

# **Prevention and management of conflict of interest policy**

## **Kepler Cheuvreux**

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## Introduction

### ❖ Purpose of the policy and definitions

As an investment services provider, in the context of its activities, Kepler Cheuvreux must identify conflicts of interest, prevent them and, when needed, manage them.

Generally, a conflict of interest appears when a person carries multiple interests and that individual could take advantage of this situation by making his / her or a third party's interest prevail over the one(s) this individual has to represent, defend or protect. A conflict of interest may also appear when a person defends rival interests.

If a conflict of interest appears when a personal interest conflicts with the interest a person is in charge to protect, that conflict of interest must be subject to a particular attention. Such a conflict of interest should be identifiable where it would be reasonable to believe that a conflict of interest exists.

Also, a conflict of interest doesn't need to be current, it may be an interest which has the potential to manifest in the future. It could result from the organisational structure of a business or may be proven when two or more competing interests exist while one or more operations are being conducted.

Potential conflict of interest may finally occur and damage one of the involved interests.

Kepler Cheuvreux's approach consists in mitigating the risk of conflict of interest with adequate policies, processes and controls as well as managing appearance of conflict of interest or proven conflict of interest when, despite preventive measures, they arise.

### ❖ Scope

This policy applies to Kepler Cheuvreux Group.

### ❖ Regulatory basis

Provisions relating to prevention and management of conflict of interest: Articles 33, 34, 35 of the *Commission Delegated Regulation (UE) 2017/565*; Article 533-10 of the *Code Monétaire et Financier*.

## I. Identification of the conflict of interest

### A. Activities at risk

As a principle, all Kepler Cheuvreux's activities may be a vector of conflict of interest. Nevertheless, a particular attention is paid where an activity involves the provision of one or more investment service(s) or related services, such as: execution of orders, reception and transmission of orders or production of investment research.

Other activities, by their nature, in terms of exercise or payment, may also carry a risk of compromising interests.

Main characteristics of those sensitive activities:

- ❖ Involvement of a plurality of interests;
- ❖ Quality of persons whose interests are represented by Kepler Cheuvreux;
- ❖ Simultaneous execution of different investment services;
- ❖ Perception of an incentive ;
- ❖ Remuneration incentive structure;
- ❖ Involvement of sensitive information.

The following activities are known to be sensitive activities carrying an important risk of conflict of interest:

- ❖ Corporate Finance ;
- ❖ Corporate Brokerage ;
- ❖ Financial Analysis;
- ❖ Investment solutions.

### B. Classification of interests that may conflict

#### 1. Interests protected by Kepler Cheuvreux

In compliance with the regulation applicable to investment services providers, Kepler Cheuvreux must act in an honest, loyal and professional manner to serve its clients' best interests.

Moreover, in accordance with the agreements made with its clients or partners, Kepler Cheuvreux commits to:

- a general obligation of loyalty towards its co-contractors;
- depending on the situation, a "best effort" or result-based obligation in the execution of its commitments.

#### 2. Other interests that may interfere with Kepler Cheuvreux's activities

It cannot be ignored by Kepler Cheuvreux that some interests may interfere with the conduct of its activities and conflict with interest that Kepler Cheuvreux is in charge of protecting.

These interests concern persons:

- ❖ Acting on behalf of Kepler Cheuvreux and placed under its control through an employment contract, a service agreement or a natural person agreement ( whose services are placed at the disposal and under the control of the firm or a tied agent of the firm or directly involved in the provision of services to the investment firm or to its tied agent)
- ❖ posted workers agreement (hereafter **employees**);
- ❖ Participants of an operation performed by Kepler Cheuvreux (hereafter **partners**);
- ❖ Exercising a power of control over Kepler Cheuvreux through shareholding, statutory provisions or social mandate (hereafter **executive**).

These interests may be financial or private, such as:

- ❖ Professional activity outside of Kepler Cheuvreux;
- ❖ Shareholding or mandate;
- ❖ Close relationship with a person executing a competing activity to Kepler Cheuvreux.

### 3. Situations where generic conflict of interest are identified

Conflicts of interest generally occur in the following scenarios:

- ❖ Conflict of interest between Kepler Cheuvreux trading for its own account and the interest of one of its clients;
- ❖ Conflict of interest between a client order or a commitment made to a client and the personal interest of an employee;
- ❖ Conflict of interest between two Kepler Cheuvreux clients: Kepler Cheuvreux may have committed to two clients having contradictory interests;
- ❖ Conflict of interest between two Kepler Cheuvreux partners (e.g. Equity Primary transaction);
- ❖ Conflict of interest between a Kepler Cheuvreux partner and a Kepler Cheuvreux client.

#### **C. Identification of conflict of interest by activity: mapping of conflict of interest**

Detection of conflict of interest is the responsibility of business lines, management and Compliance.

Notably through:

- ❖ Strategic/ business committees;
- ❖ Follow up on the ongoing transactions by business lines;
- ❖ Sensitive deals monitoring.

Kepler Cheuvreux regularly conducts an analysis of each of its activities to identify situations where conflict of interest may occur. This analysis is documented in the mapping of conflict of interest.

## II. Preventing and managing conflict of interest

### A. Administrative and organisational measures preventing protected interests from being compromised

To reduce the occurrence of conflict of interest, Kepler Cheuvreux has established administrative and organisational measures in the form of compliance policies, procedures and controls covering:

- ❖ Separated organisation and supervision between activities (information barriers);
- ❖ Ethics of employees:
  - supervision of personal transactions;
  - declaration of other professional activities and interests;
  - remuneration policy of employees;
  - supervision of incentives, gifts and other benefits;
  - training of employees.
- ❖ Execution and processing of clients' orders;
- ❖ Product governance processes;
- ❖ Fair allocation of placements.

### B. Management of residual conflict of interest

Should the measures implemented by Kepler Cheuvreux fail to mitigate or prevent conflicts of interest, and a proven risk of damage to a protected interest remains, a specific process is operated by the Compliance department.

#### 1. Criteria for prioritisation of interests

When a conflict of interest occurs, Kepler Cheuvreux must ensure a prioritisation of interests in line with regulatory obligations and its contractual requirements.

- ❖ Quality of the party involved: clients' interests must always prevail over Kepler Cheuvreux's, its collaborators and employees' interests.
- ❖ Chronologically: interests are prioritised in the order of their appearance.
- ❖ Nature and scope of the underlying commitment: result-based obligations take priority over "best effort" obligations.

#### 2. Measures when a risk of damage to a client's interests is proven

- ❖ Detrimental conflict: when the risk of damage to a client's interests is critical, Kepler Cheuvreux may have to refuse to conduct such an operation.
- ❖ Information to the client to prevent conflicts of interests from adversely affecting the interests of the clients: when all the measures taken do not make possible for Kepler Cheuvreux to reasonably ensure the

integrity of the client's interests, Kepler Cheuvreux informs the clients in order to enable them to make an informed investment decision.

3. Record of the kind of measures implemented: conflict of interest register

Kepler Cheuvreux maintains an up to date register of the measures taken for each conflict of interest encountered.