

## Westhouse Securities Limited, Conflicts of Interest Policy

Westhouse Securities Limited (“the firm”) is authorised and regulated by the Financial Services Authority and, as such, is required to adhere to the principles and rules imposed by the FSA in relation to conflicts.

In particular the firm must have regard to Principle 6: which requires the firm to pay due attention to customers and treat them fairly and Principle 8: which requires the firm to manage conflicts of interest fairly between itself and another customer and between different customers.

In addition to this the firm must also meet the detailed rule requirements in SYSC 10 and COBS 12.

The purpose of this document is to identify the conflicts of interest that arise due to the different types of activity undertaken by the firm and to disclose the firm’s procedures for dealing with them. Particular emphasis is given to the preparation and dissemination of research material by the firm.

Where the firm produces research on house stocks it does not meet the regulatory requirements for it to be considered independent research. In all cases this will be clearly and prominently disclosed on the research document along with the words ‘marketing communication’ in accordance with FSA rules.

Where the firm produces research that is not on house stocks and it believes that such research has been prepared in accordance with regulations for independent research the document will clearly state that it is independent research.

Westhouse publishes research intended for use by professional clients and eligible counterparties only.

### Corporate Finance Conflicts

The firm operates as an integrated corporate finance and broking house focusing on small and mid-cap companies, particularly those operating in emerging markets and in the natural resources sector. Corporate Finance is therefore a major source of income for the firm.

If Corporate Finance advice is given on a confidential matter then it cannot be disclosed but where the advice is otherwise given to a Corporate Finance client this is clearly disclosed on the research document itself along with other regulatory disclosures of material interests.

The Corporate Finance Department operates behind a Chinese wall and is therefore both physically segregated and has appropriate systems in place to prevent the flow of confidential and/or price sensitive information from it to other areas within the firm. Research analysts are therefore able to operate without any awareness of this information and are able to continue to publish recommendations without taking this information into account.

Where necessary, research analysts are brought over the wall by Corporate Finance to offer advice on house stocks. This is done in accordance with firm procedures and is properly recorded and monitored. In such cases, analysts brought over the wall may not publish research or advise clients with respect to these securities until the price sensitive information has been made public or has otherwise expired.

### Independence Policy

It may also be necessary for analysts to work with Corporate Finance by taking part in pitches for new business, new issues of securities and other issuer marketing including roadshows. When taking part in such activities research analysts operate under an independence policy whereby they provide their opinion in an unbiased manner and in accordance with their own professional judgement and expertise.

In addition to this, when preparing any research document or providing any advice research analysts are required to form their own opinions and to disregard any other relationships or conflicts of interest that they or the firm may have.

### Market Making and Trading Conflicts

The firm conducts proprietary trading and market making activities, some of which will involve securities in companies covered by the Research Department. Securities may be held on the firm’s proprietary book as a result of market making activities, or, for example, where securities have been accepted in lieu of fees for corporate finance

advice or solely for investment purposes. Accordingly securities may be bought for or sold from the proprietary trading book as well as in the performance of market making activities.

Where the firm holds shares in excess of 5% in a security covered by the Research Department (other than in the course of market making) this will always be disclosed on the research document along with a statement as to whether the firm acts as a market maker in the security.

In addition to this the Research Department also operates behind a Chinese wall so that Sales, Sales Trading and Market Making have no knowledge of unpublished research documents and their contents, or the intention to produce them, and so are able to perform their roles without being in possession of price sensitive information and without being in a position to front run research recommendations.

## Research Conflicts

Where Westhouse produces research on house stocks it could be perceived that there is a conflict with Corporate Finance and the firm's desire to retain Corporate Finance clients such that the research analysts are not able to express unbiased opinions or to issue research when planned.

The firm has in place procedures to identify, manage, minimise and monitor such conflicts.

## Reporting Lines and Remuneration

Research analysts report to the Head of Research who, in turn, reports to the Chief Executive. The Chief Executive has some involvement in Corporate Finance activities. However these arrangements are thought to provide an appropriate degree of segregation in the supervision of research staff, from other firm activities, given the nature and size of the firm.

The recruitment and remuneration of research analysts is primarily the responsibility of the Head of Research however the Chief Executive will also be involved in these decisions.

Remuneration is via a combination of salary and discretionary bonus and the latter is based on the firm's profitability in conjunction with an assessment of individual performance. Analysts do not receive, directly or indirectly, any remuneration for providing favourable reports or for publishing specific views.

No one other than those within the Research Department are able to view recommendations or target prices prior to publishing. Where drafts are provided to other individuals within the firm or the issuing company recommendations and target prices are excluded and the purpose of the disclosure is so that checks can be made for factual accuracy only. No one other than the analyst can influence the views expressed in research documents. In particular valuations and forecasts are derived by the analyst and are produced independently of the issuer company. The name of the analyst will appear on the research document so that it is clear who has originated it.

## Dissemination of Research

All research will be reviewed by someone other than the analyst who produced it, using the firm's Approval Checklist, before being signed off by the Head of Research. The timing of publication is controlled by the Head of Research except where a company's securities are on the Restricted List and publication is prohibited, for example, because the company is in an offer period or where Corporate Finance is advising the company in relation to a price sensitive matter.

Where analysts have formed the idea of writing a piece of research they must not discuss the intention nor the content with anyone outside the Research Department except for checking factual accuracy as discussed above.

Research must be disseminated using the firm's controlled distribution lists and must be distributed to all clients at the same time using the firm's normal distribution channels. Research is not distributed internally before it is published to clients.

## Inducements

Neither the firm nor its research analysts may solicit or accept any payment or other benefit in exchange for publishing specific opinions or recommendations. Analysts are able, in the normal course of business, to accept offers by issuer companies to pay reasonable travel expenses and offer reasonable hospitality on visits to these companies and these will not be regarded as an inducement.

Where any member of staff receives gifts or benefits other than the above, this will fall within the firm's Gifts Policy and will have to be disclosed to Compliance. Gifts and benefits in excess of £250 will need prior approval from the Head of Compliance and the Head of Department before being accepted.

## Personal Account Dealing

Research analysts, and those involved in preparing research, are able to buy or sell securities in issuer companies however they are not permitted to do so where they know that research is being prepared for publication for that security, nor for a period of 24 hours after publication.

In addition analysts may only deal in a relevant security in accordance with the latest published Westhouse recommendation unless there are exceptional circumstances, such as financial hardship, in which case approval must be given by the Head of Compliance.

Personal holdings by research analysts, and those in their households, are disclosed in the research document.

## Compliance Monitoring

Compliance with relevant regulations and the effectiveness of these procedures are reviewed by the Compliance Department on a regular basis. The operation of Chinese walls within the firm is also monitored on a daily basis.