



INDUCEMENTS POLICY

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1. OBJECTIVE OF THE POLICY AND REGULATORY FRAMEWORK

1.1 Introduction

Banque de Patrimoines Privés, S.A. (Hereinafter, "**Banque de Patrimoines Privés**" or the "**Entity**") has developed its best practices in order to meet the requirements established by the Market in Financial Instrument Directive 2014/65/UE of the European Parliament and of the Council of 15 May 2014 (hereinafter "MiFID II Directive").

MiFID II Directive includes a series of obligations of application to those entities that provide investment services in relation to the perception and payment of inducements.

Thus, in the preparation of this **Inducements Policy** (hereinafter, the "**Policy**"), the following regulatory sources have been considered:

- MiFID II Directive.
- Commission Delegated Regulation (EU) 2017/565 of 25 April 2016 supplementing Directive 2014/65/EU ("**Delegated Regulation**").
- Commission Delegated Directive (EU) 2017/593 of 7 April 2016 supplementing Directive 2014/65/EU ("**Delegated Directive**").

The above provisions are collectively referred to as the "**Applicable Regulations**".

The MiFID II Directive and its various implementing rules amend the inducement scheme established by the MiFID I Directive, in particular:

(i) Prohibiting the perception of inducements within the framework of discretionary management services or independent advice.

In these cases, it is expressly prohibited to receive fees, commissions or other benefits, whether monetary or otherwise, by a third party or person acting on behalf of a third party, when providing the discretionary portfolio management service.

Only non-monetary minor benefits may be used to improve the quality of the service, which provided are of a scale that does not detract from the independence of the Entity or the obligation to act in the best interest of its clients.

(ii) Increasing transparency obligations vis-à-vis clients in cases in which the Entity receives or pays inducements to third parties.

1.2 Objective of the Policy

This Policy specifies a set of rules and conditions additional to those established under the Policy of Conflicts of Interest Management in the Provision of Investment Services of the Entity, being complementary to it, not being substitutive or alternative one of the other.

The purpose of this Policy is to:

- Define the principles established by the Entity for the identification of inducements and analysis on its nature; and

- Define the general principles of the Entity for the communication to clients of the identified inducements.

2. SCOPE OF APPLICATION

This Policy is applicable and mandatory for Banque de Patrimoines Privés, as an authorized entity for the provision of investment and/or ancillary services, as well as for all professionals and staff of the Entity who carry out directly and indirectly related activities with the provision of investment and/or Policy services, including agents and employees. In this sense, all the professionals and staff of the Entity, as well as their agents and employees have the duty to know, comply and apply the present Policy.

3. INDUCEMENTS GENERAL PRINCIPALS

The inducement regime applicable under MiFID II is regulated as follows:

INDUCEMENTS REGIME UNDER MiFID II						
Service	Independent Advice	Discretionary Portfolio Management	Non Independent Advice	Reception and Transmission of orders	Execution	Policy Services
Inducements Regime MiFID II	Forbidden <input type="checkbox"/>		Allowed <input checked="" type="checkbox"/>			
	Exception: Not monetary minor benefits can be perceived if: <ol style="list-style-type: none"> Disclosed to the client; Do not interfere in the duty to act in the best interest of the clients. 		As long as: <ol style="list-style-type: none"> Disclosed to the Client; Increase the quality of the service; and Do not harm the fulfillment of the obligation of the Entity of acting with honesty, impartiality and professionalism in the best interest of its clients. 			

For the purposes of the present Policy, Banque de Patrimoines Privés will understand as inducement, the fees, commissions or monetary or non-monetary benefits, which the Entity provides or receives from third parties in the provision of the investment services and/or

ancillary services in respect of the financial instruments which are under the scope of the MiFID II Directive.

