

CONFLICT OF INTEREST MANAGEMENT POLICY

MIFID AND CPR AM

The Markets in Financial Instruments Directive (MiFID) entered into force on 1st November 2007. It requires investment service providers (ISP) such as CPR AM to put in place formal rules for managing conflicts of interest.

Conflicts of interest are understood to mean any professional situation in which the discretionary or decision-making powers of a person, enterprise or organisation may be influenced or altered by personal considerations or the influence or pressure exerted by a third party.

CPR AM has the following advantages:

- it has only one **business line**, namely third-party asset management, which avoids sources of conflicts of interest created by the co-existence of several competing business lines;
- within the Crédit Agricole Group, it has **total decision-making freedom** as regards financial management, commercial philosophy and logistics (in particular as regards the choice of service providers);
- it relies on the **resources of Amundi and the Crédit Agricole Group** to determine its operating principles, in particular as regards internal controls and risk management.

PRINCIPLES

CPR AM's conflict of interest management policy is intended to protect and ensure the primacy of the interests of our clients in accordance with the relevant legal provision and regulations applicable to our company.

It is based on three principles:

- **knowledge and anticipation** of risks of conflicts of interest, illustrated by the existence of risk mapping and our commitment to integrating upstream controls in our decision making process;
- **an organisation chart** intended to ensure the separation of portfolio management, marketing and control responsibilities;
- programmes to raise staff awareness **regarding problems of conflicts of interest**.

SCOPE AND IDENTIFICATION OF CONFLICTS OF INTEREST

There are three categories of potential conflicts of interest, namely:

- **conflicts involving several clients**, for example if the management company, providing services to two clients, were to give preferential treatment to one of them by giving priority to its transactions;



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- **those involving CPR AM and its clients**, for example if the management company were to propose a service which would be more financially beneficial for it to the detriment of the client's interests;
- **those involving employees of CPR AM**, for example if the employees were trading for their own account using confidential client or portfolio information.

CPR AM has **mapped** the various possible conflict of interest situations within these activities. These conflicts concern:

- the asset management activity (equal treatment of portfolios, transactions between portfolios, investigation of errors, etc.);
- the direct or indirect remuneration received or paid by CPR AM (transparency of the information given to clients, the choice of market intermediaries, benefits and gifts, etc.);
- the organisation of the management company (separation of functions, staff remuneration arrangements, etc.);
- proprietary trading by the management company, its managers and staff;
- the primacy of the client's interests (equal treatment of orders and holders);
- the company's activities (independence vis-à-vis the Crédit Agricole Group);
- the outside activities of the management company's staff.

For each source of a possible conflict of interests, a corresponding **prevention system** has been put in place, as well as **the 1st and 2nd level procedures** and controls implemented.

Moreover, the risk map is updated periodically, at least once a year, to integrate developments and changes with regard to CPR AM's activities.

PREVENTION OF CONFLICTS OF INTEREST

CPR AM has put in place an organisational structure and procedures intended to prevent conflict of interest situations, to identify them and to deal with them rapidly.

Compliance an Internal Control controls and assesses the adequacy and effectiveness of the policy, as well as the procedures and measures implemented. The measures and controls put in place by CPR AM for the prevention and management of conflicts of interest include in particular the following elements:

- an organisation that complies with the principle of the **separation of marketing, asset management, support and control functions**;
- an internal conflict of interest management policy, integrated in the internal rules of procedure and the annexed rules of professional ethics, including the instructions that employees must follow in order to identify, prevent and manage conflicts of interest;



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- investment restrictions on securities issued by Amundi;
- a method of remunerating portfolio managers that avoids the risk of practices that run counter to the client's interests;
- strict procedures and rules governing the processing of orders in accordance with the principle of the primacy of the client's interests;
- strict procedures and rules governing the choice and remuneration of **intermediaries**. Market intermediaries are selected in accordance with the principle of ensuring the primacy of the client's interests, including in particular on the basis of "value for money";
- appropriate training is given to the staff concerned, in order to ensure that they are aware of their responsibilities and obligations;
- **internal committees** (broker, product, etc.) which fully integrate the ethical aspects in their decisions.

HANDLING OF CONFLICTS OF INTEREST

When a conflict of interest is identified, the Head of Compliance and Internal Control, acting in consultation with the General Management, rapidly takes all appropriate steps necessary to resolve the conflict.

When the risk of prejudicing the client's interests cannot be avoided despite the preventive procedures and measures put in place, CPR AM **informs the client** accordingly and decides with the latter what action should be taken.

A **register of potential or identified conflicts of interest** is kept, under the responsibility of the Head of Compliance and Internal Control. The Crédit Agricole Group's enhanced compliance programme (Fides programme) governs the means of transmitting information and feedback on operating problems.