

# **Bank of America Merrill Lynch Policies for Managing Conflicts of Interest in Connection with the Production of Research**

## **1 Introduction**

This document, which is made available in compliance with the requirements of the U.K. Financial Conduct Authority (the “**FCA**”) and the Australian Securities & Investments Commission (“**ASIC**”), summarises certain policies (together, the “**Policy**”) adopted by Bank of America Merrill Lynch<sup>1</sup> (the “**Firm**”) for the purpose of ensuring that research produced by its Research Analysts is impartial, independent, fair, clear and not misleading. In particular it identifies policies intended to promote the integrity of research prepared by Bank of America Merrill Lynch’s Global Research department (the “**Research Department**”) including those designed to ensure the identification and avoidance, management or disclosure of conflicts of interest in connection with the production of research.

The production of research in individual jurisdictions may also be subject to additional local regulations and restrictions.

Throughout this document references to “**Investment Banking**” include the Firm’s Global Corporate and Investment Banking, including Mergers & Acquisitions, Equity Capital Markets and Debt Capital Markets. “**Research Department**” includes all Equity and Fixed Income Research.

## **2 Purpose, Content and Objectivity of Research**

All research published by the Research Department is required to be impartial and to be produced in conditions where conflicts that might impact on the objectivity of the research are properly managed.

Research opinions must reflect, at any given time, the Research Analyst’s independent and objective assessment of the prospects of a company and the appreciation potential of its securities. A reasonable basis must support all opinions and recommendations. Research Analysts are required to follow securities under their coverage on a regular basis and to keep current their investment recommendations and views.

<sup>1</sup> Bank of America Merrill Lynch includes Merrill Lynch International and its affiliates.

Research Analysts are required to observe high standards of integrity and ethical behaviour and to act at all times in the interests of investing clients of the Firm.

Research Analysts are required to report to Research Management and/or the Legal and Compliance Departments any attempt to influence the Research Analyst's view.

No other employee of the Firm may produce outside of the Research Department anything that could reasonably be regarded by clients as research, without approval from Compliance.

### **3 Identification of Conflicts**

The principles based approach requires that firms are responsible for identifying and managing any conflicts of interest arising in their business that may give the appearance that research produced by the Firm's Research Analysts is not impartial.

The Firm's policies in this regard include:

- (a) the provision of internal guidance and training on the identification of possible issues of conflicts of interest as and when they arise;
- (b) escalation procedures for ensuring that issues identified are referred to and considered at the appropriate level within the Firm;
- (c) the Firm's Control Room monitors potential conflicts of interest arising in connection with the publication of research in the periods before, during and after Investment Banking transactions;
- (d) editorial guidelines and procedures for supervisory and compliance review of research prior to publication;
- (e) the Research Department's Research Recommendation Committee is required to approve all equity investment ratings changes.

Further, the Firm has in place policies to regulate the flow of information between and within business groups. Such policies include:

- (a) physically restricting the access of Investment Banking employees to the Research Department;
- (b) requiring that any research product is produced within the Research Department and so away from Investment Banking, Sales and Trading and other Firm business groups;

- (c) having arrangements including “Information Walls” and other information barriers to stop and control the flow of information between the Research Department and other parts of the business; and
- (d) monitoring and surveillance procedures to ensure proper functioning of Information Walls and information barriers.

#### **4 Supervision and Remuneration of Research Analysts**

Research Analysts are compensated only for those activities and services that are intended to benefit the Firm’s investor clients. Research Management has the exclusive responsibility for determining Research Analysts’ compensation. In addition, the compensation of Research Analysts is subject to review and approval by a Compensation Committee that reports to the Board of Directors of Merrill Lynch, Pierce, Fenner & Smith Incorporated and that does not have management responsibilities or include members of Investment Banking or principal trading activities.

Research Analysts are not supervised by, and do not report to, Investment Banking or Sales and Trading personnel. Furthermore, Investment Banking personnel and principal trading personnel may not have any input into the evaluation and compensation of Research Analysts. Research Management and members of the Compensation Committee are prohibited from soliciting or receiving views or otherwise asking Investment Banking personnel or principal trading personnel to approve Research Analysts’ compensation. In addition, neither Research Management nor the Compensation Committee may consider a Research Analyst’s contribution to Investment Banking businesses or revenues in determining, reviewing or approving Research Analysts’ compensation. A Research Analyst’s contribution to the Firm’s derivatives business or the revenues or success of specific principal trading or sale transactions also may not be considered when determining the compensation of a Research Analyst.

Factors that may be taken into account in determining a Research Analyst’s compensation include:

- the Research Analyst’s overall performance of job duties, abilities and leadership;
- the quality of the Research Analyst’s research and performance of his or her recommendations;
- the Research Analyst’s productivity;
- surveys and other input from investor clients; and
- surveys and input from the Firm’s institutional sales, trading and private client divisions.

In addition, a significant proportion of compensation for Equity Research Analysts principally engaged in analysing and recommending specific equity

securities is based on quantifiable measures of the quality and accuracy of the Research Analyst's research and analysis in respect of such securities, including the performance of the Research Analyst's ratings and any price targets.

Investment Banking and principal trading personnel may not have input or otherwise influence the budget for the Research Department and revenues or results or potential revenue or results of the Investment Banking department or specific revenues or results from principal trading may not be considered by the Firm in determining the budget. The revenue and results of the Firm as a whole may be considered.

## **5 Restrictions on Research Analysts' Activities**

Research Analysts are restricted from activities that could prejudice, or appear to prejudice, the independence of their research but are otherwise free to use their expertise for the benefit of the Firm's investor clients.

