



# Fearnley Securities AS

## Conflict of interest policy

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## CONFLICT OF INTEREST POLICY

### 1. Purpose and scope

Fearnley Securities AS ("Fearnley") shall maintain and operate effective organizational and administrative arrangements with a view to taking all appropriate steps to prevent conflict of interest from adversely affecting the interests of its clients when providing investment and ancillary services or a combination. Fearnley will take all appropriate steps to identify and prevent or manage conflict of interests arising between Fearnley and clients, and from arising between clients.

Fearnley's policy is to ensure fair treatment for clients and investors by disclosure, internal rules of confidentiality, by declining to act or otherwise. Fearnley will ensure that the client's interests take precedence over its own interests and will not unfairly place its own interests above those of its clients.

The Conflict of Interest Policy sets out the policy statement for Fearnley and will be supported by a separate Conflict of Interest Procedure which discusses implemented measures and procedures.

### 2. Responsibilities and Application

The Board of Directors are responsible for approving and conducting an annual review of this Policy to ensure compliance with any relevant changes to rules, regulations and/or any other signals from regulators.

Management are responsible for implementing and enforcing this Policy and promoting a culture of awareness and compliance. The Compliance department is responsible for guiding and supporting the business areas and providing training to relevant staff and assists in identifying, managing and monitoring any such conflicts.

All employees' have an obligation to act with integrity and to ensure that they understand and comply with this Policy.

### 3. Handling conflicts of interest



#### 3.1 Identifying conflicts of interest

The first step in being able to protect Fearnley and its clients from being affected by a conflict of interest is to understand what a conflict of interest is. To identify a conflict of interest, consideration should be given to whether Fearnley or a person linked to it, including employees:

- Is likely to make a financial gain, or avoid a financial loss, at the expense of the client
- 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
- Has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client
- Carries on the same business as the client
- 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 monetary or non-monetary benefits or services. Consideration should be given to the nature and scale of the benefit.

This conflict of interest may arise in the following general situations:

- Conflicts between Fearnley and its clients
- Conflicts between clients or groups of clients
- Conflicts between employees and clients
- Conflicts between any member of the Board of Directors or employees and Fearnley
- Conflicts between different business units in Fearnley

This conflict of interest may arise in the following specific areas:

- Dealing as principal for its own account in a financial instrument by buying from or selling to a client.

- Providing a service to clients in a financial instrument in relation to which another person or client enters a transaction.
- Matching a transaction with that of another person by acting on that persons behalf as well the client or acting or seeking to act as agent to both parties
- Have business relationships, including investment banking relationships, with entities in relation to whose securities a client is entering into transactions
- Be involved as adviser, broker or otherwise in a new issue, takeover or similar transaction involving a financial instrument in which a client has an interest
- Providing investment research in relation to an entity or group to which it also provides advisory services.
- Have received ongoing client orders when employees wishing to trade on their own account.
- Employ staff who have personal relationships with the clients

### 3.2 Management of conflicts of interest

It is an integrated part of Fearnley's culture to prevent conflicts of interest and, where they cannot be prevented, to manage them appropriately. For each conflict of interest, consideration will need to be given on how best to manage it to the appropriate level to protect Fearnley and/or the affected client(s). Fearnley manage conflict of interests through combination of systems, controls, policies and procedures.

#### *Code of Conduct:*

The Code of Conduct policy stipulates the most essential standards of integrity and fair business, to handle Fearnley's clients in a proper manner and to ensure that all employees uphold a high standard of prudent and ethical behavior.

#### *Training and monitoring:*

Fearnley ensures that the administrative framework also involves training and monitoring, including promotion of internal awareness, guidance, internal reporting and monitoring of the effectiveness of the procedures to handle conflicts of interest.

#### *Remuneration:*

The Remuneration Policy focuses on alignment with the principle of protection of clients, that includes ensuring the prevention and management of conflict of interests. When designing incentive structures and deciding on remuneration, Fearnley has established effective control procedures to ensure that the remuneration neither compromises the objectivity of the person when carrying out duties nor is contrary to the clients best interest.

