



TECHNICAL GUIDE 1/2026 ON INTERNAL CONTROLS FOR CLOSED ENDED VEHICLE MANAGEMENT COMPANIES

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Legislative references, acronyms and definitions

Legislative references	
Spanish Law 22/2014	Spanish Law 22/2014, of 12 November, regulating venture capital firms, other closed-ended collective investment schemes and closed-ended collective investment scheme management companies, and amending Law 35/2003, of 4 November, on Collective Investment Schemes.
Delegated Regulation 231/2013	Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision.
Directive 2011/61/EU	Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010.
Regulation 345/2013	Regulation (EU) No 345/2013 of the European Parliament and of the Council of 17 April 2013 on European venture capital funds.
Regulation 346/2013	Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013 on European social entrepreneurship funds.
Regulation 2015/760	Regulation (EU) 2015/760 of the European Parliament and of the Council of 29 April 2015 on European long-term investment funds.
Circular 6/2009	CNMV Circular 6/2009, of 9 December, on internal control of collective investment scheme management companies and investment companies.

Acronyms	
CNMV	Spanish National Securities Market Commission.
VCF	Venture Capital Firm (fund or company).
Closed-ended CIS	Closed-Ended Collective Investment Scheme.
EVCF	European Venture Capital Fund.
ELTIF	European Long-Term Investment Fund.
EUSEF	European Social Entrepreneurship Fund.
CIS	Collective Investment Scheme.
CISMC	Collective Investment Scheme Management Company.
Closed-ended CISMC	Closed-ended Collective Investment Scheme Management Company.
Definitions	
Management company	CISMC and closed-ended CISMC
Closed-ended vehicle	Venture capital firms and other collective investment firms with a disposal policy for its shareholders or unit-holders that meets the following requirements: a) disposal must take place simultaneously with respect to all investors or unit-holders; and b) investors or unit-holders must be remunerated according to the rights to which they are entitled, in accordance with the terms established in the articles of association or regulations for each class of shares or units.
Special-purpose entity or interposed company	Intermediary companies that are established for tax or operational reasons through which the vehicles make their final investments.

Equalisation payment	The amount payable by investors who commit to invest in a closed-ended vehicle after the first close, in order to ensure equal treatment and terms for all investors.
<i>Carried interest</i>	The established share of a closed-ended vehicle's profits that a management company receives as compensation. Also known as a performance fee or profit share.
<i>Hurdle rate</i>	The minimum rate of return that must be achieved before a management company receives carried interest. Also known as a preferred return or minimum rate of return.

Introduction

Collective investment through closed-ended vehicles has grown significantly in recent years, leading to the need for this sector to be supervised more closely.

Through its supervisory activities, the CNMV has recorded a notable increase in the number of management companies for these types of vehicles, which pursue a wide variety of investment strategies and market to a greater number and range of investors. In the past, these vehicles were primarily aimed at professional investors, but they have been increasingly distributed to retail investors in recent years.

Supervision of closed-ended vehicle management companies has revealed areas where their organisational structure, the policies and procedures regulating their activities, the identification and management of conflicts of interest and their internal control functions could be improved.

Directive 2011/61/EU establishes the operational and organisational requirements for management companies that exceed certain thresholds for assets under management, and Spanish Law 22/2014 extends these requirements to management companies that market their vehicles to retail investors or conduct cross-border activities. Spanish Law 22/2014 specifically establishes that these companies must have appropriate structures and organisational procedures in place to ensure control over risk, liquidity and conflicts of interest, as well as a remuneration policy that discourages excessive risk-taking.

In addition, Commission Delegated Regulation 231/2013 requires closed-ended vehicle management companies to have an organisational structure that clearly allocates responsibilities, provides for effective control mechanisms and ensures the proper flow of information between all parties involved. Among other requirements, they must develop policies and procedures to avoid or mitigate operational risks and establish a general framework for managing and disclosing conflicts of interest.

These Guidelines also sets out the responsibilities of the governing body, senior management and supervisory function of management companies, which must receive written reports on internal control functions and the management of conflicts of interest.

In addition, the regulatory frameworks applicable to EuVECAs, EUSEFs and ELTIFs (Regulations 345/2013, 346/2013 and 2015/760, respectively) require management companies of these types of vehicles to have appropriate structures and procedures and to manage conflicts of interest.

Section One of these Guidelines outlines the principles that form the recommended reference framework for management company activities.

