

FIL UK Conflicts of Interest	Policy
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## **1 THE POLICY**

### **1.1 Policy Statement**

This Conflicts of Interest Policy (“Policy”) is prepared under the FIL Group (“FIL”) Conflicts of Interest Policy and addresses the obligations of FIL Holdings (UK) Limited (“FHLUK”), its subsidiaries carrying on regulated business (together “FIL UK”) to maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent conflicts of interest from constituting or giving rise to a material risk of damage to the interests of its clients. It applies to perceived as well as actual conflicts.

Where it is a fiduciary, FIL UK owes duty to its clients never to put itself in a position where its own interest results in an irreconcilable conflict with its duty to its clients or where its duty to one client results in an irreconcilable conflict with its duty to another client or clients.

FIL UK is also under a regulatory duty to manage conflicts of interest fairly, both between itself and its clients and between different clients.

To that end FIL UK will identify, record, manage and, where required, disclose actual or potential conflicts of interests and have in place a policy relating to conflicts of interest.

### **1.2 Ownership**

The maintenance of this Policy is owned by the Board of Directors of FHLUK. However, responsibility for the implementation of the Policy within their areas rests with the relevant senior management.

### **1.3 Scope of Application**

This Policy is applicable to, and requires implementation by, all business channel, investment management and support units of FIL UK.

### **1.4 Purpose**

The purpose of the Policy is to help ensure FIL UK’s compliance with its fiduciary and regulatory responsibility to always place the interests of its clients first and to manage conflicts of interest fairly.

### **1.5 Governance**

The FHLUK Board has overall responsibility for (i) the Policy, which is intended to ensure that FILUK manages conflicts of interest effectively and in compliance with FCA rules and the FIL Group Conflicts of Interest Policy, and (ii) maintaining and operating effective organisational and administrative arrangements with a view to taking all reasonable steps to identify conflicts of

interest and to prevent them from constituting or giving rise to an actual or perceived material risk of damage to the interests of clients.

The FHLUK Board has formed a committee (the “Conflicts Oversight Forum”) to assist the board with the implementation of this Policy and the ongoing monitoring of compliance with it. The role of the Conflicts Oversight Forum is to:

- review the steps taken by management to identify conflicts of interest in the FIL UK business;
- review exceptions and violations to this Policy and determine their materiality;
- receive management information on the extent of, and mitigation of, conflicts of interest in the FIL UK business;
- receive reports from senior management, Oversight and Internal Audit on the effectiveness of procedures for identifying and managing conflicts of interest;
- review the continued adequacy of the Policy; and
- report to the FHLUK Board.

Responsibility for the day-to-day effective implementation of the Policy within their respective areas of responsibility rests with senior management assisted by the Audit Committee, Internal Audit and other Oversight groups, as necessary or desirable.

## **1.6 Exceptions and Violations Management**

All exceptions to the Policy must be escalated to and approved by the Conflicts Oversight Forum prior to the implementation of the exception. Non-material exceptions to the Policy may be approved by any member of the Conflicts Oversight Forum, prior to the implementation of the non-material exception. All non-material exceptions must be notified to the respective boards. If the matter is material, or if there is doubt as to whether it is material, the matter will be considered by the Conflicts Oversight Forum and material matters escalated to the FHLUK Board. Exceptions will only be countenanced when to apply the Policy as written would result in client detriment or a breach of law, or regulation.

All violations of the Policy must be escalated to the Conflicts Oversight Forum. Non-material violations may be reported to a member of the Conflicts Oversight Forum. The Conflicts Oversight Forum will escalate material violations to the FHLUK Board.

An employee's failure to comply with this Policy may lead to disciplinary action.

## **1.7 Review and Revision of Policy**

This Policy will be reviewed by the Conflicts Oversight Forum at least annually to ensure compliance with regulatory requirements and expectations and consistency with other FIL group policies and standards and revised and updated as appropriate.

## **2 GUIDELINES**

The FCA rules require FHLUK to have an effective conflicts policy, whereby all reasonable steps are taken to identify, manage and/or disclose conflict of interest between itself and its clients, or between one client and another, that arise in the course of providing any investment or ancillary services.

This duty may be discharged if FHLUK and its directors, managers and relevant staff adhere to the guidelines set out below:

### **2.1 Identification of conflicts**

A conflict of interest may arise where there is a conflict between the interests of FHLUK or its employees and the duty FHLUK owes to a client or between the differing interests of two or more of its clients.

For the purposes of this policy, a conflict of interest may arise where competing obligations or motivations result in, or are likely to result in, material risk of damage to the interests of a client, including where:

- A client is disadvantaged or makes a loss when FHLUK is then advantaged or makes a gain (the firm v client conflict); or
- A client is disadvantaged or makes a loss when an employee makes a gain (individual v client conflict); or
- A client (or fund) makes a gain or avoids a loss when another client (or fund) thereby makes a loss or is disadvantaged (client v client conflict).

