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## **Conflicts of Interest Policy**

### **1 Information about this policy**

#### **1.1 Background**

The CLSA group of companies are part of CITIC Securities Group and are separately incorporated subsidiaries (either directly or indirectly) which are run independently from CITIC Securities' operations.

CLSA (UK)'s ("CLSA") business is to provide brokerage services.

CLSA is authorised and regulated by the Financial Conduct Authority and is also a member of the London Stock Exchange. CLSA is an investment firm that is subject to the requirements of the FCA Rules that implement the Markets in Financial Instruments Directive ("MiFID").

#### ***FCA Rules concerning conflicts of interest***

Chapter 10 of the FCA's Senior Management Arrangements, Systems and Controls sourcebook ("SYSC") outlines a number of rules in relation to conflicts of interest.

Under SYSC 10.1, CLSA is required (amongst other things):

- (A) to take all reasonable steps to identify conflicts of interest, that arise or may arise in the course of CLSA providing any service to its clients, between:
  - (1) CLSA, including its managers, employees and appointed representatives or tied agents, or any person directly or indirectly linked to them by control, and a client of CLSA; or
  - (2) one client of CLSA and another client;
- (B) to keep and regularly update a record of the kinds of service or activity carried out by or on behalf of CLSA in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen, or in the case of an ongoing service or activity, may arise;
- (C) to maintain and operate effective organisational and administrative requirements with a view to taking all reasonable steps to prevent conflicts of interest from constituting or giving rise to a material risk of damage to the interests of CLSA's clients;
- (D) where arrangements made by CLSA to manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client will be prevented, to clearly disclose the general nature and/or sources of conflicts of interest to the client before undertaking business for the client; and

- (E) 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 CLSA, and the nature, scale and complexity of its business.

## 1.2 **The conflicts of interest policy**

This document is CLSA's conflicts of interest policy (the "Policy"), required by the FCA Rules implementing MiFID at SYSC 10.1. It identifies, by reference to the specific services and activities carried out by or on behalf of CLSA, the circumstances which may give rise to a conflict of interest entailing a material or potential risk of damage to the interests of one or more clients. Where conflicts are identified, it also specifies procedures to be followed and measures to be adopted in order to manage or avoid such conflicts.

## 2 **Identifying and managing potential conflicts of interest**

In accordance with the rules in SYSC 10.1 set out above, CLSA has identified a number of potential conflicts of interest which may arise in the course of it providing services to its clients.

The sections below refer to each distinct conflict identified, and describe the procedures that CLSA will follow and the measures that CLSA has adopted in order to manage the conflicts of interest identified.

### 2.1 **Passing orders to CLSA affiliates in connection with its offshore business**

#### ***Potential conflict***

In connection with its introduced business, CLSA receives and transmits orders to companies in Asia that are members of the CLSA group (the "Affiliates") for execution on behalf of its clients. Although CLSA may transmit orders to other third party brokers where it does not have a presence in the relevant jurisdiction, the majority of its clients' orders are passed to its Affiliates, therefore potentially putting CLSA's interests in conflict with those of its clients.

#### ***Method of managing/avoiding conflict***

CLSA manages this potential conflict of interest by ensuring that when passing orders to its Affiliates for execution on behalf of its clients, the Affiliates it selects:

- (A) have execution arrangements in place that enable CLSA to comply with its obligation to provide clients with the best possible result (as required by the FCA's Conduct of Business Sourcebook ("COBS") 11.2.32R));
- (B) have agreed contractually to provide CLSA's clients with best execution in accordance with the laws and regulations in its jurisdiction; and
- (C) have been evaluated by CLSA as possessing the expertise and access to local markets that give it the ability to consistently effect high quality executions for CLSA's clients.

CLSA believes that its business model is highly efficient in terms of the cost impact to its clients. Given that CLSA is confident that its Affiliates have the expertise, local market access and skills to obtain the best possible result for CLSA's clients on a consistent basis, CLSA only considers it necessary to use brokers who are non-affiliates in those jurisdictions where it does not have a presence and requires local market access and skills.

In addition, when passing orders to brokers for execution on behalf of clients categorised as "professional clients" for the purposes of the FCA rules, CLSA will maintain and follow an "Order Execution Policy" (a copy of which can be obtained from Compliance by emailing: [compliance\\_uk@clsa.com](mailto:compliance_uk@clsa.com)).

