

# Conflicts of Interest Policy

Owner: Compliance & Risk

## Introduction

This document sets out the policy of Broadstone<sup>1</sup> on conflicts of interest.

Conflicts of interest may lead to a material risk of damage to Broadstone's clients' interests and may expose us to the risk of litigation or adversely affect the firm's reputation. The Conflicts of Interest Policy describes the circumstances which may give rise to a conflict of interest that could be detrimental to the interests of Broadstone's clients, and the procedures to be followed and measures to be adopted in order to manage such conflicts.

This policy is designed to fulfil Broadstone's obligations under the Financial Conduct Authority's (FCA's) Senior Management Arrangements, Systems and Controls Sourcebook (SYSC) and Principle 8 of the FCA's Principles for Businesses, which states 'A firm must manage conflicts of interest fairly, both between itself and its customers and between a customer and another client'.

The policy may be amended at any time if a material change occurs and will be reviewed on a regular basis.

## Conduct Risk and Treating Customers Fairly (TCF)

Conduct Risk and the fair treatment of customers is central to Broadstone's culture. It is therefore essential that in all the firm's activities we demonstrate that our clients' interests take priority over, or at the very least are given equal consideration to Broadstone's interests. The identification and mitigation of conflicts of interest that could be detrimental to our clients' interests and the provision of clear information about such conflicts is key to good conduct and the fair treatment of our clients.

To prevent conflicts of interest from adversely affecting our clients:

- we will take all reasonable steps to identify and record conflicts of interest that have the potential to give rise to a material risk of damage to the interests of one or more of our clients;
- we will maintain and operate effective organisational and administrative arrangements to prevent those conflicts of interest from causing a material risk of damage to the interests of our clients;
- where our arrangements are not sufficient to ensure, with reasonable confidence, that risks of damage to the interests of a client will be prevented, we will clearly disclose the general nature and/or sources of conflicts of interest and the nature of the risks before undertaking business for that client; or
- we may offer to decline to provide the client with the service requested where we feel we are unable to manage any conflict.

## Identifying Conflicts of Interest

Broadstone provides pensions, employee benefits, actuarial and investment services to employers and pension scheme trustees. In addition to the corporate services offered it also offers individual financial planning. In delivering these services, there is potential for conflicts to arise:

1. between the interests of Broadstone/its employees and the duty Broadstone owes to its clients; and
2. between the differing interests of two or more of our clients.

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<sup>1</sup> Broadstone entities are Broadstone Consulting Actuaries Limited, Broadstone Corporate Benefits Limited, Broadstone Financial Solutions Limited and Broadstone Risk & Healthcare Limited.

For the purposes of this policy, a conflict of interest arises, or may arise, where Broadstone/its employees are:

- likely to make a financial gain, or avoid a financial loss, at the expense of a client;
- has an interest in the outcome of a service provided to a client, which is distinct from the client's interest in that outcome;
- has a financial or other incentive to favour the interests of one client or group of clients over the interests of another client or group of clients;
- undertakes the same business as a client; or
- receives or will receive from a person other than the 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.

## **Typical Conflicts of Interest, and how Broadstone will manage them**

The most common conflicts of interest that could arise in Broadstone's provision of services to clients are:

### **i) Different Rates of Commission from Product Providers**

Broadstone may receive commission from product and service providers when acting on behalf of clients. Some product and service providers pay higher rates of commission than others and, as a consequence, a conflict may arise between the interests of Broadstone to favour those products and providers paying the highest commission to the detriment of the best interests of clients.

This conflict of interest will be managed by means of (i) ensuring we only have employees with high integrity (ii) review of advice by peers and supervisors and (iii) post sale file reviews by an independent employee. The aim is to ensure that only suitable products and services are recommended to clients.

### **ii) Remuneration**

Remuneration for staff may be partly based on their performance against revenue or sales targets. Incentives to meet such sales or revenue targets may create a conflict between the obligation to act in the best interests of clients and the interests of those employees.

Broadstone's performance related pay schemes are reviewed by Senior Management and Human Resources, and the Remuneration Committee. Broadstone's performance related pay schemes take into account qualitative factors including conduct and the fair treatment of clients, client service and compliance with relevant legal and regulatory obligations.

### **iii) Confidentiality**

In the course of its business, Broadstone and its employees may obtain non-public price sensitive information, for example, employees providing pensions and actuarial advice to a listed company may require us to have access to confidential information, which could affect the value of that company's shares, were it made public.

