

# Canaccord Genuity Limited

## Conflicts of Interest Summary Policy

Department: Compliance

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## 1. Introduction

This Conflicts of Interest Summary Policy (the "Conflicts Policy") applies to Canaccord Genuity Limited (referred to hereafter as "CGL"). Canaccord Genuity Limited is authorised and regulated in the UK by the Financial Conduct Authority ("FCA") and is wholly-owned by Canaccord Genuity Group Inc., a company incorporated in B.C., Canada and listed on the Toronto Stock Exchange. The subsidiaries, associated companies and branches of the companies that are owned by Canaccord Genuity Group, Inc. (including, for the avoidance of doubt, CGL) and any affiliates are referred to in this Conflicts Policy, collectively, as "Canaccord Genuity" or the "Group".

Conflicts of interest can arise between various parties, including without limitation between CGL or its employees and its clients and from activities conducted by different business areas within CGL or the Group and between one client and another. This Conflicts Policy seeks to identify the potential conflicts of interest that may arise in CGL's businesses and summarises the controls implemented by CGL to manage any such conflicts of interest.

## 2. Fair Treatment of Clients

CGL conducts its business according to the principle that it will manage conflicts of interest fairly, both between itself and its clients, and between one client and another.

**CGL is committed to maintaining the highest of ethical standards and complying fully with its regulatory and legal obligations. Compliance with this Conflicts Policy is a requirement for each of CGL's employees and any breach may lead to disciplinary proceedings, up to and including dismissal.**

## 3. Identifying Conflicts

In accordance with the FCA Handbook, CGL is required to maintain and operate effective organisation and administrative arrangements with a view to "taking all reasonable steps" designed to prevent conflicts of interest from adversely affecting the interests of its clients. The following section details some of the conflicts that have been identified by CGL, however CGL expects its employees to recognise and escalate to the CGL Compliance Department any actual or potential conflict of interest that they come across. Equally, employees must not put themselves in a position in which their personal interests, financial or otherwise, might influence or give the appearance of influencing any action taken, judgement made, or advice given on behalf of CGL.

CGL has in place various policies and procedures designed to manage conflicts of interest, many of which are described in this Conflicts Policy. Such policies and procedures, together with training and internal guidance given by the CGL Compliance Department, are used to help employees identify circumstances which may give rise to potential conflicts of interest and provide them with the necessary tools to manage any such conflicts. In addition, all employees are made aware of CGL's escalation procedures for ensuring senior management consideration of material conflicts issues; this includes a mandatory, documented, whistleblowing policy.

## 4. What is a "Conflict of Interest"?

A conflict of interest arises when CGL, or one of its employees, is providing a service to a client, which competes with the interests of another CGL client and/or the interests of CGL's own account and/or the interest of a CGL employee who is involved in providing the service to the client. For example where CGL or its employee:

- i) could make a financial gain, or avoid a financial loss, at the expense of the client; or
- ii) has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome; or
- iii) has a financial or other incentive to favour the interest of another client, or group of clients, over the interests of the client; or
- iv) carries on the same business as the client; or
- v) 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 monies, goods or services, other than the standard commission or fee for that service.

CGL is involved in a full range of services including Investment Banking, Corporate Broking, Securities Sales and Trading and the production of Investment Research. As such, CGL has identified the following activities (as a non-exhaustive list) which may lead to conflicts:

