RECOMMENDATIONS

CODE OF ETHICS

FOR COLLECTIVE INVESTMENT SCHEMES

AND INDIVIDUAL INVESTMENT

MANAGEMENT MANDATES

CONTENTS:

CHAPTER 1 – PREVENTING AND MANAGING CONFLICTS OF INTEREST

1) – Conflicts of interest may arise in the following areas and activities:

- Financial management
- Direct and indirect compensation of the manager
- The manager's organisational structures and procedures
- Customers whose interests may be contrary to those of other investors or collective investment schemes
- Dealings with affiliates' businesses, employees or executives
- Dealings with market intermediaries
- Dealings of the manager and its employees with issuers and distributors.

2) – The identification of the entities and individuals that might be in a situation of conflict of interest with collective investment schemes or investors may lead to questions about:

♦ Customers deemed to be vulnerable because they have a special position compared to other customers owing to their links or close relationships with the manager or its employees

♦ Other individuals who are not customers

  - The executives of the portfolio management company
  - The directors or members of the portfolio management company's supervisory board
  - The portfolio management company's shareholders
  - The portfolio management company's employees
  - Personnel who are not on the payroll and have a temporary business contract or who are seconded and under the authority of a service provider
  - Personnel who provide services to the portfolio management company under the terms of an outsourcing agreement
  - Persons who market the portfolio management company's products and services (consultants, business introducers, financial investment advisers, etc.)
  - The portfolio management company's statutory auditor
  - The statutory auditors of the collective investment schemes under the portfolio management company's management
  - Tied agents.

♦ Legal entities

  - Companies with direct or indirect ownership links to the portfolio management company;
    - o As direct or indirect shareholders
    - o As subsidiaries or equity investments.

- Companies belonging to the same group with no ownership links to the portfolio management company;

- Companies with contracts with the portfolio management company or with the collective investment schemes:
    - The depositaries of the collective investment schemes
    - The custody account-keepers of the collective investment schemes and individual portfolios
    - The transfer agent for subscriptions and redemptions, if different
    - Companies under outsourcing or delegation contracts relating to:
        - Financial management
        - Ongoing supervision or periodic audits
    - Other service providers handling:
        - Accounting for the portfolio management company
        - Accounting and valuation for the collective investment schemes
        - Reporting for customers and investors.
    - Other portfolio management companies having management fee sharing agreements with the portfolio management company
    - The intermediaries that the portfolio management company uses to trade on the markets
    - Distributors
    - Issuers.

3) The primary sources of potential conflicts of interest that the manager must explore in a risk-mapping exercise are listed below (non exhaustive list), however, it should be noted that merely mentioning such situations in order to assess them does not mean anything regarding their compliance with regulations and does not obviate the need for a compliance audit:

a) Potential conflicts of interest stemming directly from the activity of financial management

- Delays in allocating orders to a customer or group of customers that favour or harm the interests of some of them;
- Prohibited advantages granted to certain investors or collective investment schemes regarding the allocation of orders executed on the markets;
- Exchange errors resulting in allocation of the extra financial instruments sold or bought to customers' accounts rather than the portfolio management company's error account;
- Unequal treatment of investors and collective investment schemes with regard to issues, private placements or initial public offerings of rare securities that is not justified by internal procedures or professional best practices, which could mean that some economically important customers or customers that have special relationships with the portfolio management company or its employees receive undue advantages compared to other customers.
- Priority allocation of securities from issues, private placements or initial public offerings of rare securities to employees or executives of the portfolio management company to the detriment of customers.

- Investment in unlisted securities, when:
  - A distributor of the portfolio management company's collective investment scheme
  - An investment services customer
  - The portfolio management company itself
  - An executive or employee of the portfolio management company
  - An affiliate of the portfolio management company

owns a significant equity stake in the issuer.

b) Potential conflicts of interest stemming from the direct and indirect compensation of the portfolio management company

- Portfolio churning by portfolio managers with no business or financial justification for the sole purpose of increasing transaction commissions.

