Conflicts of Interest Policy

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I. Purpose

The purpose of this Conflicts of Interest Policy under Article 23 and Article 34 (2) of MiFID II Delegated Regulation is:

a. To identify, by reference to the specific services and activities carried out by (or on behalf of) the Firm, the circumstances which constitute or may give rise to a conflict of interest entailing a risk of damage to the interests of one or more clients; and

b. To specify procedures to be followed and measures to be adopted to manage such conflicts; and

c. To communicate this information to all those who are in the Firm.

It is the responsibility of all staff members to familiarise themselves with the contents of the Policy and report conflicts of interest to the Head of Compliance using the appropriate channels.

II. Regulatory Background

Financial Conduct Authority (FCA) Principle 8 (Conflicts of Interest) and SYSC 10.1 states that:

A firm must manage conflicts of interest fairly, both between itself and its clients and between one client and another.

SYSC 10.1.10R required a firm to establish, implement and maintain an effective conflicts of interest policy that is set out in writing and is appropriate to the size and organisation of the firm and the nature, scale and complexity of its business.

III. Summary of Requirements

a) <u>Identifying and Preventing Conflicts</u>

Article 23 of the Directive and SYSC 10.1.3R requires a firm to take all appropriate steps to identify and prevent or manage conflicts of interest between:

i. The Firm (including its managers, employees, or any person directly or indirectly linked to them by control) and a client of the Firm; or
ii. One client of the Firm and another client;
iii. That arise or may arise in the course of the Firm providing any services in the course of carrying on regulated activities, including those caused by the receipt of inducements from third parties.

b) Types of Conflict

Article 33 of MiFID II Delegated Regulation, and SYSC 10.1.4 R, sets out that, for the purpose of identifying the types of conflict that arise in the course of providing a service, and, where there may be a material risk of damage to the interests of a client, the Firm must take into account certain issues. It must consider as a minimum, whether the Firm or a relevant person or a person directly or indirectly linked by control to the Firm:

i. Is likely to make a financial gain or avoid a financial loss at the expense of the client;
ii. Has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
iii. Has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
iv. Carries on the same business as the client;
v. Receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for that service.

c) Segregation of functions

Article 9 of MiFID Regulation states that the management body of an investment firm defines, oversees and is accountable for the implementation of the governance arrangements that ensure effective and prudent management of the investment firm including the segregation of duties in the investment firm and prevention of conflicts of interest.

d) Disclosure of conflicts to clients

Article 23 (2) of MiFID II Directive and requires that, where the arrangements made by the firm are not sufficient to ensure, with reasonable confidence, that the risk of damage to the client's interest will be prevented a clear disclosure to the client must be made.

Article 34 (4) and SYSC 10.1.8 states that this disclosure must:

i. Describe, in a durable medium, the general nature and source of the conflict of interest to the client before undertaking business for the client; and
ii. Clearly state that the organisational and administrative arrangements established by the firm to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client will be prevented; and

iii. Explain the risks that arise as a result of the conflict of interests and the steps taken to mitigate these risks; and

iv. Provide sufficient detail to enable that client to make an informed decision in relation to the service in the context of which the conflict arises.

In accordance with Article 34 (4) of MiFID II Directive a disclosure may be made only as a matter of last resort where the organisational and administrative arrangements established by the Firm to prevent or manage its conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the client will be prevented.

e) Responsibilities of Staff Members

It is the responsibility of all employees to familiarise themselves with this Policy and to report conflicts of interest to their line manager who will in turn report them to the Head of Compliance. Failure to adhere to this policy may be held to be a breach of an employee's contract.

Overall responsibility for Conflicts of Interest lies with the Board. The Head of Compliance is responsible for the day-to-day administration of the Policy.

The Head of Compliance will work with line management to identify and prevent Conflicts of Interest, record conflicts and the mitigating action in the Conflicts Register and report the situation to the Board for consideration. Additionally, the Head of Compliance will ensure that this Conflicts of Interest Policy is reviewed at least annually and that all appropriate measures to address any deficiencies are taken, as stipulated in Article 34 (5) of MiFID Delegated Regulation and SYSC 10.1.11A (G).

The Board via the Head of Compliance has responsibility for ensuring that staff are aware of the aspects of the Policy relevant to them.

All staff have a responsibility for carrying out aspects of the policy that are relevant to them.

