

# Conflicts of Interest policy

## Purpose

Hargreaves Lansdown maintains and operates effective arrangements to identify, monitor and manage conflicts of interest:

- Between Hargreaves Lansdown and a client; and / or
- Between clients, that can arise in the course of providing any service.

Hargreaves Lansdown's processes prevent conflicts of interest from damaging the interests of its clients. Hargreaves Lansdown will identify the circumstances which may give rise to a conflict of interest and specify steps to be taken in order to manage such conflicts of interest.

Hargreaves Lansdown maintains a Conflicts of Interest Register that sets out the types of service or activity carried out by Hargreaves Lansdown in which a conflict of interest entailing a risk of damage to the interests of clients has arisen and specifies mitigating controls and responsibilities. This includes conflicts of interest that may arise through the structure of the business entities within the Hargreaves Lansdown Group.

## Conflicts of Interest Policy

Conflicts of interest should either be avoided or controlled. Where conflicts of interest cannot be avoided, Hargreaves Lansdown will disclose the nature and source of the conflict of interest to the client before undertaking business for the client. Hargreaves Lansdown will provide sufficient detail to enable the client to make an informed decision in relation to the service offered.

Hargreaves Lansdown will manage conflicts of interest fairly, both between itself and its clients and between one client and another.

## Types of Conflicts of Interest

The broad types of conflict of interest that could arise in the course of providing services to clients are:

- Making a financial gain, or avoiding a financial loss, at the expense of a client or a group of clients;
- Where Hargreaves Lansdown has an interest in the outcome of a service provided to a client or of a transaction carried out on behalf of a client, which is distinct from the client's interest in that outcome;
- Where Hargreaves Lansdown has a financial or other incentive to favour the interest of another client or group of clients over the interests of a different client;
- Where Hargreaves Lansdown carries on the same business as the client; or
- Where Hargreaves Lansdown 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.

## Situations in which Conflicts of Interest could arise and measures taken to avoid or control the Conflict of Interest

The purpose of this section is to set out typical situations in which conflicts of interest arise and are managed in the course of Hargreaves Lansdown's day-to-day business, so that employees are better equipped to identify, report and assist in eliminating or managing conflicts.

### Inducements, Gifts and Reimbursement of costs

- The giving of gifts, entertainment, or any other form of gratuity or hospitality by or to Hargreaves Lansdown employees may create the appearance of a lack of impartiality and may lead to a potential conflict between the interests of the donor /donee and the interests of the clients. Hargreaves Lansdown employees must act in line with the Gift and Hospitality policy.
- Hargreaves Lansdown will only accept payments from providers in relation to designated investment business where they conform to the table of reasonable non-monetary benefits in FCA COBS 2.3.15 guidance or represent the reimbursement of costs incurred by advisory firms in providing the services.
- Any payment or benefit paid or received by a Hargreaves Lansdown firm, that is related to designated investment business will be disclosed to customers in a clear manner.

### Remuneration Policy/Performance Fees:

- A conflict may arise in respect of the Hargreaves Lansdown's fee-based income from its assets under management. Hargreaves Lansdown will ensure that all investment holding valuations are conducted on an "arm's length" basis by a fund administrator of good repute and in accordance with the valuation policy applicable to the relevant Alternative Investment Fund.

### Outside Business Interests

- Hargreaves Lansdown employees may hold outside business interests, such as directorships or shareholdings, in service providers or other firms. Hargreaves Lansdown has identified that such outside business interests or investments could cause a potential conflict between the personal interest of the relevant Hargreaves Lansdown employee and the interests of Hargreaves Lansdown's clients. Hargreaves Lansdown employees must disclose all outside business interests to the Company Secretary who will maintain a register of approvals.

### Personal Interests in Alternative Investment Funds or UCITs

The potential conflict may be that a Hargreaves Lansdown employee receives an economic or other benefit compared to third party investors. Hargreaves Lansdown does not provide such benefits.

### Cross Trading between Clients

- Hargreaves Lansdown does not offer the service to enable its clients to trade financial instruments between its clients. In the event that the Hargreaves Lansdown intends to perform any of these actions, it must obtain permission from the Compliance Officer before doing so.

### Panel selection and exclusive single provider deals

- Inclusion of providers on the Hargreaves Lansdown Advisory Services product panel will not be influenced by the provider's willingness and ability to purchase significant services from, or provide other benefits to, Hargreaves Lansdown Advisory Services.
- Hargreaves Lansdown Advisory Services will not enter into exclusive distribution arrangements with a single provider.

