

Conflicts of interest policy

19 December 2019

1 Introduction

The structure and activities of the Pareto Securities Group¹ (“Pareto”) shall at all times be organised in such a way that the risk of conflicts of interest between Pareto and its clients, as well as between the clients of Pareto, are minimised.

If conflicts of interest cannot be avoided, Pareto shall ensure that the interests of the client take precedence over the interests of Pareto, and that no individual client is unfairly favoured to the detriment of other clients. The Group Chief Executive Officer, the Department Heads and Compliance shall be responsible for identifying potential conflicts of interest on an ongoing basis.

This document represents Pareto’s conflicts of interest policy, publicly available on www.paretosec.com (under Compliance) and replaces the previous version dated 14 December 2017.

2 Identification of conflicts of interest

Pareto is, like other investment firms, engaged in activities based on a business model with an inherent potential for conflicts 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 principals (issuers). The Broking department shall, on its part, perform its assignments in the best interest of its principals (investors). The Research department shall serve as a support function for the Broking department, and its interests are thus aligned with those of the Broking 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 with regard to internal organisation and independence between departments. Management and each individual employee of Pareto shall be conscious of whose interests they are required to serve. In order to ensure the requisite degree of independence, Pareto has implemented:

- Procedures to prevent and control the exchange of information between employees engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interest of one or more clients.
- Separate supervision of employees whose principal functions involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of Pareto.
- 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

¹ Pareto Securities AS (Norway) is regulated by the Norwegian Financial Supervisory Authority, Pareto Securities AB (Sweden) is regulated by the Swedish Financial Supervisory Authority, Pareto Securities Oy (Finland) is regulated by the Finnish Financial Supervisory Authority, Pareto Securities Ltd (UK) is regulated by the Financial Conduct Authority, Pareto Securities Pte Ltd (Singapore) is regulated by the Monetary Authority of Singapore, Pareto Securities Pty Ltd (Australia) is regulated by the Australian Securities and Investments Commission, Pareto Securities Inc (US) is a FINRA member and regulated by the SEC

generated by, different employees principally engaged in another activity, where a conflict of interest may arise in relation to those activities.

- Measures to prevent and limit employees from exercising inappropriate influence over the way which other employees carries out its activities
- Measures to prevent and control the simultaneous or sequential involvement of an employee in separate services where such involvement may impair the proper management of conflicts of interests

The employees shall exercise special diligence under circumstances where there may be a conflict of interest between Pareto/Pareto's employees and its clients, as well as circumstances where such conflicts may arise between clients of Pareto. The purpose of this policy is to provide guidance on the handling and resolution of such conflicts.

Conflicts of interest are typically deemed to exist in situations where Pareto or "affiliated persons"²:

- Achieves or may achieve a financial gain or avoid a financial loss in a manner which is detrimental to the interests of the client;
- have any interests that deviate from those of the client when it comes to the outcome of performing the investment service or implementing the transaction;
- have financial or other reasons for favouring the interests of some clients or groups of clients over the interests of other clients;
- are engaged in the same type of activities as the client; or
- receive 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.

Clients shall receive information about any conflicts of interest that are deemed, despite any measures taken, to potentially affect the service received by the client. Such disclosure is a measure of last resort and shall only be used where the effective organisational and administrative arrangements established by Pareto are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the client will be prevented.

3 Measures to handle potential conflicts of interest

Below follows a more detailed overview of potential conflicts of interest that may arise in the context of the activities of Pareto, as well as the measures taken to handle such potential conflicts of interest.

3.1 Conflicts of interest between issuers and investor clients in the issuance of securities

Issuers and investor clients are counterparties when securities are issued, and will partly have conflicting interests as far as pricing is concerned.

Balance and neutrality in the relationship between these client groups is of particular importance. The conduct of our employees in preparing written materials, participating in presentations, giving advice, as well as in other contexts, shall be characterised by high professional integrity, with special caution being exercised to ensure that adequate and identical information is provided to all investors, which information includes clear communication of the risk associated with the

² By "affiliated persons" are meant Directors, employees, as well as any tied agents of the investment firm. Pareto does not have any tied agents. Pareto's investment services are performed exclusively by Pareto's own employees. The term "employees" will be used for the sake of simplicity, but it is emphasised that the provisions apply to "affiliated persons" as defined above.

investment. Subscription and issuance shall take place at prices that are fair, in view of the value of the companies, the state of the market, as well as the interests of the parties concerned.

