



PROVISIONS

CODE OF ETHICS

FOR COLLECTIVE INVESTMENT SCHEMES

AND INDIVIDUAL INVESTMENT MANAGEMENT MANDATES

CONTENTS

<u>TITLE A: PROVISIONS CONCERNING MANAGERS</u>	<i>p. 5</i>
<u>CHAPTER 1 – PREVENTING AND MANAGING CONFLICTS OF INTEREST</u>	<i>p. 5</i>
<u>CHAPTER 2 – BEST EFFORTS OBLIGATION</u>	<i>p. 8</i>
<u>CHAPTER 3 – EXERCISING SHAREHOLDERS’ RIGHTS</u>	<i>p. 11</i>
<u>CHAPTER 4 – DEALINGS WITH INTERMEDIARIES</u>	<i>p. 13</i>
<u>CHAPTER 5 – DEALINGS WITH INVESTORS</u>	<i>p. 14</i>
<u>CHAPTER 6 – EMPLOYEE CONDUCT AND OVERSIGHT OF PERSONAL DEALING</u>	<i>p. 18</i>
<u>TITLE B: PROVISIONS CONCERNING PORTFOLIO MANAGERS</u>	<i>p. 19</i>
I. GENERAL PROVISIONS	<i>19</i>
II. SPECIAL PROVISIONS CONCERNING MANAGERS OF PORTFOLIOS UNDER INDIVIDUAL INVESTMENT MANAGEMENT MANDATES	<i>p. 22</i>

Preamble

These professional ethical rules (hereinafter “provisions”) set out the principles that the market participants covered by these rules commit to apply. These market participants are involved in asset management, either through collective investment schemes or individual mandates, regardless of their organisational or legal structure. Their other activities, including the provision of other investment services, are not covered by these rules.

The purpose of the provisions is to review the fundamental ethical principles that every asset management entity member of the French Asset Management Association (AFG) must comply with. The spirit of the rules remaining unchanged, the provisions apply to all types of collective investment schemes, without prejudice to specific ethical rules warranted by the investors’ interest or specific regulatory arrangements, such as those set out in the General Regulation of the Autorité des Marchés Financiers. Such special arrangements apply in particular to:

- Collective investment schemes that are not open to the public, where virtually all the units or shares belong to one investor or are reserved to 20 investors or to a category of investors that does not include the manager or its group
- Employee investment funds
- Venture capital funds
- Futures funds
- Real estate collective investment schemes
- Securitisation entities

These provisions apply to:

- The legal entity, the “manager”, which can be a SICAV, an asset management company or the management department or staff of an investment services provider,
- Employees involved in the asset management activity, including portfolio managers, who may be corporate officers or managers of a SICAV or an asset management company working under the terms of delegated powers or a contract of employment.

The provisions set out, explain and supplement the legislative and regulatory provisions in force and the ethical customs and practices commonly observed in France.

The provisions must be applied, regardless of the types of individual and collective asset management concerned, unless otherwise stipulated and subject to specific provisions set out in specific ethical regulations and codes. The provisions have to meet the needs and take into account the constraints of a highly diversified and ever changing business.

The only entities that are not subject to these provisions are:

- Collective investment schemes created as part of the asset-liability management of the manager or its group and fully subscribed by that entity. This means that the collective investment schemes of this type set up by insurance companies are covered by the specific ethical provisions applying to those companies;
- Management for own account, whether this relates to the management of the manager’s own assets or of those of its subsidiaries and other companies belonging to its group. Therefore, insurance companies’ management of their own technical reserves is subject to those companies’ ethical provisions.

All asset management entities that are members of the AFG must comply with these provisions. The AFG urges them to duly inform their employees and, in particular, the portfolio managers concerned, of such obligation.

In France, the asset management industry is covered by a wide variety of legal and organisational frameworks. It is often one of the activities of institutions and groups with multiple businesses, which also act as custody account-keepers, depositaries, distributors of collective investment schemes and asset management products and services. These ethical rules are thus part of a broader ethical framework covering all the institution's investment services activities.

Regardless of the type of institution and the variety of its activities, it is critical that the manager and its staff are always in a position to act solely in the investor's best interest, while ensuring the integrity of the market. This objective implies that the groups and institutions concerned must accept the rules of conduct and comply with them, regardless of their organisational structure.

For clarity purposes, the ethical provisions have been classified into two categories:

- The provisions relating to legal entities, "managers", apply to the relevant management entity, regardless of its organisational and legal structure. These provisions require appropriate structures and operating rules to be established for the employees concerned, in particular portfolio managers.
- The provisions applying to natural persons, such as portfolio managers, are mainly rules of conduct and personal ethics.

The provisions applying to the legal entity are divided into those that are:

- general in scope and apply to all forms of management;
- specific and apply either to collective investment schemes or to individual mandates.

TITLE A: PROVISIONS CONCERNING MANAGERS

CHAPTER 1 – PREVENTING AND MANAGING CONFLICTS OF INTEREST

DEFINITION

Prevailing regulations define conflicts of interest which can harm customers' interests and the manager's obligations with regard to measures to be taken in order to prevent, detect and manage conflicts of interest.

