

Policy for preventing, detecting and managing conflicts of interest

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Policy for preventing, detecting and managing conflicts of interest

The Caisse d'Epargne Hauts de France (CEHDF) applies its policy of preventing, detecting and managing conflicts of interest within the framework of the rules that apply to Groupe BPCE institutions.

I. CONTEXT - GENERAL PRINCIPLE

The wide range of products and services offered to customers by CEHDF exposes them to potential conflicts of interest. To ensure that the client's interests are paramount in all circumstances, CEHDF must establish a conflicts of interest policy.

CEHDF carries out several types of activities:

- Banking activity, particularly through bank savings, means of payment and the granting of loans;
- An insurance business with the distribution of insurance products and life insurance arbitrage mandates... ;
- Investment services via
 - Custody account management for financial instruments,
 - Receiving and transmitting orders on behalf of third parties (including via the Internet) with a view to execution,
 - The service of executing orders on behalf of third parties,
 - Business generated by the portfolio management service (discretionary management),
 - Investment advice,
 - As well as the services associated with the Financial Instruments Account Agreement.

These different activities can be a source of conflicts of interest, because in the distribution and marketing of certain insurance products, financial instruments and banking products, there may be capital and financial links between producers, insurers, partners, insurance intermediaries or credit institutions.

The purpose of this conflicts of interest policy is to describe the system for preventing, detecting and managing conflicts of interest implemented within CEHDF to ensure the protection and primacy of the customer's interests in the provision of the services and products offered, particularly with regard to MiFID II regulations¹ and DDA²ⁱ, the code of conduct and ethics of Groupe BPCE, the code of conduct and internal regulations of CEHDF. In particular, it sets out:

- Circumstances which give rise, or may give rise, to a conflict of interest likely to prejudice the interests of one or more clients;
- The procedures to be followed and the measures to be taken by the institution to manage such conflicts and prevent them from harming the customer's interests.

¹ Regulation and Directive on Markets in Financial Instruments

² Insurance Distribution Directive

This policy is reviewed at least once a year and updated if necessary in the event of a failure.

II. DEFINITIONS

Groupe BPCE uses the following definition of a conflict of interest:

"A conflict of interest is a situation that arises when the independent, loyal, impartial and objective exercise of a person's duties is likely to be influenced by another public or private interest distinct from that which he must defend in these duties".

Among conflicts of interest, a distinction must be made between potential conflicts of interest, i.e. those that are likely to occur, and proven conflicts of interest, i.e. those that have actually occurred.

Within Groupe BPCE, there are several situations in which conflicts of interest could arise:

ENTRE L'INTERET	d'un client	ET L'INTERET	d'un autre client de l'établissement
			d'un collaborateur de l'établissement
			de l'établissement
			d'un prestataire
			d'un intermédiaire ou tiers
			d'une entité du Groupe BPCE
	de l'établissement		d'une entité du Groupe BPCE
			d'un collaborateur de l'établissement
			d'un prestataire
			d'un intermédiaire ou tiers
			d'un client
	d'un collaborateur		d'une entité du Groupe BPCE
			d'un autre collaborateur du même établissement
			d'un client
			d'un prestataire
			d'un intermédiaire ou tiers

The CEHDF's conflicts of interest policy is based on 3 main principles:

- Preventing conflicts of interest ;
- Detecting conflicts of interest ;
- Managing conflicts of interest.

III. PREVENTION OF CONFLICTS OF INTEREST

1. Normative framework within Groupe BPCE and CEHDF

To provide a framework for employees' practices in preventing conflicts of interest, the following standards are distributed to employees:

- **Internal regulations and a code of ethics (issued by the CEHDF)** that contain specific provisions on conflicts of interest, including a ban on employees becoming beneficiaries of a client's life insurance policy, and a ban on accepting any remuneration or gift from a client, etc
- **A code of conduct and ethics (issued by Groupe BPCE)** which defines and illustrates the types of behaviour to be avoided, particularly through the notion of professional ethics.

