

# Conflict of Interest Policy | Clarksons Securities AS

This document sets out the Conflict of Interest Policy in force for Clarksons Securities AS as required by the Markets in Financial Instruments Directive 2014/65/EU (MiFID II) and prevailing Norwegian laws and regulations.

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# 1 Introduction

According to Section 10-2 of The Norwegian Securities Trading Act (“NSTA”), Clarkson Securities AS (“CS”) must take all appropriate steps to identify and prevent or manage conflicts of interest between CS and its clients and between its clients, including conflicts caused by inducements from third parties or by CS’ remuneration or incentive arrangements.

According to NSTA Section 9-16(1) no 2, CS shall be structured and organized in such a way as to minimise the risk of conflicts of interest between CS and clients and between CS clients.

According to Commission Delegated Regulation (EU) 2017/565 Article 34, CS as a member of the Clarkson<sup>1</sup> group shall also take into account any circumstances, of which CS is or should be aware, which may give rise to a conflict of interest arising as a result of the structure and business activities of other members of the Clarksons group.

This document represents CS’ conflicts of interest policy. CS’ policy is to ensure fair treatment of clients and investors by internal rules of confidentiality, by declining to act, or otherwise by disclosure if deemed appropriate, cf. NSTA Section 10-2, cf Section 9-16 (2).

CS will take all reasonable steps to prevent conflicts of interest from adversely affecting the interests of its clients. CS will ensure that client’s interests take precedence over its own interests and will not unfairly place its own interests above those of its clients. If CS is not able with reasonable confidence to prevent the risk of damage to a client arising from a conflict of interest, the client must be notified.

The Board have adopted this policy and Compliance is responsible for guiding, supporting and providing training to relevant staff and to assists in identifying, managing and monitoring any conflict of interest. All employees have an obligation to act with integrity and to ensure that they understand and comply with this policy.

This policy adopts Recommendation no. 10 by the Norwegian Securities Dealers Association (“VPPF”) “Handling of certain types of conflicts of interest” (“Recommendation 10”).

# 2 Identification of Conflict of Interest

During the normal course of business, in relation to any transactions CS arranges for a client, CS may have an interest, relationship, arrangement or duty which is material, or which may give rise to a conflict with a client’s interest in relation to an investment or transaction. CS will take all necessary steps to ensure fair treatment for the client in relation to any such transactions and will ensure that any conflict does not adversely affect the interests of the client.

CS is engaged in activities based on a business model which includes three main departments: Investment Banking, Sales and Trading and Research. There are also support functions like settlement, accounting and compliance. Clients of the three main departments may have different interests. The Investment Banking department acts on behalf of issuers and companies and seeks to perform its assignments in the best interests of its principals. The Sales and Trading Department trades in financial instruments in the primary and secondary market and carries out its assignments in the best interest of investors. The Research Department serves as support function to the Sales and Trading Department and its interests are aligned to serve the interest of investors. In addition, the support functions have duties to CS’ clients within their specific business areas.

<sup>1</sup> CS is a subsidiary of Clarkson PLC who is listed on the London Stock Exchange. The subsidiaries of Clarkson PLC consists of different legal entities, details of which can be found here: <https://www.clarksons.com/disclosure/>. CS has two wholly owned subsidiaries; Clarksons Securities, Inc., (“CSI”) licensed and supervised by FINRA and Clarksons Securities (Canada) Inc.

The potential for conflicts of interest inherent in CS' business model needs to be reduced to the extent possible through requirements with regard to internal organisation and independence between departments (3 General Management of Conflicts). The activities of all departments are continuously monitored to validate that all requirements are followed in practice and will continuously evaluate which measures are adequate in this respect (see 4 Prevention and Handling conflict of interests).

When identifying conflicts of interest that may arise between CS, or any person linked to CS, on one side and a client on the other side, or between one client and another, CS shall as a minimum consider if CS or an employee or a person directly or indirectly associated to CS or another client/group of clients;

- 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 the service provided to the client or of the transaction that is carried out on behalf of the client, which is different from the client's interest;
- 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; or
- Receives or will receive from a person other than the client an inducement in the form of money, goods or services other than the standard commission or fee for the service in question.