- Reckless risk-taking with no business or financial justification for the purpose of increasing variable management fees significantly

- Favouring collective investment schemes with management fee-sharing agreements with the portfolio management companies concerned

- Systematically using collective investment schemes where the front-end fees shared with the portfolio management company are significantly higher than average for the market
- Policy with regard to the custody agreement aimed at holding excessive non-interest bearing cash deposits in individual portfolios (excluding equity savings plans) and the portfolios of collective investment schemes.

c) Potential conflicts of interest stemming from shortcomings in the portfolio management company's organisational structures or procedures

- The pay of employees, and portfolio managers in particular, is linked to earnings arising from customer transactions, which may be an incentive for behaviours such as portfolio churning, which are detrimental to the customers' interest

- Having personnel engaged in different businesses, such as trading and providing advice to issuers (structurers and managers, traders and managers) in the same hierarchical structure, since this situation may give rise to conflicts of interest and decision-making by the portfolio management company that is contrary to its customers' interest.

d) Potential conflicts of interest stemming from the portfolio management company's proprietary trading and the personal dealing of its executives and employees

- The portfolio management company's proprietary trades may be in competition with customer trades and detrimental to the interest of customers because of the potential price movements caused by these trades
- The portfolio management company's employees' personal dealing may be in competition with customer trades and detrimental to the interest of customers because of the potential price movements caused by this dealing.

e) Potential conflicts of interest stemming from contradictory interests of investment services between clients which receive reception and transmission of order (RTO) services and other clients

- Customer transactions as part of a service of reception and transmission of order (RTO) may be in competition with transactions executed for collective investment schemes and individual investors and may be detrimental to the interests of the latter because of the potential price movements they might cause
- Unfair treatment of customers owning securities and usufructuaries (customers receiving income from the securities) when the relevant portfolios under the management of the portfolio management company are stripped.
- Management of an individual investor's account by a portfolio manager to whom the investor is related or with whom the investor has business and financial dealings in a private capacity.

f) Potential conflicts of interest stemming from the activities of the management company's affiliated companies

- Buying or selling a security involved in a corporate event, such as an initial public offering, a rights issue, a secondary market placement, a takeover bid, an exchange offer, a buyback offer, etc. when an affiliated company is acting as an adviser for the operation or belongs to the placement syndicate
- Potential action by an affiliated company or one of its executives or employees aimed at influencing the portfolio management company's decision-making and undermining its independence by favouring, to its customers' detriment:
    - The group's intermediation activities
    - Market products designed by companies in the group
    - Collective investment schemes managed by portfolio management companies belonging to the group
- The portfolio management company's management of an individual asset portfolio belonging to a company in the group
- Issues, placements, initial public offerings launched or marketed by a company in the group
- The use of research (in particular financial analysis) produced by companies in the group

- Action by an issuer in a business relationship with an affiliated company in which individual investors and collective investment schemes managed by the portfolio management company hold shares, in order to influence:
  - The voting decisions of the portfolio management company
  - The portfolio management company's response to certain corporate events, such as exchange offers, takeover bids, buyback offers, etc.
- Potential action by an affiliated company, where a quote is given for the securities held by the portfolio management company's customers in order to influence the manager's decision-making following a public offer involving these securities
- Action by a individual investor who is an important customer of another company in the portfolio management company's group to obtain undue advantages that are contrary to the rest of the customers' interest
- Participation of the portfolio management company's executives or employees in decision-making about the businesses of the group, including affiliated portfolio management companies in other businesses, such as venture capital funds or employee investment funds, which could create conflicts of interests with their portfolio management company and their customers.

g) Potential conflicts of interest stemming from market intermediaries' activities

- Consideration of the portfolio management company's business and financial relationships in the choice of intermediaries, including relationships with affiliated companies or close personal relationships or family ties of portfolio managers with the executives, traders, sellers and service providers concerned
- Gifts or advantages given to the portfolio management company and its employees by intermediaries and customers that could influence:
  - The choice of intermediaries
  - Services rendered to the customers concerned to the detriment of other investors
- Special treatment of the portfolio management company's executives or employees holding a securities account with an intermediary that usually does business with the portfolio investment company.

