

# Conflict of Interest Policy

Fearnley Securities AS

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## Conflict of Interest Policy

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# CONFLICT OF INTEREST POLICY

## 1. Purpose and scope

Fearnley Securities AS 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 Securities will take all appropriate steps to identify and prevent or manage conflict of interests arising between Fearnley Securities and clients, from arising between clients and internally within the company.

Fearnley Securities' policy is to ensure fair treatment for clients and investors by internal rules of confidentiality, by declining to act, or otherwise by disclosure if deemed appropriate. Fearnley Securities 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 Securities and will be supported by a separate Conflict of Interest Procedure which discusses implemented measures and procedures.

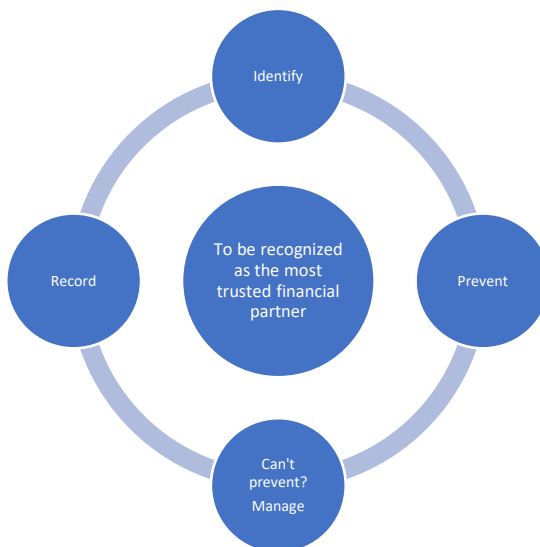
## 2. Responsibilities and Application

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 is 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 Securities 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 Securities or its affiliates or a relevant person, 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
- Conducts the same type of 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 Securities 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 Securities
- Conflicts between different business units in Fearnley Securities

Fearnley Securities is engaged in activities based on a business model with an inherent potential for conflict of interest. The Investment Banking department acts on behalf of issuers of securities and the department shall seek to perform its assignments in the best interest of its issuers. The Brokerage department shall, on its part, perform its assignments in the best interest of its investors. The Research department shall serve as a support function for the Brokerage department, and its interests are thus aligned with those of the Brokerage department, i.e., to serve the interests of investors.

The potential for conflicts of interest inherent in the abovementioned business model needs to be reduced to the extent possible through requirements regarding internal organization and independence between departments. Management and each individual employee of Fearnley Securities shall be conscious of whose interests they are required to serve.

Fearnley Securities is exposed to the general risk of conducting business which may directly or indirectly be detrimental to the environment, social responsibility, and good governance principles ("ESG") by assisting its clients/acceptance of their assignments. There may also be conflict of interest between Fearnley Securities' and its employees' interest in seeking profit, versus society's general need for further focus on ESG corporations and in their business operations. Fearnley Securities is implementing ESG legislation which may contribute even further to reducing the risk that Fearnley Securities' business operations may have negative effects on ESG matters.

Fearnley Securities has identified the following circumstances that may involve conflicts of interests (the list is not exhaustive):

- New Product and "Target Market". A new product may only be offered to professional clients.
- Issuers and investor clients are counterparties when securities are issued and will partly have conflicting interests as far as pricing is concerned.
- Fearnley Securities provide the Issuer advice on increased focus on ESG field, and this may lead to increased costs and/or decreased revenues for the issuer.

- Since there is no technical and legal definition of what constitutes and ESG investment, there may be that interpretations differ. What constitutes an ESG investment for one bond issuer may not necessarily align with another.
- Dealing as principal for its own account in a financial instrument by buying from or selling to a client
- When Fearnley Securities represents both the purchaser and the seller side in secondary market trading (both ordinary secondary market trading and secondary offerings), the clients are counterparties, and will have conflicting interests as far as pricing is concerned. There may also be information asymmetries.
- The sustainability preferences of an investor client may limit the number of financial instruments Fearnley Securities employees may recommend to the respective client.
- Providing a service to clients in a financial instrument in relation to which another person or client enters a transaction i.e., buy orders when it is not possible to execute all client orders at the price and/or volume desired by the client.
- Matching a transaction with that of another person by acting on that person's behalf as well as 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.
- Act in the capacity as listing advisor or equivalent role in listing on a trading venue and assist the issuer during the admission process and thereby contribute to a successful admissions process for the issuer, while at the same time having an obligation towards the trading venue in ensuring that sufficient financial and legal due diligence investigations are conducted and to contribute to orderly and efficient trading in the financial instruments.
- Issues managed/placed by Fearnley Securities and allocation in connection with oversubscription.
- Providing investment research in relation to an entity or group to which it also provides advisory services.
- Timeliness of dissemination: research may be disseminated to clients at different times thereby potentially favoring one client over another, this could include internal clients, e.g, sales and trading.
- Fearnley Securities publishes a research report of a company in which Fearnley Securities or Fearnley Securities employees hold ownership stakes.
- Have received ongoing client orders when employees wishing to trade on their own account. (risk of informational advantage, frontrunning etc.)
- Employees outside business activities interfere with or otherwise compromise the employee's responsibilities to Fearnley Securities and its clients.
- Employ staff who have personal relationships with the clients.
- Gifts and entertainment: Offering or receiving a gift or entertainment could create a conflict of interest.
- Charitable donations: Fearnley Securities or employee's charitable donations could create the perception that the company or employees is seeking a quid pro quo.
- Confidentiality: confidentiality may be used inappropriately to benefit the firm, an employee, or a client.

