

# Hargreave Hale Limited Conflicts Summary

## What is a conflict of interest?

A conflict of interest occurs when a firm carries out activities which may conflict, or appear to conflict, with the interests of another client, or group of clients, if those activities are not appropriately organised and controlled.

## Our approach

Hargreave Hale Limited (HHL), makes investment decisions in financial markets for underlying clients. Confidence in the integrity of a fund manager when acting on behalf of customers is central to the relationship of trust between the industry and its customers. This means that when making investment decisions, or buying products and services for customers, fund managers must always act in customers' best interests and put customers' interests ahead of their own.

## Management and identification of conflicts

HHL is a subsidiary of the Canaccord Genuity Group Inc, an integrated, multi-services group which has offices in various world-wide locations, and faces actual and potential conflicts of interest from time to time. HHL has therefore, put in place appropriate procedures, systems and controls to identify, prevent, and manage conflicts of interest.

HHL maintains a Conflicts of Interest Policy and an associated conflict register that identifies circumstances that may give rise to a conflict of interest entailing a risk of damage to the interests of clients and documents the controls to manage such conflicts.

## Identifying conflicts

HHL is required to take all reasonable steps to identify conflicts of interest within the firm, between its clients, and between the interests of different clients.

A conflict may arise where HHL or an employee:

- Is likely to make a financial gain, or avoid a financial loss, at the expense of a client;
- Has an interest in the outcome of a service provided to a client, which is distinct from the client's interest in that outcome;
- Has a financial or other incentive to favour the interests of one client or group of clients over the interests of another client; or
- Receives or will receive from a person other than the client an inducement (i.e. a fee or a gift or entertainment) 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.

Employees are expected to recognise and escalate to Compliance any actual or potential conflicts of interest. 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 or judgement made.

In order to assist staff in relation to the aforementioned, HHL regularly provides staff training with regards to the identification and management of conflicts.

## Potential areas of conflicts of interest

As a result of our organisational and administrative arrangements, we have no general conflicts of interest that are not appropriately prevented or managed, and that we would be obliged to disclose in accordance with the FCA rules. However, for your information we set out below the details of certain specific areas of conflict and controls.

### Group structure

A potential conflict would exist if a third-party product provider or supplier had a material shareholding or financial interest in Canaccord Genuity Group Inc. (or vice versa), of a size significant enough to be able to influence the operating decisions of the firm to the detriment of client interests. As the date of these Terms, the Group has no close links to product providers, or insurers, other than the Canaccord Genuity Select Fund range. However, as Canaccord Genuity Group Inc. is a publicly listed entity, such a material stake would be possible. If circumstances were to change and such close links arose, we would review the situation to identify and appropriately manage any potential conflict.

### Group activities

The Canaccord Group operates two other divisions; wealth management and investment banking.

Conflicts of interest could arise from the activities of the Canaccord Group's investment banking division. These may include:

#### *Corporate finance and broking activities*

- Being the financial adviser or broker to the company (i.e. (i) acting as corporate broker to a client whose securities third party clients are buying or selling via the Canaccord Genuity Securities division and/or (ii) acting for that company in any takeover bid by or for it and having a holding or a dealing position in the security);
- Sponsoring or underwriting a new issue or rights issue or similar transaction that is being traded by HHL.

#### *Institutional Securities activities*

- Engaging in business and trading activities for the firm's own account and/or client accounts, whilst other clients are active in relevant markets or otherwise interested at the same time;
- Providing investment research in relation to an entity or group to which it is also financial adviser or broker; and/or
- Matching one client's transaction with that of another client by acting on behalf of both clients. This includes Canaccord Genuity Securities, from time to time, acting as a market maker in the investments that are the subject of a transaction with clients.

Our primary controls in respect of our investment banking division include:

- In the UK, our investment banking activities are undertaken by a separately regulated company, Canaccord Genuity Ltd, which is based in a different location
- Canaccord Genuity Wealth Management and Hargreave Hale treat offerings from the investment banking division as any other third party led transaction
- Dedicated policy and procedures which are contained within their division specific procedural documents

- Information barriers (known as Chinese Walls), between the divisions to restrict the contact between different business areas and restrict information flows;
- Lists of “inside information” are kept and closely monitored;
- An IT system is used to identify and manage conflicts (including potential conflicts) in relation to client work.
- Conflicts checking procedures are performed for Canaccord Genuity Investment Banking transactions

Conflicts of interest could arise from the activities of the Canaccord Group’s wealth management division.

### *Holistic Financial Services*

Canaccord Group, through its two UK FCA regulated entities, which use the trading name Canaccord Genuity Wealth Management (CGWM), together with HHL, provide full-service wealth management services (discretionary, advisory and execution-only services), financial planning advice and fund management services. Potential conflicts that arise from this structure are:

- The provision of investment management services and offering in-house funds and services within the same business and offices
- We may be the operator of a collective investment scheme in which CGWM clients are advised to invest.
- Sharing of inside information between entities

Mitigating steps have been taken to separate HHL from the wealth management and financial planning businesses, through Chinese walls that separate the service types both physically and our operating systems.

Policies and procedure have been implemented to regulate situations where the wealth management business recommend an investment into an HHL fund, including centralised investment lists and an emphasis on suitability requirements.

A gatekeeper process ensures that the flow of inside information is controlled and limited to those who require the information. Policies and procedures have been implemented which prescribe employee disclosure responsibilities should they be the recipient of inside information external from the gatekeeper process. Disclosures of inside information are logged by Compliance and updated frequently.

