

# GROUP CONFLICTS OF INTEREST POLICY

Version 9 – June 2021

Policy Owner: Compliance Director

Policy Author: Enterprise Business Architect

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## Version control

Version	Reason for / summary of change	Date review / update approved	Next review date
V5	Reviewed and updated by Osborne Clarke to include Director conflicts and W50 re-branding	4 Feb 2019	
V6	Annual review and update – including additional examples of potential Conflicts of Interest and updated reporting requirements.	30 Oct 2019	Oct 2020
V7	Review following KPMG Report and Recommendations	April 2020	April 2021
V8.1	Annual review. Updated to include details of the minimum required fields for the conflicts of interest register; updated definitions; clarifying the role of Mancos, the first line control testing requirement and role of conflict owners.	23 Feb 2021 Reviewed at COI Committee 5.3.2021	
V9.0	Approved	June 2021 Plc Board	

# 1. INTRODUCTION

Hargreaves Lansdown's Conflicts of Interest policy (the "Policy") protects our Clients, employees, and the Hargreaves Lansdown Group of Companies ("HL") by outlining the standards we expect. To prevent Client detriment, and reputational damage, we must ensure we can recognise conflicts and take appropriate steps to manage, mitigate or avoid them as appropriate.

## 2. PURPOSE OF THE POLICY

Failure to identify and appropriately manage Conflicts of Interest could result in inappropriate adverse consequences for Clients, employees, and HL. These could include detriment to our Clients, reputational damage to our business, damage to Client relationships, regulatory sanctions, and risk of litigation.

The Policy sets out requirements in relation to the identification, assessment, mitigation and monitoring of Conflicts of Interest. It aims to ensure that Conflicts of Interest are managed to protect the interests of our Clients and ensure that we treat our Clients fairly.

### Principles

The principles of this Policy align to our values and specify that:

- all staff must act with honesty and integrity;
- Conflicts of Interest should be identified and assessed for potential impact and materiality;
- Conflicts of Interest should either be avoided or appropriately mitigated. Where Conflicts of Interest cannot be avoided or appropriately mitigated<sup>1</sup>, the nature and source of the Conflict of Interest must be disclosed to Clients before undertaking business for the Client;
- when disclosing any Conflicts of Interest, HL will provide enough detail to enable the Client to make an informed decision in relation to the service offered;
- all conflicts of interest will be captured on a Conflicts of Interest register; and
- HL will manage Conflicts of Interest fairly.

## 3. SCOPE

All HL entities are in scope. This Policy applies to all activities undertaken by HL.

A "Conflict of Interest" is a situation where one or more persons or entities have competing interests and the serving of one interest may involve detriment to another. HL must take all appropriate steps to identify and to prevent or manage Conflicts of interest between:

- HL, including its managers, employees and appointed representatives (or where applicable, tied agents), or any person directly or indirectly linked to HL by control, and a Client of HL; or
- one Client of HL and another Client.<sup>2</sup>

A Conflict of Interest under this policy includes:

- an actual Conflict of Interest (i.e. a Conflict of Interest that has arisen);

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<sup>1</sup> Appropriate mitigating controls would ensure, with a reasonable degree of confidence, that risks of damage to the interests of clients will have been prevented.

<sup>2</sup> There are specific definitions for management of UCITS and AIF. In substance they are the same as the definition set out here. However, please see Appendix 2 for the respective definitions.

- a potential Conflict of Interest (i.e. a Conflict of Interest that may arise given particular facts and circumstances); and
- a perceived Conflict of Interest (i.e. a situation which may give rise to the perception of a Conflict of Interest), even where a Conflict of Interest may not in fact exist.

The specific investment services and activities and ancillary services carried out by or on behalf of HL which fall under the scope of this policy, as defined by the Product Governance Policy, fall into 4 categories:

**Investment Solutions** – for example, a model portfolio or best buy list of funds;

**Investment** – this will be an asset class such as an equity or Exchange Traded Funds (ETFs);

**Service** – this is a core service such as financial advice;

**Wrapper/Account** – this will include tax wrapper such as ISAs.

A comprehensive list of all products and services currently provided by HL can be sought from the Product Governance Committee.

## 4.WHO THE POLICY APPLIES TO

This Policy covers all HL entities and the related requirements apply to all staff across those entities.

## 5.DEFINITIONS

"Alternative Investment Fund" (or AIF) means the set of Multi Manager Funds, run by HL Fund Management. They are designated as Alternative Investment Funds and approved as such by the FCA.

"Board" means the Hargreaves Lansdown Plc Board of Directors which is the governance body with responsibility for an HL Entity.

"Client" means an existing client of HL, a potential client of HL; or a past client where fiduciary or other duties remain in place.

"Conflict of Interest" means situation where one or more persons or entities have competing interests and the serving of one interest may involve detriment to another.

"Conflict Owner" means the individual (role) or function responsible for the conflict of interest for each individual HL Operating Subsidiary.

"HL" means Hargreaves Lansdown plc and any legal entity in which Hargreaves Lansdown plc holds more than 50% of the equity or voting share capital.