To ensure that it continues to manage this potential conflict of interest, CLSA will monitor the effectiveness of its order execution arrangements and keep its Order Execution Policy under review.

## 2.2 **Research**

### **Potential Conflict**

The preparation and distribution of research may lead to certain employees being aware of potentially sensitive information ahead of the publication of a research report such as a change in recommendation or price target, the improper use of which could conflict with the interests of CLSA's clients or between the interests of CLSA's clients and may also be unlawful.

### **Method of managing/avoiding conflict**

CLSA has the following controls and procedures in place to manage and detect possible research conflicts.

#### 2.2.1 Chinese walls

The purpose of a Chinese wall is to restrict the flow of information (including confidential and/or non-public, price sensitive information) from one business area to another. CLSA relies on Chinese walls between its broking business and that of other parts of the Group, including the investment banking business. These Chinese walls are physical (in terms of location), structural (in terms of the separate reporting lines of different business functions to CLSA's management) and in place electronically (with Research and Investment Banking employees unable to correspond via email due to restrictions put in place electronically).

#### 2.2.2 Restricted research

Research restrictions may apply due to other business activity around the Group, particularly ECM and Direct Investment. Various research restrictions apply depending on the nature of the deal. For example, the Hong Kong SFC Code of Conduct prescribes a Quiet Period of 40 days following pricing for IPOs and 10 days following pricing for secondary-market deals if CLSA has acted as a sponsor, manager, or underwriter of the deal(s).

### 2.2.3 Reporting lines and remuneration

The reporting lines for CLSA research analysts and their remuneration packages are structured to eliminate actual or potential conflicts of interest. Research analysts report to, and are supervised by, a local head of research who in turn reports to the Group Head of Research. Dedicated research analysts whose sole responsibility is to analyse issuers or investments, neither report to, nor are supervised by, any employee who is remunerated on the basis of sales or trading performance or any employee within the CLSA Group. In certain CLSA entities, the local Head of Research additionally performs the role of a research analyst. In such circumstances, any issues or matters arising from this element of his/her responsibility are directed to the Group Head of Research. There is no linkage of analysts' remuneration to specific transactions or recommendations. Analysts are remunerated according to their personal performance and the general profitability of CLSA. As a result of the clear, separate and structured supervision, a research analyst's remuneration is not determined by anyone outside of CLSA's Management and an analyst's performance is not assessed in any way which is likely to put him/her under improper pressure or to create an incentive which is inconsistent with the provision of an impartial assessment of the subject matter of investment research.

### 2.2.4 Disclosures

Making disclosures of CLSA's and the analyst relevant status in the research reports in line with local disclosure requirements.

## 2.3 Personal / employee account trading

### ***Potential conflict***

Employees or officers of CLSA may engage in trading of securities or other instruments for their own account. Such trading activities may put those employees and officers, or CLSA, in conflict with the interests of CLSA'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***

CLSA manages this potential conflict of interest by maintaining and following a Personal Account Dealing Policy which has been formulated in accordance with relevant FCA Rules. This policy (a copy of which can be obtained from Compliance), amongst other things, states that:

- (A) as a general rule, staff may not deal for their own account in any investment, without obtaining the prior written approval of Compliance;
- (B) Compliance will not give approval for a personal account transaction if it believes that it might cause a conflict with the Firm's duties to its clients under the regulatory system, and Compliance must refuse consent in certain situations, including where CLSA has a proprietary position;
- (C) certain types of trading are generally prohibited, including: dealing in investments relating to any company (or related companies) with which

employees have had contact in a professional capacity for a period of three days thereafter; excessive dealing – where the maximum number of trades must not exceed 15 per month unless on a discretionary basis (N.B, a trade is defined as a purchase or sale);

- (D) staff must report details of their personal accounts to Compliance, and they must authorise their personal account brokers to provide trade information to Compliance;
- (E) securities purchased for a personal account must be held for at least 14 calendar days, as personal account trading is permitted by CLSA to allow long-term investment, and not to permit speculation.

CLSA staff agree that if they do not comply with the Personal Account Dealing Policy they may face disciplinary action.

