore not be allowed to participate in any decision-making pertaining to The Company's outsourcing arrangements, if the arrangement in question concerns a vendor the interests of which he or she represents.

Outsourcing of control functions

The Company outsources the control functions to The Company Asset Management AB. The CRO and CCO are responsible for the control functions and are employed by The Company Asset Management AB. The responsibilities of the control functions include monitoring and reporting risks in outsourced functions, including those functions that are outsourced to The Company Asset Management AB. Due to their employment at The Company Asset Management AB the CRO and CCO may have an incentive to prioritise the interests of The Company Asset Management AB before The Company, e.g. by not reporting important risks relating to outsourced functions at The Company Asset Management AB, or by other means portraying The Company Asset Management AB in a misleading way. This could lead to ineffective risk management and legal compliance issues for The Company. Mitigating measures include:

- There is an interest for all entities in the The Company group that there are effective procedures for risk- and compliance management across all companies and teams. From that perspective the interests of employees of CAMAB, and thus the outsourced control functions, and CCAB are aligned. This alignment of interests mitigates the effect of this conflict of interest.
- Internal audit shall audit the control functions and ensure the effectiveness and independence of the functions.

Aggregation and Allocation of Trades

A potential conflict of interest could arise when The Company aggregates and allocates trades among Clients, as The Company could have an incentive to favor accounts with more profitable fee structures or bigger AUM. In order to mitigate this potential conflict of interest, The Company will aggregate orders for accounts purchasing or selling the same security at the same time. Generally, each eligible client that participates in an aggregated trade will participate at the average price for all The Company client transactions in that security on a given business day and transaction costs will be generally shared *pro rata* based on each client's participation in the transactions. Aggregation and allocation of trades will only take place if it is unlikely that the aggregation and allocation will be detrimental to any Client participating in the trade.



Cross trading (trading between accounts managed by The Company)

Discretionary portfolios managed by The Company or a sister company to The Company may carry out transactions between themselves (Cross Trades). Cross trades are permissible only where it can be established that the trade is in the best interest of the participating portfolios. Cross trades shall be managed in accordance with The Company's Best Execution Policy.

Inducements To and From Third Parties

Soft Commissions

Soft commissions refer to transaction-based payments made by investment firms to broker-dealers that are not paid in actual money. Soft commissions allow investment firms to cover e.g. research expenses through trading commissions as opposed to direct monetary payments via transaction fees. Conflicts of interest could arise when The Company indirectly uses Client brokerage commissions to obtain benefits it would otherwise produce internally or purchase. The Company has adopted the following mitigation procedures:

- All costs for research are borne by The Company
- The Company will only accept benefits from broker-dealers if the benefits are reasonable and proportionate and if it is beyond doubt that the benefit will not have a negative effect on the quality of The Company's services to its Clients or impair The Company from fulfilling its duty to safeguard Clients' interests. Such benefits include occasional participation in conferences, seminars and other events partly or entirely sponsored by broker-dealers, access to general information material regarding a financial instrument or a financial service provided by broker-dealers, as well as entertainment up to a reasonable value (for more information on The Company's policies on gifts and benefits, see below).
- The Company will always seek best execution of Client trades under the circumstances of the particular transaction. (Best Execution is normally measured in terms of the price a client pays or receives; please refer to The Company's *Best Execution Policy* for further details.) The Company shall not allocate trades to a broker based on the prospects of receiving benefits paid by soft commissions. Furthermore, the selection of brokers is subject to a formal counterparty due diligence procedure managed by The Company Asset Management AB on behalf of the Company. The due diligence shall always comprise an assessment of potential conflicts of interest in relation to a portfolio manager's choice of broker. Criteria such as execution and settlement capabilities, costs and market/liquidity access and general service quality shall be attributed significant importance when evaluating brokers.
- The Company will always seek best price when exchanging currency to trade shares that are listed in a currency that is different from the portfolio's base currency. The Company will not allocate currency trades to a counterparty based on the prospects of receiving soft commission benefits.



Gifts and Benefits

The Company or The Company's Relevant persons may be offered gifts and benefits that can give rise to conflicts of interest, in that the gift or benefit can improperly influence the recipient. Conversely, gifts and benefits offered by The Company, by a Relevant person to individuals outside The Company, may serve to exert improper influence on the individual or entity that is being offered the gift or benefit. Relevant persons are prohibited from giving gifts or entertainment that may appear lavish or excessive and must obtain approval to give gifts or entertainment in excess of SEK 500 to any Client, prospect (individual or entity) that The Company does, or is seeking to do, business with. Relevant persons who wish to give gifts or entertainment exceeding said amount must obtain approval from the CCO by submitting the *Gifts and Entertainment Log and Reporting Sheet*, maintained by the CCO. It is absolutely prohibited to offer or accept gifts from state and government officials.

Information about Inducements

The Company shall ensure that Clients are provided with information on any inducements before The Company starts acting on behalf of a Client. The information shall be presented in a manner that is comprehensive, accurate and understandable.

Record of Potential and Actual Conflicts of Interests

The Compliance Function is responsible for maintaining a record of all identified potential and actual conflicts of interests that may arise or that have arisen in connection with the provision of services to a client (or services provided by a third party on behalf of The Company), and the measures taken to mitigate and/or eliminate them. Relevant persons shall have access to the record.

Training

Relevant persons shall undergo regular trainings on this Policy and related policies (primarily the Code of Ethics) to the extent deemed necessary.

Publication of the Policy

The Company's clients and counterparties are entitled to obtain a copy of this policy on request. The CEO is responsible for maintaining and distributing the policy to all Relevant persons, as deemed necessary.

Disclosure

If the organizational and administrative arrangements within The Company are not sufficient to ensure, with reasonable confidence, that a potential conflict of interest will be prevented, the general nature and/or source of the conflict of interest must be clearly disclosed to the Client before the service in question is performed. In case a situation arises where disclosure is required, the Relevant person must immediately report this to his/her manager and seek direction as to the handling of the disclosure.



Updates and amendments

The Company's Board will regularly and at least once a year, evaluate and revise the policy. Amendments will take effect from the date specified above. Any material amendments will be communicated to clients and counterparties.



Documentation of completed Reviews of the Policy

Date of Review	Policy Version nr	Reason for Review	Description of changes of the Policy that the review led to	Examined by		
				CEO	CCO	CRO
				<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>