h) Potential conflicts of interest stemming from the special relationships of the portfolio management company or its employees with issuers and distributors

- Special treatment of distributors or investment funds with regard to information about the positions and decisions taken for the collective investment schemes managed by the portfolio management company, which could promote market timing practices
- The contractual relationships of the portfolio management company, or its executives and employees, with regard to services offered to an issuer, other than asset management, such as consultancy, when the issuer's securities are held by individual investors or collective investment schemes managed by the portfolio management company
- Subject to the specific provisions applying to the portfolio manager (see Article 71 of the Regulations), special relationships with the issuer of an executive or employee of the portfolio management company who is an executive, director, or member of the supervisory council of the company concerned when that company's securities are held by individual customers or collective investment schemes under management.

4) – To determine whether functions are compatible with positions as corporate officers and directors of SICAVs or management companies, these companies' corporate purpose and the nature of their ownership need to be considered:

The open-end investment company (SICAV)

Persons who perform functions within the depositary institution or the portfolio management company's group that would always or usually constitute of conflict of interest with a SICAV should not be appointed as corporate officers or directors of that SICAV.

Such functions include:

- Providing the portfolio management company with investment services or ancillary services relating to order execution;
- Proprietary management of assets belonging to the depositary institution or companies in the portfolio management company's group;
- Providing advice to listed issuers with regard to financial engineering, particularly when they result in financial transactions on the primary and secondary markets.

Special care should also be taken when appointing corporate officers and executives in listed companies in which the SICAV holds shares. If the persons concerned can be deemed to be insiders at all times, they should be required to sign a confidentiality agreement and the board should be informed of this agreement in order to prevent any risk of disclosure of inside information about the company concerned.

On the other hand, corporate officer positions and directorships in SICAVs should be open:

- To the executives and personnel of the portfolio management company;
- To persons who cannot be in a situation of conflict of interest as a result of their functions within the depositary institution or the sponsor group.

Management companies

There are no ethical provisions regarding the incompatibility of selecting directors to represent the majority shareholder on the portfolio management company's board of directors.

However, compliance with the principle of the manager's independence means that the corporate officers shall not have any operational responsibilities in the depositary institutions holding the collective investment scheme assets under the company's management or in other entities in the company's group that would usually or always create a conflict of interest.

Consequently:

- Operational functions in proprietary asset management for the depositary institution or other companies in the portfolio management company's group should be deemed incompatible.

- Managers of the portfolio management company should not have any operational responsibilities in investment services relating to order execution for third parties either.

In the case of both SICAVs and portfolio management companies, it is strongly recommended that the compliance officer be consulted before nominating or reappointing executives or directors and that the compliance officer verify compliance with the portfolio management company's compatibility rules, the AFG Code of Ethics and the regulations in force.

5) – Setting up "Chinese walls", especially in large companies with several investment services businesses, can, depending on the identified risks, lead to separations that are:

- Physical, with separate premises and equipment, a special meeting room, restricted access and access control, separate documentation and files, etc.;
- Legal (subsidiary), with different businesses presenting a major risk of conflicts of interest operating autonomously;
- Structural, with separate management and decision-making structures, incompatibility of functions, clear definition of employees' responsibilities (job descriptions);
- Logistical, with a separate data processing environment, passwords, "clear desk" practices, etc.

Breaches in "Chinese walls" must be covered by an appropriate procedure. This procedure may be justified in large or complex structures and should include:
- A list of authorised persons
- An audit trail
- Authorisation by the compliance officer.

6) The calculation of the variable component of employees' compensation, if any, should not be based on any of the following criteria:

- The volume of commissions received directly or indirectly from the activity generated by the portfolio management;
- The profitability of the collective investment scheme or individual portfolio under management.

On the other hand, the following criteria may be taken into consideration:
- The risk-adjusted performance with a collective component covering several years, along with the amount of any variable commissions directly attributable to the employee;
- Investor information and relationship quality, customer loyalty;
- Quality of strategic and financial analysis, reliability of the options taken.

It is advised that an appropriate procedure be implemented and the compliance officer be consulted before making any decision regarding the variable compensation plan for the relevant teams or departments.