With regard to providing investment service, collective investment scheme management or ancillary services, a conflict of interest usually means a decision or behaviour on the part of the manager, its employees, affiliated companies or any other provider or customer with which it has business dealings that might harm or will harm the investors' interests. In certain circumstances, such situation may cause prejudice, potentially financial losses, to the customer.

Such a situation may be structural and fairly permanent as a result of business relationships and financial, ownership and contractual links between the manager or its employees and third parties, such as affiliated companies, with which the manager does business on a regular basis, or may arise only occasionally. Prevailing regulations require the manager to have a policy in place on the management of conflicts of interest that in particular sets out procedures for the appropriate handling of both types of situations.

1 - Portfolio management must be performed solely in the investors' best interest, with no consideration of third parties' interest at any time. The independence of the management activity as well as the principle of separation of business activities and functions must be ensured regardless of the organisational structure. More specifically, this principle implies that the manager of a SICAV or an asset management company cannot be at the same time head of the depositary institution.

2 - The manager must establish a system to prevent and manage conflicts of interest in accordance with its size, its organisational structure, its business activities and the type of its clientele and the services or products that it manages, as well as the group it belongs to, if relevant. This system must include:

- Identification of the natural and legal persons, the activities of the manager or its affiliated companies that may give rise to a conflict of interest with investors;
- Identification of potential conflicts of interest and a risk-mapping exercise;
- Measures to prevent conflicts of interest, especially those involving incompatibility of functions and the establishment of "Chinese walls" if necessary;
- Formal procedures for dealings between the relevant business activities and the activity of asset management, especially in groups with multiple activities;
- A procedure for managing conflicts of interest that defines the alert procedures and the solutions for any conflicts of interest that come to light;

A special ongoing supervision system with first and second level controls; if relevant, disclosure to investors about any conflicts of interest observed.

3 - Before establishing the procedures for preventing and managing conflicts of interest, the manager must identify all the natural and legal persons with which the manager, its executives and its employees have business dealings or contractual, economic, financial or personal links of any kind. As a general rule, the list must include all persons, whether or not they are customers, whose particular circumstances mean that they may put the manager in a position that may lead it to harm the interest of investors.

4 - The risk-mapping exercise should lead the manager to make as exhaustive an inventory as possible of the conflicts of interest that may arise. This exercise may vary from one company to the next depending on their size, organisational structure, the nature of their business activities and their clientele, whether or not they are part of a group, the options chosen with regard to compensation for services rendered, etc.

5 - Prevention of conflicts of interest should lead, the manager to establish if necessary an organisational structure, procedures and a system for supervising the separation of business activities and functions called “Chinese walls”. “Chinese walls” must completely separate the activities of the manager or its group so as to reduce the risk of conflicts of interest. The effectiveness of these “Chinese walls” will have to be periodically verified.

The separation of business activities and functions and the existence of “Chinese walls” should enable the manager to conduct its activities with complete independence. Since the asset manager has no access to inside information available within its group, the prohibition on dealing in the financial instruments concerned does not apply to its asset management activities.

6 - A portfolio manager must never be placed in a situation where he or she has to perform other functions that are obviously in conflict with investors’ interests.

With a view to prevent any potential conflicts of interest, the manager must identify incompatible functions with regard to corporate officers and directors of SICAVs and the asset management company, in accordance with its organisational structure and the type of management provided. These provisions must be included in the rules of procedure, if any, of the portfolio management company’s board of directors and of the SICAVs.

7 – To prevent any risk of conflicts of interest, portfolio managers must be prohibited from acquiring unlisted shares in the asset management company, its subsidiaries or the subsidiaries of the promoter group for a collective investment scheme or for individual investors’ portfolios.

They must also be prohibited from acquiring securities with the aim of putting pressure on an issuer or building up the position of the group’s shareholder or one of the group’s customers.

8 - The credit risk criteria used for selecting issuers must not give rise to a special treatment of securities issued by the depositary, the management company or companies in its group.

9 - Where a portfolio manager is responsible for managing several collective investment schemes, all subscriptions and buy and sell orders must be individualised, pursuant to prevailing regulations, before they are transmitted, in compliance with the obligation to determine beforehand the projected allocation of orders. Stable rules must be established in advance with a view to cope with a potential market disequilibrium or block trades through the order allocation policy. This policy should plan for situations where the final allocation of orders cannot be made in accordance with the projected allocation. Unless specific rules have already been defined for allocating the orders concerned, the allocation should be proportionate to the original orders.

10 - The portfolio manager's remuneration must exclude any payments that may undermine the independence of his or her management. If this remuneration includes a variable component linked to the management of a collective investment scheme, this component should be calculated primarily with reference to the quality of service, assessed solely in consideration of the investors' best interest, and in compliance with the investment guidelines that he or she was given.

This provision does not prevent the portfolio manager from participating to a stock options plan or from benefiting from the legislative and regulatory provisions on profit-sharing and employee share ownership.

11 - If the manager plans to carry out transactions between the portfolios under his or her management or between a portfolio under his or her management and his or her own holdings or the holdings of an affiliated company, the manager will be responsible for determining the conditions for such transactions in compliance with the applicable regulations. Such transactions involve a high risk of conflict of interest therefore they should be carried out only if they can be duly justified for the portfolios concerned. The procedure for such transactions must in particular stipulate:

- The decision-making process and the persons concerned
- The types of transactions allowed and their objectives
- The precautions taken with regard to valuing the transaction
- Whether the transaction is conducted on the market and, if so, under what terms
- Proof that the transaction is in the interest of the investors concerned
- Involvement of the compliance officer in the validation process
- Disclosure to investors of any conflicts of interest observed
- An audit trail of the decision-making process and record of the data used.