Employees with access to non-public price sensitive information are required to keep this information strictly confidential, and only share as strictly necessary. They may also be asked to sign a bespoke non-disclosure agreement for a specific project.

### **iv) Gifts and Hospitality**

Broadstone's employees may, from time to time, accept gifts or hospitality from third parties, such as product and service providers. As a consequence, a conflict may arise between the interests of

Broadstone or its employees, who may favour those products or services supplied by third parties offering gifts or hospitality, and the obligation to act in the best interests of clients.

Broadstone's Gifts and Hospitality Policy permits the offer or acceptance of gifts and corporate hospitality only where:

- the gift or hospitality is appropriate for the occasion and is not lavish (disclosure rules apply);
- the gift or hospitality is a "one-off" or occasional in nature and does not form part of a regular pattern of giving or receiving;
- the offer or acceptance cannot reasonably be regarded as giving rise to a conflict of interest which cannot be managed; and
- the offer or acceptance does not impair Broadstone's duty to act honestly, fairly and professionally in accordance with the best interests of its clients.

Offering or receiving cash or cash equivalent gifts (e.g. vouchers) is strictly prohibited.

Broadstone maintains a record of gifts and corporate hospitality in line with the Gifts and Hospitality policy.

#### **v) Acting for pension scheme trustees and the sponsoring employer**

In the provision of pensions and actuarial advice, Broadstone may act for both the trustees of a pension scheme and the sponsoring employer of that scheme. The interests of the trustees and the employer may conflict, for example in respect of funding arrangements. Consequently there is a risk that Broadstone's advice to one party could be detrimentally impacted by its relationship with the other party.

Where Broadstone is appointed to advise the trustees (or other governing body) of a pension scheme, it will not also provide advice to the sponsoring employer without Broadstone putting in place an appropriate conflicts management plan.

In all but very exceptional circumstances, a Broadstone employee who acts as a Scheme Actuary to a pension scheme will not advise the sponsoring employer of that pension scheme on the funding of that scheme or any matter which has a direct bearing on the benefits payable under the scheme.

#### **vi) Switching Product Providers/Insurers/Investment Managers**

In the provision of regulated pensions advice, insurance mediation and investment consulting services, a conflict may arise between the interests of Broadstone to switch providers more frequently than is appropriate in order to generate revenue, to the detriment of the best interests of clients.

This conflict of interest will be managed by means of (i) ensuring we only have employees with high integrity (ii) review of advice by peers and supervisors and (iii) post sale file reviews by an independent employee. The aim is to ensure that only suitable products and services are recommended to clients.

#### **vii) Other Employments/ Directorships**

A director or employee of Broadstone may be a director of another company whose interests may conflict with those of Broadstone or its clients. Employees must disclose any directorships held and may not accept any directorship without first obtaining written approval from the Chief Executive so that any potential conflict of interest can be identified and recorded.

Additionally, employees should not engage in any additional occupation without the consent of Broadstone. A request should be made to your manager and this will be considered to ensure there is no conflict of interest. In certain circumstances, consent may be withheld.

### **Conflicts with 2020 Trustees**

The Broadstone default policy is not to provide advice to either pension scheme trustees (defined benefit and occupational defined contribution pension schemes) or their sponsoring employer(s), where our sister company 2020 Trustees also act as the Professional Trustee, in relation to the same pension scheme (and vice versa). It is, however, noted that exceptions may occasionally occur. Exceptions will need to be specifically approved by the Executive boards of both Broadstone and 2020 Trustees and will also need to be disclosed and agreed with Broadstone's and 2020 Trustees' respective clients.

No such restrictions shall apply in relation to 2020 acting as a Professional Trustee to existing Broadstone clients' which enter (or are likely to enter) the Pension Protection Fund (PPF).

### **Reporting/Recording Conflicts of Interest**

All staff must consider any conflicts of interest or potential conflicts of interest that may arise in the course of providing services to Broadstone's clients and must report such conflicts or potential conflicts to their Manager and Compliance.

Broadstone aims to keep an accurate record of any conflicts of interest entailing a material risk of damage to the interests of one or more clients has arisen or may arise.

### **Managing Conflicts of Interest**

Encountering a conflict of interest does not necessarily prevent Broadstone from providing services to a client. Where it is not possible to prevent conflicts of interest from arising, Broadstone will endeavour to manage the conflicts by:

- establishing and maintaining appropriate policies and procedures;
- establishing appropriate information barriers ;
- segregation of duties;
- independent oversight;
- disclosure to our clients;
- offering to decline from providing the service.