

EMKAP LTD

CONFLICTS OF INTEREST POLICY

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1. INTRODUCTION

EmKap Ltd (hereinafter called “EmKap”, “the Firm” and “the Company”) has in place a Conflict-of-Interest Policy (“the Policy”) that sets the principles and mechanisms policy to effectively manage any conflicts of interest in order to ensure compliance with the applicable regulatory framework.

2. SCOPE AND PURPOSE

This document sets out the Company’s policy to effectively manage any conflicts of interest that may arise in carrying on its business. The policy is established in accordance with the Markets in Financial Instruments Directive (MiFID II) and the Cyprus Securities and Exchanges Commission (CySEC) Laws and Directives aiming to enable the Company to take all reasonable steps to identify conflicts of interest between itself, including its managers and employees, or other relevant persons, as well as any person directly or indirectly linked to them by control, and their clients or between one client and another, that arise in the course of providing any investment and ancillary services, or combinations thereof.

The Company maintains and operates effective organizational and administrative arrangements with a view to taking all reasonable steps designed to prevent conflicts of interest from adversely affecting the interests of its clients.

Senior management is responsible for ensuring that the Company’s systems, controls, and procedures are adequate to identify and manage conflict of interest. It is also responsible to ensure that all the arrangements made under this policy operate effectively.

3. OBJECTIVES

The policy aims to ensure that the Company’s clients are treated fairly and at the highest level of integrity and that their interest are always protected. It also aims to identify conflicts of interest between:

- i. The Company and its employees
- ii. The Company and its clients

- iii. The Company and its affiliates

In addition, EmKap will comply with the following principles:

- a. Conducting its business with integrity.
- b. Taking reasonable care to organize and control its affairs responsibly and effectively.
- c. Paying due regard to the interests of its customers and treating them fairly.
- d. Managing conflicts of interest fairly, both between the Company and its customers, and between one client and another.

4. CONFLICT OF INTEREST POLICY

This Policy sets out how:

- i. The Company will identify circumstances which may give rise to conflicts of interest entailing a material risk of damage to its clients' interests.
- ii. The Company has established appropriate mechanisms and systems to manage those conflicts, and
- iii. The Company maintains systems designed to prevent damage to its clients' interests through identified conflicts.

5. IDENTIFICATION OF CONFLICTS OF INTEREST

The Company takes adequate steps to properly identify 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 takes into account the question of whether the Company or a relevant person, or a person directly or indirectly linked by control to the Company, is in any of the following situations, whether as a result of providing investment or ancillary services or investment activities or otherwise:

- i. Is likely to make a financial gain, or avoid a financial loss, at the expense of the Client;

- ii. 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;
- iii. Has a financial or other incentive to favour the interest of one Client over another;
- iv. Carries on the same business as the Client;
- v. Receives from a person other than a Client an inducement in relation to a service provided to a Client, in the form of monies, goods or services, other than the standard commission or fee for that service;

6. POTENTIAL SOURCES OF CONFLICTS OF INTEREST

The Company offers the following services:

- i. Reception and transmission of orders;
- ii. Dealing on own account;
- iii. Portfolio Management;
- iv. Execution of orders;
- v. Safekeeping and administration of financial instruments for the account of clients, including custodianship and related

Taking into consideration the services the Company offers, potential Conflict of Interest circumstances may include, but are not limited to:

i. EmKap and Client Conflicts

- Where EmKap trades its proprietary positions in a security when at the same time it has information about ongoing or future transactions concerning the client and the security;
- Where an employee of EmKap engages in personal account dealing in respect of securities and EmKap has a client with an interest that potentially conflicts with such dealing;
- Where the Company gains information about distressed assets and then trades

proprietary positions in those assets;

