

The Richards Hogg Pensions and Life Assurance Scheme

Conflicts of Interest Policy

Trustees have a duty to act independently and in the best interests of the beneficiaries of the Richards Hogg Pensions and Life Assurance Scheme ('the Scheme'), but this does not preclude a Trustee from having other roles or responsibilities, which may result in a conflict of interest. Trustees must be able to identify actual or potential conflicts of interest and have procedures in place to monitor and manage them.

This Policy applies to the Board of Trustees (the 'Board'), the individuals appointed to the Board (the 'Trustees'), advisers and service providers appointed by the Trustees Scheme in-house officials. It aims to describe the circumstances that may give rise to a conflict of interest and the procedures for monitoring and managing conflicts, including the maintenance of a Register of interests ('the Register').

This Policy accords with the General Code of Practice and guidance issued by the Pensions Regulator in relation to the managing of conflicts of interest.

The Board has agreed to publish this Policy on the Scheme's website¹.

1. Objective

The Trustees have agreed that they will:

- Identify and acknowledge any potential conflict of interest they may have
- Be open and transparent with each other on any conflicts of interest they may have
- Adopt practical solutions
- Plan and agree on how they will manage any conflicts of interest that arise
- Identify and manage any third-party conflicts that may arise.

2. Procedures

2.1 Identifying conflicts

Trustees must be alert to the situations that may result in an actual or potential conflict of interest. A conflict of interest arises when a Trustee's judgement, deliberation or action is, or might be, clouded by their own separate personal interests or by a duty arising from another role that they hold. Trustees should also be aware of any perceived conflicts when, although their decision or activity is quite proper, it may appear to others (for example scheme members) to have been influenced, or to be open to influence, by other interests of or responsibilities held by the Trustee.

Trustees must also be alert to identifying any third-party conflicts – see section 5 below.

Appendix 1 sets out a (non-exhaustive) list of examples of conflicts of interest to serve as a **guide** for Trustees².

Individual Trustees should liaise with the Chair to help identify any potential conflicts of interest. Independent legal advice will be obtained if further clarification is necessary/The Chair will consult Secretary to the Trustees if further clarification is necessary.

The Chair should discuss their own potential conflicts of interest with the Secretary to the Trustees.

¹ <https://members.pensionpal.co.uk/RichardsHoggPensions>

² Trustees who are directors of the employer will also need to consider requirements of section 175 of the Companies Act 2006. This places an obligation on directors to avoid a situation where they have or can have a direct or indirect interest that conflicts, or possibly may conflict, with the interests of their company.

Where conflicts are unavoidable, the Trustees will take appropriate measures to mitigate and manage such conflicts in a manner that seeks to ensure that Trustees are not advantaged and that the Scheme is not adversely affected.

As described in section 2.4, conflicts of interest will be a standing agenda item for each Board meeting.

2.2 Declaration of conflicts of interest

Trustees have a responsibility to declare a conflict of interest in the manner set out in this Policy. They must also declare any gifts or hospitality received in their capacity as Trustee of the Scheme.

Some conflicts, due to their acute or pervasive nature, cannot be managed; therefore, it may be more appropriate to withdraw from discussions and all related decisions (for example decisions involving funding negotiations where the Trustee is also the finance director of the sponsor) or to resign.

Independent legal advice will be obtained where a non-trivial conflict of interest is identified and where such a conflict could have the potential to be detrimental to the conduct or decisions taken by the Trustees, to help decide the best approach to manage or avoid the conflict. Trustees may also obtain advice from other independent advisers to help manage a conflict.

Where one or more members of the Trustee board has a serious conflict that is not possible to manage or avoid, the Trustees might decide to apply to the courts for approval of a decision or to surrender discretion to the court.

Trustees should be aware of the circumstances, for example a requirement to report a breach of law, which override certain other duties as Trustees.

2.3 On appointment

On appointment or on the effective date of this Policy, if later, all Trustees will be provided with a copy of this Policy and be required to agree to comply with it. As part of this process, Trustees will be required to declare (or review and update previous declarations of) any interest as prescribed by this Policy and submit this to the Secretary to the Trustees. The declaration will be added to the Scheme's Register and managed in accordance with the paragraph below

The Secretary to the Trustees will be responsible for ensuring that all declarations of interest on appointment are recorded on the Scheme's Register of Interests as soon as reasonably practicable.