7) It is recommended that rules be introduced that specify when the manager may make exceptions to the principles of equal treatment when allocating executed orders on a prorated basis. Such exceptions may only be justified when intermediaries make very incomplete responses owing to market conditions. The investors' interest in such cases may lead the manager to opt for an allocation that takes into consideration:

- The collective investment scheme's management objective;
- The number of securities acquired and the impossibility of constituting significant holdings in the portfolios;
- Unduly high costs for investors resulting from a fixed minimum fee charged by intermediaries.

8) – In order to prevent the risk of market timing, it is recommended that the collective investment scheme manager take the necessary steps to prevent situations of conflicts of interest. The manager should identify the collective investment schemes that incur a significant market timing risk and should take the supervisory measures to manage that risk. Depending on the risks incurred and the specific features of the organisational structure, such measures should in particular cover:

* Rules on subscriptions and redemptions, accounting and valuation of collective investment schemes so that subscriptions and redemptions are carried out at unknown prices;

* A specific control system based on appropriate data processing procedures and tools.

The manager must make every effort to ensure that collective investment schemes are valued at their "fair value". In particular, this means that the manager must ensure that:

* The transmission of the information required by the valuator is organised in such a way as to ensure the appropriate accounting of buy and sell transactions, in particular for the collective investment schemes that are most exposed to a risk of market timing;

* Market prices that are not meaningful are modified if relevant.

The manager must ensure an equal treatment of unit holders and ordering parties with regard to information on the collective investment scheme's assets and transactions. The manager must never agree to any contract clause providing for special treatment in this regard for one category of investors. With the exception of collective investment schemes restricted to 20 investors or a specific category of investors, the manager must not allow an investor special access on a permanent basis to real-time information about a collective investment scheme's assets and transactions. Such access must be restricted to the depositary, the valuator and the service providers that the management company employs for its management activity, which are bound by a contractual confidentiality clause. More specifically, the manager must, even in the case of affiliate companies, refrain from sending inside information about the collective investment scheme's portfolio and transactions on a permanent real-time basis to:

- Distributors and, more generally, all order receivers/transmitters
- Financial investment advisers
- Market intermediaries.

The manager's contract with the custody account-keeper must prevent the custody account-keeper from disclosing any information about the collective investment scheme's portfolio or transactions either internally or to third parties, except as required for handling the transactions.

9) – Regulations require the manager to keep a record of the different kinds of investment services or ancillary services and other activities carried out by itself or on its behalf where a conflict of interest entailing a material risk of harming the interests of one or more of its customers has arisen or is likely to arise.

If such conflicts of interest are not systematically handled by the conflict of interest policy in place, the record may include the following information:

- Delivery date of the service
- Date the conflict was identified
- Nature of the conflict
- Persons and departments concerned
- Persons informed
- Recommended management and remedial measures
- Decisions made by executives
- Date the conflict was resolved
- Where appropriate, when and how investors were notified.

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CHAPTER 2 – BEST EFFORT OBLIGATION

10) – If the manager plans to engage in a new business or create new products and services, it is advised that a feasibility study be carried out beforehand to ascertain the resources needed with regard to:

- Organisational structures;
- Personnel, skills, training
- Technical and data processing tools
- Access to research on the markets and financial instruments used
- Adapting the control system
- Obtaining the authorisations required.

11) – In exceptional circumstances; the manager and the order transfer agent may on a case by case basis establish a joint procedure for extending the cut-off time for subscription and redemption orders. This policy should stipulate:

- The information to be received from the order transfer agent about an exceptional technical problem occurring in the order transmission chain, which includes:
  - The identity of the order receiver or sender concerned, the reasons for the system failure and its duration and information about the transactions concerned,
  - A statement that the transmission delay relates to subscription and redemption orders that were instructed before the cut-off time;

- The list of portfolio management company employees authorised to grant an extension;

- Notification of the depositary if it is not also the order transfer agent;

- In any event, a technical extension of the cut-off time should not:
  - Facilitate market timing practices
  - Allow "as-of" transaction
  - Be granted in consideration of the business interest of the transaction or the quality of the relationship with a distributor, a business introducer or the client
  - Cause a significant delay in notifying the manager and/or the collective investment scheme accountant with regard to the amount of the financial inflow or outflow resulting from the balance of subscriptions and redemptions.

