CITICS Europe - Conflicts of interest policy

1. Information about this policy

1.1 Background

CSI Group means CITIC Securities International Company Limited ("CSI") and all its Affiliates. CSI Group forms part of CITIC Securities Group.

CITIC Securities Europe B.V. ("CITICS Europe") carries on the following business:

- ❑ Institutional Equities - Providing global equity broking services, on an agency basis, to professional and institutional clients in the EEA, using CSI Group affiliates and third parties as executing brokers.
- ❑ Research – Distribution of research produced by CSI Group.
- ❑ Corporate Finance - Providing investment banking services to clients in the EEA and to group companies, principally cross border mergers and acquisitions.
- ❑ Derivatives ("EQD") – Execution of EQD client orders with certain group entities.
- ❑ Futures, Options and Commodity Derivatives - Providing execution and clearing services in exchange traded derivatives and over-the-counter derivatives.

CITICS Europe is authorised and regulated by the Authority Financial Markets ("AFM"). CITICS Europe is an investment firm subject to Directive 2014/65/EU on markets in financial instruments ("MiFID II"), Regulation (EU) No 600/2014 on markets in financial instruments ("MiFIR") and the rules implementing MiFID II and MiFIR.

Rules concerning conflicts of interest

Commission Delegated Regulation (EU) 2017/565 supplementing Directive 2014/65/EU (the "MiFID II Org Regulation") sets out the rules relating to conflicts of interest referred to in this Policy (the "Conflicts of Interest Rules").

Under the Conflicts of Interest Rules, CITICS Europe is required, among other things, to:

(A) take all appropriate steps to identify and prevent or manage conflicts of interest arising when providing services to its clients, including conflicts between:

- ❑ CITICS Europe, 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 CITICS Europe; or
- ❑ one client of CITICS Europe and another client;

(B) maintain and regularly update a record of the kinds of service or activity carried out by or on behalf of CITICS Europe in which a conflict of interest involving a risk of damage to the interests of one or more clients has arisen, or may arise in the case of an ongoing service or activity;

(C) maintain effective organisational and administrative requirements designed to prevent conflicts of interest from adversely affecting the interests of CITICS Europe's clients;

(D) where arrangements made by CITICS Europe to manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the client's interests will be prevented, clearly disclose the following before undertaking business for the client:

- ❑ the general nature and/or sources of conflicts of interest to the client, and
- ❑ the steps taken to mitigate those risks;
- ❑ Any disclosure must, among other things:
- ❑ clearly state that CITICS Europe's organisational and administrative arrangements are not sufficient to ensure, with reasonable confidence, that the risk of damage to the client's interests will be prevented;
- ❑ describe specifically the conflict of interest arising in the provision of investment services or ancillary service;
- ❑ explain the risks to the client arising from that conflict;

- include sufficient detail, considering the nature of the client, to enable the client to take an informed decision in relation to the relevant service.

Disclosure of this kind must only be used as a last resort where CITICS Europe considers that its other arrangements to prevent or manage conflicts may not be effective, and should not be relied on unduly;

(E) establish, implement and maintain an effective written conflicts of interest policy appropriate to the size and organisation of CITICS Europe and to the nature, scale and complexity of its business.

1.2 The conflicts of interest policy

This document is CITICS Europe's conflicts of interest policy (the "Policy"). It identifies, by reference to the specific services and activities carried out by or on behalf of CITICS Europe, the circumstances which may give rise to a conflict of interest entailing 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 to prevent or manage them.

The Policy also takes into account any circumstances which may give rise to a conflict of interest arising because of the structure and business activities of other members of the CSI Group.

2. Identifying and preventing or managing potential conflicts of interest

CITICS Europe has identified several potential conflicts of interest when providing services to clients. The sections below describe each identified conflict and the procedures and measures CITICS Europe applies to prevent or manage it.

2.1 Reception and transmission of orders to CSI affiliates

Potential conflict

CITICS Europe's processes client orders by directing them to members of the CSI group (the "Affiliates") for execution when it is unable to execute such orders directly. In instances where CITICS Europe does not have a presence in the relevant jurisdiction, orders may be transmitted to third-party brokers; however, most client orders are routed to Affiliates. This practice may give rise to a potential conflict of interest between CITICS Europe and its clients.