- Where gifts and inducements are received by the Company or its employees that may influence behaviour in a way that conflicts with the interests of its clients;
- With respect to the investment advice service, where EmKap:
 - provides misleading information on an instrument which will affect a client's investment decision, with the goal to increase the trading flow.
 - advises the client to buy the instrument classified as "stale" as per trading book policy.
- When EmKap wants to buy an instrument that a client also wants to buy, the client's order will always come first. This is applied to both – primary and secondary markets.
- The traders will anticipate client orders and buy into EmKap's books to sell to clients. An alternative option is that EmKap will switch into a broker capacity and will acquire the security from the market and buy it for the client.

ii. Client and Client Conflicts

- Where EmKap provides advisory and financial services to one client in respect of a bid and seeks to provide financing services to another client in respect of the same bid;
- Where EmKap provides corporate finance advice in relation to the same target to clients who are direct competitors of one another;
- Where multiple clients are interested in acquiring the same underlying security and EmKap may need to choose between which clients may receive the product;
- Where multiple clients are charged different fees for the same underlying investment strategy which may result in EmKap deviating from its fiduciary responsibilities;
- Where the Company may provide advice to clients whose interests may be in conflict or competition with other clients' interests;
- Where EmKap is a discretionary portfolio manager for more than one client or funding respect of issues relating to allocation.

iii. EmKap and its employees.

- Utilizing business resources, for example facilities or office equipment for personal gain is a conflict of interest. Using a held position or influence to assist or promote an outside activity is also considered a business resource conflict of interest;
- Gifts and hospitality from other counterparties, clients and competitors can represent a conflict of interest particularly, when a decision is being made in relation to the party that has given the gift;
- Hiring, promoting, or supervising close friends or family members could result in a conflict of interest for the business i.e., HR hired his son as a contractor to provide service rather than an alternative skilled working suited to the role and EmKap's needs;
- Employees undertaking personal transactions without information EMKAP and using knowledge gained from their held position at the Company;
- Where an employee discloses information or uses information inappropriately i.e., reveals it to competitors or uses it for a business of their own.

iv. EmKap and its affiliates

- There may be a potential conflict of interest between EmKap and EmKap UK Limited (affiliated by common ownership). Each affiliate as a separate entity may be seeking to increase its own revenue and a conflict could arise where both EmKap and affiliate want to act for a common client concerning an attractive trade.
- Where the Company deals on behalf of the client with, or in the securities of, an affiliated Company;
- Where EmKap may not be acting in the best interest of the client by using its own affiliate to act as a Custodian for Clients

7. IDENTIFYING AND MANAGING CONFLICTS OF INTERESTS

The Company maintains and operates effective organizational and administrative procedures to identify and manage conflicts of interest. Should a Conflict of Interest arise, it is managed promptly and fairly. The Company has in place arrangements to ensure that:

- There is a clear distinction between the different departments' operations 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. Additionally, there is separate supervision of relevant persons whose principal functions involve carrying out such 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 EmKap;
- No single person will gather conflicting information, thus counterfeiting or hiding information from investors is minimized;
- The Company's employees are prohibited from investing in securities for which they have access to non-public or confidential information;
- 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 is prevented or controlled;
- There is 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;
- There is no 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;
- All EmKap employees receive a fixed monthly salary that is not dependent upon the daily activities they perform. Changes in EmKap employees' salaries are subject to annual company review, in accordance with the employees' overall performance. The Remuneration terms are disclosed in the Remuneration Policy of the Company which governs the Company's remuneration in line with the business strategy and a consistent approach is taken to attract, develop, retain and reward employees for contributing to EmKap's success, whilst maintaining financial stability and robust and effective risk management