Once a year, Fearnley discloses information on Fearnley's remuneration practices.

#### *Inducements, bribery and corruption:*

Fearnley has adopted rules on providing benefits to and receiving benefits from a third party in connection with the provision of investment services to a client, where the third party does not represent the client. Benefits may be monetary and non-monetary. A benefit may not impair Fearnley duty to act honestly, professionally and with the integrity in accordance with the best interest of its clients. A benefit must be clearly disclosed to the client.

Fearnley has adopted an Anti-corruption policy, which is applicable to all employees and everyone Fearnley do business with. The policy outlines acceptable laws and regulations, including but not limited to Norwegian anti-corruption legislation and The United States Foreign Corrupt Practices Act ("FCPA").

#### *Gifts and Hospitality*

Fearnley has a clear set of rules that apply to all employees for giving and accepting gifts and hospitality. This is designed to prevent and manage potential conflicts of interest and ensure that Fearnley act with integrity in our interactions with clients and other business partners.

#### *Information barriers:*

At an operational level, Fearnley take into account any circumstances, which may give rise to a conflict of interest occurring due to the structure and business activities within a business area or entities. Fearnley implements information barriers to either prevent or manage conflict of interest that include:

- Separation of premises
- Personnel
- Reporting lines
- Files
- IT systems
- Confidentiality agreements

Fearnley has also implemented processes and systems to record and manage relevant information about ongoing business activities.

#### *Segregation of duties*

Fearnley emphasis the importance of maintaining segregation of duties as a fundamental measure to prevent and manage conflict of interests. Accordingly, the principles of segregation of duties are reflected in Fearnley's organizational structures, procedures, reporting lines and internal controls.

#### *Research independence*

To ensure that Investment Research reports produced by research analysts in Fearnley are produced and distributed fairly and that they represent the research analyst's independent view, Fearnley employs a number of measures to manage conflict of interests:

- Supervision and editorial control are retained within the research department
- Rules on timing of publication are in place to ensure fairness
- Research department are separated from other business areas of entity using information barriers.
- No part of analysts' salaries or compensations relates directly to investment banking services or other services by Fearnley to Recommendation Subjects. All analysts are, however, part of the general bonus scheme to the total earnings of Fearnley.

#### *Oversight of employee's responsibilities*

Fearnley Securities oversees employees' responsibilities including outside business interests, to avoid or manage conflict of interests.

#### *Personal Account Dealing*

Personal Account Dealing is subject to strict internal rules.

#### *Execution/Client Order Handling*

Fearnley requires employees to act honestly, fairly and professionally in accordance with the best interests of a Client, including when executing, receiving or transmitting orders on behalf of a Client. A Client's interests are protected by Fearnley's "Best Execution" policy, which prohibit improper conduct by the Fearnley's traders, such as front-running Client orders and stipulate that Client orders take priority over principal trading.

Systems and controls of Fearnley are reviewed on an ongoing basis.

In certain circumstances, the following measures are necessary to ensure adequate management of a conflict of interest:

- Implementation of additional information segregation methods or other ad hoc arrangements.
- Escalation to senior management of the firm.
- Declining to clear personal staff requests for interests which involve a conflict.
- Declining to act for a client.
- Certain staff may be asked to step aside from working on a specific transaction or participating in the management of a potential conflict of interest.

#### *Disclosure of conflict of interest*

Fearnley will use disclosure to clients only when the organizational and administrative arrangements established by the firm to prevent and 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.

### **3.3 Recording Conflict of Interest**

Fearnley's Conflict of Interest Register is a register of the types of conflicts of interest entailing a material risk of damage to the interest of one or more Clients that have arisen or, may arise, in relation to investment or ancillary services.

The information contained within Fearnley's Conflict of Interest Register facilitates the effective identification, escalation and management of potential conflicts of interest and provides a basis for the training of Employees.

As of 3 January 2018.