The Entity will not pay or charge fees or commissions to a third party, nor will provide or receive any non-monetary benefit of a third party in relation to the provision of dependent investment advice, reception and transmission of orders or an ancillary service, unless payment or benefit:

- a. Has been designed to improve the quality of the relevant service provided to the client;
- b. Do not harm the fulfillment of Banque de Patrimoines Privés obligation to act with honesty, impartiality and professionalism, in the best interest of its clients; and
- c. Is justified by the provision of a continuing benefit to the client in relation to a continuous inducement and is disclosed to the client.

The payment or benefit that allows or is necessary to provide investment services by Banque de Patrimoines Privés, such as deposit expenses, settlement and exchange expenses, regulatory fees or legal expenses, and which, by their nature, cannot conflict with the duty of the Entity to act with honesty, impartiality and professionalism in the best interest of its clients will not be subject to the requirements of improvement of the quality of the service.

The existence, nature and amount of the payments or benefits of the allowed received or granted inducements, must be disclosed to the client before the provision of the service. Nevertheless, when such amount cannot be determined, the method of calculation of that amount shall be clearly disclosed to the client in a complete, exact and understandable manner before the provision of the investment service or ancillary service.

It is a general principle under this Policy that the Entity guarantees that in its business relations, and in particular in those services that may be affected by the prohibitions detailed in this Policy, no fees or commissions will be received or paid, nor will receive or will provide non-monetary benefits that may prevent its action in the best interest for its clients.

In any case, any inducement that Banque de Patrimoines Privés may receive in relation to the provision of independent advice (in case it may be provided at any time) or in the provision of discretionary portfolio management services, shall be deemed not permitted and, in case of being perceived, will be transferred as soon as possible to the final client.

3.1 Criteria to establish the improvement of the quality of service

Subject to legal and regulatory conditions, a non-monetary fee, commission or benefit is deemed to be designed to raise the quality of the relevant service to the client if all of the following conditions are met:

- A.** Is justified by the provision of an additional or higher level service to the client, proportional to the level of inducements received;
 - i. In Dependent Advice:
 - a. analysis of, and access to, a wide range of appropriate financial instruments, including an appropriate number of instruments from third-party suppliers of products lacking close links with the Group; or
 - b. offer a combined service, in addition to the advice service by providing any of the following:

- an offer to the client to evaluate, at least annually, the continuity of the suitability of the financial instruments in which has invested;
 - other ongoing service that is likely to be of value to the client, such as advice on the optimal allocation proposed for its assets;
- ii. In commercialization (receipt and transmission of orders): the provision of access, at a competitive price, to a wide range of financial instruments that are likely to meet the client's needs, including an appropriate number of instruments from third party suppliers of products that lack links with the Entity, together with the provision of value-added tools, such as:
- a. objective information tools that assist the relevant client in making investment decisions or empowering them to follow up;
 - b. modeling and adjustment of the range of financial instruments in which it has invested; or
 - c. provision of periodic performance reports, and costs and charges associated with financial instruments.

B. Does not directly benefit the receiving entity, its shareholders or staff without a tangible benefit to such client;

C. It is justified by the provision of a continuing benefit to the client in relation to a continuous inducement.

For that purpose, the Product Committee will determine among the indicated suppositions which ones are related to a specific inducement analyzed in the framework of the approval process of a new investment product and / or service, or the review of an existing product or service, in order to adequately and proportionately justify the provision of an additional service to the client.

In relation to those inducement cases that after applying the service improvement assessment procedure do not meet the required conditions, the Banque de Patrimoines Privés' Compliance Department will prepare a Report justifying this conclusion and will make the pertinent proposal of actions to be applied, which will be submitted to the Product Committee. In these cases, when it is concluded that the inducements do not represent an improvement of the service, the relevant instructions will be given to transfer the amount as soon as possible to the final client.

In the event that an already verified inducement changes its conditions or characteristics and becomes non-permitted, it will be suspended immediately by Banque de Patrimoines Privés until the Compliance Department completes a new verification that allows it to conclude if the new conditions/circumstances alter the allowed character in the origin of the same.