Appropriate information barriers (often referred to as “Chinese walls”) are established (including confidentiality obligations, restricted access to information and computer systems, as well as separate locations) between the Investment Banking and Project Finance department (as the “private side”), which are in ongoing contact with potential issuers, and the sales departments, which are in ongoing contact with investor clients (the “public side”). Information exchange between the said departments shall be limited to what is necessary for appropriate operations, and shall always take the interests of clients and principals (issuers) into account.

3.2 Conflicts of interest in relation to the Research department

As described above, the Research department shall serve as a support function for the Broking department, and its interests are thus aligned with those of the Broking department; i.e. to serve the interests of investors (i.e. also on the “public side”). In order to secure independency of the Research Department, a physical and organisational separation has been established between the Research department and the Investment Banking department. Moreover, Pareto has implemented several arrangements designed to avoid conflicts of interest between Pareto/analysts and the interests of the persons to whom the research is disseminated, such as:

- Pareto/analysts may not accept inducements from those with a material interest in the subject-matter of the investment research
- Pareto/analysts are not allowed to promise issuers favourable research coverage
- Employees of the Investment Banking department shall not review or approve analyses prior to the publication thereof, unless there are special reasons for doing so. Such reasons might be the need for ensuring compliance with the legal obligations of Pareto or if deemed necessary to verify facts presented in the analysis. Such review shall not be permitted if the analysis includes a recommendation or target price.
- Previous investment banking services rendered to the issuer in question is disclosed in research material

3.3 Conflicts of interest between investor clients

3.3.1 Conflicts of interest in connection with the execution of client orders

Conflicts of interest may arise between clients in connection with the handling of purchase and sales orders when it is not possible to execute all client orders at the price and/or volume desired by the client. Pareto will take all reasonable steps to minimise potential conflicts of interest between clients, hereunder execute, whenever practicable, comparable client orders in the sequence received as further described in our Order Execution Policy.

3.3.2 Conflicts of interest in connection with oversubscription to issues

Conflicts of interest may arise in the event of oversubscription to issues managed/placed by Pareto.

Pareto has implemented an allocation policy. Allocation principles and recommendation made by Pareto shall be objective and secure equal treatment of similar investors and/ or orders. Allocations/allocation recommendations shall be done by Pareto in accordance with the criteria described in the investor material/agreed with the issuer. This includes receiving allocation proposals and Input from senior sales representatives from the Sales Departments.. In the event an allocation proposal is received from a senior sales representative, the specific allocation recommendations/recommendations to be communicated to the issuer (and finally to investors)

shall be approved by Investment Banking employees acting for the issuers in order to ensure that such proposals from the Sales Department does not unreasonably favours some investors to the detriment of other investors.

In order to further mitigate the risk for unfair allocation to clients in capital raising assignments vis-à-vis Pareto's employees, Pareto employees are not allowed to pre-subscribe for financial instruments where the Investment Banking or Project Finance department assists the issuing client. For transactions where Pareto is acting as manager, and where employees has been allowed to subscribe - Pareto employees receives no allotment in case of oversubscription in order to prioritize Pareto's investor clients.

3.3.3 Conflicts of interest when Pareto represents both the purchaser and the seller side in secondary market trading

When Pareto 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 employees shall in such cases ensure balance and neutrality in the relationship between the purchaser and the seller. Employees shall exercise caution to ensure that adequate and identical information is provided to all parties, and that trades take place at prices that are fair, in view of the value of the companies, the state of the market, as well as the interests of the parties concerned, including any instructions on the part of the client that (first) initiated such trade.

3.4 Conflicts of interest between Investment Banking and Project Finance Clients

In order to identify and handle potential conflicts of interests where Pareto 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 subject to approval by our Global Deal Committees, where conflict of interest is one of the topics being assessed prior to internal approval of taking on the relevant assignment. No engagement letter maybe signed before approval has been given by the deal committee(s).

3.5 Conflicts of interest between Pareto and a client

3.5.1 Pareto's own-account trading as part of investment service activities

Own-account trading carried out by Pareto as part of its investment service activities may result in conflict of interest as far as client interests are concerned. However, Pareto only to a very limited extent takes positions on own-account, thus materially reducing any potential conflicts of interest in this regard.

The interests of the client shall always take precedence over the interests of Pareto in the context of own-account trading. If Pareto sells financial instruments from its own portfolio, this shall be specifically disclosed to the client on the contract note.