The subsequent sections set out a number of criteria and good practices to help management companies in complying with their regulatory obligations concerning organisational structure, the establishment of appropriate policies and procedures, the management of conflicts of interest and the development of internal control functions.

The text of the Technical Guide also incorporates the conclusions reached by ESMA's 2025 Common Supervisory Action (CSA) on regulatory compliance and internal audit functions of fund managers.

This Technical Guide does not include recommendations on remuneration policies, as these can already be found in ESMA's Guidelines on remuneration policies that apply to closed-ended vehicle management companies.

Given that these Guidelines are intended for a wide variety of entities, it is important to emphasise that each management company should adapt the principles and recommendations to their particular circumstances and characteristics, including their size, nature, scale and complexity, as well as the sectors in which they operate.

This Technical Guide is intended for supervised entities, and it contains the criteria, practices, methodologies and procedures that the CNMV considers appropriate for compliance with the regulations within its scope of application, as well as the criteria the CNMV must adhere to when performing its registration and supervisory functions. Any entities that deviate from these criteria should, in all cases, be able to demonstrate that they duly comply with their legal obligations and explain why they are deviating from the CNMV's criteria.

Purpose and scope

These Guidelines set out the criteria and good practices for the organisational structure of management companies of closed-ended vehicles, as well as how internal control functions should be performed and conflicts of interest managed.

The Technical Guide is intended for all management companies (CISMCs and closed-ended CISMCs) and self-managed companies with assets under management exceeding the thresholds established in Article 72 of Spanish Law 22/2014. It is also aimed at management companies that market VCFs (other than SME VCFs) to retail investors, as well as those that conduct cross-border activities.

In the case of CISMCs, Circular 6/2009 of the CNMV already outlines these companies' obligations concerning their structure and internal control. Therefore, only Section Four of this Guide, which covers the management of conflicts of interest, applies directly to them. Nevertheless, these management companies should adapt their internal control manuals and procedures to the particular features of the closed-ended vehicles they manage, using the principles, criteria and recommendations of this Guide as a reference.

Finally, the management companies of EuVECAs, EUSEFs and ELTIFs, as well as funds that do not meet the requirements for falling within the scope of this Guide, are encouraged to take note of these guidelines, especially when managing conflicts of interest.

One: Key principles

1. In accordance with the applicable regulations, management companies must act with due **skill, care and diligence**, and **in the best interests of investors**. It is therefore necessary for management companies to have a sound organisational structure, and their internal control functions must have sufficient authority, independence and the necessary technical and human resources to carry out their activities.

2. To ensure an **appropriate organisational structure**, management companies should establish clearly defined lines of responsibility that ensure the segregation of functions and the authority and independence of internal control units.
3. It is particularly important to properly **manage conflicts of interest**, which entails identifying, management and monitoring them. The objectives of conflicts management include, among others, ensuring that the sole interests of the vehicles are upheld in the services provided and transactions executed, as well as ensuring fair treatment of investors. It is also considered very important to be transparent with investors regarding conflicts of interest.
4. The applicable regulatory framework provides that management companies should adapt their structure and control procedures based on the principle of **proportionality**. Management companies are advised to calibrate the way they apply this principle to the size, nature, scale and complexity of their activities. Factors that should be taken into consideration include the company's business volume (e.g., assets under management, number of investors and number of vehicles managed), the types of investors they target (e.g., professional versus retail), their cross-border activities, their range of strategies and the characteristics of their vehicles (e.g., types of investments, leverage, risk limits, etc.).
5. By way of example, the principle of proportionality could be applied to the following areas:
 - a. Organisational structure: the creation of commissions, committees or bodies by the Board of Directors; the resources allocated to the internal control functions; the integration of the risk management and regulatory compliance functions into a single unit; the outsourcing of control functions; etc.
 - b. Design and frequency of controls: the scope and frequency of controls; the level of control automation; the use of external providers; the frequency of reviews; the frequency of reporting to the Board of Directors; etc.

Management companies should periodically review whether their adopted structure and procedures are still proportionate and ensure that they maintain an adequate level of internal control.

Two: Organisational structure

6. The Board of Directors is the body responsible for approving a management company's policies and procedures, supervising the effectiveness of its internal control systems and, where appropriate, taking any necessary action.
7. If most Board members perform functions that conflict with supervising internal control in their management company or related entities, the directors who have no conflict of interest must take on this duty to ensure this supervision remains independent.
8. Management companies are required by regulation to have a risk management function, a regulatory compliance function and an internal audit function. The control functions are also required to be functionally and hierarchically separate from the operating units, including portfolio management. These three internal control functions may be performed internally or delegated to a third party.

