

# Conflict of Interest Policy

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THE THOUGHTFUL INVESTOR

# THE CORPORATE AND GOVERNANCE STRUCTURE OF CASTLEFIELD

**Castlefield Partners Limited (CPL)** is the unregulated holding company of Castlefield Investment Partners (CIP)

**Castlefield Investment Partners LLP (CIP)** is an Investment Management firm offering advisory and discretionary management services. CIP manages money for individuals, charities and corporate clients and is widely recognised for its expertise in values led investment. Offering a pragmatic approach to investment, utilising our proprietary B.E.S.T investment methodology across the Thoughtful fund range.

CIP is an FCA-regulated entity. Castlefield is committed to identifying, monitoring and managing all actual and potential conflicts of interest that may arise.

CPL owns stakes in the shares of Capital for Colleagues plc (C4C).

At Castlefield, we have a focus on our clients' values and aspirations. Shared ownership and the fact that our employees and a grant-making charitable trust share in our business and profits, lie at the heart of our approach. Shared ownership encapsulates everything Castlefield is about – a complete dedication to working for the benefit of our clients. As such, the importance of acting in our clients' interest is paramount and remains our priority when engaging with companies and voting.

Under FCA's Principle for Business, Principle 8 (Conflicts of interest) we are required to pay due regard to the interests of each client and to manage any conflict of interest fairly, both between our firm and our clients and between a client and another client. The specific rules for dealing with conflicts of interest can be found under the Senior Management Systems and Controls (SYSC) rules which can be found at SYSC 10. The FCA's Principle for Business, Principle 12 (Consumer Duty) and the cross-cutting obligation to 'act in good faith' (PRIN2A.2) also have a bearing on how we identify and manage conflicts of interest in practice.

FCA Regulations require the firm to take all appropriate steps to identify, prevent or manage any such conflict of interest that may exist within the firm (including its managers, employees, appointed representatives, or any person directly or indirectly linked to the firm by control), between the firm and our clients, and between one client and another.

To prevent the risk of damage to client's interests as a result of any such conflict, we have in place various organisational and administrative arrangements to deal with potential conflicts of the type, disclosed in our Terms of Business agreement with our clients, and further detailed below.

## **Purpose of the Conflict of Interest Policy**

- a) To identify any potential circumstance which may give rise to conflicts of interest, and which pose a material risk of damage to client's interests;
- b) To establish appropriate mechanisms and systems to manage those conflicts; and
- c) To maintain systems in an effort to prevent actual damage to client's interests through the identified conflicts;

The senior management team fully supports this initiative and are committed to ensure that all conflicts between our firm and our clients, and between clients, are managed fairly with no party disadvantaged.

At least on an annual basis, our senior management team will receive a report providing details of the kinds of services or activities carried out by our firm in which a conflict of interest entailing a risk of damage to the interest of one or more client has arisen or, in the case of an ongoing service or activity, may arise.

In addition to complying with the FCA requirements we recognise that handling conflicts fairly is a fundamental element of good business practice and is required to assist in maintaining and developing our firm's business.

## **What is a Conflict of Interest?**

A conflict of interest arises when:

1. The firm's interest or the interests of its managers, employees or any person directly or indirectly linked to it by control, conflict with the duty it owes to our clients; or
2. The duties the firm owes to one client conflict with the duties it owes to another client in the course of providing regulated activities.

Examples of conflicts;

- a) Carries on the same business as a client;
- b) Receives or will receive from a person other than a client an inducement in relation to a service provided to the client, in the form of monies, goods or services, other than the standard commission or fee for that service;
- c) May hold positions and/or provide transactional related services for more than one client and such clients may have competing objectives in relation to a position or transaction;
- d) Exercises a right to vote in relation to a corporate action, the investment manager will apply judgement in considering the options available, which may reflect competing interests;
- e) May place money held on behalf of clients with a bank (in accordance with the relevant regulatory requirements) and earn and retain interest payments from such a bank;

- f) We or one or more of our partners or employees may have other business relationships with a company in relation to whose securities you are entering into a transaction e.g. as a client, director, employee, supplier, custodian or banker.