Compliance keeps records of both restrictions on personal account dealing, and permissions for personal account dealing, and any relevant notifications.

## 2.4 **Possession of material non-public information**

### ***Potential conflict***

Employees or officers of CLSA may come into possession of material non-public information. The improper use of such information by CLSA's employees or officers could cause a conflict of interest with the interests of CLSA's clients, or between the interests of CLSA's clients, and may also be unlawful.

### ***Method of managing/avoiding conflict***

CLSA manages these risks by maintaining and following FCA guidance set out in the Code of Market Conduct. CLSA has also implemented procedures to manage the risks of insider dealing, including the use of restricted lists and trade monitoring.

## 2.5 **Outside business activities and investments in service providers**

### ***Potential conflict***

Employees or officers of CLSA may hold outside business interests, such as directorships, or shareholdings in service providers to CLSA. CLSA has identified that such outside business interests or investments could cause a potential conflict of interest between the personal interest of the relevant employee / director and the interests of CLSA's clients.

### ***Method of managing/avoiding conflict***

CLSA manages this potential conflict by following the procedure outlined in the CLSA (UK) Compliance Manual "Outside Employment and Outside Business Interests, Disclosure process").

## 2.6 Execution of orders

### ***Potential conflict***

CLSA recognises that executing orders either on an execution venue, or through a broker that has not been approved by CLSA internally, and the process of selecting new brokers or execution venues, could give rise to a conflict of interest. For example, there might be a conflict if CLSA or an employee selected or used a broker with which it has a personal connection or with a relevant member of staff within that broker.

### ***Method of managing/avoiding conflict***

In order to manage this conflict, CLSA has a core list of brokers and execution venues which have been approved and a list of which is kept for the purpose of determining where to execute or place a client order.

To the extent that CLSA is executing or placing orders on behalf of professional clients, it has implemented an Order Execution Policy which includes a requirement for all CLSA employees who are responsible for placing orders with brokers for execution and for directly executing transactions on behalf of clients, to ensure that they conduct the activities in accordance with the requirements and guidance of these policies. Venues and brokers not listed on the Order Execution Policy are only permitted to be used in exceptional circumstances, with prior sign-off from Compliance.

As part of its general best execution monitoring capacity, Compliance will monitor the effectiveness of CLSA's order execution arrangements and its Order Execution Policy (if CLSA is acting on behalf of a professional client). CLSA will also review on an annual basis its Order Execution Policy and its execution arrangements.

## 2.7 Gifts and entertainment

### ***Potential conflict***

The giving or receiving of gifts, entertainment, or any other form of gratuity or hospitality by or to CLSA employees or officers may create the appearance of a lack of impartiality and may lead to a potential conflict of interest between the interests of the donor / donee and the interests of the Funds. For example, a CLSA employee might be perceived to have directed order flow to that broker in order to reward it for a significant gift or inducement that the employee has received (rather than on the basis of execution quality).

### ***Method of managing/avoiding conflict***

CLSA manages these potential conflicts by maintaining and following a Gift and Benefit/Entertainment Policy. Among other things, this Policy states that employees may receive or offer gifts without notifying/obtaining prior approval from Compliance, provided that their value does not exceed £200. In the event that an employee receives a gift exceeding this amount, he/she must notify Compliance. Similarly, an employee must obtain the approval of Compliance before offering a gift exceeding this amount. In addition, the CLSA Group has a detailed Anti-Bribery and Corruption policy

## 2.8 **Misuse of client information**

### ***Potential conflict***

Employees and officers of CLSA have access to confidential information concerning its clients. It is possible that CLSA employees or officers could misuse that information in conflict with the interests of the client.

### ***Method of managing/avoiding conflict***

CLSA manages the risk of misuse of client information by requiring its employees and officers to sign a confidentiality agreement (available from Compliance), which (amongst other things) contains CLSA's Policy on protecting the confidentiality of client information. In addition, CLSA has implemented and relies upon arrangements such as information barriers to prevent the misuse of client information.

## **3 CLSA's policy in relation to new or ad-hoc conflicts of interest**

This document does not serve as an exhaustive list of all conflicts of interest that may be encountered by CLSA. In the event that a new or ad-hoc conflict of interest arises which has not been anticipated by this policy, CLSA will employ methods to manage such conflicts of interest.