### Personal Recommendations

- Hargreaves Lansdown will not enter into commercial arrangements that influence inappropriately the personal recommendations made by its advice team. This includes multi-year agreements with providers, agreements with clauses that guarantee status on the Hargreaves Lansdown product panel.
- Benefits from 3<sup>rd</sup> parties must be reasonable and proportionate, of limited scale and must not constitute material revenue or be considered essential for Hargreaves Lansdown Advisory Services in order to continue to service its clients.

### IT Development and Maintenance

- Payments may be accepted from 3<sup>rd</sup> party product providers to develop facilities necessary to operate software supplied by the provider, but only if it will generate equivalent cost savings to itself or clients, does not impair the firm's duty to act in the best interests of its clients and the quality of service received by the client can reasonably be expected to be enhanced by, for example, automating business processes to reduce the possibility of errors arising from manual processing and the time taken to process business.
- Hargreaves Lansdown will not accept payments, or other assistance from providers for developing software or other computer facilities that go beyond that which is required to operate software supplied by the provider, payments from providers to develop general IT systems or infrastructure and annual payments from providers for general IT maintenance

### Training

- Hargreaves Lansdown Advisory Services will only accept the provision of training facilities (for example, lectures, venue, written material and software) where the quality of service to the client will be enhanced as a result of such payments.
- No non-UK training is accepted.
- Hargreaves Lansdown will only accept the reimbursement of the reasonable costs incurred in providing the training. If there is any hospitality provided then it will only be acceptable where it complies with the Hargreaves Lansdown policy on hospitality payments.
- Hargreaves Lansdown may accept training from providers where it relates to the features and benefits of its products or services and supports an advisers continuing professional development, provided it is UK-based. However, the acceptance of such training must not lead to channeling of business to a provider or be dependent on appearance on a panel.

### Conferences and Seminars

Hargreaves Lansdown does not permit the following which are unlikely to be in the best interests of clients:

- Excessive payments from a provider to take part in the firm's annual advisory conference.

- Payments to Hargreaves Lansdown for attending seminars and conferences.
- Seeking recovery of all costs incurred in running seminars and conferences from providers. Contributions from 3<sup>rd</sup> parties must be limited to the costs associated with the providers' active participation, where active participation must involve presentations of genuine business benefit
- Payments from a provider on a restricted panel of the advisory firm, especially if the panel is restricted to a small number of providers, or if it was a sole provider arrangement.
- There is no obvious benefit to providers from contributing towards the costs of the seminar/conference.

#### Remuneration

- All relevant staff that are open to a conflict of interest are paid by basic salary, which is not dependent on company performance. There is a bonus scheme which is linked to company performance and department performance as well as individual performance, the bonus scheme is discretionary. Pay and bonuses are linked to numerous factors and a remuneration committee ensures that any incentives are consistent with the provision of fairness and do not create conflicts. Remuneration of our research team and analysts does not differ from the remuneration policy that applies to other employees; it is not linked in any way to specific transactions.

#### Personal account dealing and Order Handling Policy

- Misuse of material non-public information: The improper use of such information by Hargreaves Lansdown employees could cause a conflict with the interests of the Hargreaves Lansdown's clients and may also be unlawful. The Hargreaves Lansdown Market Abuse policy provides further guidance in this area.
- To prevent conflicts arising from the use of information obtained from clients, and market abuse in general, all employees are subject to personal account dealing rules which govern the system they must follow. All Directors' shareholdings are disclosed and kept in a register by the Company Secretary.
- Hargreaves Lansdown employees may engage in the trading of securities or other instruments for their own account. Such trading activities may put those employees or Hargreaves Lansdown, in conflict with the interests of the Hargreaves Lansdown's clients (for example, by having a personal interest in a transaction with a client, or by front-running transactions with clients). Hargreaves Lansdown manages this potential conflict of interest by maintaining a Personal Account Dealing policy.
- Hargreaves Lansdown has strict Order Handling Policies which ensure best execution of our clients' transactions at all times.

#### Declining to Act

- Hargreaves Lansdown may decline to act for a client in cases where we believe the conflict of interest cannot be managed in any other way.

#### Client information security

- Hargreaves Lansdown will not use client information for any other purpose other than to provide clients with financial services. We do not share client specific information with any third party without their consent except the industry regulator, the Financial Conduct Authority.

## Client complaints

- All complaints are handled within an independent Client Services team who are not incentivised based on the outcome of the complaint and do not have an interest in a certain outcome.

## Disclosure

- If there is no other way of managing a conflict, or where the measures in place do not sufficiently protect your interests as a client, the conflict of interest will be disclosed to allow a client to make an informed decision on whether to continue using our service in the situation concerned.