- The security features of the Company's software prevent unauthorized access to sensitive information in order to benefit the Company over its clients or one client over another;
- Relevant persons are prohibited to purchase or sell a security or cause the purchase or sale of a security for any account while in possession of inside information relating to that security, employees are only able to invest after the investment has been made available to the public. Additionally, all personal investments must be approved by managers before taking place through full disclosure of all personal security accounts detailing any ongoing transaction logs for compliance to review;
- Relevant persons are prohibited to recommend or solicit the purchase or sale of any security while in possession of inside information relating to that security;
- Relevant persons are prohibited to purchase or sell or cause the purchase or sale of a security for an employee or employee related account or a proprietary account of the Company or an account over which an employee exercises investment discretion, while in possession of proprietary information concerning a contemplated block transaction in the security or for a customer account when such customer has been provided such information by any relevant person;
- Employees sign a Non-disclosure Agreement. No associated person may disclose inside information to others, except disclosures made in accordance with the Company's policies and procedures, to other Company personnel or persons outside the Company who have a valid business reason for receiving such information;
- The employees are provided with a Personal Account Dealing Policy setting out personal account dealing requirements applicable to relevant persons in relation to their own investments and/or that any personal dealing must be approved by Compliance;
- There are effective procedures in place to prevent or control the exchange of information (flow 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;

- EmKap's Gift and entertainment policy (GE policy) intends to mitigate the risk of gift or entertainment-related activity that may materially influence a recommendation provided to a client. As such, all gifts and entertainment activity to clients that surpass EmKap's monetary limit must be signed off by compliance. The GE policy and its register are complementary to this policy.
- The firm has an established in-house Compliance function to monitor and report sources that may entail conflict of interest to the Board of Directors of the Company;
- The Company has Appointed a highly qualified Internal Auditor to ensure that appropriate systems and controls are maintained and report to the Company's Board of Directors;
- The Company has established the four-eyes principle in supervising the Company's activities;
- The Company maintains adequate records of the services and activities of the Company where a conflict of interest arises;
- There is a periodic review of the adequacy of the Company's systems and controls.

If a conflict of interest emerges between clients, EmKap will not disclose the details of a client to another client to prevent a breach of confidentiality. Where EmKap believes that a conflict cannot be managed in light of the arrangements currently implemented or by the introduction of new measures, EmKap shall refuse to act on behalf of the client.

To manage a conflict between EmKap and its affiliate Company, the Company has several policies and procedures in place to control, manage reduce the risk of conflict occurring. These include policies relating to the monitoring of trade execution. The most important consideration when dealing with an affiliate, is for EmKap to ensure that the client or counterparty is not at a disadvantage. In a position where conflict is inevitable, pre-approval is required from the head of the operational department and, in some circumstances, approval may not be given. If approval is granted, EmKap's risk management committee may recommend additional controls to manage the potential conflict.

In addition, directors of EmKap will be required to declare any conflicts of interest in accordance with their directors' duties. In cases where any conflict arises between the companies and where the best course of action cannot be agreed, it would be for the best that neither company acts in that particular situation or transaction. Alternatively, the companies could:

- Appoint non-executive directors to the board to arrange a mutual written agreement between EmKap and its affiliate. This will avoid the common directors from breaching their legal responsibility to each company.
- Hold separate board meetings for each company on different days for the best interest of each company to be taken in consideration. Document and minute board decisions.

8. CHINESE WALLS

A Chinese Wall is an arrangement where confidential information (such as information relating to strategy or trade secrets) is not shared between two departments in an organisation or to outside persons. This is to prevent commercially sensitive or confidential information that may cause a conflict of interest from being made known. This is achieved by:

- a physical barrier restricting the flow of information between employees, which is monitored and enforced.
- Restricted access to documents and information, including electronic documents.
- Where documents and papers relating to conflict information needs to be destroyed, they must be shredded and properly disposed after 5 years.
- Before any conflicting information is disclosed to another department, approval must be obtained from the compliance officer.
- Prohibition and restriction of certain communications between employees.
- A written policy and procedure statement, communicated and acknowledged by employees, and disciplinary measures for breach of the policies and procedures.
- Acknowledgement by employees of receipt of policies, attendance at training concerning Chinese Walls and the management of conflicts of interest; and

separate management and supervision of employees on different sides of the Chinese Wall.