3.2 Not Allowed Inducements

The distribution of assets in discretionary managed portfolios is done in order to obtain the maximum possible benefit for the client and not in consideration of possible commercial strategies, so when Banque de Patrimoines Privés provides portfolio management services or independent advice, it will not accept or will retain fees, commissions or other monetary or non-monetary benefits paid or provided by a third party or by a person acting on behalf of a third party in relation to the provision of the service to clients.

When providing any investment service (including discretionary portfolio management and independent advice), Banque de Patrimoines Privés may accept minor monetary benefits that may serve to increase the quality of the service rendered to the client and whose scale and nature are such that it cannot be considered affect the fulfillment by Banque de Patrimoines Privés of the obligation to act in the best interest of its clients. However, such minor non-monetary benefits will be communicated clearly to the client.

Banque de Patrimoines Privés considers non-monetary minor benefits:

- a) Information or documentation relating to a financial instrument or an investment service, is generic in nature or personalized to reflect the circumstances of an individual client
- b) Written material from a third party that is commissioned and paid for by an corporate issuer or potential issuer to promote a new issuance by the company, or where the third party firm is contractually engaged and paid by the issuer to produce such material on an ongoing basis, provided that the relationship is clearly disclosed in the material and that the material is made available at the same time to any investment firms wishing to receive it or to the general public;
- c) Participation in conferences, seminars or other training activities on the benefits and characteristics of a particular financial instrument or investment service;
- d) The expenses of representing a reasonable minimum value, such as the allowance during a business meeting or a conference, seminar or other training activity mentioned under point c);
- e) Other minor non-monetary benefits of a scale and nature that are unlikely to impair compliance with Banque de Patrimoines Privés' duty to act in the best interest of the client.

If the Entity has received an inducement not allowed by the provision of discretionary portfolio management or advice (not independent), the client will be informed of the mechanisms that the Entity will use to transfer the fees, commissions or monetary benefits received by the provision of the investment service or the ancillary service.

The appropriate procedure to transfer to clients the inducements not allowed will be through a bank transfer to the client's account, which will be accompanied by a communication to the client that includes the amount of the amount paid to the client.

4. ESSENTIAL MEASURES FOR THE IDENTIFICATION, RECORD AND JUSTIFICATION OF INDUCEMENTS

4.1 Inducements Identification Procedure

The Entity's Product Committee will be responsible for identifying and detailing the non-monetary fees, commissions or benefits that will be paid or received in connection with the provision of investment services to clients.

The identification of each type of inducement by the Product Committee shall integrate the analysis of its justification in consideration of the requirement that such inducements shall only be considered permissible provided they are designed to raise the quality of the relevant service rendered to the client.

With this purpose, the Compliance Department will be responsible for establishing a Permitted Inducement Registry that will integrate the following information:

- a) The inclusion of an internal list of all non-monetary fees, commissions and benefits received by Banque de Patrimoines Privés from third parties in connection with the provision of investment or ancillary services;
- b) Justification of how the non-monetary fees, commissions and benefits paid or received by Banque de Patrimoines Privés, or proposed to be used, increase the quality of the services provided to the relevant clients,
- c) Indication of the measures adopted in order not to impair the Entity's obligation to act honestly, fully and professionally in the best interest of the client.

The aforementioned information is gathered in the Annex I of the present Policy.

The inducement identification process will always be carried out within the framework of the process of approval of new products/services or revision of conditions of existing products/services, contemplated in the Product Governance Policy. In this way, the Entity's Product Committee will validate and approve the characteristics, conditions and justification of each type of inducement (monetary or non-monetary).

