

Conflicts of interest policy

30 January 2023

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 negative consequences resulting from 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 general conflicts of interest on an ongoing basis. The responsibility to identify the specific conflicts of interest in actual transactions or assignments shall remain with the Pareto employee who wish to provide the relevant services in question.

This document represents Pareto’s conflicts of interest policy, publicly available on www.paretosec.com (under Compliance) and replaces the previous version dated 9 December 2021.

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. To ensure the requisite degree of independence, Pareto has implemented:

- Procedures and information barriers 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.

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

- 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.
- 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.

Pareto is also 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/taking on assignments. There may as such be a conflict of interest between Pareto's, and its employees' interest in seeking short term profit, versus society's general need for further focus on ESG in corporations and in their business operations. Pareto heavily relies on its good reputation to operate as a professional intermediary between issuers and investors, between buyers and sellers, towards trading venues and regulatory bodies. Pareto therefore needs to consider ESG in its business operations and will from a commercial point of view serve its own interest by not neglecting its ESG responsibilities. Furthermore, Pareto has, and is in the process of implementing various ESG legislation which in aggregate will contribute even further to reducing the risk of Pareto's business operations negatively affecting ESG matters.

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.

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 already taken, or to be 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 and terms for the investment 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 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. Pareto has implemented internal procedures for any exchange of confidential and sensitive information from the private side to the “public side” (wall-crossing), to ensure a controlled process.

In light of the EU’s ambition to steer flow of funds into entities/activities which according to the EU definitions is to be considered “green” or “sustainable”, there is an incentive for issuers to conduct “greenwashing” in order to attract capital from a broader group of investors than otherwise would be possible (i.e. also including investors who at the outset have certain sustainability preferences in order to invest).

Although EU legislation contains requirements on transparency and reporting duties with respect to ESG status, the regulatory landscape is not yet complete and there is limited available data that is objective and reliable. The EU legislator has however adopted acts that aim to prevent “greenwashing” (e.g. through changes to MiFID II, the Taxonomy Regulation, the SFDR, and the CSRD).

To mitigate the risk for greenwashing, Deal Teams are obliged to ensure that investor documentation is correct and not misleading, which is ensured by inter alia various degrees of due diligence measures – as calibrated from case to case.

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”). To ensure the 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.
- Analysts are as a clear starting point not allowed to own shares in the companies/sectors they cover.

As mentioned in the above, there could be an incentive for issuers to conduct “greenwashing” to attract capital from a broader group of investors. Research from Pareto may be at risk of contributing to such greenwashing. Consequently, there could be a corresponding incentive for Pareto to produce research that portrays investments as “greener” than they actually are to attract a larger group of investors. Analysts shall however as a mitigating factor base their research on objective and reliable data, and refrain from making their own assessment of whether companies are “green” in accordance with EU legislation. Furthermore, relevant disclaimers will be included in the 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 to ensure that such proposals from the Sales Department do not unreasonably favours some investors to the detriment of other investors.

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

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 may be 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 takes positions on own-account to a very limited extent, 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 - ownership interests and trading

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 (see disclaimers and disclosures) pursuant to [Pareto's General Terms and Conditions of Business](#).

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

3.5.4 Publication of research - Investment Banking transactions and the Research department

Research analysts may publish positive or negative reports on companies covered by the Research department where the Investment Banking department is actively working with a contemplated transaction. Publication of such reports are from a conflict of interest perspective acceptable regardless of being positive or detrimental to the contemplated transaction due to the fact that there are information barriers between the two departments, and analysts are working independently and without influence from the Investment Banking department.

Research analysts may furthermore be involved in Investment Banking processes and given access to confidential or sensitive information, provided this is conducted in accordance with Pareto's wall-crossing procedures. Analysts are involved to contribute with their knowledge of the company or sector. In case an analyst is wall-crossed he/she will be restricted from publishing any investment research until end of applicable black-out periods. The applicable market standards regarding black out-periods are followed.

3.5.5 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.

3.5.6 Client classification

Pareto may be incentivised to classify/re-classify investor clients as professional clients instead of non-professional clients to be allowed to market a broader category of products reserved for professional clients. Pareto would in such case prioritise its own interest in placing instrument over investing clients' interest in maintaining a higher degree of customer protection. To mitigate the risk for such outcome, Pareto has implemented clear instructions and procedures for client classification and no deviations can be made to complete a transaction.

3.5.7 ESG and sustainability preferences of investor clients

The sustainability preferences of an investor client may limit the number of financial instruments Pareto employees can advise on or recommend to the said client. In order to market a broader group of financial instruments to a broader group of investors, Pareto employees may be inclined to persuade investor clients to adjust or waive their sustainability preferences. Clients shall of course have the option to adjust or waive their sustainability preferences, but this should be done at their own initiative. Where Pareto employees truly believes that the client in question will be best served by modifying its sustainability preferences, the employee in question should provide the reasoning behind the advice and document the reason for the adjustment of the client's sustainability preferences.

3.5.8 *ESG and issuers*

A potential conflict of interest between Pareto and issuers is that Pareto –to be able to market new financial instruments to the entire investor base – may deem itself forced to push the issuer in a direction in the ESG field which, on the one hand, may address the sustainability preferences of potential investors, but which, on the other hand, may lead to increased costs and/or decreased revenues for the issuer.

Pareto employees should in their dialogue with the issuer be transparent about the reasons for their advice, including their view on sustainability related issues, but the issuer is nevertheless in control of how their business is run.

3.5.9 *Greenwashing of issuing clients*

A potential conflict of interest between Pareto and investor clients is that Pareto and the issuer may be inclined to present the issuer as more environmentally friendly, socially impactful, or sustainable than it truly is as an attempt to capitalize on the growing demand for environmentally sound products (“greenwashing”). Pareto is nevertheless obliged to present any investment case to its investor client base in a fair and proper manner and it follows from securities laws that any investor material must be correct, clear and not misleading.

3.6 Conflicts of interest between an employee and a client

3.6.1 *Own-account trading by employees*

Own-account trading by Pareto 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 employees have 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 related 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 Pareto employees outside the scope of their position may conflict with the interests of specific clients (for example competing businesses). Private business interests may also create private financial ties for employees that may, depending on the circumstances, be potentially detrimental and entail a risk that employees may act contrary to the interests of Pareto and its clients.

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

All Pareto 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 employees indicate that there is a risk of conflicts of interest in relation to individual clients or with regard to specific projects. The relevant employee 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 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 that such orders are not treated in a preferential manner or to the disadvantage of Pareto's clients.

3.8 Conflicts of interest towards trading venues

Acting as manager and listing advisor for an issuer/corporate client at the same time as placing the issuer's/corporate client's financial instruments may represent a conflict of interest in relation to the trading venue. Although not being a client, investment firms need to identify and handle conflicts in relation to trading venues. The interest of a trading venues during a listing process is to ensure that the integrity of the market is safeguarded (i.e., that the company satisfies the listing requirements and that investors are provided with balanced information). This should typically be handled by advising the issuer on the listing process and by involving independent legal advisors to ensure that listing requirements are met. Furthermore, relevant deal teams should consider having the issuer confirm the content of the information/admission document prior to filing it by using a separate statement of completeness, and all deal teams should allow a senior member of the deal team to review the information/admission document to ensure a review by an experienced eye.

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 resulting from the conflicts of interest and the steps undertaken to mitigate these risks, in sufficient detail to enable the client to take an informed decision with respect to 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.