

Freight Investor Services

Conflicts of Interest Policy

1. Background

Freight Investor Services Limited, its Affiliated Entities (“**FIS**”) and its staff face actual and potential conflicts of interest in the course of carrying out its regulated activities. FIS is committed to acting with integrity and maintaining the highest professional standards and principles in providing Services to its clients. The interests of our clients must always come ahead of our own.

This Conflict of Interest Policy should be read in accordance with FIS’s Terms of Business, which are available on its website.

FIS conducts its business in accordance with the Monetary Authority of Singapore (“**MAS**”), National Futures Association (“**NFA**”) guidelines and the Financial Conduct Authority’s (“**FCA**”) Principles for Business, including Principle 8, which requires a firm to manage conflicts of interest fairly, both between itself and its clients and between one client and another.

Further rules relating to conflicts of interest are contained in the Markets in Financial Instruments Directive II (“**MiFID II**”), the MiFID II Delegated Regulation (the “**MiFID II DR**”) and SYSC 10 of the FCA rulebook. Rules in MiFID II and the MiFID II DR require FIS to maintain and operate effective organisational and administrative arrangements with a view to taking all appropriate steps to identify and to prevent or manage conflicts of interest from adversely affecting the interests of its clients.

2. Purpose

The purpose of this Conflicts of Interest Policy under Article 34 (2) of MiFID II is:

- a) To identify, by reference to the specific services and activities carried out by (or on behalf of) FIS, the circumstances which constitute or may give rise to a conflict of interest entailing a risk of damage to the interests of one or more clients; and
- b) To specify procedures to be followed and measures to be adopted in order to manage such conflicts; and
- c) To communicate this information to all staff of FIS.

It is the responsibility of all staff members to familiarise themselves with the contents of this Policy and report conflicts of interest to the Compliance Department using the appropriate channels.

3. Summary of Requirements

- a) *Identifying and Preventing Conflicts*

Article 23 requires a firm to take all appropriate steps to identify and to prevent or manage conflicts of interest between:

1. FIS (including its managers, employees, or any person directly or indirectly linked to them by control) and a client of FIS; or
2. One client of FIS and another client;
3. That arise or may arise in the course of FIS providing any Services in the course of carrying on regulated activities, including those caused by the receipt of inducements from third parties.

b) Types of Conflict

Article 33 of MiFID II requires that, for the purpose of identifying the types of conflicts of interest which may arise in the course of providing a Service, and where such conflicts may give rise to a material risk of damage to the interests of a client, FIS must take into account certain matters. At a minimum, FIS must consider whether FIS itself, a relevant person, or any person directly or indirectly linked to FIS by control, may:

1. Is likely to make a financial gain or avoid a financial loss at the expense of the client;
2. 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;
3. Has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
4. Carries on the same business as the client;
5. 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.

c) Segregation of functions

Senior management will, where appropriate segregate duties so as to avoid conflicts of interest.

d) Disclosure of conflicts to clients

Article 23 (2) of MiFID II requires that, where the arrangements made by the firm are not sufficient to ensure, with reasonable confidence, that the risk of damage to the client will be prevented a clear disclosure to the client must be made. This disclosure must:

1. Describe, in a durable medium, the general nature and source of the conflict of interest to the client before undertaking business for the client; and
2. Explain the risks that arise as a result of the conflict of interests and the steps taken to mitigate these risks; and
3. Provide sufficient detail to enable that particular client to make an informed decision in relation to the service in the context of which the conflict arises.

It should be noted that disclosure will only be made as a measure of last resort, once all other reasonable steps to mitigate a conflict of interest have been exhausted. In any event, FIS will

inform clients that, in relation to base metals trading on the LME, it may fulfil orders both from the market and from its own books, whether on a general or individual client order basis. Moreover, FIS, or any of its Affiliated Entities, may act as the counterparty to a client order. Affiliated Entities may also hold positions in commodities and derivatives arising from trades with clients, other order requests, or as part of a proprietary trading book.

e) Responsibilities of Staff Members

It is the responsibility of all employees to familiarise themselves with this Policy and to report conflicts of interest via the Conflict of Interest Disclosure form to the Compliance Department. Failure to adhere to this policy may be held to be a breach of an employee's contract.

Overall responsibility for conflicts of interest lies with the Board. The Head of Compliance is responsible for the day-to-day administration of the Policy.

The Head of Compliance will work with senior management to identify and prevent conflicts of interest, record conflicts and the mitigating action in the Conflicts Register and report to the Board for consideration. Additionally, the Head of Compliance will ensure that this Conflicts of Interest Policy is reviewed at least annually as stipulated in Article 34 (5).