3.5.2 Secondary market trading in bonds

Pareto earns remuneration from secondary market trading in the form of a price difference between the purchaser side and the seller side. There may arise a conflict of interest as it is in the interest of Pareto to make the said price difference as large as possible.

Overall remuneration shall reflect market terms, and caps the level of remuneration that can be applied within the scope of the prices communicated to clients in Pareto's General Terms and Conditions of Business or Price List.

3.5.3 Publication of research

A conflict of interest may arise to the extent that Pareto publishes an analysis of a company in which Pareto or Pareto's employees hold ownership stakes.

The holdings of Pareto and its employees in financial instruments subject to research coverage are updated monthly and published on www.paretosec.com pursuant to [Pareto's General Terms and Conditions of Business](#).

Further, employees are not allowed to trade if having knowledge about unpublished research.

3.5.4 Inducements (value transfers to or from third parties)

In line with regulatory expectations, Pareto only receives or pays inducements if i) it is justified by the provision of a better or additional service to the client, ii) the recipient firm, its shareholders or employees, are not directly benefitted from the inducement without tangible benefit to the relevant client, and iii) it is justified by the provision of an ongoing benefit to the relevant client in relation to an ongoing inducement.

3.6 Conflicts of interest between an employee and a client

3.6.1 Own-account trading by employees

Own-account trading by our employees may conflict with the interests of clients or with the interests of the employer (for example participation in issues managed by Pareto, risk of informational advantage, oversubscription situations, front running, etc.).

Except for trading in fund units where the employee has no control over the investment strategies, own-account trading requires specific prior approval, and is in certain circumstances not allowed. Employees are also subject to certain holding periods for instruments acquired post approval.

All Pareto employees shall provide Compliance with details of any company in which they hold ownership stakes or other interests. Compliance shall determine, in consultation with the relevant department head and the Chief Executive Officer, whether any circumstances on the part of individual employees indicate that there is a risk of conflicts of interest in relation to individual clients or with regard to specific projects.

3.6.2 Ownership positions or other special interests on the part of employees, hereunder participation in other business activities

Business activities, private appointments and positions held by employees outside the scope of their position with Pareto may conflict with the interests of specific clients (for example competing businesses). Private business interests may also create private financial ties for individual employees that may, depending on the circumstances, be potentially detrimental and entail a risk that individual employees may act contrary to the interests of the employer and its clients.

Participation in business activities etc. for our employees shall require specific prior approval

All employees shall provide Compliance with details of any company in which they hold ownership stakes or other interests, such as board positions. Compliance shall determine, in consultation with the relevant department head and the Chief Executive Officer, whether any circumstances on the part of individual employees indicate that there is a risk of conflicts of interest in relation to individual clients or with regard to specific projects. The relevant person shall, to the extent that such conflicts of interest are identified, avoid participation, to the extent possible, in relation to the relevant client or in the relevant project.

3.6.3 Remuneration for Pareto employees

. Pareto has a remuneration policy, which strives to promote good governance and control of the company's risks, prevent high risk-taking and help to avoid conflicts of interest between the Pareto / Pareto employees and customers. Incentive systems are designed in order to promote longevity and accountability among employees.

3.7 Conflicts of interest with other group companies

Conflicts of interest may arise in relation to other Pareto Group companies. Such conflicts of interest may arise in relation to the parent company and the owner of the parent company, in relation to sister companies or in relation to subsidiaries. An example of a conflict of interest may be a desire on the part of group companies to subscribe for projects arranged by Pareto. Pareto will pay special attention to such subscriptions to ensure such orders not are treated in a preferential manner and not to the disadvantage of our clients.

4 Information to clients

If the abovementioned measures are not sufficient to safeguard the interests of the client in an adequate manner, Pareto shall inform the client of the potential conflict of interest. Such disclosure shall be a measure of last resort.

Pareto shall not conduct any business for the account of the client before the client has received such details. The description shall explain the general nature and sources of conflicts of interests, as well as the risks to the client that arise as a result of the conflicts of interest and the steps undertaken to mitigate these risks, in sufficient detail to enable that client to take an informed decision with respect the service in the context of which the conflicts of interest arise.

5 Review and reporting

This conflicts of interest policy shall be reviewed on a periodical basis and at least annually.

Identified conflicts of interest in relation to the different departments of Pareto and in relation to other group companies shall be assessed and reviewed on a periodical basis and at least annually. The Board of Directors shall on an annual basis receive a written report on such review.