There shall be Chinese Walls between the following teams:

- Brokerage and Portfolio Management.
- Brokerage and Proprietary trading.
- Proprietary trading and Portfolio Management.
- Proprietary trading and Investment Advice.
- Custody/Safekeeping and the front office team.

Where an employee becomes aware of information following the failure of a Chinese Wall or any other reason, which could give rise to a conflict of interest, the matter must be referred to the compliance officer.

Chinese Walls and other measures are put in place to enable EmKap and relevant persons to carry out business on behalf of clients without being influenced by other information held within EmKap that may give rise to a potential conflict. Management of EmKap shall monitor the communication content between the departments to ensure that the necessary Chinese Walls are maintained.

Each department of EmKap is separate and distinct. In consideration of the size and organisation of EmKap and the complexity of its business, the following Chinese Walls are in place in respect of each department:

a. Portfolio Management

The Portfolio Manager of EmKap is responsible for structuring, monitoring, rebalancing and reporting on clients' portfolios. The Investment Adviser maintains the investment profile of the client with the changing market conditions and thereafter reiterates the picture to the Portfolio Manager so that the changes are reflected in the rebalancing of the portfolio. As the Portfolio Manager is directly linked to making financial instrument transactions, the separation of contact between this unit and the client makes it less difficult to facilitate a transaction which could be a breach of a conflicts of interest e.g. if the client is involved in an M&A transaction and the portfolio manager wishes to benefit from it after conversing with the client.

As EmKap's Portfolio manager is also the General manager, there may be a conflict of interest based on the client information that the Manager is privileged to. As part of our ongoing monitoring, the compliance department has in place the following measures to mitigate this conflict;

- The portfolio manager reports all portfolio management transactions to the Compliance officer each day.
- The Compliance officer reconciles all trades conducted on all desks.

b. Investment Advice

The Investment Adviser maintains the relationship with the client and ensures that the 'Know your client' (KYC) process has been completed, including the Conflicts of Interest Checklist, in order to understand the background and business dealings of the client. The completion of the KYC process will enable the Investment Adviser to more easily recognise conflicts of interest if they were to arise. This unit operates with password protected software so that other departments cannot view the trades that were received and transmitted. Moreover, all transactions will be tracked, and cross checked so that all transactions effected on any one day are subsequent to the orders of the counterparty.

c. Brokerage

The trading system is password protected so that the transaction log is not accessible to other departments. Similarly, all transactions are cross checked with orders that are received in order to ensure that no supplementary transaction flow was affected to benefit from any price manipulation mechanisms.

d. Proprietary Trading

There are numerous conflicts of interest that arise as a result of proprietary trading. One common concern is that the proprietary traders may buy a security they discern their buy-side customers are purchasing in order to profit from the price appreciation that will result from their customer's purchases. Another conflict that might occur is that when the proprietary traders buy securities that have been performing badly. In this instance, the trader might instruct their sales staff to call clients to try and convince them to purchase these securities. Therefore, the department needs to be segregated from the brokerage department, investment advice and portfolio management departments.

e. Underwriting

A more frequent and more observable conflict occurs between the Company's Underwriting department and its Brokerage Operations, Portfolio Management and Investment Advice departments. The Underwriting department is responsible primarily for completing transactions such as bond issuance or initial public offerings. The brokerage operation and the Investment Research department, on the other hand, are motivated to maximize commissions by providing fair, timely, high-quality and unbiased information for their clients. These two objectives may conflict. It is also applied to the Portfolio Management Department, where it is important the risk taken to the clients' portfolios.

f. Investment Research

The persons involved in the production of investment research shall not disclose draft documents to any relevant persons such as the issuers of securities covered by the research or persons with a material interest in those securities, inclusive other employees of the company, prior to its official publishing.