9. The management companies to which this Guide applies should have an internal audit unit that is separate from and independent of the risk management and regulatory compliance functions. In accordance with the principle of proportionality, the risk management and regulatory compliance functions can be combined within a single unit, provided that the staff performing these functions have the necessary technical qualifications.
10. The regulatory framework requires that the **internal audit function** must be separate and independent, and it must therefore be accountable and report directly to either the Board of Directors or an independent commission created within the Board.
11. The internal audit function may be performed by the internal audit unit of a management company's group (without being delegated), provided that the group consists of supervised entities and that its structure ensures the internal audit unit can exercise authority and independence when controlling the supervised areas (including risk control), thereby avoiding conflicts of interest.
12. Similarly, the other control units must also report directly to either the Board of Directors, an independent committee created within the Board or a director with no conflicts of interest, to whom they shall provide periodic written reports on the results of their work, as required by regulation, or immediate reports in the event of particularly significant incidents.
13. However, the risk management function and the regulatory compliance function may report to a senior management member whose functions do not compromise the authority or independence of these control functions (e.g., those relating to the management or marketing of the managed vehicles). For these purposes, "senior management" refers to the persons specified in Article 11(3) of Spanish Law 35/2003 and Article 45(2) of Spanish Law 22/2014.

Three: Procedure and policy manuals

14. As part of its responsibilities, the Board of Directors is required to approve all policies and procedures governing a management company's activities. These policies and procedures should be adapted to the particular features of the managed vehicles and their specific investment strategies. It is recommended that these procedures at least include:
 - a. Administrative and accounting policies and procedures that ensure:
 - (i) Accurate records of the transactions carried out for the managed vehicles and the periodic reconciliation of portfolio assets with information provided by third parties.
 - (ii) Accurate records of subscription and redemption requests (capital drawdowns/distributions) in accordance with the procedure established in the prospectus or constitutional documents (vehicle rules/articles of association) of the managed vehicles.
 - (iii) Accurate records of income and expenses accrued by the managed vehicles.
 - (iv) Accurate calculations of the net asset value of each class of units and series of shares of the managed vehicles. In particular, these procedures should

take into account any performance fee (carried interest, hurdle rate, etc.) as well as any other conditions set out in the vehicles' prospectuses or constitutional document of the vehicles.

Where it is proportionate to do so, administrative and accounting procedures must be properly supported by IT systems that provide a high degree of automation and minimise operational risk.

- b. Pricing policies and procedures: In order to prevent managed vehicles from being charged undue costs, management companies must develop a structured pricing process that is periodically reviewed (at least once a year). These policies should at least ensure that: the costs are associated with a service provided in the best interests of the vehicle; the cost structure is consistent with the characteristics of the vehicle; and the costs borne by the vehicle are sustainable in light of its expected returns.
- c. Policies and procedures for the valuation of the assets of managed vehicles. In this regard, the following should be considered:
 - (i) When a management company decides to use alternative valuation models and techniques, these models should be reviewed periodically. It is also good practice for the valuation to be checked against that of an independent third party.
 - (ii) When a valuation is based on recent rounds of financing, the price should only be regarded as independent and representative if a significant proportion of investors with no connection to the management company participate in the financing round.
 - (iii) If, in addition to the mandatory information, investors are sent periodic information about the fair value of assets, this information should adhere to the same criteria as the annual information. For example, if alternative valuation techniques and models are used, it is advisable to provide a description of the method employed, along with an explanation of the difference between the value obtained using that method and the underlying book value.
- d. Internal control policies and procedures, as well as policies and procedures for the ongoing identification, assessment and monitoring of the risks assumed by both the managed vehicles and management companies themselves.

These procedures should lay down detailed rules on the structure and functions of the various internal control units, the methodology used in their work as well as the limits or thresholds established for drawing conclusions.

It is also advisable for these procedures to include a plan for the work to be carried out by the different internal control units, taking into account the nature of the management company's activities and its managed vehicles, and specifying the scope and frequency of the work.