Consequently, the manager should ensure that the procedure in place with regard to exceptional cut-off time extensions for technical reasons is not detrimental to the investors' interest.

12) – It is recommended that a procedure be established that clearly defines the obligations of executives and employees with regard to all documentation or information, whether periodic or not, that should be transmitted to the compliance officer systematically and with no delay.

13) – Given the existing regulatory requirements on this matter, it is recommended that the manager, as required by its activities, set up a procedure that defines the supervisory resources and organisational and control arrangements in order to detect any potential price manipulation or leaks or use of inside information. The procedure may give details on the organisation to be used to notify executives, the compliance officer and, when required by market abuse regulations, the regulator.

14) – It is recommended that the manager's internal regulations or code of conduct include provisions on the prevention of money laundering and terrorist financing. These regulations or code of conduct should at least cover the following issues:

- A reminder of the relevant legislative and regulatory requirements
- The list of penal sanctions that employees are liable to for manifest failure to fulfil their duty of vigilance
- Vigilance requirements with regard to customer transactions that are clearly unusual, particularly in terms of the amounts, frequency, nature, geographical locations or the legal and financial structures used
- The steps to be taken in suspected cases of money laundering
- A prohibition to disclose information or investigations concerning suspected money laundering to customers or any unauthorised person.

For the purpose of preventing money laundering and terrorist financing, it is recommended that the manager establish a procedure on the information to be gathered from new customers for individual investment management mandates or new investors in dedicated funds.

The manager should make every effort to:

- Update its information periodically;
- Ensure periodic contacts between the customer and the relationship manager or the portfolio manager, in cases where he or she has direct sales relationships with customers;
- Make sure that, regardless of the legal structure used, it always knows who the beneficial owner is of funds placed with it under individual investment management mandates or in a dedicated collective investment scheme;
- Establish special systems to supervise financial flows in and out of the individual accounts of customers deemed to present a potential risk because of their country of residence or their occupation;
- Ensure that the custody account-keepers have procedures for supervising debits and credits to the accounts under its management.

It is recommended that managers of collective investment schemes that market their products through a third-party distribution network, regardless of whether it is part of the same group, make sure that:

- distributors implement rules and procedures that comply with the regulatory anti-money laundering requirements;
- contracts between the manager and the distributor specify the distributor's obligation to know its customers and the origin of the funds invested in collective investment schemes.

Managers should be vigilant with regard to certain behaviour patterns and certain types of unusual transactions, such as:

- A new relationship with an asset management company incorporated abroad where it is difficult to determine who the beneficial owners are
- Relationships where the manager never has any contact with the customer, but with a business representative who may have power of signature on the customer's account
- A sudden termination of the management mandate followed by a withdrawal of the funds
- A proposal to set up a collective investment scheme or an individual account under a management mandate where several managers can carry out transactions without having contractual relationships
- The opening of an account under an individual investment management mandate with an institution that does not present all of the necessary guarantees with respect to anti money laundering
- A proposal from an intermediary involving the purchase of derivatives or structured products with a commitment to buy them back at a price that would generate an unusually high return. Generally speaking, any unusual transactions with intermediaries that are inconsistent with market practices
- A proposal from a customer or intermediary setting up a dedicated product to pay the manager more that the usual market commission rates
- An offer of unlisted financial instruments issued by companies whose activities are known to be illegal or where the funds used to finance the instruments are of doubtful origin;
- Certain types of investment funds deemed more risky because of the customers involved, which are more likely to be used for money laundering purposes.

15) – Regarding mandates, a manager may not waive the obligations set by the relevant regulations for the reason that it considers that the high cost linked to the potential identification of terrorists based on lists published by the authorities or to the identification on a global scale of customers deemed by law to be politically exposed is disproportionate to the risks incurred at the level of its individual investment management business, given the nature of its activities and its customers. Consequently, the manager should establish an effective control system, which could in particular be based on:

- Enhanced know-your-customer information and monitoring of financial flows
- Cooperation agreements with custody account-keepers, since, in case they identify terrorists, they are under specific obligations of reporting to authorities and potentially freezing the accounts concerned.