The Board, via the Compliance Department, has responsibility for ensuring that staff are aware of the aspects of the Policy relevant to them.

All staff have a responsibility for carrying out aspects of the policy that are relevant to them.

4. Situations in which Conflicts of Interest could arise

The purpose of this section is to set out typical situations in which conflicts of interest may arise and are managed in the course of FIS's day-to-day business, so that employees are better equipped to identify, report and assist in eliminating or managing conflicts.

a) Potential misuse of information

Potential conflict

Members of staff may come into possession of material non-public information. Any improper use of such information could give rise to a conflict between the interests of FIS and its clients, or between the interests of different clients, and may also be unlawful.

Method of managing/avoiding conflict

FIS manages these risks by maintaining and following policies and procedures to prevent the misuse of material non-public information. These procedures aim to prevent and detect any insider trading, taking into account the nature of the business and the instruments typically traded. FIS has also implemented procedures to manage the risks of insider dealing, including using the

Compliance Department as a “Gatekeeper” to clear any inside information based conflicts, the use of restricted/insider lists and trade monitoring.

b) Inappropriate flow of information

Potential conflict

In relation to Article 34 (3) a conflict of interest could occur where there is an inappropriate flow of information between relevant persons within separate areas of the business who should be acting independently and where the absence of this independence could be detrimental to the client.

Method of managing/avoiding conflict

FIS has procedures in place to control the inappropriate flow of information. Furthermore;

- Relevant persons who provide services to, or carry out activities for, clients who represent interests that may conflict with other clients or those of FIS, are supervised effectively and separately;
- There is no direct link between the remuneration of a relevant person and the remuneration of a separate relevant person engaged in a different activity where a conflict of interest may arise in relation to those activities;
- No person may exercise inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities;
- There are measures to prevent a relevant person from being simultaneously involved in separate investment or ancillary services where such involvement could impair the proper management of conflicts of interest.
- Speculative trading on own account is subject to approval by the Senior Management and any trades are subject to enhanced monitoring in relation to client orders to prevent the occurrence of front running.
- Relevant staff have mandatory market abuse training and market abuse systems are tailored to prevent front running and insider trading in order to minimise any perceived benefit from doing so.

c) Personal Account Dealing (“PAD”)

Potential conflict

FIS staff may trade in securities or other instruments for their own account. Such trading activities could create conflicts of interest between those employees or officers and FIS’s clients (for example, where a personal interest arises in a transaction with a client, or where there is a risk of front-running client transactions).

Method of managing/avoiding conflict

FIS manages this potential conflict of interest by maintaining a PAD Policy, which has been formulated in accordance with applicable FCA Rules. All staff members must seek prior permission from the Compliance Officer to deal in certain securities or products for their own account. Each Director and employee is responsible for checking the Restricted List prior to dealing. In addition, the Compliance Department monitors all PAD activity against the Insider List.

d) Inducements

Potential conflict

The giving or receiving of gifts, entertainment, or any other form of gratuity or hospitality by or to FIS's staff members may create the appearance of a lack of impartiality and may lead to a potential conflict between the interests of the donor/donee and the interests of the clients.

Method of managing/avoiding conflict

Staff members are prohibited from giving to, or accepting from, clients, potential clients, or other third parties, gifts and entertainment that exceed the prescriptive limits set out in FIS' Compliance Manual. Any proposed gift or entertainment above these limits must receive prior approval from Management.

e) Outside Business Interests

Potential conflict

FIS staff may hold outside business interests, such as directorships or shareholdings, in service providers or other firms. Such interests or investments could give rise to a conflict between the personal interests of the relevant individual and the interests of FIS's clients.

Method of managing/avoiding conflict

Staff members must inform the Compliance Department about their outside business interests. The Head of Compliance must approve any such interests and will maintain a record of them.

f) Group Conflicts

Potential conflict

Confidential information relating to a client or potential transaction may be held within an Affiliated Entity, or within a particular division or department of a relevant person. If shared more widely among FIS relevant persons, such information could influence the trading decisions of another client.

