



# LHCM Ltd (“LHCM”) Conflict of Interest Policy Statement

25 March 2024

## 1. Introduction

Following the implementation of the Markets in Financial Instruments Directive 2014/65/EU (“MiFID II”) and in accordance with the Financial Conduct Authority (“FCA”) Handbook rules (the “regulations”), LHCM LTD (the “Company”) is required to establish, implement and maintain an effective Conflicts of Interest Policy (the “Policy”).

Under the above regulations, the Company is required to take all reasonable steps to detect and avoid conflicts of interest. The Company is committed to acting honestly, fairly and professionally and in the best interests of its clients and to complying, in particular, with the principles set out in the above legislation when providing investment services and other ancillary services related to such services.

## 2. Purpose

The aim of our Policy is to identify and prevent conflicts of interest which may arise between the Company, including its managers, employees, or any person directly or indirectly linked to them by control, and its clients or between one client and another or effective combinations thereof, including those caused by the receipt of inducements from third parties or by the investment firm’s own remuneration and other incentives structures. Effective management of any conflict of interest that may from time to time arise when providing various investment and/or ancillary services shall be performed by adopting reasonable measures to promptly identify and prevent such conflicts from damaging client interests as soon as practically feasible. Accordingly, we have adopted a Policy setting out the procedures, practices and controls in place to achieve this.

## 3. Scope

The Policy applies to all its directors, employees, any persons directly or indirectly linked to the Company (hereinafter called “related persons”) and refers to all interactions with all clients.



#### 4. Identification of Conflicts of Interest

For the purposes of identifying the types of conflict of interest that arise in the course of providing investment and ancillary services or a combination thereof and whose existence may damage the interests of a client, the Company shall take into account, by the way of application of appropriate tests, the question whether, as a result of providing by the Company investment and/or ancillary services, any of the following situations may occur in respect of an employee of the Company or a person directly or indirectly controlled by the Company:

- a) The Company or relevant person is likely to make a financial gain, or avoid a financial loss, at the expense of the client;
- b) The Company or relevant person 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;
- c) The Company or relevant person has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- d) The Company or relevant person carries out the same business as the client; and
- e) The Company or relevant person 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, other than the standard commission or fee for that service.

#### 5. Conflict Prevention Mechanisms

The procedures and controls that the Company follows to manage the identified conflicts of interest include the following measures:

- 5.1. Effective procedures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients;
- 5.2. The separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the Company;
- 5.3. The removal of any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a conflict of interest may arise in relation to those activities;
- 5.4. Measures to prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities;



5.5. Measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities where such involvement may impair the proper management of conflicts of interest. Such measures include the following:

- a) A 'need to know' policy governing the dissemination of confidential or inside information within the Group.
- b) Chinese walls restricting the flow of confidential and inside information within our company, and physical separation of departments.
- c) Procedures governing access to electronic data.
- d) Segregation of duties that may give rise to conflicts of interest if carried on by the same individual.
- e) Personal account dealing requirements applicable to relevant persons in relation to their own investments. The Company has implemented a 'Personal Account Dealing Policy', with which staff, and related persons under their control, must comply. At the commencement of their functions, members of staff are required to commit to comply with this policy.

All transactions in financial instruments by staff and relevant persons must be reported to the Compliance Officer prior to being submitted. These transactions must include precise dates and timings and any authorisation or prohibition in connection with such a transaction.

- f) A gifts and inducements log registering the solicitation, offer or receipt of certain benefits.

The Company operates a 'Gifts and Gratuities Policy', which is applicable to benefits or inducements to staff which might be seen as conflicting with their duties to the Company or to any of the Company's clients. To address conflicts of interest that may arise when a member of staff accepts a gift, the Company applies a general rule that no gifts are to be accepted, other than items of insignificant value.

- g) The prohibition of external business interests conflicting with our interests as far as the Company's officers and employees are concerned, unless board approval is provided.
- h) A policy designed to limit the conflict of interest arising from the giving and receiving of inducements.
- i) Establishment of Compliance Department to monitor and report on the above to the Company's Board of Directors.
- j) Appointment of Internal auditor to ensure that appropriate systems and controls are maintained and report to the Company's Board of Directors.
- k) Establishment of the four-eyes principle in supervising the Company's activities.



## 6. Inside and Proprietary Information

Staff members, who, in pursuit of the Company's business activities, possess inside or proprietary information must preserve its confidentiality and disclose it only to other staff who have a valid business reason for receiving it. Members of staff who believe they have received inside information from any source must immediately contact the Compliance Officer. The Company and its staff members cannot use or further disclose the information where it has been received.

