OFP14 Conflicts of Interest Policy

Effective: July 2019

Contents	Page Number
1. Executive Summary	

Golden Rules – these are to help focus on what the most important "must do's" are. They do not replace the Governance Policy	
1	We will identify and avoid or manage our conflicts of interest at an individual and corporate level
2	We will always consider conflicts of interest in all our business and personal dealings
3	We will protect our customers from the potentially harmful effects of conflicts of interest
4	We will understand and meet our regulatory and legal obligations regarding conflicts of interest
5	We will record and escalate conflicts of interest to an appropriate level of seniority
6	We will cease any activities where we become unsure if the presence of conflicts may adversely affect our customers or our business
7	We will protect those who speak up regarding conflicts of interest
8	We will identify and maintain any financial resources that are required to cover our liabilities arising from any conflicts of interest

1. Executive Summary

1.1 Purpose

This policy sets out the OneFamily Group approach to the identification and management of conflicts of interest. The Group acknowledges that failure to manage conflicts of interest effectively may lead to customer detriment, financial loss, reputational damage and regulatory or legal censure. OneFamily acknowledges that the effect of the perception of failure to manage conflicts can be more significant than the practical impact of the conflict itself.

1.2 Policy Scope & Definition

OneFamily is required to ensure that all staff members identify and disclose relevant conflicts of interest that may impact on their role or the wider operations of the OneFamily Group, in order that those conflicts may be removed or managed effectively.

In addition, OneFamily must it ensure it identifies all relevant conflicts that arise in its business operations, for example those that are inherent in managing the balance between customer and commercial interests and those that arise in the management of different areas of the group that may have competing objectives.

The OneFamily Group consists of a number of legal entities. This policy applies to all firms, whether regulated or not.

<u>Regulated Firms</u>

- Family Assurance Friendly Society Limited (FAFSL)
- Family Equity Plan Limited (FEPL)
- Family Investment Managers Limited (FIML)
- Engage Mutual Funds Limited (EMFL)
- Governor Finance Limited (GFL)
- Family PEP Managers Limited (FPML)
- OneFamily Lifetime Mortgages Limited (OFLM)
- OneFamily Advice Limited (OFA)

<u>Non-Regulated Firms</u>

- Family Enterprise Limited (FEL)
- OneFamily Foundation Limited (OFL)
- Engage Mutual Administration Limited (EMAL)
- Engage Health Holdings Limited (EHHL)
- Engage Mutual Services Limited (EMSL)

1.3 Business Functions/Deliverables Impacted by this Policy

The policy applies to all staff, contractors and Directors of each legal entity. The policy also applies to the management of suppliers and partners or any other stakeholders that may have a relationship with OneFamily from time to time.

1.4 Inter-relationship with other policies

This policy is relevant to many areas of OneFamily operations and therefore should be considered alongside the following policies in particular.

- Remuneration Policy
- Fit & Proper Policy
- Procurement Policy
- Outsourcing Policy
- Operational Risk Management Policy
- Whistleblowing Policy
- Financial Crime Prevention Policy

1.5 Regulatory Context

The effective management of conflicts of interest is a key regulatory requirement and ongoing theme for supervision activity, as outlined in the FCA's Principles for Businesses, Principle 8:

"A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client."

Also, the Policy is designed to satisfy the following Solvency II Directive regulations:
- Solvency II Delegated Act Article 268
- System of Governance Guideline 38

In addition to the UK and wider EU regulatory requirements, including the Insurance Distribution Directive, Alternative Investment Fund Managers Directive and Markets in Financial Instruments Directive, the effective management of conflicts of interest is required by company law and an essential part of ensuring compliance with competition law.

OneFamily will make a customer friendly version of this policy available in line with MiFID requirements.

2. Risk Appetite

2.1 Policy Level Appetite

OneFamily has no appetite for failure to manage conflicts of interest effectively. However, OneFamily acknowledges that from time to time, conflicts may arise, at a level below senior management, that are not fully understood or disclosed as soon as possible. In such cases, it is accepted that conflicts of interest may go unidentified and unmanaged for a limited period. However, such conflicts are unlikely to affect customers or external parties and so a proportionate approach to the identification and management of conflicts for these staff is appropriate.

2.2 Management of Risks Outside of Appetite

All conflicts of interest risks will be managed in accordance with the 'Three Lines of Defence' model in place within OneFamily. Where risks or events arise that are outside appetite, these should be identified, managed and reported in line with the usual approach to enable them to be brought within appetite. The management of conflicts of interest risks through the three lines of defence operates within the overall context of the following governance structure:

- Conduct Risk & Culture Committee (CRC). Responsibility for the assessment, reporting and escalation of material conflicts of interest risks. The Committee is chaired by the Chief Risk Officer (CRO) and has senior representation from across key operational areas and control functions. Divisional management have the responsibility to manage and monitor conflicts of interest risks on a day to day basis.

