# CITICS (UK) – 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 (UK) ("CITICS (UK)") carries out the following business:

- ❑ Institutional Equities - Providing global equity broking services, on an agency and principal basis, to financial institutions in the European time zone, using CSI Group affiliates and third parties as executing brokers.

- ❑ Corporate Finance - Providing investment banking services to clients in the European time zone and to Group companies, principally cross border mergers and acquisitions.

- ❑ Fixed Income - Trading fixed income securities on a riskless principal basis with financial institutions in the European time zone.

- ❑ Equity Derivatives - Trading equity derivative products on an agency basis.

- ❑ Futures, Options and Commodity Derivatives - Providing execution and clearing services in exchange traded derivatives and over-the-counter derivatives as well as Direct Electronic Access (DEA) to relevant trading venues. CITICS (UK) facilitates client trading through agency and, where applicable, riskless principal models across relevant exchanges.

CITICS (UK) is authorised and regulated by the Financial Conduct Authority (FCA) and is also a member of the London Stock Exchange, Six Swiss, Deutsche Boerse, LCH (originally London Clearing House), London Metal Exchange (LME) and LME Clear. CITICS (UK) is an investment firm that is subject to the requirements of the UK MiFID framework, including FCA Rules and Treasury legislation that is part of the UK MiFID framework and relevant exchanges rules.

***Rules concerning conflicts of interest***

Commission Delegated Regulation (EU) 2017/565 supplementing Directive 2014/65/EU (the "MiFID Org Regulation"), the FCA's Senior Management and Certification Regime and Chapter 10 of the FCA's Senior Management Arrangements, Systems and Controls sourcebook ("SYSC") outline rules in relation to conflicts of interest (together, the "Conflicts of Interest Rules").

Under the Conflicts of Interest Rules, CITICS (UK) 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 (UK), 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 (UK); or

- ❑ one client of CITICS (UK) 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 (UK) 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 (UK)'s clients;

(D) where arrangements made by CITICS (UK) 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 (UK)'s organisational and administrative arrangements are not sufficient to ensure, with reasonable confidence, that the risks 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 services;
- ❑ 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 (UK) 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 (UK) and to the nature, scale and complexity of its business.

### 1.2 The conflicts of interest policy

This document is CITICS (UK)'s conflicts of interest policy (the "Policy"), required by the Conflicts of Interest Rules. It identifies, by reference to the specific services and activities carried out by or on behalf of CITICS (UK), 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 as a result of the structure and business activities of other members of the CSI Group.

## 2 Identifying and preventing or managing potential conflicts of interest

In accordance with the Conflicts of Interest Rules, CITICS (UK) has identified several potential conflicts when providing services to clients.

The sections below describe each identified conflict and the procedures and measures CITICS (UK) applies to prevent or manage it.

In addition to the specific conflicts described below, CITICS (UK) recognises that conflicts may arise in connection with trading activities, execution arrangements and affiliate relationships in relation to derivatives markets.

### 2.1 Passing orders to CITICS (UK) affiliates in connection with its offshore business

***Potential conflict***

CITICS (UK) 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 (UK) 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 (UK) and its clients.

***How the conflict is managed***

CITICS (UK) manages this conflict by ensuring that any Affiliates selected to execute client orders:

- ❑ have execution arrangements in place that enable CITICS (UK) 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 (UK)'s clients with best execution in accordance with the laws and regulations in its jurisdiction; and
- ❑ have been evaluated by CITICS (UK) as possessing the expertise and access to local markets that give it the ability to consistently effect high quality executions for CITICS (UK)'s clients.

CITICS (UK) 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 (UK) and Affiliates use non-affiliated brokers where local market access is required and no CITICS (UK) presence exists.

When transmitting orders for execution on behalf of clients categorised as professional clients for the purposes of the FCA rules, CITICS (UK) also maintains and follows its Order Execution and Order Handling Policy.

