

Conflicts of Interest Policy

Cardano Risk Management Limited



September 2017 Summary

Conflicts of Interest Policy (The “CIP”)

1. Purpose

The purpose of the CIP is to ensure that conflicts of interest within the Cardano UK business (“Cardano”) are identified, managed, and where necessary disclosed in order to ensure the fair treatment of clients and to reduce the risk of legal liability, regulatory censure or damage to Cardano’s commercial interests and reputation. The conflicts of interest policy identifies actual and potential conflicts arising within Cardano and procedures for managing those conflicts. Everyone in Cardano (including contractors and any other person directly or indirectly linked to us by control) involved in the provision of investment services to Cardano’s clients must adhere to the policy.

2. Regulatory Background

Cardano is required to manage conflicts of interest fairly. When we have, or may have, a conflict of interest between ourselves and our client, or between one client and another client, we pay due regard to the interests of each client and will manage the conflict of interest fairly.

3. Definition of a Conflict of Interest

A conflict of interest is a situation where competing obligations or motivations result in, or are likely to result in, one of the following outcomes:

- A client is disadvantaged/makes a loss when Cardano (including its employees, agents, contractors or any person directly or indirectly linked to Cardano by control) is at an advantage/makes a gain or avoids a loss;
- A client makes a gain/avoids a loss when another client makes a loss/is disadvantaged; or
- Any instance in which activity by Cardano in one situation may compromise Cardano’s advice or create a perception that its advice may be compromised and therefore limit its ability to act in another situation.

4. What are the Parameters of the Conflicts of Interest Policy?

Cardano has established and implemented the CIP which is appropriate to the investment services that Cardano provides and taking into account its client base.

The CIP takes into account any circumstances, of which Cardano is or should be aware, which may give rise to a conflict of interest arising, including as a result of the structure and business activities of the other members of the Cardano Group.

5. Identifying Conflicts

Cardano is required to take all appropriate steps to identify actual and potential conflicts of interest that may cause a material risk of damage to the interests of a client.

When considering whether a conflict of interest does, or has the potential to exist, the following will be taken into account as appropriate:

- Is Cardano likely to make a financial gain, or avoid a financial loss, at a client’s expense?
- If Cardano is providing a service to the client, does Cardano have 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 separate and distinct from the client’s interest in that outcome?
- Does Cardano have a financial or other incentive to favour the interests of one client (or group of clients) over the interests of another client?

- Does Cardano carry on the same business as the client?
- When providing a service to a client, does Cardano receive or will it receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard fee for that service?

Each person in Cardano involved in providing investment services to clients must be aware of potential conflicts of interests. Potential conflicts of interest should be considered, particularly, in the context of:

- the launch of a new service, activity or product;
- the expansion of the client base to include new and differing types;
- change in regulation and/or market practice; or
- current and previous employment and other interests of a colleague and their close family members.

All employees are required to be alert to potential conflicts and provide full written information on any actual or potential conflicts that they are aware of to the Compliance Officer, including potential conflicts due to positions held by family members.

6. Examples of Conflicts of Interest

This list is not exhaustive and provides a few examples of conflicts and measures to manage them.

i. Interests in Competitors, Clients or Suppliers

Except with the approval of the Compliance Officer, no person shall serve as an employee, officer, director, or trustee of, or have a substantial interest in or business relationship with, a Cardano competitor, client, or supplier (other than any affiliate or parent) that could create a divided loyalty or the appearance thereof.

At any time during employment, a colleague must disclose to their Team Leader if employment or another position held currently or previously, by the employee or a close family member creates a potential conflict of interest. In such situations, the Team Leader and the relevant Partner will determine whether or not the employee can continue to act. Advice from the Compliance Office will be sought as required.

ii. Inducements

Employees must not offer to give, or solicit, or accept any inducements in the course of carrying on regulated business which is likely to conflict with any duties owed to clients. Before offering or accepting gifts or entertainment the Inducements Policy must be consulted.

iii. Interest in Transactions and Personal Account Dealing

No person shall engage in any transaction involving the Cardano Group if they or a member of their immediate family including spouse and children (or any other compromising relationship) has an interest in the transaction or can benefit directly or indirectly from the transaction (other than through the employee's normal compensation), except as specifically authorised in writing by the Compliance Officer.