- being the financial adviser, nominated adviser or broker to the company whose securities a client is buying or selling, or acting for that company in any takeover bid by or for it; trading proprietary positions in a security when at the same time CGL has information about future client orders in relation to that security; and
- sponsoring or underwriting a new issue or a rights issue or similar transaction involving the investment (or a related investment) that a client is buying or selling;
- engaging in business and trading activities for CGL's own account and/or client accounts, whilst other clients are active in relevant markets or otherwise interested at the same time;
- providing investment advice to clients and recommending or selling products issued by CGL or its associates;
- providing investment research in relation to an entity or group to which CGL is also financial adviser or broker;
- dealing as principal for its own account by selling a security to a client or buying it from a client, or being a market-maker or otherwise having a holding or dealing position in the security concerned or an associated investment;
- taking principal positions in an issuer CGL is advising (CGL may be in a conflicted position based on security holdings of CGL, Canaccord Genuity or its affiliates, members of the transaction team or senior management);
- providing services to one client in relation to a security in which another client is entering into transactions;
- matching one client's transaction with that of another client where CGL is acting or seeking to act as agent for (and to receive and retain commission or other charges from) both;
- having other business relationships, including Investment Banking relationships, with the company, or a related entity, in relation to whose securities a client is entering into transactions;
- receiving payments or other benefits for giving business to a firm with or through which a client's order is placed or executed;
- being the financial adviser or broker to a company whose securities CGL is recommending clients buy or sell;
- recommending clients buy or sell securities in a company at the same time as another part of the Group is in possession of inside information in relation to such company;
- employee personal account trading and other conflicts between the personal interests of CGL officers and employees and those of its clients;

This list is not exhaustive and employees of CGL must consider all services and activities carried out by CGL and the Group in order to identify any conflicts that may arise at a Group as well as CGL level.

## 5. Managing Conflicts of Interest

CGL's first priority is to identify potential conflicts of interest inherent in its business model and wherever possible, prevent them, or put in place reasonable steps to mitigate them. In the event that a conflict of interest cannot be prevented, it will be managed. As stated above, CGL has established a number of internal policies and procedures to manage conflicts of interest. These policies and procedures are the subject of on-going monitoring and review processes and include, but are not limited to:

### a. *Independence Policy*

It is the policy of CGL that where it and/or its employees are carrying on business activities, CGL will disregard any material interest which it or any of its subsidiaries or affiliates may have when making recommendations or arranging transactions with or for its clients. This policy ensures that in providing services to clients, CGL employees act independently of any interest that may conflict with the duties owed to different clients or between CGL and its clients. This means that all employees must disregard any of the following interests and must not allow the existence of such interests to influence them when dealing with clients or potential clients:

- i) any personal interests which they or members of their family or any of their connected persons may have. Where appropriate, a client should be advised of such an interest, notwithstanding this policy;
- ii) any existing, proposed or prospective business relationship between CGL and any third party;
- iii) any agreement or transaction which has been, will or may be, entered into by CGL; or
- iv) the holding by interest or position of CGL in any securities issued by the client or any third party.

The above examples are not exhaustive and CGL and its employees are required at all times to consider the need to act independently of any conflict.

### b. *Confidential Information and the "Need to Know" Policy*

CGL, in the ordinary course of business, receives non-public information relating to potential and actual clients and other parties including CGL and Group proprietary information. This information must be safeguarded and must not be disclosed to employees who do not have a legitimate need to know the information or to unauthorised third parties. It is CGL's policy that all non-public information obtained from a client or potential client or other source which has been provided in the expectation that it will be kept confidential shall be treated as confidential and shall not be shared with any other company or individual. CGL employees may not disclose any such confidential information to any person who is not an employee unless required by the terms of a transaction or relevant law or regulation. The dissemination of confidential information within CGL and/or the wider Group is at all times subject to established Information Barriers (see below).

CGL operates a "need to know" policy. Under the terms of this policy, confidential information may only be disclosed to those persons who need it to serve the legitimate interests of CGL and its clients and who can be expected to keep it in confidence in accordance with the policy regarding Information Barriers.

### c. *Information Barriers*

Information Barriers are a system (which includes rules, procedures and physical segregation and organisational arrangements) designed to ensure that certain information produced or acquired by employees in one part of CGL's business is not shared with employees in another part of CGL and/or the

wider Group. Information Barriers aim to manage conflicts of interest by ensuring that a client's confidential information is not used for the benefit of others and by ensuring that advice and other services are provided to clients independently of CGL's interests. In general, those employees behind one side of the Information Barrier have no knowledge of confidential information or transactions taking place on the other side of the Information Barrier. Each set of persons behind an Information Barrier will, therefore, be wholly unaware of, and able properly to operate without regard to, a conflicting interest outside their side of the Information Barrier and inside the other. For example, CGL's Information Barriers permit the Sales & Trading and Research functions of CGL to trade securities and issue research at their discretion, without the need to consider whether there is a conflicting interest on the Investment Banking side of the Information Barrier.