Additionally, the Company has established "Chinese walls" to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients.

## 7. Personal Account Dealing

7.1. The Company shall take reasonable steps to ensure that:

- a) a personal account transaction in a designated investment undertaken by any of its employees does not conflict with the firm's duties to its customers under the regulatory system; and
- b) when it permits an employee to undertake a personal account transaction in a designated investment in relation to which the firm conducts designated investment business, or in any related investment, it receives prompt notification of, or is otherwise able to identify, that transaction.

7.2. An employee is not just an individual who is employed or appointed by a firm but also an individual who is:

- a) an appointed representative of the Company; or
- b) employed or appointed by an appointed representative of the Company, whether under a contract of service or services or otherwise.

7.3. Reasonable steps must ensure that:

- a) the restrictions, and the basis, if any, upon which employees may undertake personal account transactions, are set out in a written notice drawn explicitly to the attention of each employee, and that the contents of such a notice are made a term of his contract of employment or contract for services;
- b) the written notice in 7.3 a) states that, if an employee is precluded from entering into a transaction for their own account, they must not (except in the proper course of their employment):
  - (i) procure any other person to enter into such a transaction; or



- (ii) communicate any information or opinion to any other person if they know, or ought to know, that the person will, as a result, enter into such a transaction, or counsel or procure some other person to do so; and
- c) procedures are established and maintained by the Company that are appropriate to its business, and that are designed with a view to ensuring that:
  - (i) each of its employees does not undertake a personal account transaction in a designated investment in relation to which the Company conducts designated investment business, or in any related investment, unless the Company has given its permission in writing to that transaction, or to transactions generally in designated investments of that kind;
  - (ii) when the firm gives such permission, the requirements in 7.1 are complied with.

7.4. The Company will make a record of:

- a) the restrictions upon personal account dealing and the basis upon which any permission to deal is made;
- b) each permission given by it under 7.1 b);
- c) each notification made to it under 7.3 a); and retain these records for at least 5 years, per the 'Record Retention Policy'.

## 8. Selection of Service Providers

In the event of any personal relationship between the Company and a third party, or a person connected to them, the Company takes this into account and considers potential conflicts or the appearance of conflicts in making its selection. As far as possible, the connected party should refrain from being involved in the actual decision-making process.

The Company prevents conflicts arising regarding the selection of a service provider by not accepting or providing fees, commissions and non-monetary benefits which do not directly enhance the service offered.

## 9. Remuneration of Staff

Staff remuneration is carefully considered to ensure that conflicts do not inadvertently arise through targets that inappropriately incentivise staff members to behave in a manner that disadvantages the interests of clients in favour of the Company.



As a policy, none of the Company's employees and/or Directors can be remunerated based on the successful promotion of certain products or financial instruments over others.

Additionally, in no case will the variable remuneration component exceed 100% of the fixed component of the total annual remuneration for each individual.

## 10. Access to Electronic Data

The Company has a security policy in place, which governs the access to electronic data so that the persons engaged in each department do not have a direct physical access to records and information concerning the subject matter of another department and which are not considered necessary for the execution of specific work. Specifically, separate permissions and access rights are provided for the various departments.

## 11. Disclosure

In the case where the Company's organisational arrangements to prevent conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to client interests will be prevented, the Company a measure of last resort shall clearly disclose to the client the general nature and/or sources of conflicts of interest and the steps taken to mitigate those risks before undertaking business on its behalf. Such disclosure shall:

- a) be made in a durable medium; and
- b) include sufficient detail, considering the nature of the client, to enable that client to take an informed decision with respect to the service in the context of which the conflict of interest arises.

The disclosure shall clearly state that the organisational and administrative arrangements established by the Company to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client will be prevented.

The disclosure must also include specific description of the conflicts of interest that arise in the provision of investment and/or ancillary services, taking into account the nature of the client to whom the disclosure is being made. The description shall explain the general nature and sources of conflicts of interest, as well as the risks to the client that arise as a result of the conflicts of interest and the steps undertaken to mitigate these risks, in sufficient detail to enable that client to take an informed decision with respect to the investment or ancillary service in the context of which the conflicts of interest arise.



## 12. Record Keeping

The Company shall maintain and regularly update a record of the kinds of investment or ancillary service or investment activity carried out by or on behalf of the Company in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen or, in the case of an ongoing service or activity, may arise.

The record will be kept by the Compliance Officer and any actions must be recorded and reported to the Board of Directors without any delay.

The Board shall receive on a frequent basis, and at least annually, written reports on cases of services or activities giving rise to detrimental conflict of interest.

The Company reserves the right to review and/or amend its Policy and arrangements whenever it deems this appropriate.