## Use of Hargreaves Lansdown funds and services

- Hargreaves Lansdown has its own multi-manager funds and offers a discretionary management service. There is no financial incentive for any Hargreaves Lansdown adviser to recommend one product or service over another. Any services or products provided by the Group will be clearly disclosed.

## Research and Publications

- Research can be found in different publications that Hargreaves Lansdown issue. Hargreaves Lansdown have a team of qualitative and quantitative analysts who are dedicated to research. The input from both these teams is essential to deliver high quality research about a broad range of funds and to select what we consider to be the best funds available in the market. Hargreaves Lansdown Fund Managers use the same fund research provided to clients for the Hargreaves Lansdown Multi-Manager funds. There is a policy in place where the Hargreaves Lansdown Fund Managers will not deal on any information before clients have access to the same research.
- From time to time the Hargreaves Lansdown Multi-Manager funds will invest in funds which are not included on the W150 list. These funds are not included on the W150 as they are not available for retail clients to purchase.
- Neither the HLMM funds nor the HL Select funds are included on the W150/W150+ lists to avoid this potential conflict of interest.
- If any third party fund which we promote has a significant discretionary holding of Hargreaves Lansdown shares, we will ensure this is disclosed to clients before investing.
- From time to time Hargreaves Lansdown will be involved as an intermediary in an IPO for which commission is received from the issuing company. Hargreaves Lansdown will ensure clients are aware of this before investing. Hargreaves Lansdown maintain independence from 3<sup>rd</sup> party fund management companies when our research team write articles, this means that when Hargreaves Lansdown provides their 'view' about investments or equities there is no influence from third parties. Hargreaves Lansdown's business model does not incentivise the sale or purchase of funds nor does it look for short term revenues.
- Employees are required to disclose any financial interest they may have and are all subject to Personal Account dealing procedures as detailed previously.

## Public Relations

- The Public Relations team are not incentivised to promote products and services over others and like other employees of the company adhere to the Personal Account Dealing policy.

## Equity Fund Management & Share Commentary

The management of equity funds creates a number of additional potential conflicts of interest which require management as described below:

- The manager may deal ahead of the fund for his own account
- The manager may receive, and subsequently trade on non-public information for his own account, or on behalf of the fund
- The manager may deal through HL Stockbrokers on behalf of the fund on terms that are preferential for HL Stockbrokers and against fund interests
- Employees involved in the preparation of equity commentary (i.e. commentary and insight around shares and their issuers) deal for own account ahead of publication of research

***These risks are mitigated through the PA Dealing policy and process, Market Abuse training for staff and PA Dealing controls built into the platform trading controls.***

- The manager might give detail of proposed buys or sells for the fund before these are actioned, potentially impacting the price obtained for the fund (either in relation to proposed holdings or existing holdings)
- Manager deals for the fund in a different way to that suggested by the issued fund commentary (i.e. commentary and insight around fund holdings and investment rationale)
- Equity fund manager also provides equity commentary (share tips and recommendations) for the brokerage arm of HL
- HL (as broker) gives equity share commentary ahead of HLFM trading in those stocks for the Equity fund, potentially impacting the price at which the client, or the fund can trade (trading ahead of research, prohibited by COBS rules)
- Equity writers may wish to provide commentary on equities that are owned by, or are being targeted by the equity fund. Positive comments could drive the price up; disparaging comments could drive the price down.
- Segregation of the functions of equity commentary and fund management lead to differing views on particular equities, or fund trades at variance to brokerage research
- HL uses equity commentary produced by equity writers for internal purposes (e.g. to guide fund investment decisions) prior to publication.

***These risks are mitigated through equity commentary standards and 100% compliance checking prior to release. In addition HL has implemented Chinese walls arrangements: a secure room has been created to house all Investment Team staff to maintain segregation of information. All staff within this room as classed as restricted. Equity writers have been moved to Marketing team and have separate line management to ensure independence of research and security of information.***

- There is a risk of selecting third party funds or other collective investments for our fund of funds or discretionary services, wealth 150 or other services because there is a financial incentive for HL to do so. HL avoids this conflict by not placing its own funds on the W150 / W150+ lists.

## Roles and Responsibilities

It is the responsibility of every employee of Hargreaves Lansdown to comply with the provisions of this policy.

Any breach of this policy by a Hargreaves Lansdown employee may lead to disciplinary action.

*Further reading:*

<https://www.fca.org.uk/static/documents/finalised-guidance/fg14-01.pdf>