



SHORE CAPITAL GROUP

CONFLICTS OF INTEREST GROUP STANDARDS

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1 INTRODUCTION

1.1 Background

Shore Capital Group Limited, its subsidiaries and affiliates is a multiservice financial group whose regulated subsidiaries comprise Shore Capital and Corporate Limited (“SCC”), Shore Capital Stockbrokers Limited (“SCS”), Shore Capital Limited (“SCL”) and Puma Investment Management Limited (“PIML”) (the “Group”). The Group offers a wide variety of products and services to a broad and diverse client range. The Group specialises in capital markets activities for small and medium sized enterprises, institutions and sophisticated investors. It undertakes stockbroking, research, corporate finance, and market making, with a particular focus on AIM. Additionally, the Group undertakes principal finance activities and specialist fund management for private and institutional investors, with an emphasis on tax efficient investments.

From time to time the Group will find itself in a position where: (1) the interests of one part of the business may conflict with the interests of another part of the business (and therefore create a conflict between the Group and a duty owed to a Group client); (2) where there is or may be a conflict between one Group client and another or (3) where there is a conflict between the interests of an employee of the Group, and a Group client. Below are details of when and how this may occur.

Shore Capital's regulated entities are authorised and regulated by the Financial Conduct Authority (“FCA”) and are required to manage these types of conflicts to ensure all our customers are treated fairly.

2 SCOPE

This Policy relates to all Group activities and their respective employees (including temporary staff and contractors), regardless of their roles, department and location.

This Policy is intended to be comprehensive but is not exhaustive.

Unless otherwise stated, Appendix 1 contains the definitions in this Policy.

3 DEFINITION OF A CONFLICT

For the purpose of this policy, conflicts of interest are defined as conflicts of interest that arise, or may arise, in the course of providing a service and whose existence may entail a material risk of damage to the interest of a client and, as a minimum:

- (1) from which Shore Capital is likely to make a financial gain, or avoid a financial loss, at the expense of a client;
- (2) in which Shore Capital 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;

- (3) where Shore Capital has a financial or other incentive to favour the interest of a client (or group of clients) over the interest of another client;
- (4) where Shore Capital carries on the same business as a client; or
- (5) where Shore Capital receives (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 money, goods or services other than the standard fee or commission for that service.

4 OBJECTIVE

The aim is to ensure that the Group manages potential conflicts of interest in a consistent manner and in compliance with all relevant rules and regulations, in particular those of the FCA. The existence of a conflict does not necessarily mean that there will be detriment to one party's interests, but rather that potential conflicts of interest exist and must be assessed, prevented, mitigated, managed and disclosed as appropriate, depending on the facts and circumstances. The disclosure of a conflict of interest will be a measure of last resort – see Section 8 (*“Disclosure of Conflicts”*) below.

The Group's Compliance department assist in the identification and management of conflicts of interest as and when they arise.

5 IDENTIFICATION OF CONFLICTS OF INTEREST?

5.1 General

In overview, conflicts fall into a number of broad categories. Some of the more common types of potential conflicts of interest scenarios within the Group include:

- the interests of the Group conflict with those of a client(s);
- the interests of one client or group of clients of the Group conflict with those of other clients;
- one part of the Group has obtained Confidential Information from, or relating to, an existing or former client which would be of value to another part of the Group (such as its trading business) or other clients of the Group (who might be competitors); and
- the interests of an employee of the Group conflict with the interests of a client of the Group or the firm itself e.g. where an employee of the firm executes a personal account trade ahead of a client order, or if they were to be incentivised so as to engage with a client with a view to achieving an outcome advantageous to themselves rather than in the client's best interest.

5.2 Specific Conflicts of Interest Situations

A conflict of interest may arise in any area of the Group's business and within all or any particular Group entities.

a. Capital Markets

Attached at Appendix 2 are the key specific conflicts of interest situations related to the Group's FCA regulated capital markets activities (comprising SCC and SCS's activities).

b. Asset Management

Attached at Appendix 3 are the key specific conflicts of interest situations related to the Group's FCA regulated asset management activities in the UK (comprising SCL and Puma Investments' activities).