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

### 2.2 Follow- the- sun execution and use of APAC Affiliates (Futures, Options and Commodity Derivatives) and affiliate as a client of CITICS (UK)

***Potential conflict***

CITICS (UK) operates a "follow-the-sun model" under which its Affiliated entities in Asia may provide execution support to CITICS (UK) in order to facilitate continuous market coverage outside UK trading hours. In particular, CITICS (UK) may rely on its Affiliates to execute client orders and provide trading desk support in relation to products traded on UK trading venues such as the London Metal Exchange (LME) and ICE Futures Europe (IFEU), including for overnight order placement, monitoring and execution.

Under this model, CITICS (UK)'s Asian Affiliates may act as an extension of CITICS (UK)'s trading and operational capabilities, including the provision of execution services and operational support functions across multiple time zones. This arrangement may constitute the outsourcing or delegation of certain activities within the CSI Group and may give rise to conflicts of interest, including those relating to order routing, execution quality, information sharing and intra-group incentives.

***How the conflict is managed***

CITICS (UK) manages these risks by ensuring that:

- ❑ All orders handled by affiliates are subject to CITICS (UK)'s best execution obligations;

- ❑ Appropriate oversight, monitoring and governance frameworks are in place;
- ❑ Information barriers and confidentiality controls are maintained; and
- ❑ Cross-border regulatory and operational risks are assessed and documented as part of CITICS (UK)'s conflicts and outsourcing frameworks.

***Potential conflicts***

***Intra-group conflicts where an affiliate is also a client***

Conflicts of interest may also arise where an affiliated entity within the CSI Group (or wider CITIC Securities Group) acts as a client of CITICS (UK), while also being a related party within the same corporate group. In such circumstances, CITICS (UK) may face competing duties between its obligation to act in the best interests of its clients and the commercial or strategic interests of the Group.

Such conflicts of interest may arise, for example, where:

- ❑ CITICS (UK) executes orders on behalf of an affiliate that is itself acting as principal or intermediary for underlying clients;
- ❑ CITICS (UK) provides execution, research or other services to an affiliate whilst also servicing other clients with competing interests;
- ❑ CITICS (UK) is incentivised, directly or indirectly, to prioritise the interests of an affiliate over those of third-party clients; or
- ❑ confidential information is exchanged within the Group in a manner that could disadvantage clients.

***How the conflict is managed***

CITICS (UK) manages these conflicts through the following measures:

- ❑ Arms-Length Principle - All dealings with affiliates acting as clients must be conducted on an arm's-length basis and in accordance with the same standards applied to third-party clients, including best execution and fair treatment obligations;
- ❑ Equal Treatment of Clients - CITICS (UK) does not give preferential treatment to affiliate clients over other clients in relation to order handling, execution priority, allocation, pricing or access to services;
- ❑ Information Barriers - Appropriate information barriers are maintained to prevent the inappropriate sharing of confidential or client-sensitive information between CITICS (UK) and affiliated entities;
- ❑ Independent Oversight - Transactions involving affiliates are subject to enhanced oversight by Compliance to ensure that conflicts are identified, assessed and appropriately managed.
- ❑ Monitoring and surveillance - CITICS (UK) monitors trading activity and order flows involving affiliate clients to detect any patterns that may indicate preferential treatment or conflicts of interest; and
- ❑ Disclosure and escalation - Where a material conflict cannot effectively be managed, CITICS (UK) will disclose the nature of the conflict to the relevant client(s) as a last resort and/or decline to act.

CITICS (UK) ensures that its obligations to clients are not subordinated to the interests of the Group and that all clients, including affiliated clients, are treated fairly and in accordance with applicable regulatory requirements.

## 2.3 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 use of that information could conflict with the interests of CITICS (UK)'s and may also be unlawful.

***How the conflict is managed***

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

### 2.2.1 Chinese walls

Chinese walls are used to restrict the flow of confidential non-public and price sensitive information between business areas. CITICS (UK) 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.

### 2.2.2 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 (UK) has acted as a sponsor, manager, or underwriter.

### 2.2.3 Reporting lines and remuneration

The reporting lines and remuneration of CITICS (UK) 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 CITICS (UK). 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.

### 2.2.4 Disclosures

Relevant disclosures relating to CITICS (UK) and the analysts are included in research reports in accordance with local disclosure requirements.

