

## **CONFLICTS OF INTEREST**

The Firm is required under FCA Principles to pay due regard to the interests of its clients, treat them fairly and manage conflicts of interest fairly, both between itself and its clients and between a client and another client. The Firm is also required under FCA rules to take all appropriate steps to identify, prevent and manage conflicts of interest that may arise in the course of the Firm providing certain services to its clients, including conflicts caused by the receipt of any inducements from third parties.

Conflicts of interest can arise in a number of scenarios. Under FCA rules the Firm must set out in writing its internal policy and procedures in relation to the handling of conflicts of interest (both actual and potential). The purpose of this conflicts of interest policy ("**COI Policy**") is to:

- (a) identify, by reference to the specific services provided and activities carried out by the Firm, the circumstances which may give rise to potential or actual conflicts of interest entailing a material risk of damage to the interests of its clients; and
- (b) to specify procedures to be followed and measures to be taken to prevent or manage conflicts of interest.

### **1. Application**

This COI Policy applies to all regulated activities carried out by the Firm.

**It is the responsibility of all Employees to familiarise themselves with this COI Policy and the standards applicable to them for compliance with the Firm's COI Policy.**

Failure to comply with the Firm's COI Policy could expose the Firm to legal, regulatory and reputational risk. Non-compliance with the COI Policy can also have serious consequences for the Firm's Employees with regards to their ongoing employment (e.g. where a breach of this COI Policy constitutes a breach of the Employee's employment contract) or where the Firm or the FCA decide to take action against the relevant member of staff.

### **2. Identifying conflicts of interest**

The Firm recognises that, in the course of providing its services to the Firm's clients, circumstances may arise in which a potential or actual conflict of interest exists which entails a material risk of damage to one or more of the Firm's clients.

For the purposes of identifying the types of conflict that may arise the Firm takes into account whether it (or a person directly or indirectly linked to it by control):

- (a) is likely to make a financial gain or avoid a financial loss at the expense of a client;
- (b) has an interest in the outcome of a service provided to a client or of a transaction carried out on behalf of a client which is distinct from the client's interest in that outcome;
- (c) has a financial or other incentive to favour the interest of one client (or group of clients) over the interest of another client (or group of clients);
- (d) carries on the same business as the client;
- (e) receives or will receive from a person other than the client an inducement in relation to a service provided to the client (e.g. in the form of money, goods or services) other than the standard commission or fee for that service.

The Firm has identified specific conflict situations by reference to certain services and activities it carries out together with procedures and measures for the prevention and management of such

conflicts. These conflict situations and conflict management procedures/measures are set out in [the **Annex**] to this COI Policy and are limited to such situations that may typically arise in the connection with the regulated business carried on by the Firm.

### **3. Preventing and managing conflicts of interest**

The Firm's policy is to maintain and operate effective organisational and administrative arrangements to prevent and manage conflicts of interest from adversely affecting the interests of one or more of its clients.

Generally, the Firm has the following arrangements in place:

#### **3.1 Segregation of functions**

The Firm has procedures in place for the proper allocation of functions and apportionment of responsibilities to avoid conflicts of interest wherever possible. We endeavour to maintain a record of the types of activity we carry on in which a material conflict could arise or has arisen, including the activities of other members of our group of companies.

#### **3.2 Information barriers**

The Firm may establish and operate information barriers to restrict the flow of sensitive information between different parts of the Firm's business or within the group of companies, its Employees, and between its Employees and its associates, contacts, clients and other counterparties as appropriate.

Employees are generally prohibited from disclosing sensitive information to any other person who does not have a legitimate reason for having the information.

Sensitive information is generally information that is not in the public domain. The following are examples of potentially sensitive information:

- (a) price sensitive information;
- (b) confidential information;
- (c) details of particular transactions arranged for a client;
- (d) details of a proposed issue or placement of securities.

Sensitive information may have to be disclosed where the Employee is under an obligation to do so, for example, when requested by the MLRO, or for the purposes of settling a transaction (to the extent that the information is relevant for settlement purposes). When operating behind information barriers, Employees' primary responsibility will be to the Firm's clients. Where there is a potential conflict between clients, the Firm is under a duty to ensure each client is treated fairly. Employees should refer to the Compliance Officer for the appropriate action to take in accordance with these procedures.