Research Analysts are not permitted to participate in solicitations for Investment Banking business including participating in sales pitches or otherwise participate in activities that could reasonably be considered a solicitation of Investment Banking business.

No Research Analysts may participate in a road show or other client marketing event (including conference calls) related to an Investment Banking transaction that is sponsored or attended by the issuer or Investment Banking personnel.

Research Analysts are able to organise and participate in meetings with investor clients including participating in investor education meetings in connection with offerings of securities underwritten by the Firm provided that no member of Investment Banking may participate in any such meeting.

Research Analysts are permitted to interact with Investment Banking, Sales and Trading and other divisions of the Firm provided that certain communications between Research employees and Investment Banking personnel that may present a conflict of interest have to be pre-approved by Compliance and, in the discretion of Compliance, may require to be chaperoned.

Research Analysts are also otherwise restricted from roles which could prejudice, or appear to prejudice, the independence of their research or conflict with their duties to the recipients of their research. Research Analysts are not permitted to serve as officers or directors of companies under their coverage.

## **6 Inducements and Inappropriate Influences**

No employee of the Firm may promise, imply, communicate or offer a favourable or specific research rating or price objective in exchange for the awarding of an Investment Banking transaction or as consideration or inducement for the receipt of compensation or other business.

No Research Analyst may change any research recommendation as a result of the subject company's decision not to retain the Firm for Investment Banking or other services.

Research Analysts may not accept or receive compensation, gratuities or any other form of remuneration to make a specific recommendation or express a particular view in a research report or public appearance.

The lead Research Analyst is required to certify in each research report that:

- (a) the views expressed in the report accurately reflect his or her personal views about any and all of the investments or issuers to which the report related; and
- (b) no part of the Research Analyst's remuneration was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the research report.

## **7 Timing and Dissemination of Research reports**

Research reports and other commentary are required to be simultaneously disseminated to the sales force and clients.

The timing and content of pending research reports, recommendations, estimates and price objectives and decisions to issue research reports or comments may not be disclosed by any means to anyone, either inside or outside of the Firm, until the information is disseminated in the appropriately prescribed manner. Draft research reports (other than pre-deal research reports in jurisdictions where such pre-deal research is permissible - see Section 11 below) are not provided to, nor reviewed by, the company or by Investment Banking or Sales and Trading personnel but Research Analysts are permitted to check individual facts with companies before publication.

Where the Firm has a significant role in an offering of securities, in addition to complying with any restrictions on the distribution of research reports imposed by applicable laws, the Firm's policy is in general to restrict publication of research relating to an issuer. The decision whether to

impose such a restriction and, if so, the nature, timing and length of restriction appropriate is made by the Legal and Compliance Department in consultation with external legal advisers.

## **8 Coverage Decisions**

Research Management has the exclusive authority to determine whether to initiate, continue or terminate coverage with respect to issuers and securities. In making coverage decisions the interest of the Firm's investor clients is paramount.

Decisions as to whether to initiate, continue or terminate coverage, reside solely with Research Management. The Firm has adopted a policy that neither the Firm nor any of its employees may, directly or indirectly, retaliate against, or threaten to retaliate against, any Research Analyst for the dissemination of a research report or other commentary because such research contains adverse, negative or otherwise unfavourable recommendations or opinions concerning an issuer, security or markets that may adversely affect the Firm's Investment Banking or business relations with the subject company or issuer.

With regard to the production of pre-deal research (see section 11), the timing of publication will be dictated by the timetable for the transaction as well as the Firm's policy regarding the imposition of quiet periods prior to the commencement of the issuer's marketing of the transaction.

## **9 Disclosure of Interests**

The Firm research contains certain disclosures as required by various regulatory requirements. These disclosures include:

- an explanation of the rating system used by the Firm;
- whether the Firm has received compensation from the covered company for investment banking services in the past 12 months;
- significant holdings of the Firm, holdings (if any) of the Research Analyst or connected persons in the securities which are the subject of the research and all other material conflicts;
- certain business relationships between the Firm and companies referred to in research reports;
- directorships or other material relationships of individual officers of the Firm with companies referred to in research reports; and
- whether the Firm acts as a market maker in the securities of companies referred to in research reports.

**10 Research Analysts' personal interests and personal account dealing**

All securities transactions and investments by Research Analysts must be pre-cleared by Compliance. Research Analysts are not permitted to engage in securities transactions in their sector of coverage or otherwise deal in a way where such transaction would constitute a conflict of interest with their production of research.

**11 Pre-Deal Investor Education Research and Vettings**

The role of a Research Analyst in connection with a securities offering is to educate the market in respect of the transaction and to provide independent pre-deal research (subject to local regulations) for this purpose.

Pre-deal investor education research is produced only outside of the United States and is not distributed in the United States or any other jurisdictions in which its production would be inconsistent with local regulations.

The preparation and publication of pre-deal investor education research is subject to the same rules and procedures as any other research in that any pre-deal investor education research will be impartial research and must represent the independent views of the Research Analyst.

Subject to local regulation, issuers, counsel to the issuer, underwriter's counsel and Investment Banking personnel may review factual portions of draft pre-deal investor education research reports only to verify the factual accuracy and consistency of the report with the prospectus or offering circular, provided that all comments are provided to the Legal and Compliance Departments and not directly to the Research Analyst.

Subject to local regulation, the Firm generally requires Research Analysts to vet a proposed equities securities offering in connection with determining whether the transaction is appropriate for its investing clients before the Firm commits to underwriting any such securities offering. All discussions between Research Analysts and Investment Banking personnel in respect of the vetting or review of a potential transaction have to be pre-approved by Research Management and chaperoned by Compliance.