16) – If warranted by its size and its business, it is advised that the manager establish a procedure for human resources staff engaged in recruiting employees that includes the verification of the recruits' skills and the suitability of the persons concerned for their jobs.

17) – Powers of signature should be formalised in official terms.

18) – The regulations require the manager to establish a business continuity plan. In the investors' interest, it is recommended that the measures taken for this purpose give due consideration to the nature of the manager's activities and, most importantly, the frequency of transactions. Given the large amount of investment involved, the manager may, in the event of a

major and persistent disaster, contractually agree with a third party, such as the custody account-keeper of the collective investment schemes or the individual investment portfolios, to temporarily gain access to its resources if necessary. This type of contract should include a confidentiality clause.

19) – It is advised that contracts with third parties, and in particular with customers (individual investors), be archived and special safekeeping measures be taken to prevent their destruction in the event of a major disaster.

20) – Managers who decide to outsource some or all of the ongoing second-level controls should:

- Have the procedures describing the internal control system explain:
  - The role of the chief executive, in particular if he or she is the compliance officer
  - Where relevant, the existence of an internal control committee or an audit committee
  - The information reported to the personnel handling anomalies and their role, the appointment and role of the personnel authorised to deal with the service provider
  - The follow-up of the service provider’s recommendations and the information reported to it about the measures taken by the manager
  - Storage of the information and media received from the service provider.

- Make an annual assessment of the quality of the services rendered by the service provider under the responsibility of the chief executive, with regard to:
  - The comprehensiveness and production of the annual control plan;
  - The delivery of the services set out in the agreement on the compliance officer’s activities in addition to the ongoing control function
  - The frequency of the service provider’s visits to the manager’s premises, its availability for executives and employees
  - The quality of reporting on controls and, more specifically, with regard to the findings (justification, traceability)
  - The relevance of the service provider’s recommendations.

CHAPTER 3 – EXERCISING SHAREHOLDERS' RIGHTS

21) – When the manager uses a proxy to exercise voting rights in other countries, the "voting policy" document may mention it and specify the main procedures for using such a service.

With respect to all of the collective investment schemes under its management, the portfolio management company may exceptionally make voting decisions for certain schemes that are different from the decisions made for other schemes. This option should be spelled out in the "voting policy" document. Such voting decisions must be explained in the relevant special annual report.

With regard to the procedures stipulated in the General Regulation of the Autorité des Marchés Financiers (AMF) to detect, prevent and manage conflicts of interest that are likely to impinge on the free exercise of voting rights, the "voting policy" document should in particular explain:

- How "Chinese walls" are set up between affiliated companies
- Which of the portfolio management company's executives and employees may be in a situation of conflict of interest because of their functions or their links and dealings with an issuer
- What precautions are taken with regard to the depositary in order to avoid having the institution that centralises the mail-in voting decisions give the issuer advance notice of the portfolio management company's voting intentions.

The "voting policy" document should include provisions dealing with securities lending. In particular, vigilance should be enhanced if:

- The borrower's objective may be to use the voting rights in a way that is obviously detrimental to the investors' interest
- The interest paid on the loan seems disproportionate compared to normal market rates.

22) – The annual report on the exercise of voting rights should give an account of the different types of investors (professional and retail), the amount of assets under management, the equity markets concerned and the number and characteristics of collective investment schemes. It should be easy to understand, clear and concise. It should highlight the decisions that are not consistent with the portfolio management company's voting policy, as well as decisions not to vote, to abstain or to vote against certain resolutions. The statistics presented should highlight the key data for understanding the implementation of the voting policy and provide a comparison with the previous year, where appropriate.

It is advised that the annual report on the exercise of voting rights mention decisions with regard to resolutions:

- From affiliate companies in which a collective investment scheme holds shares
- Put forward by minority shareholders without the board's consent.

All of the records pertaining to voting decisions should be retained for five years in order to respond to potential requests from the regulator or investors.