On the other hand, switching positions between collective investment schemes for the sole purpose of ensuring the liquidity of one of them must be prohibited.

12 - Churning of portfolios with no economic or financial justification must be prohibited.

13 - The manager must never disclose information about the portfolio of a collective investment scheme to certain investors or third parties if, in doing so, he or she would infringe the principle of equal treatment of investors. In particular, the manager must not provide them with any inside information, in any form whatsoever, concerning the liquidity or valuation of the financial instruments held in a scheme if such disclosure could lead the aforementioned investors or third parties to subscribe for or redeem units or shares in a way that could harm the scheme and, hence, the interest of the other investors.

This provision should enable the manager to prevent certain ethically reprehensible practices, such as market timing. Such practices could enable market participants with inside information to avoid losses and make definite gains to the detriment of other investors. These practices could also severely disrupt

the liquidity of the collective investment scheme.

14 - Management operations must be prohibited if they seek to:

- Hide the true identity of the beneficial owners of financial instruments;
- Use the collective investment schemes or individual mandates to carry trade of financial instruments .

15 - The manager must establish transparency rules under an appropriate procedure for the disclosure of gifts, benefits or inducements that its employees receive, for instance from customers, intermediaries and distributors, whose value is above a threshold amount set by the compliance officer or the chief executive. The manager must ensure that it never gives customers gifts or inducements that could create a conflict of interest.

16 - If a conflict of interest arises that could harm the customers' interest and that was inevitable in spite of the management rules and the preventive measures taken, the regulations require the manager to give customers clear and appropriate notice of the conflict so that they can make an informed decision.

17 - If the management of a collective investment scheme is delegated to a third company, the directors, managers and employees of this company are bound by the same requirements as those that would apply to the manager of the scheme if it were acting directly. In any event, the manager remains liable for the delegated responsibilities and must ensure that the third party complies with the relevant legal and regulatory requirements.

CHAPTER 2 – BEST EFFORTS OBLIGATION

A) General obligations

18 - The regulations require that a manager must at all times have financial, human, organisational and technical resources that are appropriate to the scope and scale of its business. The quality and effectiveness of these resources must match those reported when the manager applied for authorisation.

19 – A manager must provide portfolio managers who are authorised to use derivatives or complex structured products with the information and management resources required to measure risk exposure in real time. The manager is required to have appropriate supervisory systems.

20 - A manager that delegates or outsources some of its management authority to other companies in accordance with the regulatory constraints must make sure that these companies have appropriate resources to provide the services concerned prior to the delegation and periodically during the delegation. The manager must also be able to audit the management activity carried out on its behalf and, where appropriate, the additional risk of delegating its authority.

21 - The manager must establish an organisational structure and implement the necessary resources to ensure that its staff:

- is periodically informed of relevant new legislative and regulatory provisions;
- has periodic access to training that is appropriate to their jobs and the risks incurred.

The legislative intelligence and training functions may be delegated to third parties. In this case, the manager must ensure that the service providers concerned have the necessary resources and skills.

22 - In compliance with the regulation, the manager must set up an internal control and compliance system that is adequate for its business activities and the risks they involve. This system must in particular ensure that the manager and its staff comply with conduct of business rules. Regardless of whether it delegates some or all of its internal control and compliance function to another company, the manager must have in place a specific control procedure or charter that covers in particular:

- The organisation of:
 - Ongoing first and second level controls
 - Periodic controls
 - Risk control, where appropriate
- The responsibilities of the first level controllers and the compliance officer
- The resources provided for the performance of their functions
- The first-level control procedures established and the transmission of the necessary information to the compliance officer
- An annual audit plan
- Dealing with anomalies
- The disciplinary procedures, in accordance with labour laws
- The reporting of the compliance officer to senior management and the regulator (annual reports).

23 - Regardless of its organisational structure and the range of management services it provides, the manager must have an adequate control system and procedures in particular for:

- Compliance with clauses in the prospectus or in individual mandates;
- The accuracy, relevance and clarity of the documents sent to investors.

24 - The senior executives of the manager must ensure that the compliance officer has adequate resources and all the information needed to perform his or her function.

25 - Whether it is managing a French or foreign collective investment scheme or an individual mandate, the investment service provider must comply with the vigilance and reporting requirements of the regulations in force relating to the prevention of money laundering and terrorist financing. It must establish a specific system for this purpose that is appropriate to its business and the risks incurred.

26 - The manager must have an analytical tool for detecting when limits are exceeded. This tool must comply with the relevant regulatory requirements and is not required if the activities of the manager and the financial instruments used do not warrant it. This function may be delegated to a third party. The methods for informing the parties concerned when a limit is exceeded must be set out in a procedure.

27 - All managers must in particular have:

- An organisational structure that enables the portfolio manager to have access to the securities and cash positions in the accounts of collective investment schemes and individual mandates;
- Analytical resources and decision-making tools, which may include subscriptions to external services;
- An organisational structure and procedure for transmitting and allocating orders that ensure the security of transactions and equal treatment of investors.

