

# Finovative AI

Conflicts of Interest Policy

Version: March 2025

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## 1. INTRODUCTION

A conflict of interest arises when an individual in a position of trust faces competing professional or personal interests. Such competing interests can hinder the ability to fulfill duties impartially. A conflict of interest may exist even if no unethical or improper actions result from it.

This policy outlines how **Finovative AI** manages conflicts of interest concerning its responsibilities to clients.

The policy has been established in compliance with the relevant regulations and legislation.

## 2. RESPONSIBILITY

The Compliance Officer holds the responsibility for overseeing this area and has access to the necessary resources and personnel to properly execute this procedure.

For the purposes of this policy, "our interest" refers to the interests of **Finovative AI** employees, directors, or others working under its direct or indirect control, as well as any associated agents.

This procedure is reviewed annually. Additionally, if a significant compliance breach occurs, the head of compliance will reassess the relevant procedure. The compliance officer will approve any updates, and if necessary, external compliance consultants will be engaged to review the procedure.

## 3. OVERVIEW

Managing conflicts through disclosure should be a last resort. As far as possible, conflicts of interest should be avoided. When conflicts arise, **Finovative AI** recognizes that they can be managed by:

- **Controlling**
- **Avoiding**
- **Disclosing**

**Finovative AI** is dedicated to avoiding conflicts of interest. We take reasonable steps to detect any conflicts that may arise when services are being provided, whether between us, including our managers, employees, and associated agents, or between us and our clients, or even between clients themselves.

When a potential or actual conflict of interest arises between **Finovative AI** and a client, we ensure that it is identified, monitored, and managed appropriately. We maintain a record of any activities where material conflicts of interest have occurred or may occur.

An up-to-date list of services or investment activities carried out by the company or on its behalf, in which a conflict of interest has arisen, or that may pose a significant risk to the interests of one or more customers, will be kept.

If a conflict of interest arises and it is determined that our actions to manage it are insufficient to ensure that the client's interests are protected, we will disclose the general nature and/or sources of the conflict to the client before proceeding with any business on their behalf.

**Below is a summary of the principal conflicts (some inherent in this type of business) that can arise, and the steps Finovative AI takes to mitigate them.**

#### **4. GIFTS AND INDUCEMENTS**

Occasionally, our employees may personally benefit from interactions with potential or existing clients, service providers, etc. To address this, a Gifts and Inducements Policy is in place to ensure that any gifts or inducements are not excessive and do not create any obligations or debts. A **Gifts and Entertainment Register** is maintained to record any gifts or inducements given or received that exceed a market value of \$100. Pre-approval from compliance is required for any gifts or entertainment exceeding \$100 in value, whether given to or received from clients. Such transactions will be recorded by compliance on the Gifts and Entertainment Register. In exceptional cases, where pre-approval is not feasible, the transaction will be reviewed and recorded post-event by compliance.

**Finovative AI** believes that conflicts arising from gifts and inducements are minimal due to the nature of our client contact, which predominantly occurs via telephone, with little face-to-face interaction. In the past, gifts received by employees have been modest items, such as a bottle of wine, typically valued below the threshold.

#### **5. REMUNERATION**

**Finovative AI** strives to ensure that our employees remain motivated while ensuring that the remuneration structure does not incentivize inappropriate behavior. We acknowledge that conflicts can arise and remain vigilant through our monitoring mechanisms to prevent potential abuse.

A clear remuneration policy is in place to ensure that rewards do not conflict with the interests of our clients. We do not and will not offer remuneration packages that encourage behavior that disadvantages the interests of clients or other stakeholders. Employees will be rewarded based on merit and long-term, value-adding performance.

Back-office compensation is independent of business performance and is instead based on individual performance. Sales staff compensation, however, is structured to build and nurture relationships with clients and offer a holistic service. This section highlights the key significant risks involved in trading in our products but does not encompass all potential risks.

#### **6. BUSINESS INTERESTS AND SUITABILITY**

In the event that **Finovative AI** or any person connected to it may have an interest, relationship, or arrangement that is material to the services, transactions, or investments involved, or where an employee may hold a role such as trustee, power of attorney on behalf of a client, or act as a director for a corporate client, we require employees or connected persons to declare such interests to compliance as necessary.

To manage such conflicts, we require employees to disclose any directorships or interests in other companies. They are obligated to disregard and disclose any conflicting interests, relationships, or arrangements when they arise.

Additionally, compliance conducts a quarterly staff attestation, which is required by all employees regarding the above interests.

## 7. RECORD KEEPING

A **conflicts of interest register** is maintained to record services and activities where a conflict has arisen or may arise. The register is updated with a record of the kinds of services or activities carried out on behalf of **Finovative AI** in which a conflict of interest, posing a material risk of harm to the interests of one or more clients, has arisen or may arise in the case of ongoing services or activities.

Copies of each Conflicts of Interest policy will be retained for at least 5 years after being superseded. **Compliance Registers** will also be retained for no less than 5 years.

## 8. HOW TO USE THIS PROCEDURE

Copies of file notes, compliance review feedback, and any other documentation related to conflicts of interest are kept together with the **Conflicts of Interest Register** in the **Compliance Registers** file.

## 9. CONTROLLING CONFLICTS OF INTEREST

### STEP 1 – Identification of Conflicts of Interest

To identify the types of conflict of interest that may arise while providing investment and ancillary services, **Finovative AI** considers whether the company or any relevant person, or someone directly or indirectly linked by control, is in any of the following situations—whether as a result of providing investment or ancillary services or investment activities:

- a) **Finovative AI** or a relevant person stands to make a financial gain, or avoid a financial loss, at the expense of a client.
- b) **Finovative AI** or a relevant person has an interest in the outcome of a service provided to a client or a transaction conducted on behalf of the client, which is distinct from the client's interest in that outcome.
- c) **Finovative AI** or a relevant person has a financial or other incentive to prioritize the interest of another client or group of clients over the interests of the client.
- d) **Finovative AI** or a relevant person carries out the same business as the client.
- e) **Finovative AI** or a relevant person receives or will receive from a person other than the client an inducement related to the service provided to the client, in the form of money, goods, or services, other than the standard commission or fee for that service.

### STEP 2 – Managing Conflicts of Interest

The company has established internal policies and procedures, and an in-house **Compliance Department**, responsible for identifying and managing potential conflicts of interest. Compliance will also ensure that relevant internal procedures are updated and adhered to.

**Finovative AI** maintains and operates effective organizational and administrative procedures to manage and prevent the identified conflicts of interest from posing a material risk of harm to the interests of its clients.

Additionally, **Finovative AI** undertakes ongoing monitoring of business activities to ensure that internal controls remain appropriate.

The measures adopted are designed to ensure that relevant individuals involved in business activities that could result in a conflict of interest perform these activities with the necessary level of independence, considering both the size and scope of **Finovative AI**'s operations and the materiality of the risks to client interests.

In general, the procedures and controls that the company adheres to regarding conflicts of interest include the following measures to ensure the required degree of independence:

- a) Effective procedures to prevent or control the exchange of information between relevant persons engaged in activities where the exchange may harm the interests of one or more clients.
- b) The separate supervision of relevant persons whose primary duties involve performing services on behalf of, or providing services to, clients whose interests may conflict or who may represent different interests, including those of **Finovative AI**.
- c) The elimination of any direct link between the remuneration of relevant persons primarily engaged in one activity and the remuneration or revenues generated by different relevant persons primarily engaged in another activity, where a conflict of interest may arise.
- d) Measures to prevent or limit any individual from exerting inappropriate influence over how a relevant person performs investment or ancillary services or activities.
- e) Measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate services or activities that could impair the proper management of conflicts of interest.

Some of the policies and procedures established to prevent conflicts of interest are as follows:

- a) A dedicated **conflicts of interest register** for appropriate record-keeping of all potential and actual conflicts. The **Conflicts of Interest Register** is reviewed twice yearly during the compliance committee meetings.
- b) Personal account dealing requirements for relevant persons regarding their own investments.
- c) **Remuneration policies** for relevant persons that ensure their rewards are not in conflict with client interests.
- d) A **gifts and inducements log** to register the solicitation, offer, or receipt of certain benefits. A comprehensive gifts and inducements policy is maintained to limit the conflict of interest arising from the giving or receiving of inducements.
- e) The prohibition of external business interests that conflict with **Finovative AI**'s interests, unless board approval is granted.
- f) Establishment of an in-house **compliance department** to monitor and report the above practices to the company's **Board of Directors**.