



招商銀行
CHINA MERCHANTS BANK

Conflicts of Interests Summary

China Merchants Bank London Branch

The summary of our Branch Conflict of Interests Policy below outlines how we will identify and manage actual and potential conflicts of interest that may arise through the provision of services to you.

Introduction

China Merchants Bank London Branch (the "Branch") is a UK establishment of CMB incorporated in China. The Branch was established in October 2016. CMB is authorised and regulated by the China Banking and Insurance Regulatory Commission, and subject to regulation by the Financial Conduct Authority, and limited regulation by the Prudential Regulation Authority.

As a global organisation providing a diversified range of financial services to a broad range of customers and counterparties or companies with whom it has an association, CMB may from time to time have interests which conflict with its customers' interests. These include conflicts arising between the interests of CMB, its associates, management, employees and their affiliated persons on the one hand and the interests of its customers and counterparties on the other and also conflicts between one customer and another.

The Policy

The Branch has adopted a Conflict of Interests Policy ("Policy") to address actions or transactions with or within the CMB Group that may give rise to actual or potential conflicts of interest. The main purpose of this Policy is to manage the conduct risk arising from the various conflicts of interest present within the Branch by promoting the ethical handling by CMB's employees of actual, apparent or perceived conflicts of interest between employees, CMB and CMB's customers. This document aims to summarise the key aspects of that Policy.

This Policy defines the steps that the Branch undertakes to identify, prevent, manage and/or disclose conflicts of interest when providing various banking and insurance administrative services.

Identification of Conflicts

The following are universally applied definitions for conflicts of interest:

- A real conflict of interest occurs when an employee's personal, financial or other interests actually compromise, influence or affect the performance of their official duties or their employment.
- An apparent conflict of interest occurs where it appears a conflict of interest has arisen, irrespective of whether or not a conflict of interest actually exists.
- A personal interest is an interest that does not arise from the performance of an employee's official duties, or employment with CMB and may include but is not limited to, that of family members.
- A non-financial conflict of interest is a conflict that occurs between an employee's personal interests and the performance of their duties or employment with CMB. It includes but is not limited to:
 - Conflicts arising out of relationships based on common interests, for example sporting, social, cultural or political activities as well as family, sexual or other relationships.
 - Non-financial conflicts of interest may include patronage, favouritism, cronyism or nepotism.
- A financial conflict of interest is where an employee's financial affairs conflict with their official duties of employment with CMB London. It includes but is not limited to, conflicts arising out of directorships, shareholdings including the buying and selling of securities, real estate, assets or the acceptance of outside employment or gifts.
- A financial interest includes all the employee's financial affairs, including but not limited to, any outside employment activity, directorships, memberships, trusteeships, partnerships, share or interests holdings including buying and selling of securities, real estate, assets, trusts, the acceptance of outside employment or gifts.

Conflicts Management

We employ a number of techniques to identify and to prevent or manage Conflicts including:

- A conflicted interests component within the financial crime risk assessment process;
- An ethical code which includes an employee obligation of discretion and confidentiality with regard to any information related to customers, aimed at ensuring fair and equitable treatment of its customers;
- Processes to ensure that all employees act in accordance with the Branch's ethical code and respect professional obligations and regulatory requirements;
- Processes seeking to ensure transparency with regard to the external interests of employees both in the context of their professional duties and when acting in a private capacity;

- A hierarchical management structure ensuring the separation of function and physical separation of activities where there may be a conflict of interest aimed at preventing any undue passing of confidential information. This ensures that decisions in a particular operational area are taken as matters of independent judgement without knowledge of or regard to, the wishes, intentions, interests or the confidential information in the possession of any competing or conflicting operational areas;
- Information barriers designed to isolate the Branch's various areas of confidentiality restricting the flow of confidential information to the extent necessary in the ordinary course of business, from one pre-defined business area to other parts of the business (exceptions require special approval) and improper access to customer information allowing other areas to make independent business decisions without access to that confidential information. The areas that have been defined as areas of confidentiality include proprietary trading, customer dealing, financial analysis, any investment business and lending;
- The training of its employees on a periodic basis with regard to the requirements of this and other internal compliance policies;
- Record keeping through notification of the dealings of employees;
- A register of the activities for which conflicts of interest have arisen or are susceptible to arise;
- Restricted lists in order to, inter alia, impose business restrictions where required;
- Monitored / watch lists to review dealings in the securities of companies that are considered sensitive in respect of which the Branch may have inside information and to prevent any misuse of information;
- Telephone recording of relevant telephones;
- Transparency with regard to the giving and receiving of inducements including disclosure requirements; NB, procedures on the acceptance of gifts and entertainment are contained elsewhere within the compliance manual and are designed to ensure that decisions are based on a proper commercial evaluation and not the promise of gifts or entertainment. In short, the Branch's employees are not permitted to request or accept, for themselves or for their relatives, payments or other benefits which might affect their independence;
- Remuneration arrangements that are designed so as to ensure that the remuneration of employees is not directly connected with payments made to, or income generated by, other employees whose activities are in a conflict of interest with activities of the former;
- Through monitoring, the quality and adequacy of services provided by external companies;
- A process of informing customers in relation to any transaction, where the measures implemented do not provide a reasonable degree of certainty that the risk of a conflict of interest leading to a customer's interests being adversely affected will be avoided.

Use of Disclosure

When considering the possibility of conflicts of interest, the customers' interests must take precedence over the interests of the Branch and our employees. If a conflict of interest cannot be prevented, despite the Branch's systems and controls designed to do so, then the Branch's senior management must resolve the conflict of interest in the interest of the customer.

In some cases, the Branch's systems and controls may not be sufficient to ensure that a potential conflict of interest does not damage a customer's interests. In these circumstances as a last resort, the Branch may consider it appropriate to disclose the potential conflict of interest to the customer and obtain the customer's formal written consent to proceed.

Disclosure must not be used as an excuse for the Branch not mitigating the conflict as a first option.

The Branch must ensure that in disclosing an interest to a customer the Branch should disclose to the customer in writing:

- any material interest or conflict of interest it has or may have, whether generally or in relation to a specific transaction
- the general nature of the conflict
- the source of the conflict
- the steps taken to mitigate the risks arising from the conflict

before it enters into the transaction and be able to demonstrate that it has taken reasonable steps to ensure that the customer does not object to that material interest or conflict of interest.

However, the Branch may decline to act in any circumstance where there remains a residual risk of damage to the interests of any customer.