ICBC Standard Bank

Conflicts of Interest Policy

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Public

Introduction

- ICBC Standard Bank Plc, its branches and subsidiaries (collectively the "Bank") is required to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to identify, monitor and manage conflicts of interest.
- The Bank is committed to maintaining the highest professional and ethical standards and complying with its regulatory and legal obligations. In discharging such obligations and prioritising the protection of its clients' interests, the Bank maintains an internal Conflicts of Interest Policy, an internal Conflicts Register and this external Conflicts of Interest Policy, which are appropriate to the nature, scale and complexity of its businesses. This Conflicts of Interest Policy applies to all clients, including counterparties, with whom the Bank conducts investment and ancillary services.
- This Conflicts of Interest Policy details:
  - What constitutes a conflict of interest;
  - How conflicts of interest are identified, and various circumstances that have been identified by the Bank that may give rise to conflicts of interest; and
  - The mechanisms and systems the Bank maintains in order to manage conflicts of interest.

What is a Conflict of Interest?

- Conflicts of interest can be described as situations where the interests of the Bank or an Employee of the Bank are incompatible or in competition with the interests of the Bank's clients or wider market participants. If unidentified and unmanaged, these competing interests may negatively impact the Bank's clients or the wider financial markets.
- For example, a conflict of interest could arise where the Bank:
  - Could make a financial gain, or avoid a financial loss, at the expense of a client; or
  - Has a financial or other incentive to favour the interest of a client, or group of clients, over the interests of another client.

Identifying Conflicts of Interest

- The Bank takes all reasonable steps to identify conflicts of interest between the Bank, or an Employee of the Bank, and its clients, and also between different Bank clients. The potential risks that the Bank faces are common to most banks and are primarily defined by the breadth of the business activities that the Bank is engaged in.
- The Bank adopts a proactive approach to identifying conflicts of interest, with an internal Conflicts Register that identifies actual or potential conflicts of interest, maintained and periodically updated. The Bank's dedicated Control Room function uses formal conflict clearance and other processes to identify and manage conflicts of interest arising from the Bank's business activities.
- Set out below are some specific examples of circumstances, that arise in the normal course of business, that may give rise to a conflict of interest:
  - Where the Bank trades for its own account or hedges client positions, while at the same time acting on behalf of clients or working client orders in the same securities, assets or markets;
  - Where the Bank participates in recognised and approved benchmarks, and the Bank manages its own risk at the same time as managing client requests to submit into those benchmarks;
  - Where the Bank aggregates client orders or bids and allocates any resultant transaction(s);
  - Where the Bank manages physical metal balances and transfers held in its vault while at the same time acting on behalf of clients or risk managing the trading book in the same assets or markets;
  - Where the Bank produces market commentary, provides investment views, and act as the distribution agent for third party research;
  - Where the Bank engages in private side transactions with or for an issuer client and trades in the issuer's securities on the public side;

- Where Bank employees receive gifts and entertainment that could influence their decision making in a way that conflicts with the interests of clients;
- Where Bank employees have outside business interests or other relationships with companies to which the Bank may engage in procurement processes (e.g. vendors and service providers); and
- Where the Bank have other business relationships with the company or a related entity in relation to whose securities a client is entering into transactions.

Managing Conflicts of Interest

- The Bank has a control framework in place to manage situations where a conflict of interest may arise. This control framework is based on policies and procedures that are subject to ongoing monitoring and review, and supported by firm-wide training and guidance, which include, but are not limited to, the following:

Information barriers

- Robust physical and electronic information barriers are designed to ensure that certain information produced or acquired by employees in one part of the Bank's business is not shared with employees in another part of the Bank. 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 the Bank's interests. In addition to establishing information barriers, the Bank has adopted surveillance procedures designed to detect activity that might give rise to suspicion that the integrity of the information barrier has been breached.

Confidential information and the "need to know" principle

- The Bank operates a strict "need to know" principle under which confidential information may only be disclosed to persons who need it to serve the legitimate interests of the Bank and its clients and who can be expected to hold it in confidence.

Aggregating and allocating client orders

- Client orders are dealt with sequentially and in accordance with the timing of their reception by the Bank. If one or more client orders are aggregated with a transaction for the Bank's own account, the trades must not be allocated in a manner detrimental to any client.

Investment Research

- Where the Bank acts as the distribution agent for third party investment research, effective segregation is maintained between the third party and the Bank through which to provide investment research independence. Controls are in place to ensure such investment research is impartial, clear, fair and not misleading, and that the content of such investment research is not inappropriately disseminated or discussed in advance of its formal issuance.

Gifts and entertainment

- Employees are required to adhere to thresholds for the giving and receiving of gifts and entertainment and to obtain pre-clearance of expenses in certain circumstances.

Personal account dealing and outside business activity

- To prevent conflicts of interest arising from the use of information obtained from clients all employees must pre-clear their personal trades prior to execution. In addition, employees are required to pre-clear their outside business interests which are only permitted in limited circumstances.

Remuneration

- The Bank has a Remuneration Policy which promotes effective risk management and aims to minimise potential conflicts of interest.

Disclosure

- Where the Bank considers that there are no other means of effectively managing the conflict of interest aside from declining to act, the conflict of interest may be disclosed to those affected in order that they may make an informed decision as to whether to progress with the related activity.

Declining to act

Where we consider that the conflict of interest cannot be fairly managed in any other way, we may decline to act for a client.

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