How the conflict is managed

CITICS Europe manages this conflict by ensuring that any Affiliate selected to execute client orders:

- have execution arrangements in place that enable CITICS Europe to comply with its obligation to provide clients with the best possible result, as required by Article 65 of the MiFID Org Regulation;
- have agreed contractually to provide CITICS Europe's clients with best execution in accordance with the laws and regulations in its jurisdiction; and
- have been evaluated by CITICS Europe as possessing the expertise and access to local markets that give it the ability to consistently effect high quality executions for CITICS Europe's clients.

CITICS Europe uses Affiliates where it is satisfied that they have the expertise, local market access and execution capability to obtain the best possible result for clients on a consistent basis. CITICS Europe and Affiliates use non-affiliated brokers where local market access is required and no CITICS Europe presence exists.

When transmitting orders for execution on behalf of clients categorised as professional clients, CITICS Europe also maintains and follows its Order Execution and Order Handling Policy.

CITICS Europe will monitor the effectiveness of these execution arrangements and keeps its Order Execution and Order Handling Policy under review.

2.2 Execution of orders

Potential conflict

The execution of orders on an execution venue, with an Affiliate as a counterparty or through a third-party broker may give rise to conflicts of interest. For example, a conflict may arise if CITICS Europe or one of its employees selects or uses a broker with whom it has a personal connection.

How the conflict is managed

CITICS maintains a list of approved execution venues, Affiliates and brokers. Where CITICS executes or places client orders, it applies its Order Execution and Order Handling Policy. Affiliates, brokers and venues not listed in that policy may only be used in exceptional circumstances and with prior sign-off from Compliance.

As part of best execution monitoring, Compliance will review the effectiveness of CITICS Europe's order execution arrangements and its Order Execution and Order Handling Policy, which are reviewed annually.

EQD orders, which are executed with an Affiliate as a counterparty, acting in a principal capacity, are exclusively executed on a request for quote (RFQ) basis.

2.3 Execution incentives, Inducements and Payment for Order Flow (PFOF)

Potential conflict

Conflicts of interest may arise where CITICS Europe receives, or may receive, fees, commissions, rebates or non-monetary benefits from third parties (including brokers, execution venues, exchanges or liquidity providers) that could influence order routing decisions.

How the conflict is managed

- ❑ Prohibition of Payment for Order Flow (PFOF) – CITICS Europe does not accept Payment for Order Flow or any equivalent arrangements whereby it is remunerated for directing client orders to a particular execution venue or counterparty;
- ❑ Inducements – CITICS Europe will not accept any inducement that could impair its duty to act in the best interests of its clients or influence execution decisions;
- ❑ Exchange Rebates and Incentives – Where CITICS Europe participates in exchange fee or liquidity rebate schemes, these arrangements must not influence order routing decisions and must be subject to periodic review;
- ❑ Best Execution priority – Execution quality and client outcomes must always take precedence over any commercial arrangements or incentives.

2.4 Research

Potential conflict

The preparation and distribution of research may result in certain employees becoming aware of sensitive information before publication of a research report, such as a change in recommendation or price target. Improper of that information could conflict with the interests of CITICS Europe's and may also be unlawful.

How the conflict is managed

CITICS Europe has implemented the following controls and procedures to prevent, manage and detect research conflicts:

2.4.1 Chinese walls

Chinese walls are used to restrict the flow of confidential non-public and price sensitive information between business areas. CITICS Europe relies on Chinese walls between its broking business and other parts of the Group, including the investment banking business. These barriers are physical, structural and electronic, including restrictions on email communication between with Research and Investment Banking employees.

2.4.2 Restricted research

Research restrictions may apply because of other Group business activities, particularly ECM and Direct Investment activity. The restrictions applied depend on the nature of the transaction. 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 where CITICS Europe has acted as a sponsor, manager, or underwriter.

2.4.3 Reporting lines and remuneration

The reporting lines and remuneration of CSI Group research analysts are structured to reduce 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, employees remunerated based on sales or trading performance or by employees within the investment banking. There is no link between analysts' remuneration and specific transactions or recommendations. Analysts are remunerated according to their personal performance and the general profitability of CSI Group. Their performance is not assessed in any way which is likely to put them under improper pressure or to create an incentive inconsistent with the provision of an impartial assessment.

2.4.4 Disclosures

Relevant disclosures relating to CSI Group and the analysts are included in research reports in accordance with applicable local disclosure requirements.