"HL operating subsidiaries" means the set of legal entities operating as subsidiary companies to HL. These include (but not limited to Hargreaves Lansdown Asset Management Limited (HLAM), Hargreaves Lansdown Fund Management Ltd. (HLFM), HL Advisory Services Limited (HLAS) and HL Savings Limited (HLS)

**"Inducement"** means paying or receiving any fee, commission monetary or non-monetary benefit, or the receipt of Performance-based Commissions in relation to the provision of investment service and/or ancillary service to a **Client**.

**"Manco"** means the Management Committee for an **HL Operating Subsidiary**. This is the primary governance committee for overseeing the identification and management of **HL Operating Subsidiary** conflicts of interest.

**"Outside Business Interest"** means any interests or activities undertaken by **Staff** outside their role which can be disclosed to **HL** including external business interests, directorships, and external employments.

**"Product Governance Framework"** means the framework that aims to ensure that **HL** develops and maintains products that meet the needs of our clients, helps us meet our objectives in relation to the fair treatment of our **clients**, and enables us to meet our regulatory obligations under the FCA's Product governance handbook (PROD 3). It ensures that there is a robust process and that the needs of our **clients** are at the heart of our decision-making. It ensures that there is appropriate challenge across the product journey, and that appropriate decisions are taken at the right levels of management.

**"Staff/Staff Member"** means a permanent or temporary employee (including contractors, consultants, and individuals on secondment) or a **Board Member**.

## 6. ROLES AND RESPONSIBILITIES

It is the responsibility of all staff to ensure that we manage Conflicts of Interest appropriately. However, there are specific responsibilities for key groups to ensure that the requirements of this Policy are adhered to.

The **Conflicts Committee** (the "Committee") is responsible for the oversight and challenge of Conflicts of Interest across **HL**. The Committee will be responsible for:

- maintaining **HL**'s policy on the identification and management of Conflicts of Interest, and recommending any changes for approval by the Board;
- maintaining **HL**'s framework for identifying and managing Conflicts of Interest that arise within **HL**, including in connection with the launch of new products or services by the **HL**'s operating subsidiaries. This will include reviewing the measures that will be put in place to mitigate those Conflicts of Interest and how effective these have been from a Client perspective;
- undertaking a review of Conflicts of Interest identified within the **HL Operating Subsidiary Mancos** and the measures put in place to mitigate those Conflicts of Interest, including how effective these have been from a Client perspective, and updating **HL**'s conflicts register accordingly;
- determining the appropriate course of action (which may include disclosure) in situations where a material Conflict of Interest cannot be avoided or appropriately mitigated;
- where directed to do so by the Chief Executive, considering matters escalated to the **HL Executive Committee** in accordance with **HL**'s governance framework that involve Conflicts of Interest and determining or making recommendations on how to proceed;
- determining and implementing measures to ensure that individuals within **HL** with responsibility to identify Conflicts of Interest are appropriately trained and equipped to do so, which may include appointing others to implement the measures;
- reviewing reports from **HL**'s internal audit and compliance monitoring functions on the management of Conflicts of Interest within **HL**; and

- once it has effectively discharged the above responsibilities, determining and implementing measures for a permanent governance structure for HL's conflicts management framework.

The **First Line (HL operating subsidiaries)** are responsible for managing conflicts within their entities. They are responsible for<sup>3</sup>:

- Appropriately identifying Conflicts of Interest within their entity;
- determining materiality of Conflicts of Interest;
- developing, implementing and maintaining appropriate measures to mitigate or avoid Conflicts of Interest;
- capturing material Conflicts of Interest in the HL conflicts register. The conflict owner is responsible for ensuring the conflict is recorded in the central conflict register and for ensuring that the register is maintained and updated as appropriate;
- identifying and assigning a Conflict Owner for each conflict (with a separate owner for each HL Operating subsidiary) with individual responsibility for ensuring the requirements of the Policy are met in relation to specific Conflicts of Interest; and
- identifying, with advice and support from the Compliance Function, Conflicts of Interest between themselves and other HL operating subsidiaries, and for the definition of proposed mitigating measures;
- undertaking control testing to ensure key controls are operating effectively;
- undertaking periodic reviews of identified conflicts of interest at the HL Operating Subsidiary Manco; and
- performing, on an annual basis, as part of a group wide exercise a refresh/identification of Conflicts of Interest.

The **Second Line (the "Compliance Function")** are responsible for:

- setting out requirements to be followed by all entities within HL;
- ownership of the Conflicts of Interest policy;
- setting out the structure and content of the consolidated Conflicts of Interest Register;
- Oversight of Conflicts of Interest management and challenging the 1<sup>st</sup> line performance in respect of identification and record keeping;
- reviewing the Conflicts of Interest governance and control framework, supporting the First Line in developing mitigating controls and monitoring conflicts on a periodic basis; and
- providing reports on the effectiveness of Conflicts of Interest management activity, both annually to the Board and in-line with the periodic frequency of the Conflicts Committee.

The **Third Line** are responsible for:

- Undertaking periodic reviews of the Conflicts of Interest governance and control framework.

## 7. POLICY

### Identifying Conflicts of Interest

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<sup>3</sup> References to HL requirements in this policy apply to the first line, unless otherwise specified.