Any crossing of information barrier arrangements by an Employee is subject to prior approval by the Compliance Officer.

#### **3.3 Inside information**

The Firm has comprehensive procedures in place to identify and monitor information that constitutes inside information for the purposes of the UK market abuse regulation.

Existing procedures include, for example:

- (a) a segregation of duties between Corporate Broking and Trading;

- (b) maintaining an insider list and a restricted list to prevent personal account dealing taking place on the back of inside information or in certain companies or instruments.

Employees are required to comply at all times with the Firm's personal account dealing policy (which can be found at [ ]) and its market abuse policy (which can be found at [ ]).

### **3.5 Conflict disclosure**

All Employees are required to report any potential or actual conflicts of interest that they become aware of to their line manager in the first instance.

Notifications must be made immediately (and in any event no later than 24 hours) of the Employee becoming aware of a potential or actual conflict. When making the notification, Employees must provide their line manager at least with the following information:

- (a) their name and position/role;
- (b) the names of all relevant parties involved (or potentially involved);
- (c) the nature of the conflict and how it came to their attention.

The Employee shall not take any further action in relation to the matter in respect of which they are conflicted until they have received clearance in writing from the Compliance Officer to proceed.

The line manager will share the information with the Compliance Officer who will, as soon as reasonably practicable (and in any event no later than 24 hours after the notification) advise what action to take (or not to take) or, if necessary, start investigating the matter further.

The Compliance Officer may decide to escalate the matter to the board to seek further input in the handling and resolution of the conflict of interest.

### **3.6 Conflicts register**

Employees also have an obligation to report to their line manager any outside business interests that they have (e.g. in form of directorships or shareholdings) and any other personal potential or actual conflicts of interest that they have in providing a service to the Firm's clients.

The line manager will notify the Compliance Officer who will make a record in the Outside Interest Register.

The Outside Interest Register makes up the Firm's conflicts register ("**Conflicts Register**"). It is the responsibility of the Compliance Officer to keep the Conflicts Register up-to-date and to record all conflicts of interest in the Conflicts Register together with a record of the measures taken to prevent or mitigate such conflict.

The Firm will retain the information set out in the Conflicts Register for a minimum of five years.

### **3.6 Conflicts monitoring**

All conflicts of interest (whether potential or actual) will be monitored by the Compliance Officer on an ongoing basis.

Any decision to act for a new client or to act on a new matter will be taken in light of its potential to create a conflict of interest that entails a material risk of damage to one or more of the Firm's clients and any measures that can be taken to prevent or manage such conflict effectively.

### **3.7 Limiting its engagement or declining to act**

Where the Firm concludes that it is not in the best interest of the client for the Firm to act (or to continue to act) because a particular conflict of interest cannot be managed effectively so as to prevent a material risk of damage to its clients, the Firm may limit the scope of its engagement or decline to act.

The Firm's policy is to decline to act for any client, or in relation to any transaction, which relates to any party that is connected to the Firm by way of control, for example a shareholder of Pello. Any clients or transactions that could fall within this policy should be notified to the Compliance Officer before declining the engagement.

### 3.8 Disclosure

Whilst the Firm has implemented and maintains its COI Policy to prevent and manage conflicts of interest policy effectively, in some cases, such policy might not be sufficient to prevent risks of damage to the interest of a customer.

Where the Firm's arrangements to manage conflicts are not (or cannot) be sufficient to be reasonably confident that risks of damage to a client's interest will be prevented the Firm aims to disclose the general nature and/or sources of conflicts and the steps taken to mitigate any risks to the client before carrying on any business for the client. This is to allow the client to consider whether to ask for more information and to take an informed decision as to whether to proceed with the transaction and/or continue with the service.

## 4. Inducements

FCA rules impose restrictions on the Firm's ability to receive and provide fees, commission, monetary or non-monetary benefits from a person other than its client (or a person acting on behalf of the client).