The arrangements that are in place within the firm to manage these types of conflict are set out below.

6 MANAGEMENT OF POTENTIAL CONFLICTS OF INTEREST

The Group must take all appropriate steps to manage conflicts of interests properly. The Group has in place conflict of interest operating procedures to ensure that potential conflicts, once identified, are managed appropriately and that the firm and its employees conduct themselves and their investment business activities so as to ensure the interests of clients are protected. These procedures also deal with instances where there is a perception that the firm may have a conflict even where this might not, in fact, exist.

Certain conflicts of interest (such as staff personal dealings) are managed on a regular basis. Other conflicts of interest are identified and managed on a case by case basis in accordance with the Group's procedures.

The Boards of Directors of relevant Group entities are responsible for ensuring that potential conflicts are considered and managed appropriately. Notwithstanding this, all employees of the Group have a responsibility to proactively identify potential conflicts of interest which must be discussed internally and with the Compliance Department. Material conflicts of interests will be escalated for consideration to the relevant Board of Directors and stakeholders, such as the appropriate Compliance Committee or Risk Committee.

Relevant staff members have received training on conflicts of interest and the Group's procedures for managing conflicts of interest.

7 MANAGEMENT OF CONFLICTS OF INTEREST

Should a conflict of interest arise, it must be managed promptly, fairly and in compliance with regulatory rules and principles. Potential conflicts of interest will be managed in

accordance with Group operating procedures. The Group's Compliance department assists in the management of actual and potential conflicts of interest.

The Group's arrangements which are designed to prevent any conflict giving rise to a material risk of damage to clients include:

- control of access to, and movements of, information to relevant employees to protect each person's interests and prevent improper access to, and use of, such information. This is primarily achieved through the use of Information Barriers. These are organisational arrangements which are established to act as information barriers controlling the disclosure of information and preventing its unauthorised release to other areas of the company or the Group, including detailed wall-crossing procedures.

The regulatory effect of Information Barriers is that individuals on the "other side of the wall" will not be regarded as being in possession of Restricted Information denied to them as a result of the barrier.

This is the key mechanism by which the Group ensures its clients' interests are protected and any conflicts managed, and enables it to engage with a large number of potential clients while still meeting legal and regulatory requirements.

- separate employees within each business area to look after the interests of clients in that area.
- conflict clearance procedures, for instance in relation to corporate broking.
- detailed personal account dealing restrictions that apply to all employees. The Group also has a policy in respect of gifts and inducements to restrict the type and value of gifts that our employees may accept, anti-bribery and corruption procedures, whistleblowing procedures and relevant remuneration policies; and
- disclosure of potential conflicts where relevant. See Section 8 ("*Disclosure of Conflicts*") below.

For specific arrangements in relation to the Group's research department see Appendix 4.

7.1 Transaction-specific conflict management measures

In certain cases special conflict controls, specific to an individual transaction, can be put in place to allow the firm to engage with one client without prejudicing another prospective client or business already under way.

This normally involves establishing a temporary information barrier around the individuals or team involved in both of the potentially conflicting transactions (i.e. "Transaction Specific" Information Barriers) and/or obtaining the explicit consent of those parties or clients potentially impacted.

In such cases Compliance and/or senior management will usually determine that disclosure and/or client consent is a pre-condition to proceeding in the confidence that potential conflicts are being properly managed to avoid damage to the client's interests. However, careful consideration is required of how best to obtain explicit consent from the client, as consent is only deemed effective when given by a suitably informed customer.

The firm is conscious of the undesirability of its over-reliance upon disclosure and client consent as a conflicts management tool. For this reason it is only utilised as a last resort on top of the wide range of other organisational arrangements and controls in place when the organisational arrangements and controls are not sufficient to prevent the risk of damage to the client's interests. Where doubts exist as to whether transaction-specific arrangements will be effective in managing conflict risk with the appropriate degree of confidence, the firm will consider declining to act.