- e. Policies and procedures for investment decision-making and the monitoring of investments, which make it possible to demonstrate:

- (i) The traceability of investment decisions, including all transactions analysed, whether or not they were executed, and the criteria used to allocate investments to a particular vehicle (e.g., vehicles with similar strategies or co-investors). To this end, it is advisable to take minutes of the meetings where these decisions are made or use other verifiable and tamper-proof means of recording of them. The minutes should provide a detailed summary of the topics discussed and the votes and decisions taken, including which members voted and how.
 - (ii) That investments comply with the investment policy and match the risk profile set out in the vehicle's prospectus or instruments of incorporation. Among other examples, it is considered good practice for those responsible for control to issue a preliminary report or participate in the investment committees (in a speaking but not a voting capacity) in order to verify whether the investment proposals meet the requirements of the policy, such as those relating to investment strategy, diversification limits, indebtedness limits and liquidity management.
- f. Policies and procedures for the identification and management of conflicts of interest, on which Section Four of this Guide provides guidance.
- g. Policies and procedures relating to transparency requirements. Management companies are required by regulation to provide complete, fair, accurate and ongoing information about the vehicles they manage, the value of their shares or units and investors' positions. To this end, the information provided to investors both beforehand (e.g., in marketing materials, KIDs and constitutional documents) and periodically (e.g., in investor reports, annual reports and financial statements, etc.) should be coherent and consistent, and should include, among other details:
 - (i) Information about the investment policy and details of the underlying investments of the managed vehicles, as well as the risks involved. This is especially important when vehicles use special-purpose entities to execute their investments.
 - (ii) The objectives and limits relating to leverage, along with details of the vehicles' indebtedness and encumbrances (e.g., guarantees and sureties), both directly and indirectly through special-purpose vehicles. This information must also reflect the type of financing received, its purpose and the amount or percentage of the vehicles' assets represented by such financing or encumbrances.
 - (iii) The direct costs of services provided to the managed vehicles or their portfolio companies.
 - (iv) Information about contingent amounts payable or receivable resulting from portfolio sale and purchase transactions, litigation or other circumstances giving rise to rights or obligations to receive or make payments.

In the event that an interposed company is used, all the information listed above should also be provided.
- h. Policies and procedures for external communication with:

- (i) The depositary of the managed vehicles, to ensure that it can perform all the obligations assigned to it under the regulations in force. Among other examples, it is considered good practice for the depositary to participate in executing investment/disposal transactions alongside the management company, and for the information required by the depositary to be provided in a timely manner.
 - (ii) The Spanish National Securities Market Commission, to ensure the accuracy, quality and adequacy of the information the management company must provide concerning the managed vehicles or the management company itself.
 - (iii) Any other entity or third party the management company has a relationship with, particularly those to which functions have been delegated.
- i. Policies and procedures relating to the delegation of functions. In order to maintain control over the delegated activities, it is considered good practice to hold regular follow-up and evaluation meetings with the delegated entities and document the results. The results of these evaluations should be reported to the Board of Directors, so that it can take appropriate action in the event of any issues.
 - j. Policies and procedures for marketing managed vehicles, including those relating to product governance, advertising activities, conduct of business rules for the marketing of investment products, control of agent activities, accreditation of the training of staff who provide information or advice and cross-border activities. Management companies must also apply these standards to the pre-marketing of their vehicles.
 - k. Any other policies and procedures required by the regulations in force, or that may be necessary due to the nature, scale and complexity of the activities of a management company and its managed vehicles.
15. To fulfil their due diligence obligations, management companies must periodically review all their policies and procedures to ensure they remain up to date.

Four: Management of conflicts of interest

Policies and procedures

16. **Policies and procedures relating to the management of conflicts of interest** should:
- a. Identify all persons and entities involved in transactions and business activities that could pose a risk that would affect the interests of investors in the managed vehicles (parties that have a conflict of interest). Reasonable examples could include investment advisers; group companies of the management company, investment adviser, depositary or distributor; other managed vehicles; management company partners, employees or directors; significant shareholders or unitholders of the managed vehicles; and sponsors.
 - b. Detail all potential conflicts and the procedures to be followed to manage them.
 - c. Specify how conflicts of interest are to be disclosed to investors, both before and after they arise. It is considered reasonable for management companies to include in their

procedures the level of detail and information to be provided to investors in the vehicles, the bodies involved in supervision, etc., following conflicts of interest. The section of this Guide on transparency regarding conflicts of interest sets out good practices on this point.