4.2 Procedures to inform clients about inducements

In relation to payments or benefits received from third parties, or subscribers to them, Banque de Patrimoines Privés shall disclose to the client the following information:

- i. Prior to the provision of the investment or ancillary service in question, Banque de Patrimoines Privés will disclose to the client in the Pre-contractual Information Sheet and in the orders, the information regarding the payment or the benefit in question; the non-monetary minor benefits may be described in a generic way, however, other non-monetary benefits received or paid by the Entity in relation to the investment service provided to a client will be quoted and disclosed separately.
- ii. Where Banque de Patrimoines Privés has not been able to determine before the amount of a payment or benefit to be received or paid and has instead disclosed to the client the method of calculating that amount, it must also provide its clients with information concerning the exact amount of the payment or the benefit received or paid after. This information must be included in the confirmations of the orders (if possible), and if this is not possible, it must be informed in the first communication sent to the client (quarterly or annual).
- iii. At least once a year, and as long as Banque de Patrimoines Privés receives (continuous) inducements in relation to the investment services provided to the relevant clients, it will inform its clients individually of the actual amount of the payments or the benefits received or paid; the non-monetary minor benefits can be described in a generic way. This information may be integrated in an annual communication on fees, expenses and benefits that the Entity will provide to the client each year.

If applicable, Banque de Patrimoines Privés will also inform the client of the mechanisms to transfer to the client the fees, commissions or monetary and non-monetary benefits received for the provision of the investment service or the ancillary service.

5. USE OF INDUCEMENTS IN RELATION TO RESEARCH

When Banque de Patrimoines Privés provides portfolio management services or other investment or Policy services to its clients and receives analytical / research services from third parties, the latter will not be considered an inducement when it is received in exchange for any of the following elements:

- a) Direct payments by the Entity out of its own resources;
- b) Payments from a separate research payment account, controlled by the Entity, provided the following conditions relating to the operation of the mentioned account:
 - i. The analysis/research payment account is provided with funds generated by a specific analysis / research charge applied to the client;
 - ii. As part of the establishment of an analysis/research payment account and an analysis/research agreement with its clients, Banque de Patrimoines Privés establishes and periodically evaluates an analysis/research budget as an internal administrative measure;
 - iii. Banque de Patrimoines Privés is held responsible for the analysis/research payment account;
 - iv. Banque de Patrimoines Privés periodically assesses the quality of the analysis/research purchased based on robust quality criteria and its ability to contribute to better investment decisions;

In the event that the analysis or investigation received by third parties does not fulfill the aforementioned conditions, it is considered a non-monetary inducement and must follow the channels of the previous section to verify if it is allowed or not.

When Banque de Patrimoines Privés uses the analysis / research payment account, it shall provide the following information to clients:

- i. Before the provision of an investment service to clients, information about the budgeted amount for the analysis/research, and the amount of the estimated analysis/research charge for each of them;
- ii. The annual information on the total costs incurred that each of them has incurred for third party researches.

In the event that Banque de Patrimoines Privés manages an analysis/research payment account, it must have at the disposal of the client and the Competent Authority a summary of the suppliers paid out of that account, of the total amount paid to them during a period, of the benefits and services received, and how the total amount spent charged to the account is in line with the budget established by the Entity for said period, indicating any discount or remaining balance if residual funds remain in the account.

Banque de Patrimoines Privés understands as specific analysis/research position:

- a) Position based only on an analysis/research budget established by the Entity in order to determine the need analysis/research services provided by third parties regard to the investment services provided to its clients;
- b) A position that will not be linked to the volume or value of the operations executed on behalf of the clients.

Banque de Patrimoines Privés will determine with its clients the budgeted analysis/research charge and the frequency with which the analysis/research charge specific to the client's resources will be deducted during the year. The research budget can only be increased by providing clear information to clients about the expected increase. If there is a surplus in the research payment account at the end of a period, the Entity must have a process for the reimbursement of such funds to the client or for their compensation with the budget and research charge calculated for the following period.

Banque de Patrimoines Privés analysis/research budget is based on a reasonable assessment of the need of analysis/research services given by third parties. The allocation of the analysis/research budget to acquire analysis/research services from third parties subject to the relevant controls and supervision of the Senior Management, in order to ensure that this budget is managed and used in the best interest of clients of the Entity.

Banque de Patrimoines Privés will establish all the necessary elements in a written document that will put at the disposal of its clients, in which will approach the measure in which the analysis/research services acquired from the analysis/research payment account will benefit the portfolios of the clients, considering the investment strategies applicable to different types of portfolios, as well as the approach that Banque de Patrimoines Privés will adopt in order to allocate such costs equally to the various client portfolios.