8 DISCLOSURE OF CONFLICTS

Disclosure of a conflict of interest to a client must be a measure of last resort and should only be used by Shore Capital where our effective organisational and administrative arrangements established to prevent or manage our conflicts are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of the client will be prevented. Disclosure helps clients to assess the service that they are being offered in light of Shore Capital's own interests and to decide on the extent (if at all) to which they will rely on, or proceed with, the service. Where Shore Capital discloses a conflict or potential conflict, such disclosure must:

- (1) be made in a durable medium;
- (2) explain the risks to the client that arise as a result of the conflicts of interest;
- (3) include specific description of the conflict(s) that arise in the provision of the service;
- (4) clearly state that the organisation and administrative arrangements established by us to prevent or manage the conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client will be prevented; and
- (5) include sufficient detail (taking into account the nature of the client) to enable the client to take an informed decision with respect to the service in the context of which the conflict arises.

Where such a disclosure has been made, we must await the client's consent to proceed.

Some conflicts may have such a serious potential impact on Shore Capital or our clients that the only option (where they cannot be adequately prevented or managed) will be to terminate the provision of the activity to which the conflict relates.

9 RECORDING CONFLICTS

Compliance will document any reported actual, apparent or potential conflicts of interest.

Compliance will also keep, and regularly update, a record of the kinds of investment or ancillary service or investment activity carried out by or on behalf of Shore Capital in which a conflict entailing a risk of damage to the interests of one or more clients has arisen or, in the case of an ongoing service or activity, may arise.

Compliance will provide written reports on such situations to the Shore Capital board on at least an annual basis.

Appendix 1: Definitions

Information Barriers -These are internal, organisational arrangements which act as information barriers controlling the disclosure of information within an organisation, and preventing the unauthorised release of Restricted Information to other areas of the firm.

The Group - References to the Group in this document should be taken to mean Shore Capital Group Limited along with all relevant subsidiary and affiliate companies either collectively or individually as the context may require.

Confidential Information - This is information received by the Group from its clients, prospective clients or other third parties which has a “quality of confidence”. Essentially, for it to be deemed confidential the information will:

- not be in the public domain; and
- be judged to be sufficiently sensitive so that its release or disclosure is likely to cause its owner to suffer a disadvantage or loss.

For the avoidance of doubt, the Group must always treat information received from clients to whom it owes fiduciary duties as confidential.

Common examples of Confidential Information include information:

- released to the Group for a specific purpose (such as to allow the firm to evaluate a transaction) and which cannot be used for any other purpose without the client’s express agreement. Such information should generally be treated as Confidential Information whether or not there is a formal confidentiality agreement in place or the Group has been formally engaged by the client;
- which might be subject to confidentiality or banking secrecy laws in the jurisdiction in which it was released to the Group, which provide that the Group cannot pass or disclose the information without the client’s consent;
- relating to a client’s plans for capital raising even where these are not material or are unlikely to effect the price of any publicly traded securities or instruments issued by that company;
- relating to the business structure or financing of a company which, while not insignificant, are unlikely to affect the price of any publicly traded securities or other instruments relating to that company. This might be the case for nonmaterial transactions (such as the sale of a small, non-core subsidiary) or other transactions where the market is already aware that it will take place; and
- obtained about a company as part of due diligence carried out to support a transaction for that company even where this is deemed unlikely to affect the price of the company’s securities.

Important Note: Confidential Information is not necessarily Inside Information. In common with other forms of Restricted Information, the firm and its employees have obligations to protect Confidential Information whether or not a confidentiality/nondisclosure agreement has been

executed or whether Shore Capital has been formally engaged by the client. However, checks should be made as to whether such agreements are in place, as these may include additional specific requirements. This is a potentially complex area, and where doubts exist staff will involve Legal and Compliance.

