

Fearnley Asset Management AS



Conflicts of Interest

Approval and Effective Date: 23.05.2024

Conflicts of Interest

Purpose

As an authorised alternative investment fund manager, the Company faces both actual and potential conflicts of interest on a regular basis.

The purpose of this instruction is to ensure that any conflicts of interest are appropriately managed and to prevent, to the extent possible, potential conflicts of interest from arising, by providing the organisational and administrative procedures to identify and prevent or manage actual and potential conflicts of interests in the ordinary course of business of the Company.

All board members and employees of the Company, including non-permanent staff and interns, persons involved in the provision of services under an outsourcing agreement, are subject to this instruction (hereinafter referred to as “employees”).

The Company shall identify potential or actual conflicts of interest before or when they arise as part of its normal day to day business, taking into account the size and organisation of the Company and the nature, scale and complexity of its business.

In all its activities, the Company shall act in the best interests of funds under management (in this instruction referred to as “funds”), their investors and the clients of the Company, and act honestly, fairly and professionally. The Company shall ensure that all its employees have the sufficient skills and awareness of what constitutes a conflict of interest and what measures are required when a conflict of interest has been identified. In addition, the Chief Executive Officer shall ensure that relevant training on conflicts of interest is provided on a regular basis.

This Policy should be read in relation to the rules, regulations, employment contracts, mandates and internal procedures that recipients are required to comply with. These documents are:

- Personal Transaction Policy;
- Rules of conduct; and
- Remuneration Policy

1 Identification of conflicts of interest

1.1 Introduction

A conflict of interest means a situation in which different parties have interests that conflict with each other and that do or do not lead to potential risks of damage to the interests of funds under management or the interests of its investors, or clients of the Company.

Such conflicts may arise between the Company and its funds under management, clients, shareholders, board members, employees, suppliers, delegates and business partners, between different functions within the Company (including managers, employees and tied agents, or any person directly or indirectly linked to them by control) and also between the Company's customers.

The types of conflict of interest differ depending on the role, interests and incentives of the persons involved. The Company has identified the types of conflict of interest as situations where the Company, an employee, a delegate, or a client:

- (a) Is likely to make a financial gain, or avoid a financial loss, at the expense of funds, one or more investors or a client;
- (b) Has an interest in the outcome of a service or an activity provided to funds, its investors or to clients which is distinct from the interest of the funds, its investors or clients;
- (c) Has an interest in the outcome of a transaction carried out on behalf of funds or clients which is distinct from the interest of such fund, its investors or clients; and
- (d) Pays or is paid any fee or commission, or provides or is provided with any nonmonetary benefits, other than those paid by the funds to the Company.

Below are some examples of situations where conflicts of interest may arise and where particular attention is required.

1.2 Conflicts of interest within the organisation of the Company

Conflicts of Interest relating to the Company's internal organisation may arise in situations such as:

- a) An employee having more than one role, position or area of responsibility in the Company (in that the Chief Executive Officer is also the Chief Compliance Officer, and that the Chief Risk Officer is also supervised by the Chief Executive Officer in his capacity as portfolio manager);
- b) An employee's personal or professional relationship with an external stakeholder (e.g. material suppliers, consultancies or other service providers) impairs or could impair his or her judgment or objectivity in carrying out his or her duties and responsibilities;
- c) An employee's personal economic interests causes a conflict of interest to occur;
- d) An employee (or, where applicable, a family member or close personal relationship) receives a financial or other significant benefit as a result of the employee's position in the Company that is inappropriate in nature;
- e) A conflict of interest arises in connection with a transaction or arrangement entered into between the Company and a material shareholder;
- f) An employee performing or taking part in external engagement, entails a risk that the employee's ability to perform his/her work in the Company is affected; or
- g) An employee has the opportunity to influence the Company, granting business or making administrative and other material decisions in a manner that leads to personal gain or advantage for the employee or a family member or close personal relationship.

1.3 Conflicts of interests relating to funds under management, investors and clients

Conflicts of interest relating to funds under management, investors and clients may arise in situations such as:

- a) The Company carries out transactions between funds under management (if applicable); or
- b) Employees engage in personal account dealings in the same financial instruments as a customer.

2 Organisational measures

2.1 Introduction

In order to minimise the occurrence of conflicts of interests, and of possible consequences thereof, the Company has adopted certain measures. These include:

- a) Information security measures;
- b) Duty of confidentiality for all employees;
- c) Reporting duties and escalation processes with respect to real or perceived conflicts of interest; and
- d) Policy for the exercise of voting rights when acting as member of the board of portfolio companies.

To ensure that the compliance function is sufficiently effective, the Chief Compliance Officer shall be under the supervision of the Board of Directors of the Company and shall perform his/her duties independently of the line managers and the rest of the Company's management team.

To ensure that the risk management function is sufficiently effective, the Chief Risk Officer (in such capacity) shall be under the supervision of the Board of Directors of the Company and shall perform his/her duties independently of the line managers and the rest of the Company's management team.

This implies, inter alia, that the Chief Compliance Officer and Chief Risk Officer shall be appointed, and if applicable discharged, by the Board of Directors, shall report directly to the Board of Directors and shall have the right to attend Board meetings.

The Chief Risk Officer's tasks with respect to the Company's portfolio management are limited to deal sourcing and preparation of investment decisions (analytics). The Chief Risk Officer is not assigned any investment authorisations and all investment decisions are made by the Chief Investment Officer. The Chief Risk Officer's remuneration is not linked to results for funds or mandates under management.