### 3 General Management of Conflicts

In order to avoid or mitigate the risk of potential conflicts of interests, CS has in place internal policies to ensure that its different business areas operate independently of each other and restrict access by the particular employee(s) responsible for handling a client's affairs to certain areas of information and that CS when providing services to a client acts in the best interest of that client. These policies include inter alia:

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- *Duty of confidentiality and information barriers*  
All employees within CS have a general duty of confidentiality related to matters, of which the employee becomes aware in his/her work. This includes amongst others all matters related to clients, transactions, issuers. The duty extends not only to third parties, but access to confidential information shall always be given only to employees on a need-to-know basis and the information may not be shared between departments if it is not necessary in order to provide the investment service to the client. Employees in all departments should be able to carry out their work even if another department are holding confidential information. In addition to physical information barriers (Chinese Walls) the IT systems are protected by access controls and Compliance must give access to systems/folders. The departments have separate storage areas for documents. Access to computers and various third-party systems are password protected.
- *Responsibilities and committees policy*  
There are separate Heads and reporting lines of the three main departments whose duties include supervising employees in its department.
- *Employee policy*  
Employees are prohibited from having outside business interests that may conflict with the interests of CS's or the clients.
- *Remuneration policy*

CS remuneration policies to ensure that there is no direct link between the remuneration of employees principally engaged in one activity and the remuneration of, or revenues generated by, different employees principally engaged in another activity, where a conflict of interest may arise in relation to those activities.

- *Inside information policy*

To the extent that CS receives information that can be regarded as inside information, the information is only handled by employees who are relevant and insider lists are maintained.

There are also information barriers between CS and its parent company Clarksons Norway AS and with the other Clarksons companies.

All employees of CS and the other group companies must sign confidentiality agreements and undertake to report their holdings in financial instruments when joining.

- *Policy for employees own account trading:*

Employees' own account trading is subject to strict internal rules and monitored by Compliance.

- *Deal Committee*

All investment Banking transactions are approved by CS's Deal Committee and are evaluated by strict criteria. Investment Banking transaction-related conflicts of interest are handled by the Deal Committee. The Deal Committee also evaluate CS's role in transactions managed by CS. The participants in the Deal Committee represent the relevant department(s) within CS as well as the administration (the CEO) and compliance (the CCO).

- No member of the Deal Committee may approve a transaction he/she is responsible for or has any direct or indirect personal or financial interest in through ownership, ownership by close family members or otherwise. For example, the CEO may not approve a new transaction he is deal captain for and this must instead be approved by the Head of Corporate or another member. The CCO may deny a new transaction if he/she has identified material conflicts of interests that may not be dealt with in an adequate way.

In addition, CS' Compliance Department monitors communication and correspondence internally and externally in order to ensure independence of departments and other legal entities within the Group and our clients. Relevant information is recorded and stored securely. Our systems and electronic platforms are reviewed regularly, and Compliance reviews all electronic access at least annually.

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 of a question or matter to senior management;
- Declining personal requests from employees for interests which may involve a potential conflict of interest towards clients or CS' business;
- Declining to act for a client or to engage in a specific transaction or project; or
- 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.

## 4 Prevention and handling of conflicts

Below is a more detailed overview of potential conflicts that may arise from CS' activities. Note that the overview is not exhaustive, however sets forth situations that may lead to a conflict of interest and how it is solved.

## 4.1 Investment Banking

### Conflicts between interests of the Investment Banking department and Sales and Trading in transactions

CS has established appropriate Chinese Walls (including confidentiality obligations and restricted access both physical and electronically) between the Investment Banking Department and other employees in the CS Group. Any information exchange between the Investment Banking Department and the Sales and Trading department is limited on a need to know basis and is closely monitored by Compliance. Access to files, IT-systems etc is limited to the department and concerned employees.

The conduct of employees in the Investment Banking Department in preparing written materials, participating in presentations, giving investment advice etc. in course of their ordinary business are characterised by high professional integrity to ensure that adequate and identical information is provided to all investors.