Consideration will always be given as to whether it is appropriate to appoint a Trustee who is likely to face a conflict of interest while performing the role of Trustee. This is particularly so where the conflict is so acute or pervasive in nature that it would be better avoided than managed once the Trustee is in place.

2.4 Board meetings

Trustees who feel that they may be conflicted on a particular subject (or feel that another Trustee, or other invited attendee of a meeting has a potential conflict of interest) must advise the Chair prior to the meeting, where possible and as soon as practicable. The Chair will consult with the Secretary to the Trustees before deciding on the action required and update the other Trustees of the Board. In most instances, where a conflict is identified, the individual will be asked to withdraw from the discussion on that particular issue.

Trustees who have been unable to report a potential conflict prior to the Board meeting must raise this at the start of the meeting (conflicts of interest will be a standing agenda item). The Chair and the other non-conflicted Trustees will discuss and agree on what action may be required with regard to any issue declared or identified. If necessary, this may involve a vote to determine whether a conflict exists (with a simple majority required). The individual will be asked to withdraw from this voting. In most instances, where a conflict is identified, the individual will be asked to withdraw from the discussion on that particular issue. The final decision on the appropriate action rests with the Chair.

Where the Chair is conflicted (or feels that another Trustee, or other invited attendee of a meeting has a potential conflict of interest), it must advise the Secretary to the Trustees prior to the meeting, where possible and as soon as practicable. The Secretary to the Trustees will discuss and agree with the other non-conflicted Trustees on the appropriate action (as described above).

The Chair will consider the circumstances of the conflict and the actual risks the conflict poses, as well as the legal rules governing the scheme. If necessary, the withdrawing Trustee will be asked to first share information that is relevant to the decision before further discussion takes place and /or voting takes place between the Chair and the remaining Trustees.

The withdrawing Trustees will be informed of decisions made during the meeting by the Chair or Secretary to the Trustees.

The Secretary to the Trustees will record the nature and extent of the conflict of interest, an outline of the discussion/decision-making process and the actions taken to manage the conflict in the meeting minutes. The Secretary to the Trustees will then cross-reference this with the Register and update it if necessary.

Company issues or proposals covered at Board meetings may be presented by a company representative who is not a Trustee. Any trustee wishing to speak from the Company's view (or that of another organisation or as a member of the Scheme) must state this clearly at meetings and have this recorded in the minutes.

2.5 Confidentiality and disclosure of information

The Secretary to the Trustees should aim to ensure that any conflicted Trustee/other conflicted attendee is not provided with information that enables them to obtain any advantage. In particular, the Secretary to the Trustees should check the Register and take any other reasonable steps to ensure that no information is sent to a Trustee/other attendee who may have a conflict of interest relating to that information.

The Secretary to the Trustees may consult with the Chair on whether certain information should be withheld.

2.6 Forward planning

Trustees are encouraged to take time to consider in the business plan process what key decisions may be made during the year ahead and determine whether there are any conflicts likely to arise. This will enable measures to be put in place to ensure that there is minimal disruption.

3. Register of interests

The purpose of the Register is to record conflicts and interests of the Trustees and appointed advisers and service providers (see Advisers and service providers, below) and Scheme in-house officials to the Scheme.

- It is each Trustee's responsibility to inform the Secretary to the Trustees as soon as practicable and no later than 14 days after becoming aware of any new interests, conflicts, or any relevant changes to the Register during the year
- At each Board meeting, the Trustees will be asked by the Secretary to the Trustees to review their own Register entry/entries and declare any changes or additions
- The Register will be formally reviewed annually by the Secretary to the Trustees, and each Trustee will confirm that the information contained in the Register is correct.
- Where deficiencies are reported, the Secretary to the Trustees will ensure that appropriate steps are taken to address the identified deficiencies.
- The Register will be updated by the Secretary to the Trustees and circulated to the Board ahead of every Board meeting. Review of the Register will be a standing item on the agenda.

The Register will be available to any Trustee on request and available to members on the Scheme's website.

The information provided by Trustees will be processed only for the purpose set out in this Policy and in accordance with applicable data protection laws.

4. Gifts and hospitality

It is possible that Trustees may be offered gifts and hospitality by third parties (such as service providers) as part of their activities. This policy does not prohibit a Trustee from accepting reasonable and appropriate gifts and hospitality in the normal course of events. However, Trustees must refuse any gift or benefit that could reasonably be expected to affect/influence the decision-making process in the interests of the Scheme's beneficiaries – or could be perceived to so influence.