2. Organisational and administrative measures governing the activity

Organisational" provisions are those relating to the organisation of the company's resources, particularly its human resources (definition of the tasks and responsibilities of employees, planning and allocation of tasks, etc.).

The "administrative" provisions are the (written) procedures established to detect, prevent and deal with situations of conflict of interest.

In terms of organisational and administrative measures, the CEHDF has put in place :

- **Principles** to define and provide a framework for the rules governing the variable remuneration of CEHDF employees, in particular to ensure that the remuneration criteria established within CEHDF enable employees to act honestly, loyally, fairly and professionally in the best interests of customers.
- **A system to control the personal transactions of the employees concerned** and insider information. One of the main aims of this system is to ensure that confidential information that employees may hold in the course of their professional activities is not used to their own advantage.
- **A framework for gifts and donations.**
- **A specific procedure to deal with conflicts of interest that may arise at management level** the purpose of this procedure is to ensure that senior managers and directors act loyally and impartially.
- **A system to specify the rules relating to outside interests:** rules of conduct in the event of outside activities carried out privately by employees that may conflict with their professional activities.

- **A mechanism to clarify the rules governing the marketing of products or services.** In particular, this procedure aims to include in the validation processes for new products or services the detection of any potential sources of conflict of interest so that the necessary measures can be taken if necessary (customer information).
- **Systems for marketing products and services offered to customers** to ensure that the advice given to the customer and which may result in the proposal of a product or service issued by CEHDF is carried out in the customer's interest, in line with his needs, objectives, level of financial knowledge and experience, and risk profile.
- **An "Information barrier" system** to define the rules for ensuring the separation of tasks and functions, including the physical separation of certain activities that may conflict within CEHDF.
- A system for assessing the risk of conflicts of interest before any critical or important outsourced service is contracted.
- **Measures to control the remuneration received by employees.**

3. Mapping possible conflicts of interest possibles

As part of its efforts to prevent conflicts of interest, the CEHDF has set up a system for identifying conflicts of interest likely to arise as a result of the activities carried out by Groupe BPCE entities.

To prevent the risk of conflicts of interest arising from these various activities, CEHDF has drawn up a conflict of interest map. This map lists the various conflicts of interest likely to arise by type of activity.

It is reviewed annually and updated if necessary, particularly if new activities are undertaken within the CEHDF that could lead to potential conflicts of interest.

To draw up this map, the CEHDF took into account situations where :

- A person or establishment is likely to
 - make a financial gain;
 - or to avoid financial loss at the customer's expense;
- A person or institution has an interest in the outcome of the service provided to the customer or of a transaction carried out on the customer's behalf that is different from the customer's interest in the outcome;
- A person or institution is heavily involved in the management or development of insurance-based investment products, in particular where that person has an influence on the pricing of such products or on their distribution costs;
- A person or the establishment has the same professional activity as the customer;

- A person or establishment receives or is likely to receive from a person other than the customer an inducement in connection with the service provided to the customer, in the form of monetary or non-monetary services or benefits.

1) Provision of investment services

The following potential conflicts of interest have been identified:

- **As part of the discretionary management activity** :
 - The allocation within the portfolios could be oriented towards products issued by Groupe BPCE which would be more remunerative for CEHDF or the manager.
 - CEHDF distributes management mandates that can be managed by Groupe BPCE entities (e.g. VEGA IM).
- **In connection with the business of receiving and transmitting orders** if the institution fails to treat customers fairly by putting the interests of one customer before those of another, for example by communicating one customer's order request before another customer's.
- **As part of the custody account keeping activity** CEHDF delegates this activity to BPCE Euro Titres.
- **As part of its investment advisory business** CEHDF provides non-independent investment advice and may market financial instruments developed in-house or by Group subsidiaries.

As part of proprietary trading activities the institution may enter into transactions using confidential information for its own benefit.