Method of managing/avoiding conflict

To manage such scenarios, Affiliated Entities, as well as particular divisions and departments within FIS Relevant Persons, are required to operate with appropriate independence from one

another. Where necessary, FIS structures its business to mitigate conflicts of interest through the use of information barriers (“Chinese Walls”). These barriers are designed to restrict the flow of information between divisions and departments, and within and between relevant persons. Such measures enable relevant persons to conduct business on behalf of clients without being influenced by information held elsewhere that could give rise to a potential conflict of interest.

g) Dual-Capacity Trading

Potential conflict

FIS can both execute orders on behalf of clients and deal on own account in on the LME – potentially putting FIS’s objectives in conflict with the client as the better price offered to the client reduces the profit to FIS. For example, filling through own books to minimise risk or prevent holding positions overnight or to maximise margins through fulfilling orders with the FIS’s own books.

Method of managing/avoiding conflict

FIS has an Order Execution Policy which applies the execution factors consistently irrespective of whether client orders are executed in the market or filled with stock from the FIS’s own books with compliance monitoring taking place to ensure these are applied appropriately. FIS will also make it clear on the relevant LME desk it acts in a dual capacity on a general basis and in relation to specific client orders it fulfils from its book. In the latter case, the Firm will also ensure the client understands that FIS may be offering greater likelihood and speed of execution in favour of price to ensure the customer makes an informed decision. FIS has robust market abuse training and surveillance systems to minimise the perceived benefit of individual traders to fulfil client orders inappropriately – including through the Firm’s own books.

5. Arrangements for managing conflicts

a) Governance

- i. FIS has robust governance arrangements. Key business decisions are taken by the Board and are recorded.
- ii. The Head of Compliance reports directly to the Board.
- iii. The Firm has rules in place to govern employee conduct, including PAD rules which control and mitigate conflicts of interest. It also maintains a Conflicts of Interest Register.

b) Reporting Lines

The Firm has defined and clear reporting lines. An organisational chart is maintained by the HR department.

c) Segregation of Functions

Duties should be segregated as appropriate, to avoid conflicts of interest wherever possible. These duties are set out in job descriptions, procedure manuals and organisational charts. Ensuring these duties remain segregated is the responsibility of line managers.

- d) *Disclosure of Personal Conflicts*
Employees and owners are required to disclose conflicts of interest. Employees will disclose any conflicts of interest via the Conflict of Interest Declaration form to the Compliance Department. The Head of Compliance will record in the appropriate register and inform the Board of any action taken.
- e) *Disclosure to Clients*
If the FIS's arrangements to manage a conflict of interest are not sufficient to ensure, with reasonable confidence, that the risk of damage to that client's interests is prevented, FIS will inform the client, in a durable medium, of the general nature and/or source of the conflict so that an informed decision can be made by that client before business is undertaken.
- f) *Restricted List and Insider List*
In order to facilitate the monitoring of conflicts, FIS maintains a global restricted list and an insider list.
- g) *Inducements*
Staff members are prohibited from giving to and accepting from clients, potential clients or other third parties, gifts and entertainment of above the specified threshold. FIS also maintains a Bribery policy within its AML Policy.
- h) *Recruitment*
When individuals are recruited by FIS, their fitness and propriety is considered by Senior Management, as well as their technical and, where relevant, managerial ability. Suitable background checks are made, and references are taken up.
- i) *Training*
Compliance training regarding conflicts of interest forms part of the annual training needs analysis. The Head of Compliance ensures that appropriate training is devised and delivered.
- j) *Compliance and Procedures Manuals*
Systems and controls are documented in the compliance and procedures manuals which are reviewed at least once a year to ensure they are fit for purpose. The reviewer is appointed by the Board.
- k) *Periodic Audit*
FIS commissions professional consultants to undertake reviews on a quarterly basis.

- l) *Management Information*
Management information regarding the identification of conflicts is reviewed by the Head of Compliance. Conflicts checks are undertaken when taking on new clients or accepting new business from existing clients.
- m) *Verifying Compliance*
To verify that these policies have been complied with, an annual compliance review will be undertaken by the Compliance Department. The Head of Compliance will have responsibility for assessing compliance with the policy on an annual basis and will report formally to the Board.
- n) *Conflicts Monitoring*
Potential conflicts of interest are considered on an ongoing basis and prior to taking on a new client. In cases where a conflict is identified, a decision is made as to whether to proceed with the new client and, if so, what additional measures should be taken to mitigate the conflict. All such decisions are documented and are based on the nature of the conflict and the potential for the conflict to entail a material risk of damage to the interest of one or more clients. The Compliance Department keeps records of business approval and related correspondence.
- o) *Confidentiality*
No portion of this Policy may be copied, reproduced, or shown to any individual who is not an employee of the Firm, a representative of a relevant legal or regulatory authority or a relevant professional advisor.