In addition to Information Barriers, CGL may also establish barriers within an Information Barrier ("Information Boxes") in order to, for example, manage potential conflicts within a specific transaction. Personnel inside an Information Box are segregated in terms of physical location and access to IT systems from persons outside the Information Box in order to properly operate without regard to a conflicting interest outside their Information Box. In addition to establishing Information Barriers and Information Boxes, CGL has adopted certain surveillance procedures designed to detect activity that might give rise to suspicion that the integrity of any Information Barrier or Information Box might have been breached.

#### *d. Personal Account Dealing*

All personal securities transactions on behalf of CGL employees and their connected persons (e.g. spouse, children under 18, members of their household etc.) must be pre-approved where required by CGL policies and procedures, and be in compliance with all CGL policies and procedures, including without limitation, those regarding Inside and Confidential Information, Information Barriers, Grey List and Restricted List, holding periods and conflicts of interest. CGL policy prohibits staff dealings under the following circumstances:

- i) dealings for an employee's own account on behalf of a client who has requested the employee purchase shares through his own account;
- ii) dealings which amount to market abuse or insider dealing;
- iii) dealings in circumstances where an employee knows CGL intends to publish a written recommendation (or a piece of research or analysis in respect of an investment);
- iv) dealings at a time, or in a manner which an employee knows or should know is likely to have an adverse effect on or otherwise conflicts or may conflict with the interests of any client of CGL. If the employee knows that a customer order has been accepted, or is likely to be accepted, he or she must not deal the same way in advance of that order being executed;
- v) selling short, writing options;
- vi) transactions in bearer shares; and
- vii) trading in securities issued by corporate clients of CGL.

In addition, CGL employees may not deal in the securities of any company upon which any investment research has been published by CGL for a period of two business days following the date of publication.

Failure to comply with CGL's personal account policy or procedures may be grounds for disciplinary action, including termination of employment.

#### *e. Outside Business Interests*

CGL requires that employees do not engage in any practice or pursue private interests that may conflict

with the interests of CGL or its clients. CGL employees are required to disclose their outside interests to the Compliance Department who will determine whether there is a conflict of interest. An outside business interest may include (but is not limited to) any: i) material beneficial holding (in a personal capacity or through a connected person) in any entity that competes or is deemed to compete with the business interests of CGL and/or its client(s); or ii) appointment as a director (executive or non-executive) or trustee of any entity connected to, or competing with CGL and/or its client(s). Employees must notify the Compliance Department immediately if they have or obtain any material holding which might give rise to a potential conflict of interest. All potential appointments as a director or trustee falling within CGL's policy on outside business interests must be approved in advance by Compliance.

#### *f. Gifts and Entertainment*

CGL has adopted a Gifts, Entertainment & Travel policy that is designed to ensure it has adequate procedures in place to comply with the FCA requirements for firms to ensure they neither offer nor receive inducements that are likely to create a significant conflict of interest. In managing conflicts CGL needs to consider whether any gift or inducement given or received by it or any of its employees may cause, or be perceived as causing, a conflict with the proper performance of its duties or with the interests of CGL or its clients. Bona fide hospitality and promotional or other business expenditure which seek to improve the image of CGL, better present its services or cement or establish good relations, is recognised as an established and important part of doing business. However, employees are always expected to use common sense when making decisions related to business entertainment and must bear in mind that their actions at all times reflect on CGL as well as themselves.

CGL has monetary limits in place that employees must comply with when offering or receiving gifts or entertainment. In addition, employees are required to consider the following matters in such situations: i) is there a material conflict or a perceived material conflict? ii) will offering or receiving the proposed gifts or entertainment impair CGL's duty to act in the best interests of the client? and iii) might the proposed gift or entertainment be seen as a bribe? In the case of any doubt, employees are required to seek the advice of the Compliance Department before offering or accepting the relevant gift or entertainment. Separately, the CGL Compliance Department keeps a register of all gifts given or received by employees.