6. COMPLIANCE DEPARTMENT

The Banque de Patrimoines Privés' Compliance Department will advise to the Product Committee, as member thereof, in relation to the assessment of compliance with the normative conditions foreseen to determine the concurrence of reasons that prove the existence of services and/or additional provisions to the main investment service that proves the increase in the quality of the mentioned service in interest of the client, in a proportional manner to the benefit received by the Entity.

The Entity's Compliance Department will have quality vote in the Product Committee at the moment of determining the approval of the inducement linked to an investment product or service. The Compliance Department will not limit itself to the assumptions of new inducements or inducements in new products, but also there will be required that it realizes a previous assessment in case of material changes in existing inducements in the process of approval or review of products and/or services in the Product Committee. In the event of the change of an inducement already verified in the process of approval of a new product/service of investment or revision of existing products/services may be modified as a consequence, among others, of changes in the contractual agreements between Banque de Patrimoines Privés and the Supplier/Issuer of the investment product/service and such changes in contractual terms are not subject to analysis in the Product Committee, the Compliance Department of the Entity must also carry out its analysis and validation.

To these effects, it will be considered as a material change, the following ones:

- 1) Variations greater than 20% in the amount of the inducement allowed;
- 2) Changes in inducement calculation;
- 3) Changes in the collection model or perception of the inducement.

7. LIABILITY, DIFFUSION, UPDATE AND CONTROL OF THE POLICY

The present Policy must be approved by the Board of Directors of Banque de Patrimoines Privés, coming into force from the same moment of the mentioned approval. If necessary, the Board of Directors and the Senior Management of Banque de Patrimoines Privés will approve the modifications to the Policy that they consider appropriate, which will join to this one and will apply from the moment of its approval.

The Entity's Compliance Department will be responsible for the drafting of this Policy, its pertinent modifications/updates and any documents annexed thereto that are needed, as a result of normative changes that affect directly or indirectly the content of the same, or as a consequence of the adoption of other Internal Policies.

The Banque de Patrimoines Privés' Compliance Department shall review the content of this Policy at least once a year, or less if it is deemed appropriate in view of the circumstances at any moment.

The Banque de Patrimoines Privés' Compliance Department will integrate in its periodic Report (it may be included in the information to be scaled up in the area of MiFID II product governance) to the Board of Directors, information about the application and result of the present Policy. Such reporting shall be realized at least annually.

The Compliance Department will ensure that the content of this Policy and, specially, the inducement justification methodology, should be integrated in the training actions of the personnel that performs commercial functions as well as those areas involved in the development of business of the Entity.

Annex I: List of Inducements received for Banque de Patrimoines Privés of third parties in relation with investment services provided. Updated to July, 2017

Monetary Inducements or non-monetary perceived benefits	Description	Measures to justify the increase in the quality of client service proportional to the benefit obtained	Inducement Calculation Method	Date of Approval by the Product Committee
Monetary Inducement	Retrocessions perceived by [·] in relation with the of Collective Investment Schemes under the Agreement [·]	<p>Illustrative example of justification for enhancing the quality of service.</p> <ul style="list-style-type: none"> • The Client can access Open Product Architecture (products of entities Banque de Patrimoines Privés Group + Third Parties) • The Client receives follow-up of appropriateness (marketing)/suitability (advice) with a minimum annual frequency (which may be lower - semester, quarterly, monthly - depending on the service. • The Client has access to information in the Pre-contractual Phase or in the Post-contractual Phase that allows him/her to compare the performance of his investment vs. other similar products. • The Client will receive, at least annually, a report (which may be lower according to the level of service). Report of Expenses, Commissions, Costs, Inducements and Investment Evolution, which allows the total cost of the investment to be reported and its 	[It must be obtained from the Distribution Agreement or from the Annex of financial terms and conditions]	