28 - Some resources, such as those used for investment research, decision-making tools and order processing, may be pooled by several entities managing collective investment schemes or individual mandates. This type of organisational structure must ensure that investors are treated equitably at all times.

B) Obligations for collective investment schemes

29 - Managers must have accounting systems that enable them to identify, trace and verify all the entries relating to collective investment schemes' portfolios and to reconcile them with the relevant securities and cash accounts held with the depositary. This requirement also applies to the creation and transmission of buy and sell orders.

30 - In compliance with the prevailing regulations, the manager must have the necessary resources to value all types of financial instruments held in the portfolios. More specifically, the manager must be particularly vigilant and have appropriate tools for valuing complex structured products. In compliance with the regulations, managers must not rely on valuations provided by the product promoter or distributors.

31 - The manager must make all necessary provisions to ensure compliance with the principle of equal treatment of investors, as far as possible, regardless of how the collective investment schemes that it manages are organised and distributed, and regardless of the complexity and number of channels used to transmit subscription and redemption orders to the transfer agent. For this purpose, the manager must in particular ensure that the depositary and/or transfer agent have the necessary procedures to ensure compliance with this principle. These procedures must enable the transfer agent to ensure that orders are received and transmitted before the cut-off time stipulated in the prospectus and that any extensions are granted solely in exceptional cases where they are justified by a technical problem with a channel for transmitting subscription and redemption orders to the transfer agent. In any event, such extensions may only be granted for instructions given to the entities receiving and transmitting orders before the cut-off time.

Except in the case of the technical problems discussed above, the manager must refrain from entering into contracts with distributors, business contacts or any other entity transmitting orders that provide for a permanent extension of the cut-off times stipulated in the prospectuses of the collective investment schemes it manages.

C) Obligations for individual mandates

32 - Confidentiality is an important aspect of the quality of investor services. Therefore, the manager needs to establish organisational structures and procedures to ensure maximum security with regard to confidentiality.

Access to computer files containing information on the portfolios or confidential information provided by the investors must be restricted to authorised personnel. Confidentiality must be ensured through secure access procedures.

33 - The manager must act fairly with its competitors. If it recruits a portfolio manager from another institution, it must not apply any pressure on the new recruit to have the portfolios and investors that he or she previously managed transferred to it.

CHAPTER 3 – EXERCISING SHAREHOLDERS’ RIGHTS

34 - When a collective investment scheme holds shares, the manager must be able to exercise the shareholder rights attached to these shares freely, subject to legal and regulatory constraints, in particular when these rights relate to:

- Attending general meetings
- Exercising voting rights
- Accessing information
- Criticising or even opposing the company’s management decisions, which may for instance involve participating in associations that defend minority shareholders’ interests and instigating legal proceedings

In the same way, the manager must be able to exercise the rights attached to debt securities held by the collective investment scheme in full independence, especially in case the issuer defaults.

The manager must make its best efforts to ensure that the depositary takes the necessary steps to ensure the timely transmission of all the information and documents needed to exercise its rights.

When exercising its rights, the manager must avoid any behaviour that could be considered abusive to the minority of shareholders.

35 – It is recommended that voting rights are exercised. The regulatory document, called “voting policy”, must highlight the manager’s decision-making criteria with respect to its size, the nature of its business, the categories of collective investment schemes under its management, the size of its shareholdings, administrative constraints and even the cost of exercising voting rights in some countries.

Voting rights must be exercised freely, with no influence from companies belonging to the same group as the manager or from the issuing company, and with no consideration other than the investors’ best interest. The manager must be able to justify its position on votes at all times. If in exceptional cases the manager sends a blank proxy to the company chairman, this means that it deems the resolutions consistent with the investors’ best interest.

In compliance with the law, the manager may give its proxy to a representative. It must avoid giving its proxy to an affiliated company, the custody account-keeper, the depositary or the promoter.

The manager must explain its decisions to vote or not to vote on resolutions at shareholders’ meetings in a specific annual report aimed at its investors and the AMF, subject to the exceptions provided for in the regulations. In case it does not exercise voting rights, it must explain its decision.

Where a manager lends securities, it must be able to make this decision freely. Its sole motivation must be the investors’ best interest. Consequently, when shareholders’ meetings are convened, it is up to the manager to determine whether the investors’ interest warrants the retrieval of the shares concerned in order to exercise the attached voting rights. In any event, it must refrain from lending shares when it is aware that the borrowers will not vote in the investors’ best interest.

The manager must endeavour to have available the necessary resources in order to exercise voting rights. It must compare the effectiveness of the projected vote to the cost of voting and the prospect of it actually being exercised. Excessive costs or an insufficient probability of being able to carry the

voting procedure through may lead the manager to renounce the exercise of its rights. Such considerations may lead the manager not to exercise its voting rights in particular with respect of foreign companies. Given the regulatory requirements and the ethical rules discussed above, the manager cannot be subject to an obligation to achieve a result in this regard. The ethical requirement with regard to exercising voting rights corresponds to the English common law notion of “best efforts”.