- Chief Executive's Group. Under the Senior Insurance Managers Regime, senior management is accountable for a firm's compliance with regulatory requirements. All Executives are required to ensure that appropriate processes, controls and monitoring are in place to measure and assess conflicts of interest across their areas of functional responsibility.

- Board Risk Sub-Committee. Responsibility for the design and effectiveness of the Group's risk management and internal control frameworks, and to review risk reporting to ensure that the quality of reporting enables effective and timely oversight of the identification and management of conflicts of interest risks. Responsibility for ensuring that conflicts of interest risk exposures are within risk appetite with appropriate risk mitigants in place, or actions determined to bring positions within risk appetite within acceptable timeframes.

- The Board. The Board Directors have ultimate responsibility for ensuring that appropriate systems of control are in place and maintained to ensure the effective management of conflicts of interest.

3. Approach

3.1 Identification of Conflict of Interest Risks

OneFamily must be able to demonstrate that the people making decisions on its behalf do so in a manner that is neither biased nor tainted by personal interest, nor likely to give personal gain or enhancement to the detriment of the business, its members, customers, partners, suppliers, distributors and other stakeholders.

Also, OneFamily must be able to demonstrate that any conflicts of interest between different areas of the Group are identified and managed effectively, creating formal separation of accountabilities and duties where relevant.

A conflict of interest may arise where an individual has a duty to act in the best interests of members or customers and at the same time:

- has a separate personal interest, or
- is related to, or connected commercially or financially with, another person or business with a competing interest; or
- is under a fiduciary duty owed to another person or business.

A conflict of interest may also arise between:

- OneFamily and any current or potential individual member or customer, or groups of members and/or customers
- OneFamily business interests and those of competing individual members or customers or groups of members and/or customers
- OneFamily and any external parties it may deal with from time to time.

Examples of the types of conflict that may arise within OneFamily are located within Appendix 1 of this document. Separate detailed standards and guidance exist for the provision or receipt of gifts, hospitality and inducements.

3.2 Measurement and Assessment of Conflict of Interest Risks

Executives must have adequate systems and controls in place to identify conflicts of interest arising from individuals within their areas and also from their business operations. New conflicts should be assessed, recorded and escalated to all relevant parties as soon as practically possible to ensure adequate visibility and governance of the proposed avoidance, management or disclosure steps required.

The effectiveness of the Policy will be judged by reference to:

- The robustness of the Conflicts of Interest Registers
- Any late recording of conflicts or breaches identified
- Monitoring and Audit findings

3.3 Management of Conflicts of Interest Risks

All material conflicts of interest should ideally be removed. However, where this is not proportionate, conflicts should be recorded on the Conflicts of Interest register to enable them to be managed and reported effectively, as required.

Discovery and escalation of conflicts should follow the route:

- Individuals – all staff should escalate conflicts through line management.
- Direct reports of Executives – should ensure regular review of actual and potential conflicts with staff.
- Executives / Legal Entity Boards – oversee the effective management of any conflicts.

Where a conflict of interest arises that is material, either to the division, legal entity or OneFamily Group, and cannot be removed, management should consult with the Head of Group Compliance & Conduct Risk in the first instance. A management strategy, including the need to disclose the conflict to relevant parties, will be agreed and documented. As a general principle, the more senior the person responsible for managing the conflict the easier it will be to show it is controlled effectively. Conflicts that exist at a lower level in the organisation, particularly those involving personal relationships should be removed.

3.4 Monitoring of Conflict of Interest Risks

Senior management should review the conflicts of interest register every 6 months to ensure it remains up to date and enable reporting to relevant committees and legal entity boards.

Group Compliance will oversee the review of the conflict of interest registers and conduct periodic risk based monitoring.

Internal Audit will undertake independent assessments of the systems and controls in place to manage conflicts of interest risks.

3.5 Reporting of Conflict of Interest Risks

Conflicts of interest registers should be reviewed periodically at divisional risk meetings and reported formally to the Risk Sub-Committee following each 6 monthly review. New conflicts identified in between formal reviews should be escalated to an appropriate Executive and, if necessary, governance committee, via the Executive Risk & Controls Committee to enable a suitably authorised decision to be made about its management. The Conduct Risk & Culture Committee will periodically review the impact of material conflicts and the outcomes achieved through the management approach.

Conflicts of interest should always be a formal agenda item for each legal entity board and sub-committee to ensure these are identified and managed prior to any business of the board taking place.

3.6 Documentation of Conflict of Interest Risks

Conflicts of interest risks should be recorded within:

- Risk & Controls Self-Assessment – this should identify relevant risks to each business areas' objectives.
- Conflicts of Interest Register – this should be completed at divisional level and escalated to form a Group register.
- Governance Committees and legal entity Boards – conflicts should be disclosed and managed throughout relevant meetings and material issues should be minuted.