Inside Information – is information which:

- is precise;
- has not been made public;
- relates directly or indirectly to one or more issuers of financial instruments or to one of more financial instruments; and
- would, if made public, be likely to have a significant effect on the prices of those financial instruments or on the price of related derivative financial instruments.

Information will be precise if it indicates circumstances that exist or may reasonably be expected to come into existence or an event that has occurred or may reasonably be expected to occur and is specific enough to enable a conclusion to be drawn as to the possible effect of those circumstances or event on the prices of financial instruments or related financial instruments. In this respect, in the case of a protracted process that is intended to bring about, or that results in, particular circumstances or a particular event, those future circumstances or that future event, and also the intermediate steps of the process which are connected with bringing about or resulting in those future circumstances or that future event, may be deemed to be precise information.

The test for whether a particular piece of information is to have a significant effect on the prices of financial instruments is if a reasonable investor would be likely to use as part of the basis of his investment decisions.

MiFID II (Directive 2014/65/EU) - The Markets in Financial Instruments Directive to include the implementing directives and the associated recitals and any updates or amendments.

Restricted Information - In the course of its business the Group and/or its employees will frequently receive information which is not in the public domain and which relates to its current or potential clients, other third- parties or information otherwise relevant to securities or financial instruments connected to these. While receipt of such information routinely occurs during the course of client engagements (from the client directly or its other professional advisors), it can also be released to us inadvertently. Within this Policy such information is referred to as “Restricted Information”, which divides into two categories:

- Inside Information; and
- Confidential Information.

Appendix 2: Specific Conflicts of Interest – Capital Market’s Activities

Set out below are the key specific conflicts of interest related to the Group’s FCA regulated capital markets activities in the UK:

The Group’s own trading activity

The Group trades for its own account in different financial instruments and currencies, including those in which you have given us orders.

We may trade and sell instruments and currencies that may take opposing economic positions to any transaction you have entered.

Our trading activity may affect adversely your orders, transactions and trading strategies.

Services we provide our other clients

As well as trading for our own account, we may do so for our clients. We may also advise our clients in a way that influences their trading decisions.

Your trading objectives may conflict with theirs. We cannot disclose those clients or their transactions to you.

Your orders and transactions may perform differently from similar transactions we handle for our other clients. Yours may not perform as well as theirs (or vice versa).

Non-public information

Across the Group we may acquire sensitive non-public information about markets, instruments, issuers and products. We may be forbidden to disclose this to you.

Different roles in one transaction

We may have several roles in a single transaction and those roles may conflict.

For instance, we may act for an issuer in an offer of securities and we may also act for investors participating in such offerings. When acting in these roles, our interests may conflict with yours.

Executing broker

Where we act as your executing broker, we may have some discretion in how we execute your orders. We may solicit opposing orders or trade against you for our own account or on behalf of clients. In each case we may benefit financially as a result.

Financial Interests

We may own, finance, control, advise or take legal action against securities issuers or other market participants. Our advice may cover confidential matters such as public offers or securities, mergers, acquisitions, corporate restructuring and insolvency. This may affect the price, value or level of any orders we handle for you.

Research and Recommendations

We may publish research and express views on a wide range of subjects. Our views may influence prevailing market values and index levels.

Our sales, trading, research and corporate finance teams may provide recommendations, market colour, trading ideas or independent views on many different subjects. They may not know or have regard to your particular circumstances. Their views will not always be consistent, may change and may conflict with your investment objectives. They may nonetheless affect how your transactions perform particularly in illiquid markets.

Appendix 3: Specific Conflicts of Interest - UK Asset Management Activities

Advisory and Management services

PIML and SCL (together “Puma Investments”) undertake the Group’s FCA regulated asset management activities in the UK. Puma Investments may have an investment advisory or investment management relationship with certain companies and their affiliates, entities, funds and/or partnerships (“Offerings”).