### 3.2 Prevention and Management of conflicts of interest

It is an integrated part of Fearnley Securities 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 Securities and/or the affected client(s). Fearnley Securities 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 manage Fearnley Securities' clients in a proper manner and to ensure that all employees uphold a high standard of prudent and ethical behavior.

### *Training and monitoring*

Fearnley Securities 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 manage conflicts of interest.

### *Remuneration*

The Remuneration Policy focuses on alignment with the principle of protection of clients, which includes ensuring the prevention and management of conflict of interests. When designing incentive structures and deciding on remuneration, Fearnley Securities has established effective control procedures to ensure that the remuneration neither compromises the objectivity of the person when performing duties nor is contrary to the client's best interest. Once a year, Fearnley Securities discloses information on Fearnley Securities' remuneration practices.

### *Inducements, bribery, and corruption*

Fearnley Securities 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 Securities 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 Securities has adopted an Anti-corruption policy, which is applicable to all employees and everyone Fearnley Securities conduct business with. The policy outlines acceptable laws and regulations.

### *Gifts and Hospitality*

Fearnley Securities 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 Securities act with integrity in our interactions with clients and other business partners.

### *Information barriers*

At an operational level, Fearnley Securities consider any circumstances, which may give rise to a conflict of interest occurring due to the structure and business activities within and between business areas or entities.

Information barriers (also known as "Chinese walls") are established within Fearnley Securities between public side and private side to prevent the flow of material, non-public information. Fearnley Securities may obtain material, non-public information while engaging in investment banking activities. Any exemption from this principle shall be on a "wall-crossed" basis which impose such persons under restrictions.

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

#### *Segregation of duties*

Fearnley Securities emphasizes 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 Securities' organizational structures, procedures, reporting lines and internal controls.

#### *Deal Committee and Allocation Policy*

To identify and handle potential conflicts of interests where Fearnley Securities potentially could be engaged as manager for, or advice competing clients/firms with different interests, all new Investment Banking and Project Finance assignments, as well as block trades are submitted to a Deal Committee for approval prior to entering into any engagement. The Deal Committee manage conflict of interests as one of the topics being assessed prior to internal approval of undertaking the relevant assignment.

Fearnley Securities has implemented an allocation policy. Allocation principles and recommendation made by Fearnley Securities shall be objective and secure equal treatment of similar investors and/or orders. Allocations/allocation recommendations shall be conducted by Fearnley Securities in accordance with the criteria described in the investor material/agreed with the issuer.

#### *Product Committee*

Fearnley Securities' Product Committee includes a mandate to identify and mitigate conflicts of interest that may be associated with a new product. This mandate is supported by a "tone from the top" and firm culture encourages robust analysis and debate with the objective of protecting customer interests. The Company differentiate product eligibility between Eligible counterparties, Professional clients, and Retail clients.

#### *Research independence*

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

- Research department is separated from other business areas of the entity using information barriers.
- Supervision and editorial control are retained within the research department.
- Rules on timing of publication are in place to ensure fairness.
- No part of analysts' salaries or compensations relates directly to investment banking services or other services by Fearnley Securities to Recommendation Subjects. All analysts are, however, part of the general bonus scheme to the total earnings of Fearnley Securities.
- Analysts may not accept inducements from those with a material interest in the subject-matter of the investment research.
- Analysts are not allowed to promise issuers favorable research coverage.
- Previous investment banking services rendered to the issuer in question is disclosed in research material.
- Employees are not permitted to trade if having knowledge about pending and unpublished research (pending research report).
- "Black out periods" in relation to publication of research reports.

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

Fearnley Securities oversees employees' responsibilities including outside business interests, to avoid or manage conflict of interests. Employees are required to disclose to Fearnley Securities any outside business activities and obtain approval prior to engaging in such activity.

### *Personal Account Dealing*

Personal Account Dealing is subject to strict internal rules, including prior approval. The Client's interest has precedence over any employee's personal interest.

### *Execution/Client Order Handling*

Fearnley Securities 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 Securities' "Order Execution" policy, which prohibits improper conduct by the Fearnley Securities' traders, such as front-running Client orders and stipulates that Client orders take priority over principal trading.

Systems and controls of Fearnley Securities 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 company.
- Declining to clear personal staff requests for interests which involve a conflict of interest.
- 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 Securities 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 Securities' 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 Securities' 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 December 1, 2023.