2.5 Personal / employee account trading

Potential conflict

Employees or officers of CITICS Europe may engage in trading of securities or other instruments for their own account. Such activity may place those individuals, or CITICS Europe itself, in conflict with the interests of CITICS Europe's clients, for example where an individual has a personal interest in a client transaction with a client or engages in front running.

How the conflict is managed

CITICS Europe manages this conflict through its Group Staff Dealing Policy which has been formulated in accordance with relevant MiFID II, MiFIR and related regulatory requirements. Among other things, that policy provides that:

- ❑ as a rule, staff may not deal for their own account in any investment, without obtaining prior Compliance approval;
- ❑ Compliance will deny approval for personal account transactions if they may conflict with CITICS Europe's duties to its clients or in cases where CITICS Europe holds a proprietary position;
- ❑ 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;
- ❑ staff must report details of their personal accounts to Compliance, and they must authorise their personal account brokers to provide trade information to Compliance;
- ❑ securities purchased for a personal account must be held for at least 30 calendar days, as personal account trading is permitted by CITICS Europe to allow long-term investment, and not to permit speculation.

Staff acknowledge that failure to comply with the Group Staff Dealing Policy may result in disciplinary action. Compliance maintains records of personal account dealing restrictions, approvals and relevant notifications.

2.6 Possession of material non-public information

Potential conflict

Employees and officers may come into possession of material non-public information. Improper use of that information could create a conflict with the interests of CITICS Europe's clients, or between clients, and may also be unlawful.

How the conflict is managed

CITICS Europe manages these risks by complying with all applicable requirements under Regulation (EU) No 596/2014 on market abuse, including delegated legislation adopted under it. CITICS Europe has also implemented procedures to manage insider dealing risk, including the use of restricted lists and trade monitoring.

2.7 Outside business activities and investments in service providers

Potential conflict

Employees and officers may hold outside business interests, such as directorships, or shareholdings in service providers to CITICS Europe. Such interests may create a conflict between the personal interests of the relevant individual and the interests of CITICS Europe's clients.

How the conflict is managed

CITICS Europe manages this conflict by applying the procedure set out in the CITICS Europe and CITICS (UK) Compliance Manual "Outside Employment and Outside Business Interests, Disclosure process".

2.8 Gifts and entertainment

Potential conflict

The giving or receiving of gifts, entertainment, hospitality or other gratuities by CITICS Europe employees or officers may create the appearance of impaired impartiality and may give rise to a potential conflict of interest. For example, a CITICS Europe employee might be perceived as directing order flow to a broker in return for a gift or inducement rather than based on execution quality.

How the conflict is managed

CITICS Europe manages these conflicts through its Gift and Entertainment Policy. Among other things, that policy provides that employees may not give or receive gifts with a cumulative value of more than $200 to or from a counterparty in any given year. Any gift offered or received must be reported to Compliance for monitoring purposes, and gifts above $200 require prior approval by Management and Compliance. CITICS Europe also maintains a detailed Anti-Bribery and Corruption policy.

2.9 Misuse of client information

Potential conflict

Employees and officers of CITICS Europe have access to confidential client information. Misuse of that information could conflict with the interests of the relevant client.

How the conflict is managed

CITICS Europe manages this risk by requiring employees and officers to sign a confidentiality agreement, which includes CITICS Europe's requirements on protecting client information. CITICS Europe also conducts Data Loss Prevention (DLP) monitoring and applies information barriers and related arrangements to prevent misuse of client information.

3. Escalation and Reporting

CITICS Europe staff must conduct themselves so that conflicts of interest are avoided wherever practicable. Any identified or unavoidable conflict of interest must be escalated to senior management and Compliance for resolution.

4. CITICS Europe's policy in relation to new or ad-hoc conflicts of interest

This document is not intended to provide an exhaustive list of all conflicts of interest that may arise within CITICS Europe. If a new or ad-hoc conflict of interest arises that has not been addressed in this Policy, CITICS Europe will assess it and apply appropriate measures to prevent or manage it.

5. Remuneration

CITICS Europe shall maintain a remuneration policy taking into account the interests of all clients, with a view to ensuring that clients are treated fairly, and their interests are not impaired by CITICS Europe's remuneration practices.

6. Periodic review

CITICS Europe will review this policy and its internal procedures for identifying, managing and preventing conflicts of interests at least annually. Compliance will supervise that review as part of CITICS Europe's compliance monitoring process.