The Firm has adopted the following procedures in order to manage any potential conflicts of interest arising out of inducements.

### 4.1 Inducements relating to the provision of investment advice

Under applicable FCA rules, where the Firm provides investment advice, it must not:

- (a) where the advice [(whether independent advice or restricted advice)] is provided to a retail client in the UK, accept any fees, commission, monetary or non-monetary benefits which are paid or provided by any third party (or a person acting on behalf of a third party), in relation to the provision of the relevant service to the client; and
- (b) where the advice is independent advice given to a retail client outside the UK or to a professional client (regardless of location), retain fees, commission, monetary or non-monetary benefits which are paid or provided by any third party (or a person acting on behalf of a third party), in relation to the provision of the relevant service to the client.

Where any fees, commission, monetary or non-monetary benefits have been accepted in the circumstances under (b), the Firm is required to transfer these benefits in full to the client.

**The Firm's policy is that, with the exception of acceptable minor non-monetary benefits, its Employees are not permitted to accept any fees, commission, monetary or non-monetary benefits**

**provided by a third party (or on behalf of a third party) in connection with the provision of investment advice in the circumstances described in points 4.1 (a) and (b) above.**

The only exceptions apply to the receipt of acceptable minor non-monetary benefits (see paragraph 4.3) and, in certain circumstances, investment research (see paragraph 4.4).

#### **4.2 Inducements relating to the provision of investment services other than investment advice**

In connection with the provision of investment services (other than investment advice) or any ancillary services to its clients, the Firm is not allowed under FCA rules to pay or accept any fee, commission or to provide or accept a non-monetary benefit from any third party (i.e. a person other than its client or a person acting on behalf of its client) unless the fee, commission or non-monetary benefit is:

- (a) designed to enhance the quality of the relevant service to the client AND does not impair compliance with the Firm's duty to act in the best interests of the client and is disclosed to the client; or
- (b) a payment or benefit which enables or is necessary for the provision of the investment service by the Firm (e.g. custody costs or settlement fees) AND, by its nature, cannot give rise to conflicts with the Firm's duty to act honestly, fairly and professionally in the best interests of the client.

**The Firm's policy is that, with the exception of acceptable minor non-monetary benefits (see paragraph 4.3), its Employees are not permitted to accept any fees, commission, monetary or non-monetary benefits provided by a third party (or on behalf of a third party) in connection with the provision of investment services (other than investment advice) or ancillary services to its clients. Employees are required to report such benefits to the Compliance Officer and the acceptance of any such benefit is subject to pre-approval by the Compliance Officer.**

Compliance are fully aware of all inducements the Firm pays to introducing brokers ("IBs") in accordance with the contractual arrangements the Firm has in place with each IB. The Firm's policy is to ensure that no volume or value based incentives are given to IBs introducing clients which could encourage excessive trading activity and conflict with the Firm's duty to act in the best interest of its client. A policy of paying a fixed amount should be followed which will need to be disclosed to customers during onboarding and onward where necessary.

Where the Firm pays or accepts any fee or commission or provides or accepts any non-monetary benefit which it has determined meets the requirements under 4.2 (a) and (b) above, the Firm must before it provides the relevant service or ancillary service to the client, disclose to the client:

- (a) the existence and nature of the payment or benefit; and
- (b) the amount of the payment or benefit or, where the amount cannot be ascertained, the method for calculating that amount.

The Compliance Officer will keep a record of all fees, commission and non-monetary benefits received by the Firm from any third party in relation to the provision of the relevant investment service or ancillary service together with a record of how such fee, commission or non-monetary benefit enhances the quality of the service provided to the Firm's clients and steps taken in order not to impair

the Firm's compliance with its duty to act honestly, fairly and professionally in the best interests of its client.

### 4.3 Gifts and entertainment

**Employees are under no circumstances permitted to accept from or offer cash or cash convertible gifts in connection with a current or prospective business relationship.** Any such gift must be declined and reported immediately to the Compliance Officer.