Puma Investments may advise or, in the case of its investment management activity, may direct its Offerings to deal in or co-invest with or loan funds to other vehicles and companies of the Group or with which Puma Investments or other members of the Group have been involved in the provision of services, for which Puma Investments may receive commissions, benefits, charges or advantage from so acting.

Puma Investments provides services to other entities whose trading strategies and/or philosophies overlap with, or are complimentary to, the trading strategies and/or philosophies pursued by the Offerings and both the Offerings and such entities associated with Puma Investments may be eligible to participate in the same opportunities.

The capital markets businesses of the Group may provide services to the Offerings, in particular corporate broking and/or corporate finance advice.

Financing transactions

Group entities may arrange for its Offerings to be a party to a financing syndicate of which some or all other members are associated with Puma Investments or other members of the Group.

Puma Investments may invest in or loan funds to entities to which SCS and/or SCC provide capital markets and corporate finance services.

Group entities may invest in or loan funds to the Offerings.

Staff dealings

Staff of the Group and their associates may personally deal in, loan money to, or invest in the Offerings.

Directorships

Directors and senior management of Group entities may be directors or senior management of the Offerings.

Appendix 4: Policy for the Management of Conflicts of Interest in respect of Investment Research and Non-Independent Research

Introduction

SCS as a company that is authorised and regulated by the FCA is required to manage conflicts of interest that may arise in its various areas of business to ensure that all its customers are treated fairly. This Appendix to the Group's Conflicts of Interest Policy sets out the particular steps that SCS has taken to manage any conflicts of interest in respect of its investment research activity and in particular to research produced that it has classified as being independent.

SCS is committed to providing its clients with high quality research and accordingly its research analysts are required to act in a professional manner at all times, producing all their research in an independent manner. Nevertheless, it is inevitable that conflicts will arise from time to time and this policy sets out to minimise the potential influence of other commercial influences e.g. SCS, its employees or its clients, on the objectivity of the Research Analysts and the research they produce.

Conflicts of interest may arise between those who receive our research, our Corporate Finance department (SCC) and other clients of the Group, SCS itself and the personal interests of our staff.

The policies set out below are intended to manage such conflicts so that we can meet our obligations under the Conduct of Business ("COB") rules of the FCA. The policies do not create any rights or duties to, or by, third parties other than those agreed with ourselves elsewhere.

Where SCS considers that a conflict cannot be effectively managed, or that its clients' interests adequately safeguarded, it will consider declining to act.

Types of Investment Research Produced

Research has been defined very widely by the FCA and includes the results of research into an investment or into a relevant company; an analysis of factors likely to influence the future performance of an investment or a relevant company; and advice or recommendations based on those results or that analysis. This excludes a personal recommendation. The research may be contained in single company reports, sector notes or morning meeting notes.

SCS produces all these types of publications and as its analysts are involved in producing all of these it treats all such publications as research reports. SCS research may be distributed via e-mail or hard copy, with both being classified as written research and the rules and this policy applying equally to both.

The FCA has distinguished between "independent" research (an impartial assessment) and a "non-independent marketing communication" (not an impartial assessment).

Independent research can only be produced by persons who do not have responsibilities that may conflict with the interests of the clients who may rely on that piece of research. Conversely, a non-independent marketing communication is categorised as such because it has been prepared by persons who may be exposed to such conflicts of interest.

Generally, research reports produced by SCS will be independent. However, where the research is in respect of a company with which SCS or any other Group company are engaged either as broker, NOMAD or financial advisor (“House Stocks”), the analysts producing such research may have responsibilities to those companies which could conflict with the interests of the clients who receive their research. Accordingly, all notes in respect of House Stocks will be treated as non-independent marketing communications and will not include a recommendation.

Nevertheless, a non-independent marketing communication is subject to various regulatory requirements, which are designed to ensure that it is communicated to clients in a way, which is clear, fair and not misleading.

SCS’ written research will be accompanied by a disclosure which explains its status, so that independent and non-independent research can be clearly distinguished.

Where a communication is labeled as being non-independent, employees may not indicate that such work is in fact an impartial assessment of the value or prospects of the investment covered by the communication.