4. Roles, Responsibilities & Document Management

4.1 Document Management

Executive Sponsor: Philippa Herz, Chief Risk Officer (CRO)
Policy Owner: Ian Todd, Head of Group Compliance and Conduct Risk
Author: Peter Gerry, Compliance Consultant
Approval Date: **28th July 2019**

Approval Required:

Prior review (for material changes)	**Responsible Exec** (approval of maintenance changes)	**Approval by** (for material changes)	**Formal Annual re-approval required**	**Board has specific responsibility under:**
CEG Risk Sub. Com (RSC)	Philippa Herz – CRO	BOARD	No	None

Review Frequency: Annually or in the event of a significant change to the business
Next review date: **July 2020**

Date of change	**Version**	**Details**
19.06.2015	1	Approved by Policy owner
23.06.2015	1.01	Approved by CEG with minor amendments
02.07.2015	1.02	Comments from Audit Committee
21.07.2015	1.02	Approved by Board
09.01.2017	2.00	Policy owner details updated and new SIMR standard wording added to section 6
13.03.2018	2.1	Annual review, draft updated and transferred to new policy format
10.05.2018	2.2	GDPR review – no updates required. Minor updates following Executive discussions on draft requirements
15.05.2018	2.2	Philippa Herz review
29.05.2018	2.3	Operating Committee review
05.06.2018	3.0	New version for publication. Amendment of 'personal preference' to 'personal interest' in Section 3.1 following Risk Committee Review
14.05.2019	4.0	Annual review, no changes.
28.7.2019	4.0	Annual review approval by Philippa Herz, CRO with minor amends

4.2 Governance Policy Adherence

This confirms which areas of the business should fully comply with the **Conflicts of Interest** Governance Policy or have awareness.

Policy Adherence	
Commercial	Yes – adherence
Customer Operations	Yes – adherence
Finance	Yes – adherence
Transformation & Portfolio	Yes – adherence
IT	Yes – adherence
HR	Yes – adherence
Risk & Governance	Yes – adherence

5. Appendix 1 - Conflicts of Interest Categories

5.1 Business Strategy – development and management of products/funds/propositions

The development and management of products, funds and propositions may be compromised, leading to failure to deliver fair outcomes to customers or members.

Examples:
· Pricing is designed to increase sales /meet distributor needs without due consideration to financial prudence.
· Customer vulnerability is exploited for financial gain.
· Literature items which include pricing structures, charges and risks are not clear.
· Different groups of customers (new customers, renewing customers and customers with legacy products not open to new business) are unreasonably charged different amounts for the same service.
· OneFamily benefits from the operation of the timing of pricing of funds.

5.2 Application of Discretion

Individuals with responsibility for applying discretion in relation to the managing/administering of products/ funds/ policy terms/ pricing/ charges/ allocation of benefits for example, may be conflicted in their decision making if they have personal interests in the outcome, are influenced or pressured to benefit the mutual membership over the customer or are required to meet unreasonable financial targets, including budget constraints.

Examples:
· The setting of longevity assumptions
· Pricing to help sales or for profit
· Investment strategies to maximise returns leading to customer detriment
· Approving, seeding and/or closing funds
· Setting tax factors
· Undervaluing assets between entities, setting pricing, joint investment in the same asset
· Protecting the firm or business unit from management or regulatory censure

5.3 Dual Responsibilities

A person who has dual responsibilities or interests, internally or externally could cause a conflict of interest if they are influenced to direct resources or make decisions that benefit one area of responsibility over another.

Examples:
· Being the director / senior manager of two different group companies / associated companies.
· Having responsibilities with conflicting objectives and priorities, such as oversight of the OneFamily investment fund that owns the head office building and responsibility for cost management within the organisation.
· Having personal investments or policies for which they are responsible for payout recommendations.
· Product owners/fund managers could have differing views on the appropriate range of funds / performance criteria/pricing across different groups resulting in a sub-optimal outcome.

5.4 Commercial Relationships

Conflicts can arise where pressure or influence is exerted where we have/or desire a commercial relationship presenting inappropriate/unfair value for our customers and/or mutual membership.

Examples:
• A distributor/ partner/ provider influencing fund selection, product development and price negotiations.
· Offering exclusive products, higher commission or more favourable sales quality expectations that result in unfair inducements or customer detriment.
· Taking advantage of a business partner being 'locked in' to a deal and then deliberately amending terms.
· Commercial arrangements being made whilst in the stages of other negotiations involving the same company.

5.5 Business Strategy of Suppliers/Outsourcers/Insourcers

Management may be conflicted when selecting suppliers / outsourcers / insourcers/reinsurer and balancing the costs and customer needs.