17. As regards the **Internal Code of Conduct** (hereinafter, the “ICC”), management companies should adapt its contents to the particularities of closed-ended vehicle management and to the specific investment strategies of these vehicles. Accordingly, the persons subject to the ICC should disclose any potential conflicts of interest relating to the activities of the managed vehicles.
18. As regards investment advisers, it is considered good practice to require them to comply with the management company's ICC, or to obtain information on their personal investments and any other conflicts of interest (e.g., links to other entities or the provision of services to third parties). In order to ensure that advisers are not favouring their own or third parties' interests at the expense of advised vehicles or their investors, management companies should identify any portfolios advised or managed by the adviser, as well as personal investments or investments by parties with conflicts of interest in the vehicles or assets that could belong to the portfolios.
19. Finally, given that Spanish Law 22/2014 provides that appointed depositaries are subject to the legal and liability regime set out in Law 35/2003, of 4 November, on Collective Investment Schemes and its implementing provisions, management companies must establish and implement rules on the **separation between themselves and the depositary**, should the latter be part of their group.

Bodies for managing conflicts of interest

20. In accordance with the applicable regulatory framework, management companies must designate an **independent committee** established within their Board or an **independent body** responsible for identifying, managing and monitoring conflicts of interest and ensuring that they do not adversely affect the vehicles and their investors. In any event, the independent body should have a senior management member at its head, responsible for these functions.

For such purposes, members of that committee or body should not carry out duties within the management company that compromise their independence or have a conflict of interest when carrying out these duties (e.g., management-related functions). A good practice could be to assign these obligations to the compliance or risk management function.

21. The **body monitoring conflicts of interest** should identify transactions that pose a conflict of interest and verify that they are conducted exclusively in the interest of the vehicles and their investors, at market prices or at fair value.
22. It is considered reasonable for the management company's Board of Directors or one of its members to assume these functions, provided that adequate separation from the line of business and effective conflict management are demonstrated (e.g., directors should abstain from participating in the approval of transactions in which they have a personal conflict of interest). In addition, the compliance or risk management function could support the aforementioned Board or the relevant director in performing the work required to carry out these functions.

23. Furthermore, it is common practice for the instruments of incorporation of the vehicles to establish an **Advisory Committee** (or equivalent body) which may, among other functions, pass binding resolutions regarding conflicts of interest. To carry out these functions effectively, these Committees should have significant representation from the investors of the vehicles in question. If any members have a conflict of interest relating to the matter under discussion, they should abstain from voting.
24. It is advisable to establish these Committees once a sufficient volume of commitments has been reached (e.g., relative to the target size or after the first close) and, in any case, prior to carrying out transactions that give rise to conflicts of interest (e.g., investments or cost allocations by parties with conflicts of interest).
25. However, the fact that Advisory Committees can make binding decisions when managing conflicts of interest does not release management companies from liability. They must take all action required to identify, manage and control conflicts.

Before submitting potential conflicts to Advisory Committees (or equivalent bodies), the management company's monitoring body should manage these conflicts and provide the committees with detailed information about them so that they can make a properly informed decision prior to executing the transaction causing the conflict of interest.

26. Finally, management companies are expected to maintain **supporting documentation** regarding the review process and, where applicable, the approval of transactions/services that involve conflicts of interest.

For example, in the case of meetings, it is recommended to draft minutes reflecting the analysed transaction/conflict of interest, the members involved in making the decision and the voting outcomes, etc.

Types of conflicts of interest and mechanisms for managing them

27. Some of the potential **conflicts of interest to be identified** and **appropriate mechanisms for managing them** include the following:
 - a. Separation of own accounts and third-party accounts, particularly in corporate groups with entities engaged in different activities that are nonetheless capable of investing in the same assets. In such cases, it is appropriate for third-party vehicles to take priority over own investments. Furthermore, individuals involved in managing the vehicles (third-party portfolios) should not participate in decision-making regarding the management of own accounts (belonging either to the management company or to group entities in which they hold interests).
 - b. Investments originating from parties with a conflict of interest, as set out in paragraph 16(a) above. The management company should implement measures to prevent or restrict anyone from improperly influencing its investment decisions, and to ensure that these transactions are conducted in investors' best interests. In addition, parties that have a conflict of interest should abstain from decisions regarding these investments (e.g., the approval of the investment and conflict of interest management).
 - c. Investments in other managed vehicles. To demonstrate that these transactions are carried out in the best interest of the investment vehicle and under market conditions,

it is advisable to check them against third-party alternatives. Reaching a significant percentage could indicate that the management company is using certain vehicles to facilitate fundraising for others due to difficulties in reaching the expected commitment level.