36 - In response to a takeover bid involving cash or an exchange of shares the manager is free to make the decision that it deems most consistent with the investors’ best interest. Consequently, it may sell some or all of its shares in response to the bid, or it may keep them or sell them on the market. Given the major consequences of such decisions, the investors’ best interest needs to be conscientiously considered and carefully weighed.

A special decision-making procedure needs to be established in the event of a takeover bid for the promoter, a company in its group, the depositary of the collective investment scheme or the majority shareholder in the asset management company. The procedure must ensure that the decision on whether to sell the shares owned by the collective investment scheme is taken in the sole interest of the investors, after consulting with the board of the SICAV or the asset management company concerned.

37 - An asset management company or a SICAV may join an industry association to defend the minority of shareholders in the sole interest of the investors.

The manager must make sure that the association by-laws are consistent with the AFG ethical rules. It must ensure that the association’s members truly share the same interests and objectives, and that no decision that is binding on the collective investment scheme may be made without its consent. The collective investment scheme’s membership of such an association must be covered by a contract that stipulates the membership requirements, the confidentiality rules with regard to the association’s actions and the procedures for selecting lawyers and legal advisers. Any decision to initiate legal proceedings must be approved by the board of the SICAV or of the asset management company. They must leave the association if the established rules are not enforced.

Legal proceedings must not be initiated against a company primarily for the purpose of raising the profile of the collective investment scheme or promoting the scheme, the manager or the promoter.

CHAPTER 4 – DEALINGS WITH INTERMEDIARIES

38 – Under prevailing regulations, the purpose of selecting intermediaries must always be to obtain the best possible execution. The choice of intermediaries, after consulting with portfolio managers and, more generally, all of the persons concerned, usually results in more than one intermediary being selected. However, a manager may rely on a single intermediary if its execution policy so stipulates and if it is able to prove that the overall best execution requirement is satisfied. In this case, the manager may assign all its intermediation activity to its group. If the use of a single intermediary is warranted, it must satisfy the economic and security criteria that are consistent with the investors' interest. The relatively modest size of retail investors' portfolios managed under individual mandates may mean that the use of single intermediary, or even the use of automated order-transmission channels, satisfies the best execution requirement.

39 - The manager must make its best effort to reconcile the various regulatory criteria relating to seeking the best possible execution. The regulations on seeking the best execution stipulate the criteria to be considered.

40 - The regulations no longer allow the manager to receive soft commissions from its intermediaries.

Furthermore, the manager may use investment decision and execution support services provided by intermediaries, whether such services are provided by the intermediaries themselves or other providers, provided that such services concern financial analysis only and are intended to help the manager make and execute its investment decisions.

The use of such services must never lead the manager to deviate from its obligation to act in the investors' best interest, particularly with regard to the selection of intermediaries and the best execution obligation. Such services exclude goods and services corresponding to resources that managers are required to have under the terms of the regulations in force. Consequently, the manager must not for example accept the following goods and services (see AMF Instruction 2007-02):

- Provision of historical and price data with no financial analysis
- Custody or administration costs
- Depositary control cost
- Accounting and valuation of individual and collective investment portfolios
- Secondment of personnel
- Salaries or employee compensation
- Provision of premises, payment of rent
- Provision of transportation vehicles
- Travel, accommodation and entertainment costs
- Seminar fees
- Subscriptions to publications
- Provision of such equipment as electronic networks, telephone lines, computers, etc.
- Order management systems
- Purchase or rental of office equipment
- Error-related expenses
- Advertising and marketing costs
- Membership fees for industry associations.

The manager must disclose to investors the fact that it uses investment decision and execution support services under the terms provided for in the regulations.

41 - Management companies may not wish to use a company other than the intermediary for investment decision and execution support services, and thus not wish to enter into commission sharing agreements. Yet, they must still comply with their regulatory obligations with regard to the selection of intermediaries providing such services and the intermediaries providing order execution services.

Indeed, the selection of intermediaries must not lead to a deterioration of the quality of the financial management service rendered to investors. The manager must give due consideration to the obligations discussed above with the sole objective of complying with the principle of serving the investors' interest first and foremost.

42 - Employees dealing with intermediaries on a permanent basis must be particularly vigilant with regard to confidential information and inside information that they may receive about an issuer or the market for a financial instrument, and with regard to rumours about them.

CHAPTER 5 – DEALINGS WITH INVESTORS

A) General obligations

43 - The manager does not have an obligation de résultat (i.e. to achieve a specific result) unless otherwise stipulated in a special clause of the prospectus. The manager must always be able to justify the positions that it takes.

44 - Transactions carried out as part of asset management must be executed solely in the investors' best interest and never take into consideration the interest of other parties.

45 - The management fees based on the assets of a collective investment scheme or an individual investment portfolio will be determined in accordance with the regulations, or under the terms of a contract, in the case of individual investment management mandates.

46 - Under the terms of the legislative provisions governing its business, the manager must endeavour to avoid any behaviour that may give rise to a conviction for violation of the law, especially regarding tax matters.

B) Obligations relating to collective investment schemes

47 - Under the regulations on transparency obligations, the collective investment scheme manager must ensure that the annual report covers in particular the following:

- The nature and, where appropriate, the justification for the transactions in financial instruments where the manager has been informed that its group has a special interest. (Information about holding these financial instruments must be publicly disclosed);
- If warranted, and for each of their components, the details of the management commissions based on complex calculations, in particular where they include a variable component.