## 2.4 Personal / employee account trading

***Potential conflict***

Employees or officers of CITICS (UK) may engage in trading of securities or other instruments for their own account. Such activity may place those individuals, or CITICS (UK) itself, in conflict with the interests of CITICS (UK)'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 (UK) manages this conflict through its Group Staff Dealing Policy which has been formulated in accordance with relevant MiFID rules and related regulatory requirements. Among other things, that policy provides that:

- ❑ as a rule, staff may not deal for their own account in any listed investment, without obtaining prior Compliance approval;
- ❑ Compliance will deny approval for personal account transactions if they may conflict with CITICS (UK)'s duties to its clients or in cases where CITICS (UK) 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 (UK) 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.

### 2.5 Possession of material non-public information

***Potential conflict***

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

***How the conflict is managed***

CITICS (UK) manages these risks by maintaining and following FCA guidance set out in the Code of Market Conduct, and by complying with all relevant requirements under the UK Market Abuse Regulation, including its delegated legislation. CITICS (UK) has also implemented procedures to manage insider dealing risk, including the use of restricted lists and trade monitoring.

### 2.6 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 (UK). Such interests may create a conflict between the personal interests of the relevant individual and the interests of CITICS (UK)'s clients.

***How the conflict is managed***

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

### 2.7 Execution of orders

***Potential conflict***

The executing of orders on an execution venue, or through a non-approved broker, and the process of selecting new brokers or execution venues, may give rise to conflicts of interest. For example, a conflict may arise if CITICS (UK) or one of its employees selects or uses a broker with whom it has a personal connection.

***How the conflict is managed***

CITICS (UK) maintains a list of approved brokers and execution venues. Where CITICS (UK) executes or places client orders, it applies its Order Execution and Order Handling Policy. 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 (UK)'s order execution arrangements and its Order Execution and Order Handling Policy, which are reviewed annually.

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

***Potential conflict***

Conflicts of interest may arise where CITICS (UK) 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 (UK) 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 (UK) 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 (UK) 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.

### 2.9 Principal (House Account) Trading (where applicable)

***Potential conflict***

Where CITICS (UK) (including its affiliates) undertakes principal trading activities, including hedging or risk management, conflicts may arise between CITICS (UK)'s own financial interests (house positions) and those of its clients.

CITICS (UK) does not engage in speculative proprietary trading. Principal activity is limited to riskless principal transactions, client facilitation, and hedging of client-related exposures.

***How the conflict is managed***

- ❑ Client Order Priority – Client orders are handled promptly, fairly and in due turn. Trading activity, including riskless principal or facilitation trades, must not disadvantage or delay client execution;
- ❑ No Misuse of Client Information – Staff must not use knowledge of pending client orders or other confidential information to influence the timing, pricing or execution of house account trades;
- ❑ Restriction and Monitoring – Principal and hedging activities are subject to defined limits, oversight, and monitoring by Compliance and Risk. These activities are strictly client-driven and not speculative;
- ❑ Separation of Functions – Appropriate organisational and information barriers are maintained to prevent misuse of client information and manage conflicts arising from principal trading activities; and
- ❑ Regulatory Compliance – All principal and hedging activity is conducted in accordance with FCA requirements and internal governance frameworks, ensuring trading remains client-focused and does not create client detriment.

### 2.10 Gifts and entertainment

***Potential conflict***

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

***How the conflict is managed***

CITICS (UK) 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 (UK) also maintains a detailed Anti-Bribery and Corruption policy.

### 2.11 Misuse of client information

***Potential conflict***

Employees and officers of CITICS (UK) 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 (UK) manages this risk by requiring employees and officers to sign a confidentiality agreement, which includes CITICS (UK)'s requirements on protecting client information. CITICS (UK) 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 (UK) 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 (UK)'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 (UK). If a new or ad-hoc conflict of interest arises that has not been addressed in this Policy, CITICS (UK) will assess it and apply appropriate measures to prevent or manage it.

## 5 Remuneration

CITICS (UK) 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 (UK)'s remuneration practices.

## 6 Periodic review

CITICS (UK) 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 (UK)'s compliance monitoring process.