

## Introduction

The identification and avoidance or equitable management of conflicts of interest are key requirements for any financial services firm. Octopus, together with its affiliated companies and employees must address conflict of interest in a manner which ensures fair treatment for all parties concerned and does not adversely affect the interests of its clients.

This document sets out Octopus's conflicts of interest policy. It describes how conflicts of interest can be avoided or identified and how they have to be managed. It also explains the decision-making process as well as the delegation of responsibilities.

This document addresses general conflicts of interest. Such conflicts may arise where Octopus is placed in a position where an interest of Octopus conflicts with the interests of one or more clients of Octopus or where the interests of several clients of Octopus are incompatible with each other. The same applies where the interests of different business units and affiliates of Octopus conflict with each other or where the interest of an employee of Octopus conflicts with the interest of Octopus or the interests of one or more clients of Octopus.

## Octopus measures to address conflicts of interest

Octopus is committed to taking measures to identify and avoid or appropriately manage actual or potential conflicts of interest, including perceived conflicts of interest. Various arrangements have been established by Octopus which are designed to achieve these objectives, especially procedures for the governance and resolution of conflicts of interest:

- Identification of actual, potential or perceived conflicts of interest through its conflicts matrix; insider list and, where necessary, internal systems used by business units and the register of outside business interests;
- Controls over the handling and flow of confidential and insider information;
- General disclosure of the possibility of material interests to clients at an early stage of the relationship.

## Identification of conflicts of interest

Octopus has established a matrix to support the preparation and updating of its conflicts of interest policy; to allow staff easily to identify day-to-day business situations where a conflict may arise; and to set out the steps to be taken to either avoid or manage the potential or actual conflict.

## Information barriers/separation of reporting lines

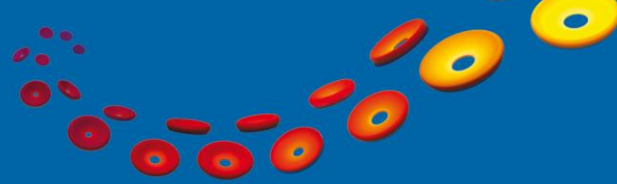
Octopus does not operate a formal system of information barriers ('Chinese walls'). However, functions within the firm are segregated; with separate reporting lines.

## Insider list

An insider list is maintained by the firm which documents the available conflicts-related information. The list helps to prevent the misuse of such information.

The insider list contains the names of the clients with whom an Octopus business unit is making, or plans to make, a sensitive transaction. In such situations, Octopus generally has received or is likely to receive inside information. The firm is expected to become the recipient of inside information once it has entered into a confidentiality agreement or a letter of engagement with a company. It may also contain the names of person(s) with whom Octopus is not making, or planning to make, a sensitive transaction, but where Octopus employees have received inside information inadvertently.

By means of this list, the compliance department checks whether the firm or its employees have made any transactions in exchange-traded securities in respect of which Octopus has inside information.



## **Aggregation of client orders and sequence of execution**

Client orders are executed in the sequence in which they have been placed. If orders are placed simultaneously and aggregated, and can only partially be executed, the relevant clients will be served on a pro-rata basis.

## **Independence of remuneration**

The remuneration of employees will be independent of the revenues generated by other units of the firm if any dependence may give rise to a conflict of interest.

## **Disclosure of inducements**

Permitted inducements within the meaning of the Conduct of Business sourcebook of the FSA rules must be clearly disclosed to the client in a comprehensive, accurate and comprehensible manner prior to the provision of the investment service. This applies to fees, commissions or other payments and non-cash benefits which Octopus receives from a third party (including legally-independent companies which are subsidiaries or affiliates) in connection with the provision of the service.

## **Personal account dealing**

The rules for personal account dealing, which are part of the compliance manual, impose restrictions on securities and derivatives transactions made by Octopus employees for their own account or for the account of third parties by way of power of attorney or legal representation. Permission will not be given to deal in a company's securities or derivatives if it is on the insider list.

## **Accepting and making gifts and financial advantages**

Employees are generally not permitted to accept any inducements, privileges, or advantages the value of which exceeds a predefined threshold without the prior approval of the compliance department. Furthermore, employees are forbidden to demand from clients or business partners any personal inducements or advantages, or to accept or make cash or cash-equivalent gifts in any amount in the course of business.

## **Conflict management decision**

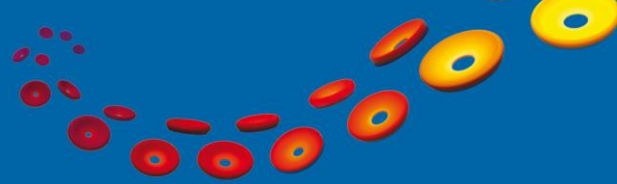
Octopus addresses specific actual or potential conflicts through one or more of the following options:

- Application of the above-mentioned measures and precautions
- Disclosing the conflict or material interests to the client(s) or other affected parties at the beginning of the relationship and obtaining its/their consent to Octopus acting for it/them.
- Declining to act
- All decisions as to the appropriate management of any conflict of interest should be based on two principles, namely:
  - To secure fair treatment of all parties involved, and
  - To mitigate any legal, regulatory or reputational risk to Octopus.

When considering how best to address an actual, potential or perceived conflict of interest, the following issues need to be taken into account:

- Whether the nature of the conflict is such that it can be satisfactorily addressed by means of the above-mentioned measures and precautions, or a general disclosure, or through a combination of these;
- Whether the nature of the conflict and the market to which it relates is such that it is appropriate to seek to continue to act for both parties to the conflict provided that the conflict is disclosed to all relevant parties and they are all prepared to consent to Octopus continuing to act for them;
- Whether the conflict carries such a level of legal, regulatory or reputational risk that the only appropriate course of action is to decline to act for one or more of the parties to the conflict;

# CONFLICTS OF INTEREST POLICY



- That client orders are to be executed in the sequence in which they have been placed and, if they are placed simultaneously and can only partially be executed, the relevant clients must be served on a pro-rata basis.

## **Role of compliance**

In the event of an actual or potential conflict arising, the compliance department will provide advice as to how that conflict might best be addressed in order to mitigate any legal, regulatory or reputational risks for Octopus. Compliance is required to remain strictly neutral when advising on the management of conflicts.

## **Monitoring and reporting**

From time to time, Octopus undertakes reviews to check whether staff members are complying with its conflicts of interest policy and procedures. Compliance regularly monitors staff dealing activities; investment management activity, and the firm's systems and controls are subject to periodic review and audit. Management information relating to identifying and managing conflicts of interest is reported to, and considered by, the Risk and Compliance Committee.