C) Obligations relating to mandates

48 - Individual investment management mandates are based on a portfolio management contract between the parties. A written document must be signed by both the customer, deemed to be a non professional investor, and a duly authorised representative of the manager. Any changes or additions must be set out in an amendment to the contract and signed by both parties. Tacit mandates are prohibited.

The freedom to contract under the regulations in force must benefit both the manager and the investor. Subject to compliance with the mandatory clauses, portfolio management contracts can be either standard contracts or bespoke contracts resulting from negotiations between the parties.

49 - Consequently, the contract may contain specific clauses at the request of the investor that are not contrary to the regulations in force, including clauses concerning:

- Prohibitions to trade in specified financial instruments, economic sectors or markets
- Consultation or prior consent of the investor before making specific investment management

decisions

- Portfolio rotation
- Potential accounting or tax constraints, given the negative consequences that some investment management decisions may have for the investor
- Information content and transmission procedures
- The amount or type of fees charged, any fees retroceded to the investor
- The choice of custody account-keeper and market intermediaries
- The choice of a specific benchmark index.

50 - The manager has the duty to ensure that the signatory has the required legal capacity to sign the contract.

51 – In compliance with the regulation, the manager is required prior to signing the contract, to:

- Enquire about its customer's financial situation and patrimony, and his or her investment knowledge and experience;
- Discuss his or her objectives with the customer, and more specifically his or her objectives in terms of risk and investment horizon;
- Provide its client with the best available information about the different types of services and products offered, especially with regard to the risk and liquidity attached to the capital invested. It seems adequate to provide the client with a document defining the manager's products and services and describing its resources.

Subsequently this information will have to be periodically updated.

Under the regulatory know-your-customer requirements and, more specifically, the requirement to conduct a suitability test for new customers, the manager must only seek the information that it needs to consider before making any investment decision:

- The customer's investment objectives
- The customer's financial ability to manage any risks relating to the products and services offered
- The customer's understanding of the level of risk, given his or her experience or knowledge
- The consistency of the foreseen decision with the expectations of the customer and its compatibility with his or her financial situation, his or her patrimony, both familial and professional.

The manager must refrain from seeking information that is not necessary, and more specifically information about the customer's patrimony or financial situation that would appear to be disproportionate to the objective.

52 - In addition to the provisions stipulated under the regulations, the portfolio management contract must include provisions concerning:

- The investor information procedures with regard to changes in the compensation of the manager
- The manager's not being liable for transactions carried out at the investor's request
- The investor's obligation to inform the manager of:
 - Any events that would change its legal capacity to act or void certain clauses of the contract
 - Any change in his or her objectives with regard to the level of risk incurred and the investment horizon.

53 - The manager must periodically remind the investor that it needs to be informed in writing of changes in the investor's family, professional or financial situation that may lead to a change in his or her objectives and for instance warrant an amendment to the contract. This information does not change the manager's responsibility to check up on the investor and periodically ensure that the

management objectives in the contract are still suited to his or her circumstances.

54 - If an investor requires the manager to use market intermediaries under the terms of the contract, he or she must acknowledge that best execution is achieved within the framework established by the relevant regulatory provisions. This acknowledgement must be set out in a specific clause of the contract.

55 - Any requirement that the manager use a custody account-keeper or intermediaries chosen by the investor must be confirmed in writing.

56 - The manager may not delegate some or all of the portfolio management operations without obtaining the investor's prior consent. The manager must inform the investor of the advantages of such delegation and of any changes in the procedures, particularly with regard to information.

57 - Differences in the treatment of investors with regard to management decisions may be justified by the investors' individual interest in particular resulting from the specific provisions in their contracts, the size of their portfolios, their individual objectives with regard to taxation, acceptable risk levels and their sensitivity to the volatility of short-term management results over certain periods.

58 - The manager has a duty to provide investors with information. The form and content of this information may be tailored to the investor category. The manager has a duty to ensure that the documents it provides are understandable. The objective must be a transparent relationship, which calls for objective and clearly presented information.

The management report must be adjusted to the nature of the services provided, the financial instruments used, the type of clientele and the size of the portfolio under management. The report must be clear, concise and accurate with regard to the management strategy applied in terms of markets, currencies, and broad categories of financial instruments. On the other hand, it does not seem necessary to explain the investor all the decisions made concerning purchases and sales of a specific financial instrument if the instrument does not account for a major share of the assets under management.

59 - The manager must provide the investor with specific information on the methodology used to determine results of its management. In the case of a non professional investor, this information must be simple and easily understandable. The use of complex methods relying on software and algorithms that are beyond the understanding of the customer must normally be reserved for internal use or professional investors.

60 - The manager must ensure that the investor's involvement in the management of his or her portfolio, where the contract so provides, is an exceptional occurrence, or that it is due to very special liability management constraints and covered by written instructions. Systematic involvement in the portfolio management must lead the manager to suggest a change in its contract with the investor.

61 - The manager must ensure that the investor is able to exercise his or her shareholder rights if he or she so desires, in particular voting rights. At the investors' request, the manager must do its utmost to have the custody account-keeper send all the information that the investor needs to exercise his or her shareholder rights in a timely manner so that he or she can make informed decisions. The manager may offer investors advisory services in these matters, subject to a formal agreement. The manager may use the proxies that it receives from investors, subject to the relevant legal constraints. Nevertheless, the manager is not required to provide investors with a list of companies in which it holds shares and in which it could use the proxies received from them.

