

## Research Conflicts of Interest Procedures

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### 1. INTRODUCTION

Research underlies all aspects of RFC Ambrian Limited's ("RFCA / RFC Ambrian") business, from new issues and secondary fundraisings, through to supporting our corporate broking, Corporate Finance, and Sales and Trading teams. The quality, accuracy and timeliness of our equity research is key to our ability to service our institutional and corporate clients and, in light of this, we have built a team of analysts covering our core sectors.

RFC Ambrian adopts a team approach to stock and sector selection. We recognise that market sectors are linked to each other. By maximising dialogue between our sector analysts we gain a perspective on the stock market as a whole, helping us to identify broader economic trends and their likely effect on stock prices.

This document is designed to summarise the firm's policies and procedures for managing the potential conflicts of interest involved in the preparation and distribution of research. As a boutique investment bank RFC Ambrian is not able to meet all of the FCA requirements for managing conflicts of interest in regards to house accounts, such that the research relating to these names, can be regarded as an impartial or objective assessment of the value or prospects of its subject matter. For all other non-client research coverage subjects RFC Ambrian's research is held out as being impartial and independent. RFC Ambrian's research output will always be clearly labeled either as Investment Research, or Market Commentary issued and approved under the remit of the financial promotion rules. In all circumstances, we will ensure that our research and commentary products remain clear, fair and not misleading.

#### 1.1 RESEARCH AND MARKET COMMENTARY PRODUCTS PUBLISHED BY RFC AMBRIAN

We have developed a number of research and market commentary products aimed at providing institutional investors with market commentary and insight on key market trends, as well as stock specific information. The RFC Ambrian research publication product set comprises;

- Pathfinder Commentary – New issue commentary for IPOs' and Secondary Fund Raisings
- Regular Stock and Issuer specific analysis
- Morning Message – Daily email providing news and comment on issuers that are covered.
- Focus List – RFC Ambrian's best recommendations. Published daily on the Morning Message and reviewed each month at the research team meeting.

## 2. 2. CONFLICTS MANAGEMENT POLICY

Under FCA rules we are required to ensure that all communications with our customers, including our research and commentary publications, are clear, fair and not misleading. We are also bound by the provisions of the FCA Principles for Business, and in particular Principle 8: "A firm must manage conflicts of interests fairly, both between itself and its customers and between a customer and another client." Furthermore the Markets in Financial Instruments Directive (MiFID) requires us to document the provisions that RFC Ambrian has put in place to manage the Conflicts of Interest arising out of the production and distribution of investment research and market commentary publications.

Our research and commentary publications are produced by analysts in our research department, and the particular analyst or analysts responsible for each recommendation are clearly identified on it. Our analysts could be subject to pressures that could compromise either their ability to offer unbiased opinions on investments, or the timing of the publication of research. The policies and procedures set out below are designed to identify, monitor and mitigate such potential conflicts.

### 2.1 CONFLICTS ARISING FROM RFCA'S CORPORATE FINANCE BUSINESS

One of RFC Ambrian's significant business lines is the provision of corporate finance advice and related services to small and medium-sized UK companies, including the raising funds for these companies by issuing securities.

#### 2.1.1 Disclosure

If such corporate finance services are provided on a privileged / confidential basis it will not be possible to disclose the relationship publicly. In all other circumstances the fact that a company is a corporate client of RFC Ambrian is prominently disclosed in our research material and on our website at [www.rfcambian.com](http://www.rfcambian.com). Additionally if we have raised funds for a corporate client in either a primary or secondary issue of securities within the past 12 months this will be explicitly disclosed on the research recommendation.

#### 2.1.2 Chinese Walls.

Our corporate finance and corporate broking staff are separated from the rest of the firm by formal Chinese Wall arrangements which are designed prevent the inappropriate flow of confidential information to the rest of the firm. These arrangements include physical segregation of the

department and policies and procedures governing the security of documents and electronic data. If confidential information about a company is held by corporate finance or corporate broking staff behind the Chinese Wall, our investment analysts will be entirely unaware of this information and may continue to publish research recommendations without taking this information into account.

### 2.1.3 Wall Crossing

From time-to-time investment analysts may be brought over the Chinese Wall to advise the Corporate Finance or Corporate Broking departments; this is a controlled and fully documented process requiring the prior approval of Management and Compliance. Analysts brought over the Wall in this way may not publish research nor advise clients on the relevant securities until such time as they are formally taken back over the Wall and the confidential information they have been given has either been made public or has otherwise ceased to be price-sensitive.

### 2.1.4 New Issue Research

RFC Ambrian Research produces Pre-Deal / New Issue Research. Pre-Deal / New Issue Research is distributed externally to provide clients with the basic information on the subject company, its industry and its situation based on public information only. In order to raise a request for the production of Pre-Deal / New Issue Research, corporate finance should seek clearance to wall cross a Research Analyst from the Head of Research using the wall crossing procedure set out above.

### 2.1.5 Research Blackout periods.

A blackout period of 30 days is imposed upon launch of the issue. Investment Research concerning the issuer which relates to events which have no direct or indirect bearing on the offer may still be published during the blackout period subject to Compliance review.