IV. Situations in which Conflicts of Interest could arise

In accordance with Article 34 (2) of MiFID Delegated Regulation, the purpose of this section is to set out typical situations in which conflicts of interest may arise and are managed in the course of the Firm's day-to-day business, so that employees are better equipped to identify, report and assist in eliminating or managing conflicts.

Set out under the suggested headings below are the circumstances in the business of the Firm which give rise to the possible conflict of interest and the procedures and measures adopted to manage the conflict.

a) Potential misuse of information

Potential conflict

Members of staff of the Firm may come into possession of material non-public information. The improper use of such information by staff members could cause a conflict with the interests of the Firm's clients, or between the interests of the Firm's clients, and may also be unlawful under Market Abuse Regulation which may result in a civil or criminal conviction.

Method of managing/avoiding conflict

The Firm manages these risks by maintaining and following policies and procedures to prevent the misuse of material non-public information. These procedures, that are described in the following sections, have been designed to prevent and detect any insider trading, taking into account the nature of the Firm's business and the instruments typically traded. The Firm has also implemented procedures to manage the risks of Insider Dealing, including using the Compliance Department as a "Gatekeeper" to clear any Inside Information based conflicts, the use of restricted/Insider Lists and deal monitoring.

b) Inappropriate flow of information

Potential conflict

In relation to article 34 (3) of MiFID Delegated Regulation and SYSC 10.1.11 R 2, a conflict of interest could occur where there is an inappropriate flow of information between relevant persons within separate areas of the business who should be acting independently and where the absence of this independence could be detrimental to the client.

Method of managing/avoiding conflict

The Firm has procedures in place to control the inappropriate flow of information. Furthermore;

- Relevant persons who provide services to, or carry out activities for, clients who represent interests that may conflict with other clients or those of the Firm, are supervised effectively and separately;
- There is no direct link between the remuneration of a relevant person and the remuneration of, or revenues generated by, a separate relevant person engaged in a different activity where a conflict of interest may arise in relation to those activities;

- No person may exercise inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities;
- There are measures to prevent a relevant person from being simultaneously or sequentially involved in separate investment or ancillary services where such involvement could impair the proper management of conflicts of interest.

c) Personal Account Dealing ("PAD")

Potential conflict

The Firm's staff members may engage in the trading of securities or other instruments for their own account. Such trading activities may put those employees and officers, or the Firm, in conflict with the interests of the Firm's clients (for example, by having a personal interest in a transaction with a client, or by front-running transactions with clients).

Method of managing/avoiding conflict

The Firm manages this potential conflict of interest by maintaining a PAD Policy which has been formulated in accordance with relevant FCA Rules, specifically COBS 11.7 and COBS 11.7A. All staff members must seek prior permission from Compliance to deal in securities for their own account. Each employee is responsible for checking the Restricted List prior to seeking permission to deal. In addition, the Head of Compliance will check the restricted list and the Firm's order book before accepting or rejecting permission. Compliance will also monitor all PAD against the Insider and restricted lists on an ongoing basis.

For further details on the rules regarding personal account dealing, please see the Firm's Personal Account Dealing Policy.

d) Inducements

Potential conflict

The giving or receiving of gifts, entertainment, or any other form of gratuity or hospitality by or to the Firm's staff members may create the appearance of a lack of impartiality and may lead to a potential conflict between the interests of the donor /done and the interests of the clients.

Method of managing/avoiding conflict

Staff members are prohibited from giving to and accepting from clients, potential clients, or other third parties' gifts and entertainment of above the specified threshold in the Gifts and Hospitality Policy.

e) Outside Business Interests

Potential conflict

The Firm's staff members may hold outside business interests, such as directorships or shareholdings, in service providers or other firms. The Firm has identified that such outside business interests or investments could cause a potential conflict between the personal interest of the relevant member of staff and the interests of the Firm's clients.

Method of managing/avoiding conflict

Staff members must inform the Head of Compliance about their outside business interests. The Head of Compliance must approve any such interests and will maintain a record of them.

f) Research

Potential conflict

Research analysts may report to heads of departments whose activities are inconsistent with the maintenance of the analysts' objectivity.