Employees must comply with the Personal Account Dealing Rules at all times.

iv. Diversion of Business Opportunity

No person may acquire, or derive personal gain or profit from, any business opportunity or investment that comes to their attention as a result of their association with Cardano, and in which they know Cardano might reasonably be expected to participate or have an interest, without first disclosing in writing all relevant facts to Cardano, offering the opportunity to Cardano, and receiving specific written authorisation from the Compliance Officer.

v. Outside Employment and Business Interests

Outside employment and business interests outside the scope of the contract of employment or contract for services with the Cardano Group are not permitted unless specifically approved in advance by a Team Leader. Where the additional employment is within the financial services sector, employees should discuss their proposals with their Team Leader and the Compliance Officer who will grant approval on a case by case basis. It is not permitted to participate in outside employment or business interests outside the scope of employment/services, including personal investments, which interfere with work or which may put personnel in a position of conflict with the interests of clients or the Cardano Group.

vi. Remuneration

Conflicts may arise where there is a direct link between the remuneration of persons principally engaged in one activity and the remuneration of, or revenues generated by, different persons principally engaged in another activity. The Cardano Remuneration Policy ensures that there is no such direct link.

vii. **Influencing Stewardship Activity of Managers**

Cardano could find itself in a position of conflict when giving a view on or recommending specific stewardship activity by a manager in respect of an investee company that is linked to a client of Cardano. Cardano assesses stewardship activity on a retrospective basis and while Cardano does encourage managers to exercise active stewardship of investee companies, Cardano will not usually attempt to influence a specific stewardship decision of a manager. If this situation were to arise, it would be escalated to the Compliance Officer to oversee management of the conflict which will attempt to ensure the best outcome for the investors.

7. Managing Conflicts

Conflicts of interest, once identified, must be managed in a way which ensures that clients' interests are not adversely affected. This means that the conflict should be managed in such a way that all clients are treated fairly and Cardano conducts its business with integrity and according to proper business standards.

The following types of control are examples of those suitable for managing conflicts of interest.

- I. Control of information: preventing/controlling the exchange of information between opposing sides of a conflict of interest e.g. by establishing a Chinese wall;
- II. Separate supervision: subjecting individuals on opposite sides of a conflict of interest to separate supervision.
- III. Removal of remuneration links: removing direct links between the remuneration of individuals on opposite sides of a conflict of interest.
- IV. Control over inappropriate influence: preventing the inappropriate influence of one individual over another e.g. where the person who decides or influences an individual's bonus may exert undue influence over that individual's integrity of judgement
- V. Segregation of duties: preventing/controlling the involvement of individuals in simultaneous/sequential tasks.
- VI. Peer Review.

If the adoption or the practice of one or more of those measures and procedures does not ensure the requisite level of independence, Cardano will adopt such alternative or additional measures and procedures as are necessary and appropriate for those purposes.

Special attention should be paid to activities where Cardano or a person directly or indirectly linked by control to Cardano performs a combination of two or more activities where a conflict of interest could arise.

Where the arrangements made to manage conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client will be prevented, before undertaking business for the client Cardano must clearly disclose the conflict, providing a specific description which will include the general nature and/or sources of conflicts of interest to the client. This disclosure must also detail how it is intended to manage the conflict of interest.

The disclosure will be made in a durable medium / in writing and include sufficient detail, taking into account the nature of the client, to enable that client to take an informed decision with respect to the service in the context of which the conflict of interest arises.

While disclosure of specific conflicts of interest is required, an over-reliance on disclosure without adequate consideration as to how conflicts may appropriately be managed is undesirable. The purpose of such disclosure is to give the client an opportunity to decide whether to continue with the relevant services.