Investment Banking clients (issuers of securities) and investor clients are counterparties in transactions where securities are issued or sold and may have conflicts of interests relating to, *inter alia*, pricing and allocation.

CS' Investment Banking Department will act on behalf of the issuers and give advice on transaction structure taking into account the issuer's statutory obligation to ensure equal treatment of shareholders. All key terms (including allocation principles) will be known through the investor material available to all clients. Pricing (if not fixed prior to launch) will be finally determined by the issuer's Board of Directors, based on allocation principles set prior to launch and in accordance with market practice and CS' allocation policy.

### Conflicts between the Investment Banking department and Equity and Credit Research Department

To handle the potential conflicts of interest between Investment Banking and Research, the rules in VPF Standard no. 3 ("**Standard 3**") applies.

The Research Department may publish research reports on issuers that Investment Banking is actively working with. Potential conflicts of interest is handled by the Chinese walls and there are information barriers between the two departments. The work with research reports is done independently by analysts and without influence by Investment Banking.

In the event an analyst is wallcrossed to work for a project/transaction within Investment Banking and given access to confidential or sensitive information, strict black out rules apply pursuant to Standard 3 for his/her research and must be approved by Compliance. Such analyst may not participate in any research on the Investment Banking client the transaction relates to. Employees of Investment Banking shall not review or approve research prior to the publication.

### Conflict of interests between Investment Banking clients

CS' Deal Committee must approve all new Investment Banking assignments. The Deal Committee is amongst other things evaluating conflict of interests between different clients and other set evaluation criterias and may decline or approve any new proposed assignment at its own discretion.

## 4.2 Research Department

The Research Department shall serve as a support function for Sales and Trading and its interests are thus aligned with the clients of Sales and Trading. Research produces independent research and policies are in place to ensure that research is not based on the interests of CS or of the interests of the covered companies.

To secure independence from Investment Banking, Chinese-Walls have been established between Research and Investment Banking. Employees from Research are not allowed to own shares in the companies/sectors

they cover. In addition, CS has several policies designed to avoid conflicts of interests between CS' research analysts and the interests of the persons to whom the research is distributed, including disclosure policies in research reports, remuneration policies, independency and integrity in preparing research reports etc.

The activities and communication of the Research Department are monitored by Compliance in order to avoid influence between the departments and compliance with laws, regulations and internal policies.

### 4.3 Sales and Trading Department

#### Execution of orders

Conflicts of interest may arise between clients in connection with the execution of purchase and/or sell orders in the event it is not possible to execute all client orders at the price and/or volume set by the client. Client orders are, in principle, to be handled immediately and in the order they are received and the clients should in principle be treated equally, see CS' "Best Execution Policy".

CS will take all reasonable steps to minimize potential conflict of interest between clients, hereunder aggregation of orders or execute comparable client orders in the sequence received.

#### Allocation in Investment Banking transactions

Allocation principles in a public or private offering of securities are prepared in cooperation with the issuers and may vary dependent on type of transaction. Normally, allocation principles are discussed with the issuer based on a proposal by CS using CS' allocation policy and finally determined by the issuer's management or Board of Directors prior to launch of the transaction. Allocations/allocation recommendations are prepared in accordance with these determined allocation criteria shall be objective and ensure equal treatment of investors and investor groups dependent on the transaction structure. The Investment Banking department may draw on input from the respective brokers which may include investor characteristics, however the specific allocation recommendations shall be made by the employees acting for the Issuer.

To mitigate the risk of unfair allocation, transactions where CS is acting as manager, and where employees has been allowed to subscribe - CS employees receive no allocation in case of oversubscription in order to prioritise CS's investor clients.

#### Block and OTC trading

Clients on both sides of a trade, i.e. one client is a purchaser and one client is acting as seller in an OTC or block trade, could create a conflict of interest between the investor clients. The employees responsible for such trades shall ensure balance and neutrality in the relationship between the clients. Employees shall exercise caution in order to ensure that identical information is provided to all parties part of the trade and that the price set are fair taken into account the market, the security in question and the interests of the parties concerned.