## 2.2 CONFLICTS ARISING FROM RFC AMBRIAN'S SALES AND TRADING ACTIVITIES

The firm or its associates may have a position or may have undertaken or may undertake a transaction on its own account in a security referred to in a research recommendation. Such positions or transactions may arise from the firm's corporate finance activity.

### 2.2.1 Disclosure

The fact that RFC Ambrian holds a significant shareholding which amounts to 5% or more of the relevant class of securities will be clearly disclosed on the relevant research report.

### 2.2.2 Distribution

To ensure that the firm and its associates do not deal ahead of publication of research and until our clients have had a reasonable opportunity to act on the research, the research department is physically separated from the sales / trading department and sales / trading should not know the

contents of planned research, nor of the intention to publish research, until the research has been formally issued to clients.

### 2.2.3 Physical Separation / Chinese Walls

Research analysts are located on the trading floor but at a sufficient distance from the sales and trading areas to prevent the unauthorized flow of information and to discourage inappropriate influences that may affect the objectivity of the research.

## 3. FURTHER CONTROLS THAT MITIGATE THE POTENTIAL CONFLICTS OF INTEREST

### 3.1 SUPERVISION AND REMUNERATION OF ANALYSTS

RFC Ambrian is a small firm. We have taken care to remove the most obvious conflicts of interest in the supervision of the analytical team. Under no circumstances will a research analyst be directly supervised by any staff member who directly supervises daily investment banking, sales or trading activity.

#### 3.1.1 Supervision

Our investment analysts are supervised by our Head of Research ("HoR"). However RFC Ambrian is a small firm and as such it is not possible for us to ensure that this responsibility is completely segregated from influence by individuals with conflicting responsibilities. (The HoR reports to the Head of Capital Markets, who Reports to the Executive Chairman).

#### 3.1.2 Remuneration

The recruitment and remuneration of analysts is primarily the responsibility of the Head of Research, but the Head of Capital Markets and the Executive Director may be involved in such decisions.

#### 3.1.3 Incentive Compensation

Our investment analysts are remunerated by a combination of salaries and discretionary bonuses. The level of any analyst's salary and bonus for any given period is based on;

- the general profitability of the firm;
- the quality and accuracy of the individuals research and analysis; and on,
- management perception of his or her individual performance and productivity.

Analysts do not receive, directly or indirectly, remuneration in exchange for expressing any opinions or recommendations in their reports. However, it must be recognised that the overall profitability of the firm, on which analysts' remuneration depends in the same way as for all other employees, on the revenue generated by corporate finance and sales / trading activities.

#### 3.1.4 Inducements by issuers or 3rd parties

Research Analysts cannot accept any compensation, significant gift (above a value of £100), bonus or incentives offered by an issuers or their representatives.

#### 3.1.5 Escalation Process

Analysts must raise promptly with Compliance any concerns regarding impairment to their objectivity.

### 3.2 ANALYSTS INDEPENDENCE / ANALYSTS CERTIFICATION

When preparing research, and giving their opinions, investment analysts will always use their professional judgment to state unbiased opinions regarding a company and its prospects.

#### 3.2.1 Independence

The firm operates a policy of independence and under this analysts giving advice on or making a recommendation about a security are formally required to disregard any relationship, arrangement or interest of their own, or of the firm or its affiliates, which might influence the advice or recommendation.

#### 3.2.2 Analysts Details

All research publications must contain in the front page the; the publication date; name of the author, his/her job details and contact details.

#### 3.2.3 Regulation AC

It is RFC Ambrian's policy that Research Analysts certify that the opinions and recommendation expressed in piece of research accurately represent his/her personal views.

### 3.3 ANALYSTS INVOLVEMENT IN OTHER ACTIVITIES

In addition to preparing and distributing research recommendations, our investment analysts may be involved in other activities on behalf of the firm, including promoting the firm's services to potential corporate clients and advising the corporate finance department on the viability of proposed transactions. The following situations have been identified as ones where analysts might make a valuable contribution

- Sales / Trading. Research analysts are allowed to discuss their opinions and comment on market news so long as they do not disclose the content of forthcoming research reports or any confidential information that is not publicly available.
- Investment Banking. Research Analysts may assist in advising corporate finance on the structuring and pricing of securities offerings. Research analysts may be wall crossed to assist with corporate finance deals on the basis that the analyst is taken offside until any confidential information disclosed becomes either public or stale.
- Marketing Meetings. Research analysts may attend meetings with issuers and investment banking personnel where the purpose of the meeting is to introduce the analyst to the client.

- Sales Pitches. Analyst should not participate in sales pitches to prospective clients in order to solicit investment banking mandates.
- Roadshows. Research analysts may attend roadshows in a passive manner, in order to be on an equal footing with investors. Research analysts should not appear as a speaker at a roadshow.

### 3.4 EDITORIAL CONTROL

Responsibility for the content of research recommendations rests primarily with the investment analysts named as having produced them. Analysts do not cede effective editorial control to anyone whose role or interests might reasonably be considered to conflict with the interests of the clients to whom the research is to be published or distributed and our research remains at all times the property and views of RFC Ambrian alone. In particular, all valuations and forecasts included in research material are derived independently of the company concerned.