- d. Provision of services or financing by parties that have a conflict of interest. If the cost of these services is charged to the vehicles, either directly or indirectly through their portfolio companies, the management company should demonstrate—prior to entering into contracts—that it serves the interest of the vehicle/portfolio company and that the cost aligns with market conditions. One way to achieve this would be to compare them with the conditions offered by independent third parties. It should also periodically verify that the agreed financial conditions remain at market rates.

To this end, costs borne by portfolio companies or entities in which the investment vehicles hold a significant stake (e.g., special-purpose entities used to execute the final investments) should be subject to equivalent conflict of interest management procedures.

- e. Investments in the same company by multiple managed vehicles. Prior to identifying investment or disposal opportunities, management companies should establish objective, pre-defined criteria for allocating them to managed vehicles with compatible strategies.
- f. Co-investment vehicles. Supervisory experience has highlighted several conflicts of interest related to the operation of these vehicles:
 - (i) The creation and marketing of these vehicles should occur simultaneously if they plan to invest in the same assets. Otherwise, the reasonable course of action would be to co-invest only in assets acquired after the registration of the co-investment vehicle.
 - (ii) In order to ensure that each vehicle correctly records its position in the underlying asset, portfolio transfers to adjust the co-investment stake should be carried out with the utmost diligence and in the shortest possible timeframe.
 - (iii) Procedures should set out requirements and restrictions to ensure the mandatory segregation of assets between these vehicles in financing transactions, guarantees and sureties, pledges, etc. To such end, having certain vehicles joint and severally assume, vis-à-vis third parties, commitments and obligations that correspond to other vehicles breaches the provisions on separation of assets laid down in Articles 26, 30 and 31 of Spanish Law 22/2014. Furthermore, any accounts receivable and payable between co-investment vehicles should be temporary in nature.
- g. Transfers of investments or cross-trades. Acquisitions of assets from other vehicles or from parties that have a conflict of interest should be subject to enhanced authorisation and control procedures. This will ensure that the transactions serve the exclusive interests of the vehicles concerned and that the transaction price corresponds to what two willing and well-informed parties would agree to under arm's length conditions.

In these cases, given that these assets are generally illiquid, it is good practice to check against the price of recent transactions or offers involving unrelated third parties. It is also important to verify that there have been no material changes in market conditions.

Finally, submitting these transactions for approval by investors (e.g., at Meetings of Unitholders, Boards of Directors of companies or Advisory Committees) is not considered a substitute for the mandatory conflict management required by the management company's internal body.

- h. Entry of investors after the start of the investment period. Given the difficulty of determining the real value of assets and its impact on fairness among investors subscribing at different times, the timeframe elapsed between the start of investments and the final close for the vehicles should be kept to a minimum.

Furthermore, management companies should implement anti-dilution mechanisms or other arrangements (such as equalisation payments) to properly manage conflicts of interest between initial investors and those entering after investments have already been made.

- i. Receipt of inducements by parties with a conflict of interest. In accordance with the applicable regulatory framework, any fees, commissions or non-monetary benefits received from third parties originating from the investments or activity of the managed vehicles should be disclosed and must not harm the interests of investors.

Transparency regarding conflicts of interest

- 28. To comply with the mandatory disclosure of potential conflicts of interest and the measures for managing them, it is considered good practice for this information to be included in the prospectus, the instruments of incorporation and the marketing materials for the investment vehicles, as well as on their website, as provided for in Article 36 of Spanish Royal Decree 231/2013.
- 29. Similarly, as part of their transparency obligations towards investors, management companies are expected to provide ex-post information regarding investment transactions in which conflicts of interest have arisen, as well as their impact on the assets, liabilities, income and expenses of the managed vehicles. This information should be provided to investors periodically. For example, it could be included in reports or presented to Advisory Committees or equivalent bodies (e.g., Meetings of Unitholders and boards of directors of companies). To this end, it is reasonable to expect periodic investor reports to detail any material conflicts of interest (as established in internal procedures), whereas Advisory Committees or equivalent bodies should receive detailed information on all conflicts of interest identified in the course of business.

This information should clearly disclose the nature or source of any conflicts of interest. Furthermore, it should be sufficient to enable investors to assess the significance of the transactions giving rise to conflicts of interest (providing amounts, percentage of assets/commitments, costs, etc.) and how those conflicts were managed.