### *Order Handling*

HHL and CGWM make use of a nominated centralised dealing desk, which carries out transactions for clients from both financial service departments. Conflicts may exist where:

- Transactions are carried out by matching it with that of another client
- Comparable orders are simultaneously carried out for different clients
- Allocation of investments, where your order is aggregated with those of other clients, but full allocations are not possible
- Dealing in securities issued by any entity within the Canaccord Group

HHL and CGWM have aligned client order handling policies and procedures. This includes a procedure manual for order allocation, where the centralised dealing desk is responsible for the allocation of orders. The portfolio managers are not involved in the allocation of client's orders. Independent monitoring is in place and is designed to ensure the fair treatment of clients.

From time to time, securities sold on behalf of one client may be suitable for purchase by another client. If the transaction is in the best interests of each client, HHL, through a centralised dealing desk, may execute the transaction via a trading counterparty. This is known as a "cross trade" and may cause conflicts if there is an incentive for HHL to favour one client over another.

Cross trades are subject to internal policies and procedures, as well as senior management (Head of UK Operations and Finance) and Compliance approval. These trades are executed in the market on a best execution basis through market makers or other firms to ensure fair and equitable treatment.

### Operational errors

Dealing errors may occur from time to time, e.g. the purchase of too much stock for a client. This creates a potential conflict between HHL and the client, if HHL stands to avoid a loss or make a gain from the error at the client's expense. HHL implements a policy whereby the client is placed in a position that is at least the position the client would have been in had the error not occurred.

### Remuneration policies

Our Remuneration Policy sets out how we seek to comply with our regulatory obligations regarding employee remuneration, including the consideration of potential conflicts within our incentives schemes.

A Remuneration Committee has oversight and responsibility for the firm's remuneration practises. It is our policy to assess incentives-based conduct risks and factor these into internal control and monitoring routines.

### Personal Account Dealing

HHL recognises that its employees may wish to trade in investments for their own benefit. The interests of an employee could conflict with the clients of HHL or CGWM, particularly where clients hold or trade in the same investments. We require employees to put the interests of their clients before their own. We have policies, procedures and monitoring arrangements, that include a minimum holding period, blackout periods and limited time pre-approvals, which are in place to restrict and review employee personal dealings. These policies would also apply to a situation where a fund manager is investing in one of the HHL funds.

### External Business Interests

HHL employees may not hold outside offices such as directorships or in an oversight capacity for the funds or other companies without our prior approval. These external business interests may cause a conflict between the firm and its clients. Our approval processes includes an assessment of the potential for conflicts of interest will be considered.

### Inducements, Gifts and Entertainment

The receipt or offer of benefits (whether monetary or another form); hospitality and gifts are capable of giving rise to a conflict of interest where it encourages the recipient to alter their behaviour, such

as giving preferential treatment to the provider. We have detailed requirements in place to restrict the occurrence of inducements and place limits on the levels of gifts and entertainment our employees may receive to ensure that any gifts or entertainment received or given is reasonable and proportionate. HHL maintains a register of gifts and entertainment, whether approved or rejected.

## Research

CGWM has adopted a policy of funding the purchase of substantive research out of its own resources. As HHL is incorporated under CGWM, this policy applies equally to HHL.

## Publications

HHL, CGWM and the investment banking division may have an interest in the securities of the companies on which we are writing. The segregation of our divisions is such that we do not consider these to give rise to a risk of client detriment, however, where relevant, we will disclose a material interest.

## Mandates

Despite bespoke mandates for each fund, HHL funds may have similar investment objectives or investment strategies. A conflict of interest may arise with clients or between two clients, e.g. if the fund manager has incentive to favour one client over another. This may occur where the fund manager has an opportunity to earn higher fees or where limited stock is available.

This risk is mitigated by the use of a centralised dealing desk and independent monitoring team.

## Proxy Voting

Where HHL acts as proxy for its clients, a conflict could arise between HHL, the investee company and/or a client when exercising voting rights.

HHL has taken a decision to vote on positions that are deemed material. Materiality in this context is a subjective matter but would include matters such as a reward scheme not meeting expectations of fairness, or an issue which would (in our opinion) be contrary to the interests of shareholders (and by extension our unit holders). Disclosures will be made where required and in line with the investees level for a disclosable interest, as set by their exchange. These disclosures will be made annually on our website.

## What happens if a conflict of interest is identified?

As outlined above, HHL's first priority is to identify potential conflicts of interest inherent in the business model and wherever possible, prevent them, or put in place, reasonable steps to mitigate them. This may include conflicts within the group structure.

In the event that a conflict of interest cannot be prevented, it will be managed.

## Disclosure of conflicts

We are required to disclose those conflicts which can neither be prevented, nor managed to ensure with reasonable confidence that risks of damage to the interests of the client will be prevented.

The scope of the disclosure requirement is limited to cases where there is a possible disadvantage to a client. For example, cases where a firm may gain a benefit if there is not also a possible disadvantage

to a client, or that one client to whom the firm owes a duty may make a gain or avoid a loss without there being an associated possible loss to another such client are out of scope.

### Declining to act

Where we consider we are not able to manage the conflict in any other way we may decline to act for you.

### Further information

If you would like further information about our conflicts management policies and procedures, please contact our Compliance department [WealthManagementCompliance@canaccord.com](mailto:WealthManagementCompliance@canaccord.com).