All research material is reviewed by a director of research before being published, and research recommendations relating to corporate clients, or published in advance of the flotation of a company, is also reviewed by our Compliance department before publication.

#### 3.4.1 Pre-Publication Research Clearance

From time to time the company which is the subject of research may be given sight of draft research before publication to check the facts within it. No forecasts or recommendations may be included in draft research shown to a company in this way. If comments on draft research are received from the company they are reviewed by a director of research who decides whether RFC Ambrian will agree to make the suggested amendments.

#### 3.4.2 Research Editor

The research editor is responsible for ensuring that RFC Ambrian's research publications are written in a clear, fair and reasonable manner and include any required disclosures

### 3.5 TIMING AND DISTRIBUTION

The timing of publication of research is controlled by the Head of Research, except when it is necessary to delay publication for specific Compliance reasons, such as withholding publication of research during the period of an offering of new securities. When an analyst has been taken over the Chinese Wall and become privy to unpublished price-sensitive information he will be unable to comment on the matter in question until such time as the information is either time-expired or has been made public.

To resolve the potential conflicts involved in selective disclosure of research, when analysts have formed an intention to write a piece of research and have started to form ideas about the content of the research they must not discuss this intention nor the potential content of the research with anyone outside the research

department except for the purpose of checking factual accuracy as set out above, until such time as either the research has been distributed to all relevant clients by email; or a "Research Flash" email has been issued to announce that a research recommendation is being prepared.

### **3.6 PERSONAL ACCOUNT TRADING**

Our investment analysts are not permitted to invest on their own account in securities in relation to which they prepare research - whether on that particular investment, its issuer, or on related investments and issuers.

If investment analysts or their associates have a personal holding of the investment concerned, that predates RFC Ambrian's current Personal Account Trading policy then this is specifically disclosed in the research recommendation.

### **3.7 COVERAGE DECISIONS**

The Head of Research is solely responsible for decisions regarding the initiation and termination of research coverage for a specific issuer. When making specific coverage decisions the head of research will take into account various factors such as the relevance of the issuer for RFC Ambrian's market and customer segments, liquidity of the stock and whether RFC Ambrian has acted in lead role in managing a share offering. When making coverage decisions the head of research may consult with sales/trading and investment banking personnel, but such personnel shall have no input into the decision to initiate or terminate research coverage of any specific issuer.

#### **3.7.1 Coverage Lists**

The RFC Ambrian Research department maintains a coverage list and keeps Compliance advised of any amendments to this list.

The table attached as appendix 1 below lists all the companies covered by RFC Ambrian research, and identifies those cases in which RFC Ambrian has a business relationship with the company or a material interest in the company, which could potentially conflict with our obligation to ensure that our investment research is clear, fair and unbiased

### **3.8 MONITORING**

The effectiveness of these policies and procedures is monitored by the Compliance department as part of the firm's regular compliance monitoring programme.

## **4. GENERAL TERMS AND DISCLAIMERS**

**4.1** Our research recommendations are issued and approved for distribution within the United Kingdom by RFC Ambrian limited they are only made available to eligible counterparties and professional

clients as defined under the FCA rules. Our research is not directed at, may not be suitable for and should not be relied upon by any other person.

- 4.2 The information contained in our research is compiled from a number of sources and is believed to be correct, but cannot be guaranteed. It is not to be construed as an offer, invitation or solicitation to buy or sell any securities of any of the companies referred to within it. All statements made and opinions expressed are made as at the date on the face of the material and are subject to change without notice.
- 4.3 Where prices of securities are mentioned, these are the mid-market prices as at the close-of-business on the business day immediately preceding the date of the research.
- 4.4 The meanings of our research ratings, together with the proportion of our recommendations issued during the previous quarter carrying each rating, is set out on our website at [www.rfcambrian.com](http://www.rfcambrian.com).
- 4.5 RFC Ambrian and/or its associated companies and ultimate holding company may from time-to-time provide investment or other services to, or solicit such business from, any of the companies referred to in research material. In addition, they and/or their directors and employees and/or any connected persons may have an interest in the securities of any of the companies in the report and may from time-to-time add to or dispose of such interests. Details of the significant conflicts relating to the companies that we research are set out on our website [www.rfcambrian.com](http://www.rfcambrian.com), together with a summary of our policies for managing conflicts of interest.
- 4.6 RFC Ambrian does not meet all of the FCA Standards for managing conflicts of interest in relation to independent research, as a result our research cannot be regarded as an impartial or objective assessment of the value or prospects of its subject matter, though of course we will always ensure that it remains clear, fair and not misleading.
- 4.7 RFC Ambrian's research output is not being held out as impartial/independent research and might not conform with the legal requirements designed to promote the independence of impartial research. In these circumstances it will be clearly labelled as a financial promotion
- 4.8 RFC Ambrian Limited is authorised and regulated by the Financial Conduct Authority, and is a member of the London Stock Exchange.

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