Method of managing/avoiding conflict

Research analysts report to the head of research. Other departments do not take decisions on stock coverage, timing or content of research. The Firm's remuneration policy is designed to avoid rewarding behaviour that may lead to the disadvantage of clients. Research analysts' remuneration is not linked to research recommendations or to the transactions of another department, but to the quality of research and the overall profits of the Firm.

Financial analysts should not engage in activities other than the preparation of research where engaging in such activities are inconsistent with the maintenance of that person's objectivity. These include participating in investment banking activities such as corporate finance business and underwriting, participating in 'pitches' for new business or 'road shows' for new issues of financial instruments; or being otherwise involved in the preparation of issuer marketing as per Rectical 56 of MiFID Delegated Regulation

Favourable Research

Potential conflict

Research analysts may be pressured or induced to produce favourable Research.

Method of managing/avoiding conflict

Research analysts must not accept inducements from those with a material interest in the subject matter of the Research. Research may be provided to issuers prior to publication for verification of the accuracy of factual statements or of compliance with the firm's legal obligations, only and only if it does not contain a recommendation or a target price.

Distribution of Research

Potential conflict

There is a risk of the distribution of Research to favoured clients or to staff members ahead of other clients resulting in dealing ahead of research by those favoured clients or by those staff members.

Method of managing/avoiding conflict

The Firm has a policy that requires simultaneous distribution of research and a prohibition on dealing ahead of research.

Financial analysts and any other relevant persons involved in the production of research do not undertake personal transactions in financial instruments to which the investment research relates, or in any related financial instruments, contrary to current recommendations, except in exceptional circumstances and with the prior approval of a member of the firm's compliance function.

Leak of Information

Potential conflict

Information about the content or timing of research may be leaked to other departments.

Method of managing/avoiding conflict

The research department is separated from all other departments by an Information barrier. The research department is subject to a “clear desk policy” and is positioned in such a way that members of staff outside the research Information barrier cannot see documentation or hear conversations regarding the timing or content of planned research.

Research vs. Sales/Trading or Corporate Finance

Potential conflict

Research analysts may communicate their views to sales/trading department prior to publishing them.

Method of managing/avoiding conflict

There is an Information barrier in place separating these departments. When briefing or talking to sales and trading, staff research analysts must not communicate their views regarding unpublished material.

Other potential Research-related Conflicts could be:

- Research analysts dealing off their own research;
- The Firm entering into proprietary positions prior to distribution of research, other than as market making in good faith or in the execution of an unsolicited client order;
- Selectively distributing research to favoured clients;
- Distributing research in relation to an entity or group to which the Firm also provides corporate finance advisory services, leading to a lack of independence due to undue influence, for example, pressure to produce favourable research;
- Providing substantial gifts or entertainment to research analysts, leading to a lack of independence through undue influence; and

The Firm has procedures in place to manage the above-mentioned conflicts. Staff members receive training on the Firm's compliance procedures and are required to confirm their understanding of these.

g) Investment advice

- Providing advice to investor clients in relation to the issue of securities where the Firm is managing the securities issue;
- Providing advice to investor clients in relation to a security in which the Firm has a position; and
- Acting for different institutional or corporate clients in their acquisition or disposal of the same security.

The Firm has information barriers and compliance and conflicts management procedures in place. Staff members providing investment advice receive training on the Firm's procedures in this respect and are required to confirm their understanding of these.

Proprietary trading

- Entering into proprietary positions whilst in possession of knowledge regarding the content or timing of unpublished research; and

- Misusing client order flow information and entering into proprietary positions to the detriment of an investor client.

The Firm has Information barriers and compliance and conflicts management procedures in place..

h) Corporate finance and Mergers and Acquisitions (M&A)

- Providing corporate finance advice to one corporate client and subsequently, when that corporate client becomes a target of a bid, seeking to act for the bidder;
- Providing corporate finance advice in relation to the same target company to individual clients who are direct competitors of one another;
- Providing corporate finance advice to a corporate client while at the same time acting for investors in the client; and
- Providing corporate finance advice to clients operating in the same sector undertaking similar business activities and in direct competition with each other.

The Firm has conflicts management procedures in place. Conflicts are considered as part of the client take-on process and are monitored throughout the client relationship. The Firm maintains Insider, Quiet and Restricted Lists.

i) Underwriting / arranging / managing the distribution (offering) of securities

- Failing to act in the interests of the issuer when pricing an issue which the Firm is managing;
- Failing to allocate an issue in accordance with the interests of the corporate client;
- For example:
    - Allocating to investors for the purposes of facilitating the Firm's distribution capability, as opposed to acting in that particular corporate client's interests;
    - Allocating to investors in the expectation of receiving future investment banking mandates; and
    - Allocating to the Firm's book in the expectation of the Firm making a profit when this is not in the interests of the corporate client.

