

July 2017

## Statement of Policy

Kames Capital is committed to maintaining a control environment that is proportionate to the risks we face and effective in preventing or managing conflicts of interest, thereby ensuring that we protect the interests of our customers and treat them fairly. Our objective is to minimise conflicts of interest arising by aligning our interests with the interests of our customers

The Kames Executive Risk Committee is responsible for approving the Conflicts of Interest Policy, and individual Executive Directors are responsible for its implementation in their respective areas.

Senior management are responsible for establishing and maintaining procedures that support our Conflicts of Interest Policy and communicating this policy to all staff for which they have responsibility.

The Chief Compliance Officer has responsibility for monitoring conflicts.

All Kames employees should ensure that they are familiar and act in accordance with the Policy. Employees who observe conflicts of interest which are not being effectively managed should escalate these to their line manager or a member of the Regulatory and Operational Risk team.

## What is a conflict of interest?

A conflict of interest is any situation in which there are competing professional obligations, personal obligations or financial interests. They involve circumstances and arrangements which constitute or may give rise to a conflict between the firm's interests and a duty owed to the client or between separate interests of two or more clients.

As an asset manager which manages investments on behalf of more than one client and who conducts business with a number of different counterparties and third party providers who may themselves conduct similar activities on behalf of other clients, there are a number of inherent potential conflicts of interest which must be carefully managed and monitored. These include aggregation and allocation of trades across investment funds, personal account dealing by employees, the provision and receipt of gifts and entertainment, cross trading between funds and the payment of broker commission and duty of best execution

Kames have established Policies and Procedures for these key areas of potential conflict and there are strict controls and regular oversight to ensure they are appropriately managed

In determining if a conflict exists the following should be taken into consideration:

- Are we likely to make a financial gain, or avoid a loss, at the expense of the customer?
- Do we have an interest in the outcome of a service/transaction which is distinct from our customer's interest?
- Is there an incentive to favour the interest of one customer over another?
- Do we carry on the same business as the customer?
- When providing a service to a customer, does Kames receive any inducement from a third party for that service (other than the standard commission or fee)?
- Is there a risk that a personal conflict may prevent a member of staff from carrying out their role impartially?

In addition, Section 206 of the US SEC Investment Advisers Act imposes a fiduciary duty on Investment Advisers. The purpose of this duty is to eliminate conflicts of interest and prevent an adviser from overreaching or taking unfair advantage of a client's trust.

The Policy also takes into consideration any circumstances which may arise through business activity with the wider Aegon Group

The Conflicts of Interest Policy is reviewed annually and upon material change.

## Techniques used to identify, manage and mitigate potential conflicts of interest

- Scope of services and activities: Kames Capital do not trade for their own account, produce investment research or carry out corporate finance
- Clear segregation of duties between relevant functions
- Individual Authorities Framework
- Information barriers such as restricted stock lists and temporary Chinese Walls where required
- Reporting and challenging at control groups or other governance forums (Conflicts of Interest is a standing agenda item for all Control Meetings and the Kames Executive Risk Committee)
- Staff education and training
- Regular monthly monitoring and department reviews conducted by Kames second line R & OR
- Observation of director's duties under the UK Company Act 2006

In instances where we are unable to implement sufficient controls to prevent damage to our customers' interests we will disclose any conflicts to our customers. Disclosure will only be used as a last resort and will not be relied upon as an effective method of managing conflicts of interest. Any communication will be in a durable format and contain sufficient and clear information (taking into account the nature of the client) to enable the customer to determine if they wish to proceed with the service.

## Oversight

Our Conflicts of Interest Schedule details our potential conflicts of interest, along with the controls in place to effectively manage them.

Conflicts of Interest is an agenda item for discussion at each of Kames monthly Control Meetings and is considered as part of each review conducted by the Monitoring team. Regulatory and Operational Risk will review all Conflicts of Interest raised or captured and will report these to the Kames Executive Risk Committee where appropriate. Records of all conflicts captured will be maintained by the Regulatory and Operational Risk team

## Related policies

This policy operates in conjunction with, and is dependent on, other policies including:

- Chinese Wall Policy;
- Personal Account Dealing Policy;
- Non-Monetary Benefits Policy;
- Treating Customers Fairly Policy;
- Market Abuse Policy;
- Best Execution Policy (of particular note in this Policy is how Indirect Property deal with conflicts of interest);
- Broker/Counterparty approval procedure; and
- Aegon NV Code of Conduct.

## Contact points

Questions regarding this policy should be raised with any member of the Regulatory and Operational Risk Team.

## Requirements relating to Kames Capital as a 'management company'

Kames Capital must be structured and organised in such a way as to minimise the risk of either of the Funds' or another customer's interests being prejudiced by conflicts of interest between Kames Capital and our customers, between two of our customers, between one of our customers and either of the Funds, or between the Funds themselves.

Further, Kames Capital, as a 'management company', must try to avoid conflicts of interest and, when they cannot be avoided, to ensure that the Funds are fairly treated.

- As Kames Capital is a 'management company' (i.e. it is a management company as its regular business is the fund management of two UCITS, namely Kames Capital ICVC and Kames Capital Investment Company (Ireland) Plc) (together, the Funds), when identifying types of conflicts of interests, we must take into account
- The interests of Kames Capital (including those deriving from the performance of service and activities), the interests of our customers and the interests of, and duty of Kames Capital towards, the Funds.

### **Disclosure of conflicts of interest for a management company**

In instances where Kames Capital is unable to implement sufficient organisational or administrative arrangements to prevent damage to the interests of one of the Funds or of its shareholders, the Management Committee of Kames Capital must be promptly informed in order for them to take any necessary decision to ensure that in all cases Kames Capital acts in the best interests of that Fund.