#### *g. Aggregation and Allocation of Securities*

Client orders must be dealt with sequentially and in accordance with the timing of their reception by CGL. They must be accurately recorded and allocated. CGL and its employees must not misuse information relating to client orders.

CGL may not aggregate a client's order with orders for other clients, orders from market counterparties or its own account orders, unless: i) it is unlikely that the aggregation will work to the disadvantage of each of the clients concerned; ii) when aggregating a client order with a CGL proprietary order, the client must be given an execution which is at least as good as would have been obtained if the order had been executed on its own; and iii) CGL has disclosed to each client concerned that the effect of the aggregation may operate on some occasions to the client's disadvantage (CGL's standard Terms of Business state this).

CGL's order allocation policy ensures fair allocation of aggregated orders and transactions. In general if the full aggregated order is executed, the price at which it will be allocated is the average price. If an aggregated order has been partially filled, CGL will allocate in accordance with best execution, equal treatment and clients' best interests principles, but the following guidelines will generally be followed: i) when allocating an aggregated transaction which includes one or more client orders, CGL will allocate the order on a pro-rata basis where the orders are all of a similar or material size. There may be occasions

where a small order would be filled completely before allocating pro rata to the other clients. There may also be times when the lead order is filled with a higher allocation than the subsequent orders. The intention is to give the fairest possible outcome; ii) price of the allocated trades is averaged; and iii) where a client order(s) and a CGL own account order have been aggregated, priority must be given to satisfying the client order if the aggregate total of all orders cannot be satisfied, unless CGL can demonstrate on reasonable grounds that without its participation CGL would not have been able to execute those orders on such favourable terms, or at all.

CGL has a dedicated Allocation Policy which it uses when pricing and/or allocating securities in connection with an offering which it may be providing corporate finance services on. Such policy contains, inter alia, provisions ensuring that the pricing of the offering does not promote the interests of other clients or CGL's interests in a way that might give rise to a conflict. Please contact the Head of Compliance (details below) should you wish to see a copy of this policy.

#### *h. Reporting lines and Remuneration*

Reporting lines are designed to avoid any conflicts arising. Where appropriate, CGL has in place separate supervision or functional or physical segregation arrangements designed to prevent the simultaneous involvement of an employee in separate services or activities where such involvement may impair the proper management of conflicts. Remuneration, commission and bonus structures are designed so as not to create an incentive for an employee to act contrary to a client's best interests.

#### *i. Disclosure*

In accordance with Article 34 of the MiFID II Delegated Regulation, CGL will only disclose a conflict to a client as a measure of "last resort", that can and will only be used only where CGL's organisational and administrative arrangements established to prevent or manage its conflicts of interest are deemed not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of that client will be prevented.

Where the disclosure of conflicts to clients is permitted, then such disclosure will be made in compliance with Article 23(3) of the MiFID II Directive which states that the disclosure must:

1. be made in a durable medium; and
2. include sufficient detail, taking into account the nature of the client, to enable that client to make an informed investment decision with respect to the service in the context of which the conflict of interest arises.

Furthermore, CGL will additionally ensure that such disclosure will:

1. include a specific description of the conflict of interest in question;
2. explain the general nature and/or sources of conflicts of interest, as well as the risks to the client that arise as a result of the conflict and the steps undertaken to mitigate these risks; and
3. explain that the firm's organisational and administrative arrangements have been deemed not sufficient to protect the client - hence the need to disclose as a last resort.

#### *j. Declining to Act*

In the event that CGL determines that it is unable to manage a conflict of interest using one or more of the methods described in this Conflicts Policy, it may decline to act on behalf of a client.

## 6. Investment Research

Investment research is a document (other than a personal recommendation) recommending or suggesting an investment strategy concerning financial instruments or the issuer of financial instruments, including an opinion as to the present or future value or price of such instruments, intended for distribution channels or for the public which: i) is labelled or described as investment research or in similar terms or is otherwise presented as an objective or independent explanation of the matters contained in the recommendation; and ii) if the recommendation were made by an investment firm to a client it would not constitute the provision of a personal recommendation.