CHAPTER 6 – PROFESSIONAL ETHICS FOR EMPLOYEES AND OVERSIGHT OF PERSONAL TRANSACTIONS

63 - Under the regulations in force, the manager is required to establish rules, procedures, organisational structures and control and sanction systems with regard to the conduct of its employees and, more specifically, the disclosure and supervision of proprietary trading and trades executed on behalf of affiliates, that are appropriate for the ethical and compliance risks that it has previously identified and analysed with regard to its business and the functions performed by its employees.

In particular, the manager must identify the employees whose functions and responsibilities mean that they are subject to special ethical provisions regarding personal transactions disclosure requirements. These employees must be notified that they have been identified as such.

64 - The ethical provisions applying to executives and employees must be included in the internal regulations in compliance with labour laws, or in an appropriate document, in the case of companies with fewer than 20 employees that do not have internal regulations. The provisions of the internal regulations must be provided to all of the persons concerned, who will then acknowledge receipt.

The persons concerned, other than executives and employees, who are subject to the regulatory provisions on disclosure of personal transactions, will be subject to the same transparency rules under the appropriate internal procedures or formal contractual arrangements.

65 - The manager's monitoring of personal transactions must rely on information provided by the persons concerned under the terms of the regulations, such as information given in execution notices, subscription notices or any similar documents. The manager's monitoring must exclude checking accounts or regulated savings accounts, since that would give it information on the entire budget and investment situation of the person concerned with regard to that person's assets and liabilities. The manager, having no control over this information, has a best effort obligation and not an obligation de résultat, however, this does not mean that the manager may not be particularly vigilant about transactions that are not reported to it.

66 - In addition to the reporting on transactions on securities accounts, and subject to compliance with labour laws, the manager may require the persons concerned:

- To report the existence of any securities accounts
- To comply with specific constraints that will limit their transactions in certain financial instruments, subject to the following limits:
 - o The manager must not prohibit a person concerned from holding a securities account
 - o The manager must ensure the equal treatment of the persons concerned who perform the same functions
 - o The manager must never favour persons with large securities holdings over those that are starting to build up their savings.

The manager may enter into contracts with custody account-keepers to have direct access to information on employees' personal transactions, with the consent of the persons concerned. However, the manager must refrain from pressuring a person concerned to obtain such access. In any case, the consent of the person concerned is required under such contracts and determines access to the information necessary for the manager's monitoring.

67 - Information provided by the persons concerned on their personal transactions must be examined

in a way that ensures total confidentiality both inside and outside the company. To prevent any conflicts of interest, the manager should in particular ensure that the human resources personnel and, more generally, persons with power over the promotion and pay rises of the persons concerned, do not have access to the information provided to the compliance officer, except in the case of a serious infraction, where the information is needed for disciplinary proceedings.

68 - If the portfolio management company has outsourced the second-level control function required by the regulations, it must include specific provisions in its contract with service provider on ensuring the confidentiality of reports on the securities accounts and personal transactions of persons concerned.

69 - The manager must establish rules and procedures and introduce any appropriate bans on gifts and benefits for portfolio management company employees from intermediaries, customers or suppliers that are large enough or unusual enough to be deemed disproportionate for normal business dealings. The manager must establish a transparency obligation proportionate to the nature and the amount of gifts and benefits. These provisions must be incorporated into the portfolio management company's internal regulations or, where appropriate, into the service provider's ethical rules.

TITLE B: PROVISIONS CONCERNING PORTFOLIO MANAGERS

These provisions primarily concern portfolio managers. However, some of them may apply to other employees, given the manager's structural organisation with regard to transmitting orders. In this case, it is up to the manager to extend enforcement of these provisions. They apply to executives and the supervisors of the persons concerned.

I. GENERAL PROVISIONS

70 - Portfolio managers may not accept outside compensation or functions unless their employer is notified beforehand. Furthermore, portfolio managers must never accept functions that could give them permanent insider status in listed companies in which collective investment schemes and individual investors with securities accounts under their management hold shares. Nor must portfolio managers make any commitments, even implicitly, to such companies that could compromise the independence of their decision-making. Consequently, portfolio managers cannot be corporate officers in a personal capacity or as a representative of a company in listed companies in which the collective investment scheme holds shares. Nor can they attend meetings of the boards of directors or the supervisory boards of such companies.

71 - If portfolio managers detect a potential or actual conflict of interest, or if they find themselves in possession of inside information, they must inform their supervisors and the compliance officer immediately.

72 - Portfolio managers must inform the compliance officer if they come under pressure from their supervisors or a person working for a company affiliated to the manager to make decisions that are contrary to the investors' interest or that could result in a conflict of interest.

73 - Portfolio managers in possession of inside information about a listed company must refrain from dealing in the relevant securities. They are free to deal in them only once the information has been made public.

Before launching a primary or secondary market operation, an issuer or an intermediary may ask portfolio managers if they are willing to participate in an investor survey. If they accept, the portfolio managers may become insider traders who are obliged to refrain from dealing in the market for the relevant securities for an indeterminate period. For this reason, the decision to take part in a survey or not must be made solely on the basis of the investors' interest.