All Trustees must comply with all applicable bribery prevention laws.

All Trustees must ensure that gifts and hospitality offered are declared to the Secretary to the Trustees and authorised by the Chair prior to their acceptance. Certain gifts and hospitality described below do not need to be declared or authorised. Where a gift or hospitality is offered without the opportunity for a Trustee to seek prior authorisation, the Trustee should consider whether the gift/hospitality being offered is appropriate in accordance with this Policy and declare the gift/hospitality within 14 days of the offer.

All gifts and hospitality offered and declared will be added to the register of gifts and hospitality, irrespective of whether they were accepted – see section 4.3 below.

4.1 Gifts

- Cash (or cash equivalent) should not be accepted but should be declared and registered.
- Gifts of value below £25 can usually be accepted without the need for declaration or authorisation, as long as they are occasional and not repeated offers
- Gifts of value above £100 should not be accepted but should be declared and registered.
- Guidance must be sought from the Secretary to the Trustees in relation to offers of gifts of value between £25 and £100 and, in any event, declared and registered.
- Gifts should not be accepted personally (giving rise to a tax liability) and should be passed to the Secretary to the Trustees.

Trustees may contact the Secretary to the Trustees for advice on whether gifts should be accepted, if necessary.

4.2 Hospitality

It may be permissible on occasions for Trustees to accept modest hospitality such as working lunches or other meals when official business is conducted, and it is a reasonable means of working effectively. Trustees may contact the Chair or Secretary to the Trustees for advice on whether such hospitality should be accepted and whether it is necessary to declare and register this.

Trustees must contact the Chair or the Secretary to the Trustees for advice on whether hospitality at a purely social, entertainment or sporting function should be accepted and, in any event, must declare and register such hospitality.

Any hospitality accepted should be considered to fall within normal business practice.

4.3 Register of gifts and hospitality

A register of gifts and hospitality that have been declared and offered to Trustees will be maintained by the Secretary to the Trustees, recording their nature and value, whether they were accepted and any action that was taken.

This register will be available for inspection at each Board meeting. It will be formally reviewed annually by the Secretary to the Trustees to ensure that it complies with this Policy and each Trustee will confirm that the information contained in the Register is up to date.

The Register will be available to any Trustee on request.

5. Advisers and service providers

Trustees appoint professional advisers to advise on matters relating to the Scheme. Appointments will be subject to whether the advisor or service provider has any actual or potential conflicts of interest.

The Secretary to the Trustee will also ensure that contracts and terms of appointment require all appointed advisers and service providers to operate their own conflicts policy and disclose all relevant conflicts to the Board in a timely manner. The Board will review this Policy with their advisers, as appropriate.

The Secretary to the Trustees will ensure that all appointed advisers and service providers make declarations of interests and conflicts at their appointment, and as they arise. The Scheme's Register will be updated and circulated by the Secretary to the Trustees to the Board at the next Board meeting after any changes occur.

All advisers will have a professional responsibility to inform the Secretary to the Trustees if any circumstances arise during the year in which they feel they are conflicted. These responsibilities and guidelines for dealing with them are also covered by the respective professional bodies which are not covered within this Policy.

Where the Trustees believe that any advice or service may be compromised, they will consider further measures to manage the conflict. This may include speaking to other advisers or providers, tendering for alternate advisers or providers and comparing products. All decisions and actions will be documented in the Register.

There may be circumstances where advisers are asked to give advice to the employer in relation to pension matters, but this can only happen where there is no conflict of interest. If there is a potential conflict of interest, the employer will appoint its own adviser(s). Advisers and service providers will be required to inform the Secretary to the Trustees in a timely manner if/when they tender for services to an employer. will then consult with Chair on the appropriate course of action and will inform the Board at the next Board meeting.

If carrying out transactions with related parties, Trustees will ensure transparency by complying with 'Financial Reporting Standard (FRS) 102 – Related Party Disclosures'. This aims to ensure that financial statements, including those for pension schemes, contain the disclosures necessary to draw attention to the possibility that the reported financial position and results may have been affected by the existence of related parties and by material transactions with them.

In-house pensions department

The senior management team of the in-house pensions department are all employed by the company and currently comprise of the following:

- Head of Compensation and Benefits
- Pensions and Benefits Assistant

The Pensions and Benefits Assistant works closely together with the Secretary to the Trustees and they liaise closely with the Trustees, the Trustees appointed advisers and the company's senior management. As such they are privy to a wide range of information and it is therefore important that they are included in the procedures adopted for managing conflicts of interest. The team has been structured so that the Scheme secretary provides the key support to the Trustees.

