

## Conflicts Management Policy

### For managing conflicts of interest in connection with independent advice

#### The purpose of this policy

This document sets out the policy of Collins Stewart Europe Limited (the "Policy") for managing conflicts of interest in connection with its independent investment research. Conflicts of interest may arise between recipients of Collins Stewart's research (i.e. its sales and trading customers), Collins Stewart's corporate finance clients (in particular issuers of investments covered by its research), Collins Stewart itself and the personal interests of its officers and employees.

This Policy has been prepared in order to comply with the FSA's Conduct of Business Rules and it is not intended to create third party rights or duties that would not exist if the Policy had not been made available, or to form part of any contract between Collins Stewart and a client.

This Policy may be updated from time to time in order to reflect developments affecting Collins Stewart's business or internal organisation or changes to applicable regulatory rules and guidance.

#### 2. The types of investment research covered by this policy

The FSA has distinguished between "independent" (or "objective") and "non-independent" (or "nonobjective") research. Independent research can only be produced by persons who do not have responsibilities that might conflict with the interests of the clients who may rely upon that piece of research. Conversely, non-independent research is categorised as such because it has been prepared by persons who may be exposed to such conflicts of interest.

Collins Stewart's investment research on large companies and Quest™-based research will normally be classified as independent (in the event that it is not independent it will be marked to this effect, in accordance with the procedures set out below). However, Collins Stewart's research on smaller companies, investment trusts, convertible and preference shares is not independent because, due to Collins Stewart's size and structure, analysts in these areas may for certain purposes represent the interests of companies referred to in the research (by, for example, attending roadshows to market new issues by those companies) or of Collins Stewart itself. These analysts therefore have responsibilities to those companies which could conflict with the interests of the clients who receive their research. Their research must not therefore be presented by Collins Stewart - or regarded by people who read it – as an independent assessment of the value or prospects of the investments or companies in question.

This Policy only applies to Collins Stewart's independent research. The procedures set out in it are designed to maintain the independence of such research. Collins Stewart's non-independent research has not been prepared in accordance with this Policy. However, non-independent research is nevertheless subject to various regulatory requirements which are designed to ensure that it will not be misleading.

All of Collins Stewart's written research, including emails, will be accompanied by a disclaimer which explains its status, so that independent and non-independent research can be clearly distinguished. More formal research notes will also have a prominent statement of whether they are independent or non-independent.

Private customers in particular may fail to understand that they should not rely upon non-independent research as independent. For this reason, non-independent research will only be provided to private customers by the Wealth Management Division, who will consider whether that research is suitable for their clients. An institutional investor that receives Collins Stewart's non-independent research should not send or disclose it to private customers unless it takes appropriate steps to explain why such customers cannot rely upon the research as being an independent assessment of the companies and investments that it refers to.

### **3. Collins Stewart's procedures for independent research**

The FSA has set out detailed requirements, which must be followed if Collins Stewart is to hold its research out as being independent. To comply with these requirements Collins Stewart has implemented the following procedures and controls.

#### **3.1 Procedures for Identifying Conflicts of Interest**

##### **(a) Internal guidance and procedures**

Internal guidance is provided so that all personnel are aware of how conflicts of interest may arise and understand Collins Stewart's, and their own, obligations in relation to the management of conflicts of interest. In particular, all officers and their employees must disclose any personal interest that may be material to Collins Stewart or its clients. Furthermore, employees are forbidden from offering, soliciting or accepting any inducement or incentive for the provision of favourable research. If they are offered any such inducement or incentive they are required to report this internally. If any member of staff becomes aware of any breach of Collins Stewart's procedures they are required to inform the Compliance Department without delay.

##### **(b) Stop-Lists**

Collins Stewart keeps two separate "stop-lists" for the purposes of maintaining the integrity of its independent research.

- (i) The "Quest™ stop-list" consists of Collins Stewart's existing corporate finance clients. Quest™ commentaries will not be produced on any companies on the Quest™ stop-list but Quest™ data (without any commentary) may be produced on such companies.
- (ii) The "Large Companies stop-list" consists of Collins Stewart's corporate finance clients, companies that Collins Stewart has identified as likely prospective corporate clients and (in both cases) any directly comparable companies with businesses of a similar nature and scale. Objective research will not be produced on any company on the Large Companies stop-list.