		effect on the profitability of the investment made.		
Non-Monetary Inducements	<p>Conversations about product and markets to the commercial network.</p> <p>Videos and publications in internal or external channels (social, Internet networks) about markets and funds with opinions of the manager.</p> <p>Monthly commercial sheets in French and English.</p>	<p>Illustrative example of minor inducement justification: [Inducement Description] it supposes a purely accessory benefit provided by the Supplier/Issuer of the product/service to the Group, whose performance provision in consideration of its value of market and scale (volume of hours/investment/cost) is limited in comparison with the habitual monetary inducements for this type of relations between the supplier of an instrument and the distributor.</p>	Not Applicable	

Annex II: Analysis Sheet and Approval Inducements

	Indicate with X and complete with additional information when it fits		Additional Information (if necessary)
Inducement Description	Monetary		
	Non Monetary		
Inducement Description	Payment to a third party		
	Perceived of a third party		
MiFID Service/Product related:	Indicate the Product (category e.g. Structured, Investment funds, Exchange Insurances, Dependent Punctual Advice, Dependent Recurring Advice, Marketing, etc.)		
Fees that the Client supports for the MiFID service/product	Yes (specify the fees supported by the client)		
	No client fees for this product/service		
Inducement calculation system:	Explain according to distribution agreement, commercial agreement with the supplier, etc.		
The Inducement remains within the Banque de Patrimoines Privés (i.e. who pays and receives are entities from the Group)	Yes		
	No (indicate which type of third party is who pays or who receives the inducement)		
Factors for its acceptance	F.1 Justification of the	The Client can access Open Product Architecture (products of entities of the Banque de Patrimoines Privés Group + Third Parties)	
		<ul style="list-style-type: none"> The Client receives follow-up of appropriateness (marketing) / suitability 	

		Indicate with X and complete with additional information when it fits	Additional Information (if necessary)
	Improvement quality of the service/product (indicate that they should meet)	(advice) with a minimum annual frequency (which may be lower - semester, quarterly, monthly - depending on the service.	
		<ul style="list-style-type: none"> The Client has access to information in the Pre-contractual Phase or in the Post-contractual Phase that allows him/her to compare the performance of his investment vs. other similar products. 	
		The Client will receive, at least annually, a report (which may be lower according to the level of service). Report of Charges, Fees, Costs, Inducements and Investment Evolution, which allows the total cost of the investment to be reported and its effect on the profitability of the investment made.	
F.2 It do not conflicts with the duty to act in interest of the client		The subscription of the product/service provided is subject to the Suitability/Appropriateness Test. The subscription of the product/provision of the investment service indicated above, is subject to the Entity's Best Execution.	
		The Conflicts of Interest Management Policy is applied, if applicable (e.g. if the inducement remains within the Banque de Patrimoines Privés and the client knows this circumstance).	
		There exist controls that ensure that the Inducement is not going to influence the conduct of the Entity for the provision of the service/product.	

	Indicate with X and complete with additional information when it fits		Additional Information (if necessary)
		The inducement, by its nature and amount, is within the market standard (i.e. exists other entities similar to the Entity, in the type of product/service of investment and its amount is within the market ranges).	
		The nature of the relationship between the Entity and the third party (who receives or pays the inducements) is or may be, a potential source of conflicts of interest or otherwise that should be analyzed in a significant way.	
		The inducement does not suppose an over-cost for the client (neither in the fees that he/she supports nor in the pricing of the product / service). The inducement allows to compensate the performance of certain functions/actions by the Entity in the interest of the client (e.g. production of additional product information, specialized selection of product without advice, permanent support to the client on the operation, characteristics, etc. of the product/service).	

Inducement Assessment	Allowed	
	Not Allowed	

Areas of the Entity participants in the process of Approval	Compliance	Leader: identification	Signature:
	Investments	Leader: identification	Signature:
	Others 1	Leader: identification	Signature:
	Others 2	Leader: identification	Signature:
	Others 3	Leader: identification	Signature: