

**CONFLICTS OF INTEREST POLICY**

**Approved**  
[\_\_\_\_\_] , 2024

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## I. PURPOSE OF THIS POLICY

Reference is made to Deed Number 2 of Public Trust executed on March 12, 2022 before notary Edgardo Nieves Quiles, as amended (the “Pension Reserve Deed of Trust”), and the Guidelines for the Governance and Administration of the Puerto Rico Plan of Adjustment Pension Reserve Trust and Monitoring of Plan of Adjustment Pension Benefits, as amended (the “Guidelines”), which created the Commonwealth Plan of Adjustment Pension Reserve Trust (the “Trust”), the Commonwealth Plan of Adjustment Pension Reserve Board (the “Board”), and the Commonwealth Plan of Adjustment Pension Benefits Council (the “Council” and, collectively with the Board, the “Trust Entities” and each a “Trust Entity”). Capitalized terms used herein and not otherwise defined shall be defined as set forth in the Pension Reserve Deed of Trust and in the Guidelines.

This Conflict of Interest Policy (the “Policy”) is designed to help Trustees, members of the Council, officers, executive employees, advisors, consultants and independent contractors of the Trust identify situations that present potential conflicts of interest and to provide the Trust Entities with a procedure which will allow a transaction to be treated as valid and binding even though a Responsible Person (as defined herein) has or may have a conflict of interest with respect to the transaction.

## II. TERMS and DEFINITIONS

### 1. Definitions.

- A. A “Responsible Person” is any person serving as Trustees, members of the Council, officers, executive employees, advisors, consultants of any of the Trust Entities, and independent contractors hired by any of the Trust Entities whose compensation exceeds \$5,000 per year.
- B. An “Immediate Family Member” is a parent, spouse, in-laws, child, or sibling of a Responsible Person. Reference to Conflict of Interest regarding a Family Member refers only to information the Responsible Person has knowledge of. The Responsible Person is not required to conduct any type of investigation to corroborate or verify if a Conflict of Interest exists. However, if a Responsible Person has knowledge of a relationship of another family member that might create the appearance of a Conflict of Interest, that relationship should be reported to the Trust.
- C. A “Material Financial Interest” in an entity is a financial interest in a single transaction or in the aggregate amounts to \$5,000 or more in a single year. For purposes of this policy, a financial interest with respect to a Contract or Transaction shall constitute a Material Financial Interest if, but only if, an ordinarily prudent person in a like position would reasonably conclude that such interest would affect his or her judgment with respect to the Contract or Transaction. If the Responsible

Person has any question as to whether a Material Financial Interest exist, he or she should submit his/her question to the Audit & Compliance Committee.

D. A “Contract or Transaction” is any agreement or relationship involving the sale or purchase of goods, services, or rights or any kind, the providing or receipt of a grant or loan, or the establishment of any other type of pecuniary relationship with any of the Trust Entities.

2. Conflict of Interest Defined. For the purposes of this Policy, a “Conflict of Interest” occurs when an individual’s private interest (or the interest of a member of his or her Immediate Family Member) interferes, or even appears to interfere, with the interests of the Trust Entities. A Conflict of Interest can arise when a Responsible Person takes actions or has interests that may make it difficult to perform his or her work for the Trust or receives improper personal benefits as a result of his or her position with the Trust Entities. The following circumstances shall be deemed to create Conflicts of Interest:

A. Direct Interests. A Contract or Transaction between any of the Trust Entities and a Responsible Person or Immediate Family Member, including compensation from a Trust Entity to a Responsible Person or Immediate Family Member.

B. Indirect Interests. A Contract or Transaction between any of the Trust Entities and an entity in which a Responsible Person or Immediate Family Member has a Material Financial Interest or of which such person is a compensated or uncompensated director, officer, agent, partner, associate, trustee, personal representative, receiver, guardian, custodian, conservator, or other legal representative.

C. Gifts, Gratuities and Entertainment. Payment, gifts, or other things received with a value of \$75 or more (“Gifts”) in any 12-month period from any party seeking or having responsibility to invest the Trust’s funds or provide goods or services for compensation to any of the Trust Entities directly, or indirectly by subcontractor, affiliate, or other such relationship with a professional or vendor.

### III. ROLES AND RESPONSIBILITIES

A. Each existing, newly hired, or newly elected Responsible Person shall be required to review a copy of this Policy and to acknowledge in writing that he or she has done so before commencing any duties related to the Trust Entities.

B. Each Responsible Person shall annually complete a disclosure form which shall be established by each Trust Entity.

C. Each Responsible Person shall disclose any new potential or actual Conflicts of Interest within ten (10) days of when he or she first becomes aware of this new

potential or actual Conflict of Interest. Failure to timely disclose any new relationships may result in disciplinary action.

- D. The Trust Entities and Responsible Persons are subject to the anti-fraud provisions of the federal securities laws and the Rules of the Securities and Exchange Commission (“SEC”). Section 10(b) of the Securities Exchange Act of 1934 (“1934 Act”) and SEC Rule 10b-5 under the 1934 Act prohibit the purchase or sale of securities on the basis of material, nonpublic information in breach of a duty of trust or confidence. In addition, the Trust Entities and their employees who fail to prevent insider trading may be subject to civil penalties under Section 21A of the 1934 Act.

#### **IV. PROHIBITED ACTIONS**

The following actions are expressly forbidden:

1. A Responsible Person shall not accept Gifts.
2. A Responsible Person shall not accept anything of value from the Pension Benefits Council or the Commonwealth (other than compensation for any Trustee that is government employee or Member of the Pension Benefits Council).
3. No Responsible Person shall under any circumstances accept offers by reason of their position with any of the Trust Entities to trade in any security or other investment on terms more favorable than those available to the general investing public.
4. No Responsible Person shall borrow from investment managers, outside service providers, professional advisors or consultants, banks, or other financial institutions with which any of the Trust Entities has a business relationship, unless such entities are normally engaged in such lending in the usual course of their business and not because of its relationship with the Trust Entities and the terms of such borrowing are similar to those obtained by the general public or non-Trust-related customers.
5. Responsible Persons may only accept invitations to seminars, conferences, educational meetings, or other functions so long as the following conditions are met:
  - (i) The invitation is not seeking to engage in any form of business relationship with any of the Trust Entities nor the person making the invitation is participating in any procurement process for a Trust Entity, provided however that this restriction will not apply if, at the time of the invitation, a business relationship with a Trust Entity already exists.
  - (ii) The seminar/conference/educational meeting is widely attended by other clients of the organizer.

- (iii) The Responsible Person does not accept payment for speaking at or attending the event.
- (iv) The Responsible Person or the Trust Entities must cover all his or her travel and lodging expenses.

6. No Responsible Person shall intervene, either directly or indirectly, in any matter in which he or she has a Conflict of Interest, or potential Conflict of Interest, that may result in his or her benefit. In addition, no Responsible Person shall intervene, directly or indirectly, in any matter in which any Immediate Family Member has a Conflict of Interest, or potential Conflict of Interest, that may result in benefit for the Immediate Family Member.

7. A Responsible Person with influence on a hiring decision shall not intervene, either directly or indirectly, in the appointment, promotion, compensation or contracting of an Immediate Family Member of the Responsible Person.

8. Trustees and members of the Council must abstain from voting on any matter in which a Conflict of Interest or potential Conflict of Interest exists. This includes situations where a Trustee or a member of the Council, an Immediate Family Member thereof, or any entity with which the Trustee or the member of the Council has a Material Financial Interest, may stand to gain, directly or indirectly, from the outcome of the matter under consideration.

## **V. PROCEDURES**

### **1. Onboarding of new Responsible Persons**

Any time a new Responsible Person is onboarded, he or she shall complete the disclosure forms.

### **2. Review of Conflict of Interest in potential new Contracts or Transactions**

Before any of the Trust Entities enters a new Contract or Transaction with a new entity, it shall review any actual or potential Conflicts of Interest.

### **3. Handling of known or perceived Conflict of Interest**

Prior to Board or Council action on a Contract or Transaction involving a potential Conflict of Interest, a Trustee, Member of the Council or executive staff of the applicable Trust Entity who knows he or she has or could appear to have a Conflict of Interest shall disclose all facts material to the Conflict of Interest and shall not be present when the potential Conflict of Interest issue is being evaluated for approval. Such person's ineligibility to participate shall be reflected in the minutes of the meeting.

### **4. Reporting Procedure**

- A. Pension Reserve Board. If a Responsible Person becomes aware of a potential conflict of interest regarding his or her employment or role as a Trustee of the Board or another Responsible Person, the Responsible Person must promptly speak to, write, or otherwise contact the Executive Director as soon as possible. In the event that the person involved is the Executive Director, to any of the Trustees or the Trust's legal counsel.
- B. Pension Benefits Council. If a Responsible Person becomes aware of a potential conflict of interest regarding his or her employment or role as a Member of the Council or another Responsible Person, the Responsible Person must promptly speak to, write, or otherwise contact the Members of the Council as soon as possible. In the event that the person involved is one of the Members of the Council, to the Trust's legal counsel.

#### **5. Disciplinary Action: Failure to Disclose.**

All conflicts of interest will be reviewed on a case-by-case basis. In the case of the Board, any violation or perceived violation to this Policy shall be referred to the attention of the chair of the Audit & Compliance Committee of the Board which shall recommend the appropriate action to the Board. In the case of the Council, any violation or perceived violation to this Policy shall be referred to the attention of the members of the Council which shall recommend the appropriate action to the Council. Each Trust Entity has full discretion to decide what disciplinary action is appropriate and necessary.

#### **6. Enforcement.**

If, after investigating a report of an alleged prohibited action by a Responsible Person, the Board (excluding any Trustee whose conduct is being investigated) or the Council (excluding any Member whose conduct is being investigated) determines that a violation of this Policy has occurred, the applicable Trust Entity will prepare a report summarizing the findings of the violation and the preventive or disciplinary action it deems appropriate, including, but not limited to, removal, reassignment, demotion, dismissal and, in the event of criminal conduct or other serious violations of the law, notification of appropriate governmental authorities. The Trust Entities may engage a third party to conduct such an investigation and report. In the case of the Board, any report prepared under this section shall be kept in a separate file under the custody of the Executive Director. In the case of the Council, any report prepared under this section shall be kept in a separate file under the custody of the Council.

#### **7. Prohibition on Retaliation.**

The Trust Entities do not tolerate acts of retaliation against any Trustee, Member of the Council, officer or employee who makes a good faith report of known or suspected acts of misconduct or other violations of this Policy.