

Policies for managing conflicts of interest in connection with Investment Research within KBC PEEL HUNT Ltd

1. Scope

The policy explains the measures adopted by KBC Peel Hunt (“KBCPH”) for the purpose of ensuring that investment research produced by our financial analysts is impartial.

The Financial Services Authority has distinguished research as being either “Investment Research” or “Non-Independent Research”. Investment 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. Non-Independent Research is categorised as such as it is prepared by persons who may be exposed to such conflicts of interest and is referred to as a marketing communication.

KBCPH’s research on its “house stocks/ Corporate Clients” will be treated as **Marketing Communications**. This is because analysts may for certain purposes represent the interests of companies referred to in the research. These analysts therefore have responsibilities to those companies which could conflict with the interests of the clients who receive our research. Accordingly our research will not be presented by KBCPH - or should be regarded, by people who read it - as an impartial assessment of the value or prospects of the investments or companies in question. KBCPH’s research in relation to our house stocks will be clearly labelled as a Marketing Communication and will also clearly be indicated as a Corporate Client. However this marketing communication is nevertheless subject to various regulatory requirements including the need to ensure that it will be clear, fair and not misleading.

Sales and trading material, such as “sales notes”, execution ideas, market or trader commentary and other short term trading recommendations, will not be held out as Investment Research.

This Policy only applies to KBCPH's Investment Research. The procedures set out in it are designed to maintain the impartiality of such research. KBCPH's Marketing Communications has not been prepared in accordance with this Policy; however most of the principles are the same except for the existence of the potential conflict of writing for a corporate client.

2. Introduction

Investment research is an important service provided by KBCPH to institutional investors. All research must be prepared diligently and distributed in compliance with applicable laws and the policies and procedures of KBCPH. There must be a demonstrable reasonable basis underlying each recommendation, conclusion and statement set forth in any investment research that KBCPH distributes. All comments and opinions should be objective and credible and devoid of actual and potential conflicts of interest.

Investment research will be prepared in an environment which ensures that financial analysts producing the research are free from the influence of conflicting business interests. The policy explains the systems and controls for the identification, elimination, avoidance, management or disclosure of conflicts of interests faced by financial analysts in preparation of investment research.

3. Conflicts

KBCPH's senior management are responsible for reviewing the mechanisms used for identifying and managing conflicts and also need to be satisfied that the management techniques adopted by KBCPH are appropriate. In this respect, the Head of Investment Research ensures that the work of financial analysts is not influenced by the relations that KBCPH has with issuers or by their own relations with issuers.

The types of conflicts that will be considered by senior and research management are those conflicts which can exist between recipients of KBCPH's investment research and KBCPH's corporate finance clients and KBCPH's investment clients, between KBCPH's clients and KBCPH's own interests (such as its market making and corporate finance activities) including those of its affiliates, and the conflicts that may arise between the personal interests of KBCPH's officers and employees and the interests of KBCPH's clients.

4. Controls on dissemination of information

KBCPH operates controls and procedures for ensuring that material confidential and other non-public information is disclosed only to those who need to know that information for the performance of their functions for KBCPH and its clients.

Controls and procedures include:

- information barriers (Chinese Walls) restricting the flow of material confidential or other non-public information between different parts of the KBCPH,
- restrictions on the disclosure to personnel outside the research department of the intended timing of, or the material investment conclusions in, a pending research report,
- restrictions on the trading activity of any persons outside the research department who do receive knowledge of these matters.

Non-research personnel (except Compliance) are not permitted to review analysts' reports before publication except, by prior arrangement with the Compliance Department.

Issuers are permitted to review financial analysts' investment research prior to publication for review of factual accuracy only.

5. Supervision and remuneration of Financial Analysts

Financial Analysts, are not supervised by, and do not report to, corporate finance personnel or personnel involved in the firm's sales and trading activities.

Decisions on coverage, content and timing of investment research are made by research personnel and authorised by the Head of Research. In making such decisions, management may consider input from various sources, including managers of the firm's sales, trading and corporate finance departments.

Financial analysts' remuneration is determined exclusively by the Head of Research in conjunction with the KBCPH's Executive Committee. No other non-research personnel may have any input into such decisions.