### **2.2 Management of conflicts - Principles**

The following principles apply to the management of conflicts of interest across FIL UK:

- client interests always come before those of FIL and its employees;
- FIL UK must share with or use for the benefit of each client all information that is relevant to their mandate, unless that information is subject to a condition of confidentiality or FIL UK is otherwise

restricted by law, or regulation from applying such information in this way;

- staff carrying on an activity involving a conflict or potential conflict must do so at a level of independence appropriate to the materiality of the risk of damage to the interests of clients (this may entail procedures to prevent the exchange of information, separate supervision etc.);
- FIL's organisational, administrative and remuneration structures should not incentivise behaviour that may lead to conflicts;
- all employees are responsible for identifying conflicts of interest to their senior management for consideration as to appropriate management actions and/or disclosure;
- there must be systems, controls and procedures to identify and monitor each type of conflict of interest and the management of them; and
- senior management is responsible for ensuring the systems, controls and procedures are sufficient for identifying and managing any conflicts of interest.

### **2.3 Management of conflicts - Key processes**

FIL will:

- maintain and operate effective organisational and administrative arrangements, including relating to the exchange of information, supervision, remuneration and revenue, undue influence and segregation of duty, with a view to identifying and preventing conflicts of interest from adversely affecting the interests of its clients;
- take all reasonable steps to identify conflicts of interest between (i) itself or any employee of FIL and its clients or (ii) one client and another;
- establish, implement and maintain an effective written conflict of interest policy;
- upon request, provide its retail clients with a description of the Policy which may be in summary form; and
- maintain records of the services and activities performed by it in which a conflict has arisen or may arise.

## 2.4 Staff Responsibilities

Staff must:

- never put their own interests above clients' interests;
- comply with the Code of Conduct, the Personal Trading and Price Sensitive Information Policy, and the Gifts and Entertainment Policy;
- follow procedures put in place under this Policy;
- draw conflicts or potential conflicts that are caused by their own situation ("personal conflicts"), and which are not otherwise subject to the reporting requirements of either the Code of Conduct, the Personal Trading and Price Sensitive Information Policy, and the Gifts and Entertainment Policy, to the attention of their manager and their local Ethics Office; and
- inform management if they become aware of new or changed conflicts or potential conflicts that are caused by the nature of FIL UK's business ("corporate conflicts").

## 2.5 Management Responsibilities

Management at each level in the organisation must:

- be fully engaged in conflict identification and management;
- take a holistic view of conflicts risk and conflicts mitigation across the full range of activities for which they are responsible;
- consider, for each conflict or potential conflict, whether it is possible to put in place sufficiently robust mitigating procedures to prevent the risk of damage to clients' interests:
  - if so, those procedures must be put in place, documented, maintained and periodically reviewed;
  - if not, bearing in mind the principles set out above, the activity concerned must not be undertaken or the conflict or potential conflict must be disclosed to clients;
- include the production of adequate management information (automated where practical) when preparing controls for the mitigation of conflicts of interest in their business;
- inform their local compliance department of new or changed conflicts or potential conflicts that are caused by the nature of FIL UK's business so that they may be entered on the UK conflicts of interest register;

- raise awareness and ensure compliance of relevant individuals by ensuring that they and the staff in their areas receive periodic training and that conflicts awareness forms part of the induction programme for new staff;
- clearly allocate responsibility and delegate authority to accountable individuals to ensure that those involved are aware of their involvement and that the individuals responsible for conflicts have a sufficient level of authority and independence in order to carry out his/her responsibilities effectively; and
- ensure that records relating to conflicts of interest management are kept.

## **2.6 Monitoring**

To fulfil its obligations and to enable proper implementation of the Policy, FIL UK has established systems to monitor the policies and procedures used to identify and manage conflicts of interest. Compliance and Internal Audit monitoring of each business area will include whether or not controls for identifying and managing conflicts of interest are operating effectively.

## **2.7 Disclosure**

If 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, then the activity concerned must not be undertaken or FIL UK must clearly disclose the conflict or potential conflict to the client before undertaking business for the client. The disclosure must be made in a durable medium 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.

Disclosure should not be seen as a first-line method by which FIL can manage a conflict of interest. Instead, disclosure should only be used where all reasonable steps to manage a particular conflict of interest are not sufficient to ensure, with reasonable confidence, that the risk of damage to the interests of a client will be prevented. Disclosure of conflicts of interest does not exempt FIL UK from the obligation to maintain and operate the processes and arrangements referred to above.

## **2.8 Record-keeping**

Appropriate records relating to conflicts of interest management must be kept for at least seven years. At a minimum, FIL UK should maintain the following records:

- Conflicts of Interest policy;
- Procedures or processes to manage conflicts of interest;
- Training material for relevant staff;

- Documentation of work carried out to identify and manage specific conflict situations;
- Record of situations for each business area in which a material conflict of interest has arisen or may arise;
- Management information arising from the monitoring and review of the relevant processes and procedures; and
- Any information on breaches of the conflicts of interest policy and remedial or disciplinary action taken.

## **2.9 Training**

To facilitate the identification and management of conflicts of interest across FIL, all staff should receive training on the subject. In addition, conflict awareness should form part of the induction program for new employees.

## **3 CONFLICTS REGISTER**

The UK Conflicts Register is maintained by the Head of Market Conduct. New or changed conflicts should first be discussed with your manager and local compliance staff before being notified to the Head of Market Conduct.