Conflicts of interest may therefore include but are not restricted to interests between:

- Our regulated entities and our clients;
- Our employees and our clients;
- Two or more different clients;
- Third parties and our clients;
- New services / products and our clients;
- Strategic changes and our clients.

We have sought to identify conflicts of interest that exist in our business and have put in place measures we consider appropriate to the relevant conflict in an effort to monitor, manage and control the potential impact of those conflicts on our clients. The conflicts identified are included in the table below:

Conflict situation	Examples	How we manage and prevent the conflict
Client Orders - In order to ensure clients are treated fairly, CIP's Order Execution Policy requires employees to take all sufficient steps to achieve the best overall trading result for clients.	On some occasions client orders may have a material effect on the relevant securities price.	CIP operates a 'no front running' policy whereby client orders will always take priority over orders for employees and business transactions are monitored to ensure adherence to this policy. A Fair Allocation Policy and a Personal Account Dealing policy is in place. We may combine orders with those received for the accounts of other clients (and exceptionally may combine with our own orders). Such aggregation may operate on some occasions to a client's advantage and on some occasions to their disadvantage. In any event where orders have been aggregated, they will be allocated to clients on the basis of a pre-existing formal and fair allocation policy.
Personal Account Dealing - The firm has procedures in	In carrying out the normal course of business,	Personal account deals are controlled by ensuring that all such deals which fall under

<p>place to ensure that the risks related to insider dealing are minimised and that employees don't profit from a financial transaction, either directly or indirectly, based on confidential information.</p>	<p>employees may learn confidential or proprietary information about its clients or other third parties. Employees may buy, sell or hold the same investments as our clients</p>	<p>scope are identified and approved by the compliance team prior to execution. Please refer to the Castlefield Personal Account Dealing and Inside Information Policy for further details. A register of individuals who have been subject to inside information is maintained. Front running is prohibited, and client orders take priority over a PA deal.</p>
<p>Employees, Co-owners, Partners, Directors and Agents of Castlefield are not permitted to accept inducements. Employees cannot accept gifts, entertainment or any other inducement from any person which might benefit one client at the expense of others when conducting investment business.</p>	<p>Employees, Co-owners, Partners, Directors or Agents of Castlefield are not permitted to place undue pressure on clients to persuade them to trade through the firm to the extent that this gives rise to a conflict of interest between that client and another client.</p>	<p>Employees are not permitted to accept gifts or inducements. Hospitality of a reasonable de-minimis value is permitted, such as food and drink during a business meeting or a conference, seminar or other training events. Castlefield consider the de-minimis value of £100.</p>
<p>Segregation of Duties - We strive to ensure that the performance of multiple functions by relevant persons does not and is not likely to prevent those persons from discharging any functions soundly, honestly and professionally. We have policies in place concerning the segregation of duties within the firm and the prevention of conflicts of interest.</p>	<p>An individual must not be able to commit the firm's assets or incur liabilities on its behalf.</p>	<p>We ensure that, in general, no single individual has unrestricted authority to do all the following:</p> <ul style="list-style-type: none"> <li>initiate a transaction; bind the firm; make payments; and account for it.</li> </ul> <p>The firm ensures that its relevant persons are aware of the procedures which must be followed for the proper discharge of their responsibilities.</p>