#### **3.2 Procedures for Managing Conflicts of Interest**

Collins Stewart has implemented procedures in the following areas in order to manage conflicts of interest that may affect its " independent analysts" (i.e. those analysts who produce independent research) and their research.

##### **(a) Supervision and Remuneration of Analysts**

Responsibility for the day to day supervision of independent analysts' production of independent research lies with Collins Stewart's Head of Research or, for Quest™, the Head of Quest™. The Head of Research/Head of Quest™ do not undertake any activities which represent the interests of issuers of securities (or any other activities which would conflict with their duties to investors who receive Collins Stewart's research). The Head of Research/Head of Quest™ have ultimate responsibility for the subject matter, timing and content of Collins Stewart's independent research. The remuneration of the Head of Research/Head of Quest™ and other independent analysts will not be linked to the success of a corporate deal or to recommendations made in their independent research. It may, however, be linked to personal factors such as productivity, quality and accuracy of research, experience and individual reputation, and evaluations by investor clients or employees in other parts of the firm with whom analysts interact. However, these factors will not be assessed in a way which is likely to put analysts under improper pressure.

### ***(b) Editorial Control***

Draft independent research will only be shown to other Collins Stewart employees, or to persons outside the firm (such as the directors of the companies issuing the securities in question) in order to allow them to comment on factual content. If an analyst wishes to make significant changes to the draft research in response to comments that he receives from such persons he will discuss those changes with Collins Stewart's Head of Research/Head of Quest™, or their respective deputies. Editorial control for independent research will always rest with the analysts who produce it, subject to the supervision of the Head of Research/Head of Quest™.

Legal and compliance personnel may also review proposed independent research in order to ensure that it complies with applicable legal and regulatory requirements (including this Policy).

### ***(c) Involvement of Analysts in Other Activities***

Analysts who produce Quest™ research do not take part in any corporate finance marketing activities. Analysts who produce independent research on large companies (other than Quest™ research) do not take part in any activities that promote the interests of any companies covered by Collins Stewart's independent research, such as roadshows for new issues. Similarly, they do not take part in any pitches or other marketing activity directed to a company which is an actual or prospective corporate client of Collins Stewart unless that company has been placed on the "Large Companies stop-list" (see section 3.1(b)(ii) above).

### ***(d) Dissemination***

All formal research notes (both independent and non-independent) must, so far as is practicable, be distributed to all clients on our mailing lists simultaneously and in the same manner (such as by post or by e-mail). Collins Stewart's staff must not send formal research notes to some clients ahead of others, or send formal research notes to different clients by different means unless this is necessary for technical or logistical reasons. Collins Stewart's analysts or sales personnel may however send "flash notes" or other informal written analysis to particular clients rather than to all clients as a whole and they may also speak to individual clients to discuss research. Research that is originally communicated to just some clients (either orally or by "flash notes" and other written communications) may subsequently be incorporated into formal research notes. This means that the information or analysis in Collins Stewart's formal research notes may not have been communicated to all clients simultaneously.

### ***(e) The relationship between independent and non-independent analysts and research***

Whilst most of Collins Stewart's analysts produce either non-independent or independent research, some of Collins Stewart's analysts produce both. Recipients of Collins Stewart's research should not therefore assume that its analysts who produce independent research will always produce their research on that basis. All research will be described in the disclaimer as either independent or non-independent in order to prevent any confusion over its status.

Collins Stewart will not normally, at any given time, publish both independent and non-independent research on a particular company or investment. Its relationship to a particular company or investment may however change, which may in turn lead to a change in the status of the research that Collins Stewart publishes. For example, Collins Stewart may publish independent research on a company that it has no relationship with, but if that company then becomes a corporate client of Collins Stewart all further research on it will be non-independent.

***(f) Disclosure of interests***

Collins Stewart's independent research will include a standard form disclaimer which discloses that it and/or connected persons may, from time to time, have positions in, make a market in or effect transactions in any investment or related investment covered by the research.

Independent research will not normally disclose other interests, because if Collins Stewart identifies a conflict of interest in relation to a particular company or investment it is unlikely to publish independent research on it.

***(g) Analysts' Personal Dealings***

Analysts and other employees who produce research are prohibited from undertaking transactions for their own account or for the account of connected persons if they have been involved in preparing research on the investment or issuer in question, or on a related investment or issuer. They are also prohibited from undertaking such transactions in investments that relate to the same industry or business sector (such as engineering or retail) as the investments or issuers that are covered by their research.