Key employees have direct or indirect ownership in the Company entailing that the interests of the investors' and the management performance of the funds takes precedence over other interests, since this is the driver for the Company's profit, ensuring long term alignment of interest. The fact that two of the employees also are Directors of the Board means that these individuals have a personal responsibility for the Company's activities, including compliance with mandates and applicable regulations.

2.2 Information security and confidentiality

Two general measures have been implemented in order to minimise the possibility of conflicts of interest in relation to confidential information:

- (a) IT systems are based on personalised access control, where information may be restricted from access by other users and external parties in accordance with the confidentiality requirements applicable; and
- (b) The Company has established procedures to prevent and control the exchange of information between the relevant persons engaged in the portfolio management and any other activities of the fund as stipulated in the present policy. The Company has established procedures to prohibit personal transactions involving the use of non-public information (“MNPI”), including insider dealing or any transactions that can be detrimental to investors.
- (c) All employees shall undertake a duty of confidentiality.

2.3 Other organisational measures

The following measures and procedures have been implemented, and shall be adhered to, to manage the general conflicts of interest identified above:

Factors relating to trade, etc

- a) If an investment manager makes personal trades in financial instruments and the Company manages a fund with interests that are potentially in conflict with such trade: The Company has stipulated limitations on employees' right to own-account trading. All purchases of, sales of, subscriptions for, or exchanges of, financial instruments carried out by employees or their associates shall require the prior written approval of the Chief Executive Officer or the Chairperson of the Board. Such trades shall be reported internally, and the recorded information is kept by the Company. The employee shall ensure that he/she is not involved in the investment process. Furthermore, no own-account trading shall be carried out through investment firms which the Company use to execute a significant volume of securities trades on a regular basis. “Instruction on Employees’ Personal Transactions” shall be complied with.

Commercial/financial factors/personal relations, etc.

- b) Trades are placed for execution with a broker with whom the investment manager has personal relations: Trades in the fund’s portfolios shall only be carried out in the interests of the fund;

- c) Trades are placed for execution with an investment firm with which the Company has commercial relations: The Company shall not maintain commercial relations or other bonds that may be disadvantageous to the client; and
- d) Trades are placed for execution with an investment firm that may convey direct or indirect benefits on the Company: Agreements on soft commission, commission sharing, etc., are not permitted.
- e) Employees may be influenced in making investment decisions or appointing service providers when entertainment or other forms of inducements are provided. The Company has established procedures to strictly control of gifts, inducements and entertainment.
- f) Employees or their affiliates, directors etc may cause conflict of interest with their Outside Business Activities. The Company has established procedures related to Outside business interest. Employees are required to obtain written pre-clearance of any Outside business activity.
- g) Remuneration may be structured in a way that promote investments that is not according to the investment Objectives. Remuneration is made on a fair basis which aligns employee's interests with those of the funds and does not reward excess risk taking, ref. Remuneration policy.
- h) All fees and terms of payments are disclosed to potential investors in accordance with the AIF's Documents.
- i) Investment Committee to assess prospective mandates and their conflict of interest.
- j) Sustainability preferences of an investor client may limit the offering of the funds

2.4 Reporting and escalation

The employees of the Company shall report to the Chief Executive Officer and the Chief Compliance Officer when identifying a real or perceived conflict of interest involving itself or other persons providing information on the risk of damage to the interests of the fund or its investor.

If any employee of the Company finds that the present procedures are insufficient or deficient, it shall notify the Chief Executive Officer of such along with the justification. The Chief Executive Officer shall consider whether such notification gives ground for an ad hoc review of the procedures as set out below.

The Chief Executive Officer shall, on a preliminary basis assess whether the procedures adopted are sufficient to prevent, with reasonable confidence, the risks of damage to the interests of the fund or its investors.

If the Chief Executive Officer cannot exclude such a conflict of interest existing, the matter shall be referred to the Board of Directors for final assessment.

If the Board of Directors concludes that the relevant conflict of interest poses a risk of damage to the interests of the fund or its investor, but that the conflict of interest is permissible, the Chief Executive Officer shall, before the Company undertakes the relevant transaction or activity or enters into the relevant agreement, disclose in clear terms the general nature or sources of conflicts of interest to the relevant fund, client and/or investor.

3. Record of managing conflicts of interest

The Chief Compliance Officer shall maintain and update a record of all activities undertaken by or on behalf of the Company in which a conflict of interest entailing a material risk of damage to the interests of one or more funds or its investors or a client has arisen or may arise.

The Chief Compliance Officer shall provide the Chief Executive Officer and the Board of Directors a report on such activities at least annually.

4. Review

4.1 Periodic review

This policy shall be reviewed periodically by the Board of Directors, at least once a year.

The Chief Executive Officer shall as basis for such review provide the Board of Directors with a summary description of any conflicts of interests reviewed during such year along with details of the actions taken.

4.2 Ad hoc review

If the Chief Executive Officer finds, based on reporting by employees, or at its own initiative that the current procedures are insufficient or deficient in relation to the activities of the Company, the Chief Executive Officer shall propose relevant amendments to the board.

Approval and Effective Date

This policy has been approved by the general manager of Fearnley Asset Management and is effective as of 23.05.2024.