Examples:
· Pressure, including the provision of gifts or hospitality (see 5.8) to use an outsourcer or supplier.
· Pressure to use an insourced arrangement when capability does not meet requirements or cost is higher than an external provider.
· Individuals influencing the selection due to a personal interest in a company involved.
· Budget considerations, conflicts between business area priorities, or using a cheaper supplier where the level of service was not considered leading to an inferior service being provided

5.6 Business Strategy – influence of the OneFamily Group

Firms within the Group could be influenced in their decision-making by the impact on other Group companies leading to outcomes that are not in the best interests of customers and policyholders.

Examples:
· Use of internal fund management services when more efficient and/or effective services could be sourced externally.
· Fund selection for propositions favours OneFamily funds over more suitable externally managed funds.
· Pricing of products sold through group-owned distribution is higher than through similar external distribution channels.

5.7 Inequality of Service and/or not Treating Customers Fairly

Managers could have commercial pressure, cost saving targets or customer service targets creating conflicts in their decision making, resulting in the standards of service for certain groups of customers being inappropriate.

Examples:
· The allocation of resource and activity is biased towards more profitable activity to the detriment of obligations to the detriment of customers.
· In order to avoid financial loss, management do not investigate or appropriately remediate identified complaints, breaches, risk events or do not deal with claims fairly.
· Delaying customer requests which could be beneficial to OneFamily at the expense of the customer.
· Not seeking to trace owners of unclaimed assets because other work is prioritised or the firm benefits from income.
· Prioritising processing, such as large transfers or switching default funds, the timing of which may result in one set of customers or the firm being preferred.

5.8 Gifts/Hospitality/Inducements

Gifts, hospitality and inducements are offered by OneFamily to third parties or by third parties to OneFamily in order to influence a decision that could result in detriment to customers or the mutual membership.

Examples:
· A transfer of value is made which drives the wrong behaviour with the sale or distribution of products.
· A transfer of value is made to secure the selection of partners, agents, outsourcers and critical suppliers (see 5.5).
· Differing commission rates/volume overrides or other inducements are offered to secure business externally.

5.9 External Relationships/Interests

Directors/employees develop close personal relationships, have a financial interest in or are related or friends with customers / Business Partners / Advisers / firms / suppliers and this may lead to influence over decisions or actions that are not in the interests of OneFamily or the customer.

Examples:
· The sharing of sensitive information.
· Distracting from the effective performance of duties.
· Making complaints on friend / family policies.
· Not following normal processes and procedures.

5.10 Remuneration

The remuneration of senior manager performance, objectives for OneFamily employees at all levels or payments for the distribution of products (internally and to partners) are structured in a way that rewards the wrong behaviour and results in a cost to the mutual membership and detrimental impact for customers.

Examples:
· Enhanced/inappropriate commission offered to a Partner to secure business.
· Inflating commission to influence poor sales decisions.
· Following a technology / systems led process too rigidly.
· Staff focusing on sales or efficiency targets rather than fair outcomes for customers.

5.11 Internal Personal Relationships

An employee has a relationship with another employee who could lead to colluding or one employee influencing the actions of another.

Examples:
· Eroding of segregation of duties (this is especially relevant where an employee holds a position in a control function that requires them to oversee the activities of a close relative or have influence over remuneration etc.).
· Poor performing staff may avoid censure.
· Staff processing, making claims or complaints on their own/family/friends' policies for financial gain.

5.12 Sensitive Information

An employee may be conflicted if they are aware of sensitive information on a company's/customer's financial circumstances and could use this to their benefit.

Examples
· Taking and selling a customer's information for their own gain.
· Abusing their access to privileged information to sell the company/customer new products to their detriment.
· An employee covered by the Personal Account Dealing policy has personal holdings in securities that are being dealt for customers.

5.13 Personal Dealing

All OneFamily employees wishing to deal in shares and other relevant investments are subject to the Personal Account Dealing policy as set out here.

Employees must conduct their personal investment activity lawfully and in a manner that avoids a conflict of interest between their own interests and duties owed to OneFamily or its customers.

Executive Directors, Heads of Department and designated employees who have, at the time of wanting to trade, access to knowledge that may give them an advantage over other parties wanting to deal in their investments must complete a Personal Account Dealing form and seek prior authorisation before making the trade. Designated authorised persons are the Head of Group Compliance & Conduct Risk, Chief Risk Officer and Chief Executive Officer.

All other OneFamily employees must still be aware of the potential for them to come across sensitive information in the course of their duties. If employees are in any way unsure whether information could create a conflict, they should refer to their line manager, who may refer to the Head of Group Compliance & Conduct Risk.

5.14 Other

Conflicts which do not fit into any of the above categories.