Where material is published for internal purposes, it may not subsequently be issued to clients.

Information Barriers

SCS and the Group operate an Information Barrier policy. This means that where relevant, information obtained by one part of the business must be withheld from persons for whom it acts in another part of the business. In the event that an analyst is required to be wall-crossed and provided with inside information to assist on a particular project, the analyst will be deemed to be an “insider” for that project and a record maintained to note that fact. That analyst will not be permitted to write about relevant investments unless the analyst receives specific clearance from the Compliance Department. The analyst will be able to include any non-public information in any research until such time as it comes into the public domain.

Corporate Finance staff are physically separated from analysts to control the flow of information, particularly in relation to unpublished price sensitive information. Analysts may be brought “over the wall” and briefed on a company’s results or other announcements before any announcement (typically after the Market has closed the working day before an announcement) but must not discuss the subject matter or any significant views thereon until the company’s results have been published.

Recruitment & Remuneration of Analysts

The recruitment of analysts is carried out by the Human Resources department with significant input from the Head of Research and Chief Executive of the capital markets business. The views of the Corporate Finance department on the appointment may be taken into consideration.

Remuneration of analysts is set having regard to the Group’s remuneration policy. All analysts may qualify for a bonus, the pool of which is dependent upon the general profitability of the Group. Individual analysts will be awarded a share of the pool related to their individual performance, determined by factors such as: productivity; quality, quantity and accuracy of research; reputation; evaluations from clients, industry surveys, Corporate Finance staff, sales and trading staff. However, the bonus will not solely be reflective of any individual success or specific recommendation made by an analyst during the course of their activities.

Supervision & Management of Analysts

All of SCS' analysts report to the Head of Research. He is an analyst in his own right and does not have responsibilities which could conflict with the production of research. He is also an SCS Board member and in turn reports to the Chief Executive of the Group's capital markets business.

Analysts work in a separate part of the main sales/trading floor.

Editorial control

Editorial control remains solely with the analyst and the Head of Research. All work must be reviewed and signed off by the Head of Research or those identified by him as competent to conduct such a review. This review involves the consideration of the quality, integrity and legal and regulatory compliance of the research.

Where a subject company is asked to review a research note, this is solely to confirm the facts contained therein. Changes, which are at the discretion of the analyst, are only made if the subject company points out errors in the facts. Revised material will be verified as much as possible before being accepted. Any recommendation will be removed before it is passed to the subject company for review.

The Corporate Finance department only review research on House Stocks and only with a view to validate factual information.

Timing & Content of Publications

Each analyst has discretion over the timing of publications. However, this would have to be agreed with the Head of Research.

Research will be communicated to recipients appropriately and fairly in accordance with agreed distribution channels. Different service levels and client requirements mean that not all investment clients receive investment research or marketing communications and those who do will not necessarily receive all produced by the firm.

SCS has internal guidelines for restrictions on the publication of a marketing communication in certain circumstances (for example, around the time of an investment offering or in a takeover code offer period) where the Group or its subsidiaries has a corporate relationship with the relevant company.

Manner of Publications

The analysts' initial trading comments and daily analyst comments are issued simultaneously to staff and clients shortly after the meeting and at consistent times each day. Other notes are issued on an ad-hoc basis and the intra-day timing depends on when the note is completed.

During market hours, employees may not communicate the substance of any independent research to other employees or selected clients prior to its issue. Employees may disclose the substance of non-independent research to other employees prior to its issue. Controls are in place to ensure that conflicts of interest are managed appropriately and that non-independent research is not used for the firm's or selected clients' advantage prior to its issue.

Analyst Involvement in activities other than production of Investment Research

SCS analysts are not allowed to be involved in activities that are likely to appear as being inconsistent with the production of impartial research. The Corporate Finance department is located in a distinct area of the building and separated by a Chinese Wall.

SCS analysts can be involved in pitching both for prospective new clients and for Corporate Finance transactions