9. DISCLOSURES

Where EmKap cannot ensure with reasonable confidence, that the risk of damage to the interests of a client will be prevented, EmKap will disclose the general nature and source of the conflict(s) of interest to the client before undertaking business on its behalf. As a last resort, EmKap will disclose a conflict of interest to the client where it cannot through its organisational and administrative arrangements ensure that conflict will be prevented or managed. The relevant disclosure will:

- be made in a durable medium.
- include sufficient detail, taking into account the nature of the client, to enable that client to make an informed investment decision with respect to the service in the context of which the conflict of interest arises.
- include a specific description of the conflict of interest in question.
- explain the general nature and/or sources of conflicts of interest, as well as the risks to the client that arise as a result of the conflict and the steps undertaken to mitigate these risks.

Where EmKap has a material interest in a transaction with or for a client, or a relationship which gives rise to an actual or potential conflict of interest about the transaction, it should neither advise nor be involved in the transaction unless it has taken all reasonable steps to ensure fair treatment of the client.

10. RECORD KEEPING

EmKap will maintain a record of all activities where a conflict of interest has arisen or may arise in the conflict-of-interest register. The conflict-of-interest register will contain the type of conflicts, and a description of how these conflicts are managed. The register will be updated as and when new conflicts have been identified. EmKap will retain all personal details of an individual for no longer than necessary, this being for a maximum period of 5 years. This will also be presented to the board frequently.

11. TRAINING AND REVIEW

All employees will be given training on how to be aware of conflicts of interest and how to report any new or future conflicts.

12. CONTROL BY AUDITORS

A sequential internal audit visit will mitigate conflict of interest risks especially within the undertaking of functions such as trading and back office, settlement and payments functionalities. An external audit visit will mitigate conflicts of interest within the unit of accounting and across other units of EmKap.

13. FAILURE TO COMPLY

The requirements of employees to comply with EmKap's policies for managing conflicts of interest as set out above are part of the mandatory internal obligations of all staff. If an employee does not comply with this policy, a formal warning will be given. If non-compliance with this policy is identified as malicious action, a disciplinary procedure will be invoked.

14. MONITORING AND REVIEW

The Company has a responsibility and a legal obligation to ensure that its conflict management arrangements remain adequate. These compliance policies must work in a changing environment. For these purposes:

- EmKap's board has the ultimate responsibility for ensuring the adequacy of this policy, its implementation and that this policy is reviewed adequately.
- EmKap's senior management has the responsibility to ensure implementation of the board's directions, including implementation by the Compliance Officer and other employees, and monitoring by the Compliance Officer.

The Compliance Officer is responsible for:

- monitoring the day-to-day implementation of this policy.
- for implementing the Company's obligations to record documents and for monitoring
- continuous training of all staff.
- advising the senior management on particular issues for potential changes to this Policy.

The Company staff have a responsibility for ensuring their compliance with this Policy and for suggesting changes to this Policy. EmKap annually reviews this policy, and should any amendments be made, which may materially affect the way in which the firm would handle a conflict of interest on behalf of a client, the client shall be notified in writing of the nature of the changes. The conflicts of interest policy shall also be reviewed when needed, such as when a new service is introduced by the Firm. The client is provided upon account opening, and further upon request, with an up-to-date copy of the conflicts of interest policy statement.

The responsibilities contained within this document will be reviewed on an annual basis by the Board of Directors and any changes made if appropriate.

15. CONFLICT OF INTEREST: OTHER DIRECTORSHIPS

EmKap employees who wish to hold a directorship in a business organisation other than

EmKap must obtain prior written approval from the compliance officer. The request should be submitted in writing and contain the following information:

- name and address of the organisation.
- nature of its business.
- the basis on which the staff is remunerated.

Upon joining EmKap, the relevant employee should fully declare all their directorships or consultancies and may be required to resign from the boards of those companies which may be in conflict potentially or, with any business of EmKap or its clients.