V. Arrangements for managing conflicts

a) Governance Arrangements

- The Firm has robust governance arrangements. Key business decisions are taken by the Board and are recorded.
- The Head of Compliance reports directly to the Board.
- The Firm has in place rules governing employee conduct, including Personal Account Dealing ("PAD") rules, which control and mitigate conflicts of interest. It also maintains a Conflicts of Interest Register.

b) Reporting Lines

The Firm has defined and clear reporting lines. An organisational chart is maintained by HR and available of the firm's intranet page.

c) Segregation of Functions

Duties should be segregated as appropriate, to avoid conflicts of interest wherever possible. These duties are set out in job descriptions, procedure manuals and organisational charts. Ensuring these duties remain segregated is the responsibility of the management body, as advised by the Head of Compliance.

d) Disclosure of Personal Conflicts

Employees are required to disclose conflicts of interest. Employees must disclose any conflicts of interest to their line manager who in turn will inform the Head of Compliance. Employees will disclose any conflicts directly to the Head of Compliance. Compliance will record in the appropriate register and inform the Board of any action taken.

e) Disclosure to Clients

If the Firm's arrangements to manage a conflict of interest are not sufficient to ensure, with reasonable confidence, that the risk of damage to that client's interests is prevented, the Firm will inform the client, in a durable medium, of the general nature and/or source of the conflict in

such a way that an informed decision can be made by that client before business is undertaken.

f) Restricted, Quiet and Insider List

In order to facilitate the monitoring of conflicts the Firm maintains a firm wide Restricted

List, Watch List and Insider List.

- The Restricted List contains all securities on which there are restrictions for sales, trading and publication of research. Compliance manages and updates this list on a daily basis.
- The Insider list is maintained by Compliance on all live projects and updated throughout the life of the project as appropriate and if staff members receive or have access to inside information.
- The Watch List is used when Corporate Finance are aware of a potential deal/transaction which has not been announced to the public..

g) Inducements

Staff members are prohibited from giving to and accepting from clients, potential clients or other third parties' gifts and entertainment of above the specified threshold.

h) Recruitment

When new employees are taken on, their fitness and propriety is considered by the Head of Compliance as part of the recruitment process, as well as their technical and, where relevant, managerial ability. Suitable background checks are made and references are taken up by HR.

i) Training

Compliance training to address conflicts of interest forms part of the annual training needs as well as Compliance Induction for all new staff. The Head of Compliance ensures that appropriate training is devised and delivered.

j) Compliance and Procedures Manuals

Systems and controls are documented in the compliance and procedures manual. These are reviewed at least annually to ensure they are fit for purpose.

k) Periodic Audit

The Head of Compliance oversees and executes a suitable audit programme at least annually to verify that the systems and controls are being applied.

l) Management Information

Management Information (MI) relevant to identifying conflicts is reviewed by the Head of Compliance. Conflicts checks are undertaken when the Firm is taking on new clients, accepting new business from existing clients as well as periodic reviews.

m) Verifying Compliance

Verification of compliance with these policies will be undertaken by the Head of

Compliance as part of an annual compliance review. The Head of Compliance will have responsibility for reviewing compliance with the policy on an annual basis.

n) Remuneration

The Firm's remuneration policy is designed to avoid rewarding behaviour that may lead to the disadvantage of its clients. The remuneration of corporate finance staff is linked to the general profits of the Firm and specific transactions which serves to align the interests of the corporate finance staff with those of the Firm's clients.

o) Conflicts Monitoring

In cases where a conflict is identified, a decision is made as to whether to proceed with the new business and, if so, what additional measures to take. There is also additional periodical monitoring over existing business. All such decisions are documented and are based on the nature of the conflict and the potential for the conflict of interest entailing a material risk of damage to the interest of one or more clients. Compliance keeps records of business approval and related correspondence.

p) Confidentiality

No portion of this Policy may be copied or reproduced. Approval

This Policy was last amended December 2017 and, following review, was approved by the Board in December 2017.