### 4.4 Conflicts between CS and Clients

#### Own account trading as part of investment service activities

Conflict of interest may arise if CS as part of its investment services takes a position on its own account. Such investment needs to be approved by the Credit Committee and include review of potential conflicts of interests in addition to the credit risk and CS may only hold such positions for a limited time frame and for the purpose of being ancillary to another investment service, such as placing financial instruments.

#### Secondary trading in equities

CS earns remuneration from commission computed from the value of the securities bought or sold. This may lead to a conflict of interest between CS and the clients, as it is in the interest of CS to make the value as large as possible. This potential conflict of interest is primarily managed through CS' policies, among others this is specified in the Best Execution Policy, Execution of orders policy and Customer Testing policy. When receiving a client order, CS shall assess how the order is to be executed to achieve the Best Result for the client. When choosing the method of execution and choice of execution venue, CS will take into account price, costs, speed, the likelihood of completion and settlement, size, nature and other relevant factors. CS will not structure or impose any commission which will discriminate unfairly between execution venues, nor will CS receive any monetary or non-monetary benefits from a specific execution venue. Further information of the remuneration is set out in the document "Fees and Expenses" available on CS' web site.

#### Secondary market trading in bonds

CS earns remuneration from secondary trading in bonds in the form of the price difference between the buyer and the seller (spread) which may lead to a conflict of interest between CS and the clients. Overall remuneration shall reflect market terms and CS has a cap level of remuneration that may be applied. In addition, in accordance with MiFID II, CS is reporting the spread on all contract notes to the clients. Further information of the remuneration is set out in the document "Fees and Expenses" available on CS' web site.

#### Distribution of research reports - ownership interests and trading

A conflict of interest may arise in the event CS is publishing a research report on a company in which any of CS' employees owns shares. All holdings of CS and its employees in companies covered by CS' research must be disclosed in the research disclaimers.

CS also has a policy in place preventing analysts to own shares in companies they cover, and employees are not allowed to trade if having knowledge about unpublished research.

## 4.5 Conflicts Between Employees and Clients

#### Own account trading by employees

Employees' own account trading is subject to prior approval from Compliance. Compliance maintains a list of all employee's ownerships and interests and may decline or approve a request at their own discretion. Employee orders may only be executed after client orders have been executed.

#### Employees' participation in business activities

Employee's participation in business activities shall be pre-approved by Compliance. All employees must provide Compliance with details of any business activities they are involved in, including private businesses and positions or participation in management or board work.

Compliance will evaluate on a continuous basis if the employee's participation may be in conflict with CS or CS' activities or clients.

All employees must ensure that their personal interests do not interfere with the interest of clients or CS.

## 4.6 Conflicts within the CS Group

Activities performed by CS are delivered by CS, organisationally separated from the Group. The organisation of Clarkson has been organised in such a way to ensure a good division of responsibility.

Client information and other confidential information must only be shared with other group companies on a need to know basis and there are information barriers between the different entities within the Clarksons group. CS has its own client archives not visible for other group companies.

Conflicts may arise between CS and its subsidiary CSI and towards any other companies within the Clarksons Group. CS will pay special attention to ensure that such conflicts do not arise.

There are established separate committees throughout the Clarksons Group to avoid conflicts of interests. Known conflicts will be discussed immediately when arising.

Intra group agreements and services supplied between different group companies must be entered into at market terms.

CS must make its own independent review of new clients, transactions or engagements introduced via other group companies and must do the same evaluations of conflicts of interests and compliance with relevant laws, regulations or the Compliance Manual in line with any other new client, transaction or engagement.

## **5 Information to clients**

In the event of a material conflict, CS shall disclose the nature and source of the conflict of interest to the client, including the measures taken to mitigate the risk of damage to the interests of the client, before undertaking the business on behalf of the client. Clients will only be notified in the event CS considers that the procedures put in place to manage a particular conflict are not sufficient to ensure that the risk of material damage to client interests will be prevented and disclosure of information to clients shall always be considered a last resort. CS will in such cases not complete a trade, perform its engagement or service before the client is informed about such material conflict.

## **6 Information to clients**

Material breach of this policy shall result in a written warning for the individual in question and may have consequences directly for the individual's employment.

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