Financial Analysts' remuneration is not directly linked to specific investment banking transactions, but may be related to the firm's overall results or to an aggregated result which will include corporate finance transactions.

Non-Research personnel, other than the Chief Executive, are not permitted to perform or contribute to evaluations of financial analysts. Similarly, decisions to hire, dismiss, reward or discipline financial analysts may not be made by anyone other than the Head of Research in conjunction with other members of the Executive Committee.

6. Analysts' Personal Interests and Personal Account Dealing

KBCPH's analyst may not undertake a personal account dealing transaction which is contrary to any current published or distributed recommendation for which he/she is responsible, unless it is to meet a pressing financial commitment, for which additional sign-off is required

Where employees or their connected persons (as defined within the Compliance Manual) hold or purchase securities in a "house" stock those securities must be held for a minimum of six months prior to sale. Research Analysts are additionally prohibited from purchasing or selling house stocks where they have published a research note within the last month or (as now) there are plans for research to be issued in the immediate future.

Where an employee holds securities in a stock that he/she covers, it must be disclosed on the front page of the research that they have a holding in the relevant stock.

7. Analysts' Activities

Research analysts may produce both Investment Research and Non- Independent Research. When they are producing Investment Research they are acting as a Financial Analyst. As a Financial Analyst they cannot perform the following functions:

- participating in investment banking activities such as corporate finance business and underwriting; or
- participating in 'pitches' for new business or 'road shows' for new issues of *financial instruments*; or
- being otherwise involved in the preparation of issuer marketing.

These activities will be allowed when not acting as a Financial Analyst. Under these circumstances, any resulting research will be clearly labelled as a marketing communication.

It should be noted that KBCPH does not preclude financial analysts from maintaining an active dialogue with sales and trading personnel, just as they do with investor clients, provided that they do not disclose the timing or content of forthcoming research reports or disclose or receive other material non-public information.

Where an Financial Analyst is brought "over the wall" regarding a corporate finance transaction involving a non-corporate finance client then the analyst is prevented from publishing research on the particular company for a period of one month from the time details of the transaction are published, or if no details are published, once information to which he has been exposed to becomes "time expired", unless the financial analyst is required to publish "responsive research" i.e. research that is written in response to a significant event or important transaction. The Financial Analysts must consult with Compliance prior to publishing any research in contravention of this requirement.

8. Inducements

Analysts are forbidden from accepting any personal inducement in return for writing a piece of research on a particular issuer. Should any analyst be offered such an inducement they must immediately refer the matter to KBCPH's Compliance Department.

Additionally where the analyst is being put under inappropriate pressure to write a piece of research either by external parties or senior individuals within KBCPH then this must be reported to the Compliance Department immediately.

These restrictions do not preclude the acceptance of reasonable corporate hospitality in accordance with the firm's general policies on entertainment, gifts, hospitality etc.

9. Dissemination of Research

Research reports are made available to all recipients simultaneously and, under no circumstances, are KBCPH's internal departments given any priority, for example the sales teams and the market makers.

Once the intention to write research has been formed, the analyst must not communicate with trading, sales or selectively with investment clients prior to the publication or distribution of research to the firm's clients; Where KBCPH has a significant role in an offering of securities, in addition to complying with any restrictions imposed by applicable law, KBCPH will restrict the publication of investment research relating to the issuer (and potentially on companies related to it), or the inclusion of opinions and/or recommendations relating to the issuer or its related parties, for a period of seven days before publication of the prospectus and for a period of seven days after the offering, in order to avoid any confusion between its research and the prospectus and other offering documentation. The decision whether to impose such a restriction and, if so, the nature, timing and length of restriction appropriate will be made by the compliance department, sometimes in conjunction with external legal advisers, and will depend on the circumstances of the offering.

KBCPH may impose similar restrictions after the announcement of a significant merger, acquisition or restructuring on which it is advising, with respect to its research on the bidder or target (and their respective related parties) or both.

You should note that in the preceding two paragraphs that research issued by KBCPH in these circumstances will be treated as "non-objective".

10. Disclosures

We will ensure that our research identifies: -

- (i) Whether the research is "non-objective" thus a "marketing communication" (and whether KBCPH acts as Financial Adviser, Broker or Nominated Adviser to the issuer).
- (ii) Whether the analyst holds stock in relation to the company in which he is writing research.