2) The provision of insurance products and services (life and non-life)

The following potential conflicts of interest have been identified:

- CEHDF has an interest in the sale of its group products (group funds in unit-linked products);
- CEHDF grants promotional rates for new entrants to the detriment of profit sharing for customers already in the portfolio (conflicts between customers);
- CEHDF offers a life insurance arbitration mandate managed by the insurer or an entity in the BPCE group;
- CEHDF charges investment fees and/or term fees;
- The CEHDF receives a financial gain if the fund is changed during the life of the multi-support life insurance policy.

3) Provision of banking services and products

The following potential conflicts of interest have been identified:

- A member of staff manages accounts or facilitates the granting of credit to a relative;

- An employee earns commission on the sale of banking products;
- An employee calls on the services of one of the establishment's professional customers.

The CEHDF also keeps a register of potential or actual conflicts of interest that have been reported to them and the measures taken to avoid them.

4) VAN LYS BANK investment bank

CEHDF's investment banking business encompasses a number of business lines, including private banking, private equity, real estate investment advice, mergers and acquisitions and structured finance.

The following potential conflicts of interest have been identified:

- CEHDF provides financing to an entity in which it is also an equity investor;
- CEHDF selects a co-investor, seller or buyer who is one of its customers;
- CEHDF offers its private banking clients the opportunity to invest in a fund that it also finances;

In this respect, and notwithstanding all the measures described above, CEHDF ensures that it acts with complete transparency vis-à-vis all stakeholders regarding the nature of its remuneration, the various conflicts of interest and the rational and objective criteria for selecting its partners and counterparties.

4. Setting up a dedicated training programme

A dedicated training programme has been set up within CEHDF to make employees aware of the issues surrounding conflicts of interest and the applicable rules and procedures.

IV. IDENTIFYING CONFLICTS OF INTEREST

To ensure effective detection of conflicts of interest, the CEHDF has set up :

- Training for employees to identify and detect potential conflicts of interest.
- Procedures to enable employees to report a conflict of interest situation so that it can be managed and appropriate measures put in place where necessary

Under these procedures, any employee who identifies an actual or potential conflict of interest must declare it immediately to the Compliance Department.

V. MANAGING AND DEALING WITH CONFLICTS OF INTEREST

CEHDF has set up a Group system for managing and dealing with conflicts of interest.

When a potential or actual conflict of interest is identified and reported to CEHDF, the Compliance Department :

- Analyses the potential or actual conflict of interest situation on the basis of the information provided, in order to assess the various impacts likely to affect customers' interests;
- With the help of the Business Unit concerned, proposes a solution aimed at avoiding the conflict of interest or resolving it, for example by taking mitigation measures that are appropriate and justified to the situation in question. Where mitigation measures are proposed, the establishment will follow them up.

As a last resort and if, despite the various measures taken by the CEHDF, the conflict of interests cannot be resolved, and the risk of harming the customer's interests cannot be avoided, the institution shall inform the customer in a durable medium of the exact nature and source of the conflict of interests so that the customer can make a fully informed decision.

- Updates the Conflicts of Interest Register in respect of such conflicts of interest, specifying any provisions and measures that have been put in place.

In addition, the governing bodies receive frequent written reports, at least once a year, on situations giving rise to potentially damaging conflicts of interest.

VI. CONTROL SYSTEM

The control system aims to ensure the efficiency of the system put in place within CEHDF to :

- Ensuring that the customer's interests are paramount in the various services and products offered by the bank;
- Ensuring that employees act honestly, fairly and impartially.

The establishments have implemented controls designed in particular to ensure that the systems in place within the establishments :

- Limit the risk of conflicts of interest in the exercise of the CEHDF's activities
- Manage conflicts of interest when they arise to ensure that they are not likely to harm clients' interests;
- Mitigate conflicts of interest;
- Are effective and correctly applied.

When the monitoring of conflicts of interest reveals malfunctions, the Compliance Department defines an action plan and takes corrective measures. These measures must be monitored.

When situations of conflict of interest cannot be avoided despite the various preventive measures that have been put in place, the institution reviews its system to supplement it.