CHAPTER 4 – DEALINGS WITH INTERMEDIARIES

23) – It is recommended that the procedure for selecting intermediaries comply with regulations and be explained in an internal memo that specifies:

- The organisational structure
- The list of functions involved in the decision-making process
- The methodology used for the different types of financial instruments with regard to possible ratings and the criteria used to allocate transaction volumes
- The frequency of the decisions
- The resources implemented to assess the quality of the execution, especially for financial instruments that are not traded on a regulated market
- The pre-trade and post-trade first-level controls if relevant
- The justification for using a single intermediary, where appropriate
- Notification of intermediaries regarding decisions made if relevant.

If operating risks or the risks of conflicts of interest prove particularly high, companies should separate their financial management functions from the order transmission function if relevant with regard to their size and activities. This arrangement should not prevent the involvement of portfolio managers in the transmission of orders incurring special risks because of their nature or the amounts involved.

25) – In the interest of the investors, the management of a collective investment scheme may be primarily or secondarily based on opportunities coming from intermediaries, for example for interest rate products. In such instances, a special procedure and adequate controls should be implemented in order to ensure an equal treatment of all investors.

26) Managers who have a commission-sharing arrangement to pay for the services of an investment research provider that is not an investment services provider should establish a procedure that stipulates in particular:

- That there is a contract between the parties

- The procedures for choosing the provider and the assessment criteria used:
    - Organisational structure and resources
    - Experience and skills of the financial analysts
    - Continuity of service guarantee

- The monitoring of the risk of conflict of interest with the provider in light of the links that may exist with the manager or its employees;

- A periodic assessment of the quality of service and its consistency with the price charged by the provider.

27) – In order to avoid any breach of professional ethics, it is recommended that the contracts with intermediaries include transparency rules with respect to gifts and benefits given to the manager’s employees. These rules should in particular cover:

- The annual reporting to the compliance officer on the list of persons concerned and the nature of gifts and benefits received
- The requirement that the gifts are to be sent to the work address of the employee in question.

CHAPTER 5 – DEALINGS WITH INVESTORS

28) – Unlike collective investment scheme management, individual investment management mandates do not have a chart of accounts or industry rules for harmonised performance calculations. Therefore, it is up to each manager to determine which calculation method is appropriate for its activities and customers. In the case of retail investors, who are not familiar with discounting techniques or statistical methods, it seems appropriate that the manager provide:

- A rate of return based on simple calculation criteria,

- Data that enables investors to assess for the period under review:
    - The balance of inflows and outflows of cash and securities in the account under management
    - The amount of capital invested at the beginning of the period, adjusted for deposits and withdrawals
    - The capital gain or loss realised.

29) – If frequent and /or large deposits and withdrawals by the investor disrupt the management of the portfolio, it is recommended that the manager informs the investor of the negative impact that such transactions have on management results.

In other to avoid such disruption, it is highly recommended that the manager should not agree in the individual account management mandate to:

- Provide a chequebook
- Establish automatic direct debits to pay third parties.

30) – To ensure legal and ethical security, it is highly recommended that managers should draw up a management contract with investors that are classified in the professional or eligible counterparty categories.

31) – It is recommended that managers ask for written instructions from investors for any occasional decisions that he or she may directly make on the management of his or her own account under an individual investment management mandate, including:

- Suspending management temporarily;
- Mandatory consultation with the investor for a specific transaction
- Carrying out transactions, particularly at the end of the year, for tax purposes
- Management of an equity savings plan, with an increase in high-risk stocks during certain periods
- Subscribing to collective investment schemes offering specific tax advantages

32) – If the manager is aware that the investor has securities accounts under individual investment management mandates with other institutions, it should draw the investor's attention

to the cumulative risks or potential inconsistencies that could arise in the management of different portfolios.

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

33) –Regulations do not require companies with fewer than 20 employees to draw up internal regulations. However, considering the ethical risk inherent to asset management activities and for the sake of legal security, it is recommended that portfolio management companies implement internal regulations, even if they are not required to do so.