74 - Portfolio managers must refrain from passing on to third parties rumours and unsubstantiated information from issuers, intermediaries and customers that could undermine market integrity. They must ensure that their dealing in illiquid securities cannot be construed as price manipulation or market abuse in violation of the regulations in force.

75 - If portfolio managers are subject to pressure or unethical behaviour from an intermediary or an issuer, such as false information, price manipulation, insider dealing, attempted bribery or pressure to influence a voting decision, they must inform their supervisors and the compliance officer.

76 - Portfolio managers trading directly on over-the-counter interbank markets, such as foreign exchange and euro and foreign currency money markets, must comply with the ethical standards of these markets. Portfolio managers that perform the investment research function in addition to or alongside their main activity must comply with the ethical rules set by the Société Française des Analystes Financiers, regardless of whether they are members of that association.

77 - Portfolio managers must only process orders for amounts that are consistent with the net assets of the collective investment schemes and individual portfolios under their management in order to maintain market integrity, especially in the event of a rights issue or an initial public offering.

78 - Portfolio managers must exercise restraint in their personal dealing in all trading venues. In particular, they must:

- Avoid situations of conflicts of interest with investors
- Accept and comply with the principle of transparency with regard to their dealing, regardless of which institution holds their securities accounts.

Consequently, in accordance with the regulations in force and the provisions of the internal regulations, portfolio managers must:

- Report to their supervisors or the compliance officer all securities accounts opened in their name or third parties' accounts on which they have the power to conduct transactions
- Report all transactions made via these accounts on the primary or secondary markets immediately upon receipt of trade execution advices, subscription advices or any equivalent information from the custody account-keepers.

Portfolio managers must refrain from using their securities accounts in order to:

- Take positions that are large enough to affect their judgment or their behaviour with regard to investors and collective investment schemes
- Enter into transactions that entail commitments that exceed their financial resources
- Transmit orders for personal dealing in financial instruments that also give rise to transactions on behalf of the investors' portfolios and collective investment schemes under their management, if there is a risk of a conflict of interest
- Engage in any personal dealing with customers, collective investment schemes or individual investors as counterparties.

79 – In addition, portfolio managers must not use an order transmission channel with their intermediaries for their personal dealing different from the one used by the intermediaries' retail customers. More specifically, portfolio managers must refrain from transmitting orders directly to the operators that they usually deal with in their professional capacity.

80 - Portfolio managers must never attempt to attribute an error to an individual investor or a collective investment scheme that was not the intended beneficiary of the transaction.

81 - Portfolio managers are strictly forbidden from soliciting or accepting any gifts or benefits from intermediaries or customers that could compromise their impartiality and the independence of their decision-making. They must refrain from receiving inducements in any form from intermediaries. In order to ensure transparency, they must inform their supervisors or the compliance officer of any gifts or benefits received, in accordance with the portfolio management company's procedures. In all events, they must not accept:

- Sums of money
- Services offered free of charge or at prices significantly lower than the normal market prices.

82 - Portfolio managers must refrain from using inside information about a customer that they obtain in their professional capacity for their own benefit or the benefit of others.

83 - Portfolio managers must comply with the internal procedures restricting access to premises and tools made available to them. They must refrain from giving their computer passwords to others inside or outside the company, except in the case of implementation of a Business Continuity Plan or under exceptional circumstances to be defined by senior executives. In these cases, they give their passwords to specific persons, such as compliance officers.

84 - Portfolio managers must refrain from seeking information on their competitors by fraudulent means.

85 - Portfolio managers must not seek excessive media coverage and must always be careful about the information and advice that they give in their dealings with the press.

II. SPECIAL PROVISIONS CONCERNING MANAGERS OF PORTFOLIOS UNDER INDIVIDUAL INVESTMENT MANAGEMENT MANDATES

86 - Portfolio managers managing both collective investment schemes and individual mandates must ensure a fair treatment of both types of investors.

87 - Portfolio managers must apply any investment guidelines and instructions regarding risk selection issued by the portfolio management company in their management of individual investors' portfolios and in accordance with the investors' objectives. Under these circumstances, the portfolio manager may favour the use of collective investment schemes in order to meet the investors' demands in terms of technical expertise, risk diversification and liquidity.

88 - Portfolio managers are subject to professional confidentiality requirements. In particular, they have an obligation to maintain the confidentiality of information on investors' tax status, financial situation and assets.

89 - Portfolio managers must refrain from being authorised agents or co-holders of securities accounts opened with other institutions in a customer's name if they also manage an account under an individual investment management mandate held with their own company for the same customer.

90 - Portfolio managers must never exploit individual investors' trust in them to solicit or accept an inheritance or a donation, if they are not related to the investor. If they become aware of such an arrangement, they must immediately inform their supervisors and the compliance officer.

91 - Portfolio managers are not proxies . They perform their management function on the basis of the powers delegated to them by the portfolio management company that employs them. Consequently, if they leave the company, they are bound by a duty to refrain from systematically contacting the individual investors whose portfolios they managed to follow them and transfer their portfolios to another institution.

92 - Portfolio managers' actions must never facilitate money laundering, terrorist financing, tax fraud or illicit transfers of capital to other countries.