For the purposes of UK regulation CGL produces non-independent research which is a marketing communication under FCA Conduct of Business Rules and is not prepared in accordance with legal requirements designed to promote the independence of investment research, nor is it subject to any prohibition on dealing ahead of the dissemination of investment research. **However, CGL does have policies and procedures in place to identify and manage conflicts of interest which may arise in the production of non-independent research;** the following paragraphs summarise those policies and procedures.

### a. Content of Research

CGL aims to publish investment research that is impartial, clear, fair and not misleading. Only employees of the CGL Research Department may produce and publish CGL research. Investment research analysts ("Analysts") are required to observe high standards of integrity and ethical behaviour and may only publish research that:

- i) is based on strict standards of truthfulness and fair dealing;
- ii) is presented in a manner such that it is clear, fair and not misleading; and
- iii) demonstrates a reasonable basis for the analysis and recommendations contained therein.

CGL provides guidance to Analysts regarding the proper presentation of facts and opinions in their reports. Such guidance aims to ensure the impartial expression of views by Analysts and to prevent improper influence on Analysts' professional judgment. All personnel, but especially Analysts themselves, are required immediately to report to either the Head of Research or the Compliance Department any improper attempt to influence or restrict the expression of an Analyst's views.

Analysts are required to certify in each report that they publish that the recommendations and opinions expressed in the report accurately reflect their personal, independent and objective views about any and all of the investments or issuers to which the report relates, and that no part of their remuneration was, is or will be directly or indirectly related to the specific recommendations or views expressed in the report.

### b. Publication of Research

CGL's policies require research reports to be published or distributed only through its usual channels to ensure that they are made available simultaneously to clients and employees. Where CGL has a significant role in an offering of securities, CGL's policy is to restrict the publication of research relating to an issuer (and potentially on companies related to it) for a period before and after the offering, in accordance with any relevant securities laws and in order to avoid any confusion between the research product and the prospectus and other offering documentation or the perception that the research would not be impartial. The decision whether to impose such a restriction and the nature, timing and length of restriction appropriate will be made by the Compliance Department.



It is the general practice of CGL to initiate research coverage of companies where it acts as lead or co-manager of a public equity offering on behalf of the company once the company is listed and in accordance with applicable regulations. In addition, CGL may also provide pre-IPO or new issue research. The timing of publication of new issue research will in practice be dictated by the timetable for the transaction, as well as CGL's policies and any transaction specific Research Guidelines regarding the imposition of quiet periods or blackouts prior to the commencement of the company's marketing of the transaction. However, new issue research is part of the investor education process and not part of the marketing of an Investment Banking transaction.

CGL seeks to regulate the flow of information between and within its businesses as appropriate. These include requiring that any research production is produced within the Research Department and so away from the Investment Banking or Sales and Trading Departments, and implementing Information Barriers to stop and control the flow of information between the Research Department and other parts of the business.

### *c. Analyst Activities, Monitoring and Training*

Analysts are prohibited from holding or undertaking transactions in shares of companies they cover, or are in the same industry or sector and listed in the same jurisdiction as the stocks covered by their research, either for themselves or connected persons.

Analysts are restricted from certain roles that could prejudice, or appear to prejudice their views as expressed in their research reports, but are otherwise free to use their expertise for the benefit of CGL clients, or other parties. For the avoidance of doubt, Analysts are permitted to participate in deal related pitches for specific Investment Banking or Sales and Trading transactions including for continuous advisory mandates. However, Analysts are not permitted to act in a way that reasonably appears to be representing the issuer of a relevant investment. Analysts may not therefore attend company roadshows relating to an Investment Banking transaction or to issues or allocations of investments.