Any other non-monetary gifts, entertainment or other benefits given and received by any Employee ("**Gifts**") are only acceptable if they are acceptable minor non-monetary benefits and are:

- (a) clearly disclosed to the client prior to the provision of the relevant service to the client;
- (b) capable of enhancing the quality of service provided to the client;
- (c) of a scale and nature that they do not impair the Firm's compliance with its duty to act honestly, fairly and professionally in the best interests of the client; and
- (d) do not breach the provisions of the Bribery Act 2010 and the Firm's Anti-Bribery Policy.

The Firm operates the following approval procedure for Gifts, which are designed to not impair the Firm's duty to act in the best interests of its clients or other legal or regulatory obligations.

- Gifts below a value of £50 do not need to be reported to the Compliance Officer but must comply with the requirements set out under 4.3 (a) to (c) above.
- Gifts above a value of £50 but below the value of £100 must be reported to the Compliance Officer in a written report. The report, a copy of which will be kept by the Compliance Officer, must contain the following details:
  - (a) the name of both the Employee and the giver/recipient of the Gift;
  - (b) the nature and circumstances of the Gift;
  - (c) whether the Gift was given or received by the Employee concerned;
  - (d) the date on which the Gift was given or received;
  - (e) the cost if made by an Employee (although if the benefit is an in-house lunch or dinner then a statement to that effect will be sufficient).
- Gifts above a value of £100 are subject to the prior approval by the Compliance Officer.

Details of Gifts given or received by any Employee are monitored by the Compliance Officer as part of the Firm's Compliance Monitoring Programme.

Approved Persons conducting a Customer Function are required to make an additional annual declaration that either they have reported full details of Gifts given and received, or that they have not given or received any Gifts during the year.

### 4.4 Research

The Firm may receive investment research (and such research will not be treated as an inducement) provided it pays for such research out of its own resources or payment is made through a separate and transparent research charge agreed with the Firm's clients.

The Firm does not pay for any research at present and it is the Firm's policy that it will not receive and consume research from third parties unless a research agreement has been entered into with that third party and the research is paid for by the Firm out of its own resources.

Employees who receive unsolicited third party research for free are prohibited from consuming and acting on such research. They are required to notify the Compliance Officer who will determine which steps to take to prevent the Firm from receiving and/or benefitting from such research.

## **5. Training**

The Firm provides regular training sessions for its Employees on the arrangements it has in place for the identification, prevention and management of conflicts of interest.

## **6. Review**

The Firm frequently (and at least annually) reviews, assesses and, where necessary, amends its COI Policy to ensure the effectiveness of such policy and its compliance with FCA rules.

## ANNEX

### List of Conflicts of Interest & Relevant Disclosures

The annex below seeks to identify the most common (but not only) conflicts of interest that Pello Capital encounters during its ordinary business. Pello Capital will always disclose potential conflicts of interests to both retail and professional clients in this format alongside prominent risk warnings and disclaimers.

### Remunerated Sales Agent

“Pello Capital is required to disclose all conflicts of interest to investors. Pello Capital is a remunerated sales agent for the purpose of this transaction. Pello Capital is being paid a fee equivalent to “x”% of the aggregate value of funds raised by customers of Pello Capital.”

### Mutual Staff

“Pello Capital is required to disclose all conflicts of interest to investors. Some members of staff of the investee company are also mutually employed or have been employed by Pello Capital within the past 12 months. Pello Capital can confirm that the identification of this conflict of interest does not constitute a material reason why Pello Capital cannot be involved in the transaction.”

### Mutual Shareholdings

“Pello Capital is required to disclose all conflicts of interest to investors. Some members of staff of the investee company are also shareholders of Pello Capital but are not however controllers of Pello Capital. Pello Capital can confirm that the identification of this conflict of interest does not constitute a material reason why Pello Capital cannot be involved in the transaction.”

### Other Connected Parties

“Pello Capital is required to disclose all conflicts of interest to investors. Some parties of the investee company are also connected parties of Pello Capital. Pello Capital can confirm that the identification of this conflict of interest does not constitute a material reason why Pello Capital cannot be involved in the transaction.”