- 30. The regulatory framework establishes that if the management company concludes that the measures adopted to manage a conflict are insufficient to prevent damage to the interests of the vehicles or their investors, it must promptly disclose this circumstance to senior

management or the relevant internal body, as well as to investors, prior to acting on their behalf. However, this measure should be used only in exceptional circumstances, as conflicts of interest should generally be manageable. This could be achieved, for example, by demonstrating the vehicle's or its investors' exclusive interest, by benchmarking the transaction or service provided subject to a conflict of interest against a comparable transaction or service or by relying on third-party information.

31. Finally, in accordance with applicable regulations, the internal committee or body responsible for monitoring conflicts of interest should report periodically to the management company's Board of Directors on the results of its work in this area. The information provided should include all conflicts of interest identified in the course of business and the measures implemented to manage them.

Five: Internal control functions

32. It is recommended that entities plan their control tasks by adopting a systematic, risk-based approach that integrates the structured identification, assessment and prioritisation of risks associated with supervised activities.
33. In addition, periodic work should be supplemented by drafting ad hoc reports on specific matters relating to relevant events, regulatory developments, news or changes in market conditions.
34. The various tasks assigned to the risk management and regulatory compliance functions may be performed indistinctly by any of the units that management companies have established and deem appropriate, in accordance with the principle of proportionality.

Risk Management Function

35. The risk management function is responsible for ensuring that the risks of managed vehicles can be correctly and continuously identified, measured, managed and controlled, in accordance with regulations in force.
36. To such end, the risk management function is expected to carry out, at a minimum, the following tasks:
 - a. Pre-investment review: Among other matters, it is advisable to verify that investment proposals align with the vehicle's strategy and risk profile, and that they comply with investment/diversification limits and associated risks. This is particularly relevant given the illiquid nature of the assets generally invested in and, consequently, the difficulty of rectifying any potential breaches once the investment has been made.
 - b. Valuation oversight: Periodically check the valuation of portfolio assets belonging to the managed vehicles by verifying, inter alia, events that could affect such valuation (e.g., recent market transactions, corporate events, market parameters, business performance and fulfilment of projected plans or regulatory changes to valuation models). To this end, it is considered good practice to have the valuation verified by an independent expert.
 - c. Liquidity management: The inherent characteristics of closed-ended vehicles mitigate redemption risk. However, they do not exempt the entity from the obligation to monitor

that the vehicle maintains sufficient liquidity to, for example, meet projected investment payments, cover other expenses (e.g., fees and commissions and financing costs) and make distributions.

- d. Leverage analysis: Verify that vehicles do not exceed the leverage limits and restrictions set out in the prospectus and/or instruments of incorporation. These controls should cover guarantees, sureties and pledges granted by the vehicles, as well as leverage when an interposed company is used.
 - e. Identification, analysis and monitoring of other portfolio-related risks: These controls should be tailored to the specific characteristics of each vehicle and its underlying assets. For example, portfolio companies at different stages of maturity; sectors (e.g., technology and healthcare); investment types (e.g., energy, infrastructure and agriculture).
37. Furthermore, prior to launching a vehicle, it is considered good practice to assess whether its target size is reasonable, achievable and consistent with the potential asset universe of the underlying market; to periodically review subscription progress against the target size (i.e., fundraising monitoring); and to monitor the fulfilment of investment objectives (e.g., a lack of investment opportunities or the inability to access them), among other factors.
38. Finally, the risk management function may use data or calculations provided by third parties—while maintaining mandatory segregation of functions—provided that it reviews the quality of this data and issues its own conclusions on the results.

Regulatory Compliance Function

39. The regulatory compliance function is responsible for periodically reviewing the suitability and effectiveness of the management company's policies and procedures, as well as the implementation of measures adopted to remedy any breaches of the applicable regulatory requirements. Additionally, this function must advise directors and employees in complying with the obligations established by regulations in force.
40. To this end, the regulatory compliance function is expected to perform, at a minimum, the following tasks:
- a. Limits and ratios: This function should review—at a frequency suited to the vehicle's characteristics—compliance with the requirements, ratios, criteria and limits established by applicable regulations, including the investment policy defined in the prospectuses/instruments of incorporation.
 - b. Costs and expenses borne by vehicles: It is recommended to periodically review—at least annually—compliance with the pricing process and, where appropriate, assess the need to adopt adjustment measures regarding fees/expenses in the best interest of investors.

Likewise, this function should verify that services provided to the vehicles/portfolio companies and transactions involving assets, rights, securities or instruments on behalf of the vehicles are conducted under market conditions.