34) – Given the ethical risk inherent to its business, it is up to each manager to determine for which functions a list needs to be drawn of persons who will be subject to reporting requirements and oversight with respect to their personal dealing. Two categories of persons need to be distinguished:

- Those who are covered by the provisions of the internal regulations in accordance with labour laws

- Those who are not subject to these provisions, but to obligations set out in a contract.

35) – Some of the people subject to the provisions of the internal regulations will be subject to specific ethical obligations, in particular regarding the reporting of their personal dealing.

The persons concerned include:

- Portfolio managers
- Management assistants who are usually involved in transactions
- "Buy side" financial analysts
- Traders transmitting orders for individual investors and collective investment schemes
- The compliance officer and any person usually involved in ongoing second-level control and, as appropriate, risk control managers and the heads of periodic audits
- Attendees to management committee meetings and, where appropriate, risk committee meetings
- The back and middle office managers and their assistants, where appropriate
- Collective investment scheme accountants who are directly involved in periodic valuations
- Data processing personnel who have real-time access to information about the assets and transactions of collective investment schemes and individual investors.

36) – The persons concerned by the regulations on personal dealing who are not subject to the manager's internal regulations because of their legal status are primarily:

- Persons on long-term internships
- Permanently seconded personnel from another company
- Personnel from service providers to which the manager has delegated major tasks
- The directors of the portfolio management company or a SICAV.

Persons on long-term internships and personnel seconded by other companies whose functions require that they have access to confidential information about the manager's activities should have their personal transactions subject to oversight and are thus deemed to be persons concerned by the regulations on personal dealing. The internship agreement or the contract with an outside provider should explicitly set out the implementation procedure of such oversight.

The functions delegated or outsourced by the manager deemed to be important include:

- Investment management

- Accounting and valuation of collective investment schemes

- Internal control and compliance (ongoing second-level control).

Contracts should set out the obligations of the delegated entity and the procedures for implementing personal dealing reporting and oversight. These contracts should in particular specify the functions concerned, the organisation of the oversight and information of the manager. It is recommended that the delegated entity be required to send the manager an annual statement on the implementation of the oversight of the personal dealing of the persons concerned.

The manager should assess the situation of the directors of the portfolio management company or the SICAVs to determine whether they are concerned taking into account whether they:

- Own more than 20% of the assets or voting rights in the SICAV

- Hold a position or have responsibilities in a company affiliated to the manager

- Are members of the manager's audit committee.

It is recommended that the manager set up a system for reporting personal dealing by directors in accordance with the information that it has on the management of collective investment schemes and individual investment management mandates with regard to access, frequency, transmission times, and give due consideration to the potential conflicts of interest with investors.

The requirements for directors with regard to the reporting and oversight of their personal dealing may include a notification to the board of directors of the portfolio management company or the SICAV. They may be incorporated into the board's internal regulations, if such rules exist.

37°) – The regulations specify the financial instruments covered by the personal dealing reporting and oversight requirements for persons concerned. As part of the implementation of these regulations it is recommended:

- For persons concerned using an individual investment management mandate:

- That the contract with the manager prevents the investor from sending instructions to the manager with regard to transactions in a financial instrument
- If not, that the portfolio manager in question commits not to give orders concerning his or her account under management.

- When reporting transactions in collective investment schemes, that due consideration be given to ethical risks, including:
  - Potential conflicts of interest with investors
  - Access to inside or confidential information for example on the liquidity or valuation of certain financial instruments held by a collective investment scheme
  - The possibility for the person concerned to engage in market timing transactions.

It is up to the manager to draw up the list of collective investment schemes covered by the transaction reporting requirement in light of its activities and the risk of conflicts of interest or leaks of confidential information. Collective investment schemes that are not managed by the manager or its affiliates and which do not present identified ethical risks should normally be exempted from the personal dealing reporting requirements, regardless of their legal status.

38) – If the number of persons concerned warrants it, it is recommended that the personal dealing oversight procedures include:

- Setting up a database or a register for the information submitted and the findings of the oversight
- Having each person concerned produce a certificate at least once a year attesting that they have reported all of their personal dealing during the period under consideration.

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