CGL has implemented the following systems and controls to manage and detect possible research conflicts:

- i) the provision of internal guidance and training on the identification of possible issues of conflict as and when they arise;
- ii) escalation procedures for ensuring that issues identified are referred to and considered at the appropriate level within CGL, and on the identification and eradication of inappropriate exercise of influence;
- iii) peer review of investment research initiation and rating changes and imposition of 48 hour employee trading restrictions immediately following publication of such research;
- iv) editorial guidelines and procedures for supervisory review of research prior to publication;
- v) limiting the production and publication of investment research to employees of the Research Department;
- vi) monitoring of potential conflicts arising out of the publication of research in the period before, during and after Investment Banking transactions by the Compliance Department; and
- vii) disclosing actual or potential conflicts, such as disclosing interests of CGL in securities of companies referred to in research reports, directorships and other material relationships, market making, Investment Banking mandates or relationships and personal interests of an Analyst or the relatives of an Analyst as appropriate.

#### *d. Supervision and Remuneration of Analysts*

Generally, no member of the Research Department, including Research senior management, reports directly to, Investment Banking or Sales and Trading personnel. All decisions on research coverage, timing and content issues are the responsibility of Research senior management, subject to any restrictions imposed by the Compliance Department. In making decisions on coverage, Research senior management may consider input from senior management within Investment Banking or the Sales and Trading businesses, however the final decision on coverage rests with Research senior management.

As set out below, there are a number of factors that are taken into account in determining an Analyst's remuneration, which include:

- i) the "3Cs" – the Analyst's culture, contribution and conduct;
- ii) the Analyst's individual performance and productivity (where there are specific KPIs);
- iii) the overall quality and accuracy of the Analyst's research;
- iv) evaluations by investor clients and employees in other parts of CGL with whom the Analyst interacts, including employees from Investment Banking and Sales and Trading; and
- v) CGL's overall performance, which will necessarily include the profitability of the Investment Banking and Sales and Trading Departments.

#### *e. Research Conflicts Management Policies*

CGL's policies to prevent any inappropriate influences over Analysts or the preparation of their research reports include:

- i) Analysts and other employees are not permitted to accept any remuneration or other benefit from the issuer or any other party in respect of the publication of a research report;
- ii) Analysts and other employees are not permitted to offer or accept any inducement for the production of favourable research, including selective disclosure by an issuer of material information not generally available;
- iii) Analysts and other employees are not permitted to directly or indirectly offer favourable research, specific ratings or specific price targets as consideration or inducement for the receipt of business or compensation;
- iv) Analysts and other employees are not permitted to directly or indirectly offer or threaten to change research, a rating or price target as consideration or inducement for the receipt of business or compensation;
- v) Analysts may not discuss unpublished or draft research reports with Investment Banking or Sales and Trading employees, or any portions of such reports, either verbally or in writing, other than for the purpose of verifying factual information and with the prior approval of the Compliance Department;
- vi) the Research department has editorial control over the contents of research reports and no other business areas are permitted to review or comment on unpublished reports, other than for the purpose of verifying factual information with the prior approval of the Compliance Department;
- vii) covered companies may be sent unpublished reports for the purpose of verifying their factual accuracy. These reports must exclude the research summary, the research rating and price target and be marked draft. Any material changes to an unpublished report that are required following the verification of factual accuracy by the company, require the approval of the Research Supervisory Analyst and/or the Compliance Department;
- viii) Analysts are located separately from Investment Banking employees; and

- ix) Analysts have free access to the CGL trading floor in order to maintain an active dialogue on market activity with Sales and Trading employees, although Analysts may not discuss unpublished reports with Sales and Trading employees.

## 7. Further Information

CGL senior management have an on-going obligation to monitor the business to ensure that any new conflicts of interest that may arise are documented and controls are put in place to manage them. As such, any material changes to CGL's existing business or any new business activities are addressed via the CGL Management Committee, the New Business Committee and the Risk & Compliance Committee, and the CGL Legal and Compliance Departments are involved at the outset. This means that any potential conflicts that may arise can be addressed and appropriate mitigation procedures put in place. In addition, CGL will (a) review and update this Conflicts Policy and (b) provide a report to Senior Management on conflicts, as necessary and at least on an annual basis.

Questions regarding this Conflicts Policy should be addressed to the following:

The Head of Compliance  
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