<p>Information barriers - We need effective procedures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a conflict of interest where the exchange of that information may harm the interests of one or more clients.</p>	<p>Such an arrangement is referred to as an information barrier and can include hierarchical separation and physical barriers between the activities likely to involve conflicts of interest, thereby aiming to prevent any undue transmission of information;</p>	<p>Castlefield operates access control to folders between certain business areas.</p>
<p>Remuneration and bonus structures are designed so as not to create any incentive for a partner or employee to act contrary to a client's interests.</p>	<p>An employee should not be incentivised to act in such a way that may disadvantage a client for their own benefit.</p>	<p>Remuneration and incentive schemes are designed to:</p> <ul style="list-style-type: none"> <li>• Promote sound and effective risk management</li> <li>• Ensure conflicts of interest are effectively managed</li> <li>• Encourage responsible business conduct</li> <li>• Be consistent with the firm's culture and values</li> <li>• Provide good outcomes for clients.</li> </ul>
<p>Investment in Castlefield funds.</p>	<p>Segregated client portfolios and the CFP Thoughtful Portfolio funds (Growth and Income) may be invested in Castlefield single strategy funds.</p>	<p>Where a discretionary client is invested in a Castlefield Fund, the annual management charge due from such investments is taken into account for calculating the annual management fees that will be retained by CIP to avoid the possibility of double charging.</p>
<p>Investment in Capital for Colleagues (C4C). The portfolio of C4C is managed collectively by the C4C board. C4C is a separate investment business that happens to support employee-owned businesses.</p>	<p>Capital for Colleagues plc is a quoted company focused on advising, investing in and supporting the growth of businesses that are or want to become employee owned.</p>	<p>Information barriers exist between CIP and C4C.</p> <p>A decision to invest in C4C on behalf of Castlefield clients will be at the discretion of the investment team.</p>

## **Managing & disclosing conflicts**

CIP has measures in place for dealing with conflicts which are designed to ensure that relevant persons engaged in different business activities involving a conflict of interest carry on those activities at a level of independence, appropriate to the size and activities of the firm and of any group to which it belongs and to the of the risk of damage to the interests of clients.

### **Examples of procedures for managing conflicts include:**

- Effective procedures to regularly review the distribution arrangements of the products and/or services the firm manufactures and/or distributes to ensure that they support a proper management of conflicts of interest. CIP operates a Products and Services Committee (PSOC) that meets periodically throughout the year.
- The separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the firm.
- The compliance officer is responsible for maintaining the conflicts register and reporting to the governing body.
- CIP has an advisory committee with independent members that aim to challenge investment decision making.
- We also prevent or manage conflicts of interest by the establishment and maintenance of internal arrangements restricting the movement of information within the firm. This requires information held by a person in the course of carrying on one part of our business to be withheld from, or not to be used by, persons with or for whom we act in the course of carrying on another part of our business. Such an arrangement is referred to as a 'Information barrier' and can include hierarchical separation between the activities likely to involve conflicts of interest, thereby aiming to prevent any undue transmission of information.
- Where, despite the above procedures we identify a conflict of interest which may present risks of damage to the interests of a client, we will clearly disclose, in writing, to the general nature and / or sources of conflicts and the steps taken to mitigate those risks, to the client before undertaking business with the client.

## **Disclosure of conflicts**

Where, despite the above procedures we identify a conflict of interest which may present risks of damage to the interests of a client, we will clearly disclose to the general nature and/or sources of the potential conflicts to the client before undertaking business with the client.

This disclosure will take place as follows:

The individual who oversees compliance within our firm will be advised of the potential conflict of interest in writing

We will advise our client in writing, of the potential conflict of interest and ask them to provide their written consent to proceed

The client's written consent along with the request will be passed to the individual who oversees compliance within our firm who can then provide approval to proceed as appropriate

Copies of both letters, together with the written authorisation to proceed will be retained on the client file

## **Declining to Act**

Where we consider we are not able to manage the conflict of interest in any other way we may decline to act for the client.

## **Other ways we manage conflicts:**

Our employees are required to disclose and, in most cases, must obtain approval for any outside business interest or employment. A compliance software system is used for this purpose and all co-owners are trained on the notification procedure

## **Review of Conflict of Interest policy**

This policy is reviewed periodically.

If a significant risk is identified, it will be escalated to the Board to determine how to manage the potential conflict in their business. Conflicts of interest are reviewed and discussed by the Board regularly and at least annually.