6. Policy breach

Trustees should contact the Secretary to the Trustees in the first instance to raise an allegation of a Policy breach. The allegation will be discussed with the Chair and the decision will be reported to the Board at the next Board meeting.

The individual may face disciplinary action, depending on the nature and severity of the breach.

The Secretary to the Trustees will obtain independent legal advice, where necessary.

Any Policy breaches will be recorded, alongside the decisions and actions arising.

7. Training

The Secretary to the Trustees will ensure that all Trustees understand any legal and regulatory requirements in relation to conflicts of interest and the procedures outlined in this Policy. Training will be provided for new Trustees on induction/within six months³ of appointment/employment. Refresher training will also be provided to all Trustees and in response to any relevant legislative/regulatory or Policy changes.

8. Policy review

This Policy and its procedures will be reviewed at least every three years, or sooner following any significant changes to the Scheme's governance arrangements to ensure they remain accurate and relevant. This Policy and its procedures will be updated in line with relevant legal or regulatory changes, evolving best practice, and ongoing review of its effectiveness.

The responsibility for the maintenance of this Policy rests with the Secretary to the Trustees.

Approved by:

Approved date:

Last review date:

Next review date:

Reviewed by:

³ 6 months should be considered the maximum period.

Appendix 1

Illustrative examples⁴

Role-related examples of when a conflict may arise:

- A Trustee's personal or family interests and/or loyalties conflict with those of the Scheme, or there is a perception of this conflict
- A Trustee is also a member of the Scheme⁵
- A Trustee is also a Trade Union or employee representative
- An individual is a Trustee of more than one scheme with the same sponsoring employer
- A Trustee's interests as a Trustee conflict with their corporate interests as an employee, especially if they hold a senior position
- A Trustee is also employed by a potential service provider to the Scheme
- A Trustee is a director of a service provider to the Scheme
- A Trustee is a significant shareholder in the sponsoring employer.

Situation-specific examples of when a conflict may arise:

- The sponsoring employer of a defined contribution scheme pays for administration but is seeking to reduce costs; this aim may diverge from the Trustees' objective to improve standards of administration (possibly at a higher price)
- The in-house pensions manager is responsible for providing services to one or more schemes, as well as advising the employer on confidential pensions related matters
- Investment decisions where an individual trustee may have shares or other financial interests in companies in which the trustees may wish to invest.
- Funding decisions which are unduly or inappropriately influenced by a Trustee who also holds a senior role within the employer – may become more relevant when the employer operates performance-related bonuses or incentives.
- Trustee involvement in corporate transactions involving the sponsoring employer, where the interests of the scheme as a creditor may diverge from the benefits accruing to other parties to the transaction.
- A Trustee who also holds a role within the employer is privy to sensitive information relating to the employer, which could have an impact or potential impact on the scheme.
- Where conversion terms for member options are under discussion, particularly those for commutation of pension at retirement; while trustees are likely to be motivated to ensure broad cost neutrality within the scheme, the employer may prefer and encourage conversion terms that lead to lower expected costs.
- Trustees approaching retirement may be motivated by favourable options to improve benefits at a personal level as opposed to considering the wider implications

There are two main types of adviser conflicts that may arise:

- An adviser may have a conflict of interest if they (or the same firm) is also advising the employer or, in certain circumstances, acting for another scheme or employer with whom the trustees are engaged eg an actuary, auditor or lawyer, and/or
- Advice provided by the adviser is biased due to financial or non-financial benefits derived by the adviser, or the adviser's firm.

⁴ Prior to publication of the General Code, TPR's website included detailed guidance on managing conflicts of interest. The above list is an extract from that guidance. Although the guidance has since been deleted, the above list remains relevant.

⁵ Section 39 of the Pensions Act 1995 provides that the rules of law on conflicts of interest shall not apply to a trustee, who is also a member of a pension scheme, exercising the powers vested in him in any manner, merely because their exercise in that manner benefits, or may benefit him as a member of the scheme; but that statutory provision does not offer protection in any other situations where conflicts of interest arise. This does not permit a trustee to act if the conflict would actually cause a Trustee to be swayed by improper or irrelevant considerations (for example where the conflict would result in a Trustee acting other than in the best interests of the beneficiaries).