- c. Mechanisms established to ensure fairness and non-discrimination among investors: It is recommended to review and identify situations that could affect fairness among the

investors of a vehicle or, where applicable, co-investment vehicles (e.g., the entry of investors after investment activities have commenced and the launch of co-investment vehicles). Furthermore, this function should verify the adequacy and proper implementation of the mechanisms designed to ensure such fairness (e.g., equalisation premiums and allocation of investments/costs among co-investment vehicles).

- d. Procedures, criteria and formulas for calculating the net asset value (NAV): It is recommended to review these procedures at a frequency suited to the vehicle's characteristics.
- e. Policies and procedures relating to distribution activities: This function must review compliance with product governance rules (in areas such as distribution strategy, disclosures and advertising on managed/marketed vehicles), conduct of business rules for marketing (e.g., investor identification, appropriateness/suitability assessment, warnings and contract execution), the knowledge and competence of staff providing information and/or investment advice, control of tied agent activities, etc.
- f. Conflict of interest management policies and procedures: This function should review compliance with these policies, including the rules set out in internal codes of conduct.
- g. Information submitted to third parties: This function is expected to review the adequacy and quality of the information submitted by the management company to third parties. This review should cover, inter alia, information provided to investors in the managed vehicles (e.g., marketing materials, periodic reports, position statements and reports on costs and expenses), to the depositary and to the CNMV (e.g., confidential statements, AIF formalities and annual accounts).
- h. Other policies and procedures: This function should periodically review compliance with policies and procedures relating to the remuneration system, information security and document retention, customer complaints and claims handling, the prevention of money laundering and the financing of terrorism, staff training, as well as any other policies and procedures implemented to ensure full compliance with internal control obligations.

Internal Audit Function

- 41. The internal audit function is responsible for examining and evaluating the adequacy and effectiveness of the management company's overall internal control systems and procedures, drawing up recommendations based on the work performed and verifying compliance with those recommendations. To this end, this function shall prepare an audit plan establishing the areas subject to review and the scope of the work.

It is advisable for the audit plan to be approved by the management company's Board of Directors or an independent committee created within it. Furthermore, the internal audit function should review key risk areas at least annually, while a longer timeframe is reasonable for the remainder of its review work.

- 42. Finally, the internal audit function should extend the scope of its work to review the control procedures governing the activities of entities to which the management company has delegated functions (e.g., asset management, vehicle administration and internal control functions).

Substantiation of controls and periodic reports

43. Control functions are required to document the work performed and the conclusions reached.

It is reasonable for certain tasks to be carried out using sufficiently representative sampling.

44. In accordance with the applicable regulatory framework, control functions must prepare and submit written periodic reports to the management company's Board of Directors—at least annually—regarding the performance of their work, highlighting in particular any corrective measures adopted or required should shortcomings be detected.

In accordance with the principle of proportionality, management companies may determine the frequency of reporting to the Board of Directors. In this regard, at a minimum, half-yearly or quarterly reporting is considered good practice.

It is advisable for reports issued by control functions to detail the work performed, the conclusions and, where applicable, any recommendations; to explicitly state the existence of internal limits or additional work beyond regulatory requirements; and to include a follow-up on the deficiencies detected in previous periods.

45. Notwithstanding the above, internal control units should inform the management company or investment company's Board of Directors immediately of any particularly relevant incident or irregularity detected.
46. Finally, members of the Board of Directors should receive the documentation and information provided by internal control functions with sufficient advance notice so that they have the opportunity to understand its content, request clarifications and adopt any measures deemed appropriate.

Delegation of control functions

47. In accordance with the principle of proportionality, management companies may delegate any of the internal control functions, provided that they properly demonstrate that the designated person or entity possesses the competence and capability to perform them reliably and professionally and does not have conflicts of interest with the management company itself, the managed vehicles or investors.
48. Delegating the internal audit function to the same entity that performs delegated risk management or regulatory compliance functions—or to entities within the same group—is not deemed reasonable, as the former must supervise the functions carried out by the latter.

However, when the internal audit function is performed at the group level, the risk management and regulatory compliance functions may be delegated to the same entity, provided that it concerns groups of supervised entities whose structure ensures that the internal audit unit can carry out its functions with due authority and independence over the supervised areas, thereby avoiding any conflict of interest.

49. The oversight of delegated functions should be entrusted to an independent committee established within the Board of Directors, or to a person or unit reporting to a senior management member who does not perform duties that compromise this role.

50. The outcome of the periodic supervision of delegated functions should be documented in a written report to be submitted to the Board of Directors for its information and, where applicable, approval.