HL will identify, with reference to the services and activities performed by the firm, the circumstances which constitute or may give rise to a Conflict of Interest entailing risk of damage to the interests of one or more Clients or groups of Clients.

To assist in the identification of Conflicts of Interest, the following includes non-exhaustive lists of relationships where Conflicts of Interest may arise. The broad types of Conflict of Interest that could arise in the course of providing services to Clients are where Hargreaves Lansdown<sup>4</sup>:

- makes a financial gain, or avoids a financial loss, at the expense of a Client or a group of Clients;
- 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;
- has a financial or other incentive to favour the interest of another Client or group of Clients over the interests of a different Client;
- carries on the same business as the 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.

Conflicts of Interest must be considered on an ongoing basis. Any new Conflicts of Interest must be noted on the register. The relevant activity that has led to the new Conflict of Interest must not commence until the materiality assessment has taken place and the proposed conflict mitigation strategy has been approved by the HL Operating Subsidiary Manco.

### **Assessing Conflicts of Interest**

HL will undertake a materiality assessment for all Conflicts of Interest. This materiality assessment will be an assessment of the inherent risk<sup>5</sup> of the Conflict of Interest. Any Conflict of Interest that is material must be recorded on the HL Conflicts of Interest Register (the "Register").

The principle consideration in determining materiality is the potential impact on Clients. The broad types of conflict (set out in the section on Identifying Conflicts of Interest of this Policy) should be considered when assessing materiality. Conflicts of Interest should be considered using an impact matrix.

### **Mitigating Conflicts of Interest**

HL must take reasonable steps to mitigate any material Conflicts of Interest that are identified<sup>6</sup>. Mitigating controls should be developed and implemented to enable HL to be satisfied, with a reasonable degree of confidence that potential for detriment to our Clients will not arise.

In general, the greater the perceived residual risk of the conflict:

- the more robust and extensive will be the steps taken to mitigate the conflict. In some cases that could involve a ban on the activity that causes the conflict;
- the greater the level of oversight by the HL operating subsidiaries (Mancos) and the Conflicts Committee; and
- the greater the level of oversight by the second-line compliance function.

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<sup>4</sup> Appendix 1 sets out some of the key inherent Conflicts of Interest that apply given HL's business model and activity. This is not an exhaustive list of conflicts of interest.

<sup>5</sup> The inherent risk is the risk that exists in the absence of mitigating controls.

<sup>6</sup> It is not a requirement to avoid conflicts of interest altogether.

The appropriate mitigating actions will depend on the nature of the Conflict of Interest that has been identified. However, in general, HL will adopt procedures and measures that<sup>7</sup>:

- prevent or control the exchange of information between relevant persons engaged in activities involving a risk of a Conflict of Interest where the exchange of that information may harm the interests of one or more Clients;
- separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services to, Clients whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the firm;
- remove any direct link between the remuneration of relevant persons principally engaged in one activity and the remuneration of, or revenues generated by, different relevant persons principally engaged in another activity, where a Conflict of Interest may arise in relation to those activities;
- prevent or limit any person from exercising inappropriate influence over the way in which a relevant person carries out investment or ancillary services or activities; and
- prevent or control the simultaneous or sequential involvement of a relevant person in separate investment or ancillary services or activities where such involvement may impair the proper management of Conflicts of Interest.

Conflicts of Interest and mitigating controls must be **monitored** on an ongoing basis.

### Recording Conflicts of Interest

HL will keep and regularly update a record of the kinds of service or activity carried out by or on behalf of the firm in which a Conflict of Interest entailing a risk of damage to the interests of one or more Clients may arise.

All material conflicts will be recorded in the Register. The Register will record conflicts that have been identified and for each conflict. The Register will contain at least the following information:

- A description of the conflict;
- An assessment of materiality by reference to a materiality calculator;
- Details of the conflicted parties. Where this includes multiple group entities, each of these entities and the respective entity owners should be noted;
- Responsible parties, including the ultimate role owner of a conflict of interest;
- The specific investment service(s) impacted;
- Details of the controls in place to mitigate or avoid the conflict of interest;
- Date(s) of most recent and next review by each of the conflict owner, management committee and oversight committees; and
- Details of actions that have been taken, or recommended actions to be taken if a conflict should arise.

The Register must be updated when any new material Conflict of Interest is identified, or the nature of any existing Conflict of Interest changes. On an annual basis HL will perform an exercise to identify/refresh the Register and the associated mitigating controls. At a minimum, the Register must be reviewed on an annual basis by the First Line.

There is a single HL wide Register, for which each operating subsidiary is responsible for keeping up to date.

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<sup>7</sup> This is not an exhaustive list.

The Register should be read in conjunction with this Policy.

## Conflicts Disclosure

In cases where conflicts cannot be avoided or appropriately mitigated, the Conflict Owner will be responsible for ensuring appropriate disclosure of the conflict to relevant Clients. This will include the general nature or sources of the Conflict of Interest, or both, and the steps taken to mitigate those risks.

The disclosure of Conflicts of Interest will only be used as a last resort where HL is not able to mitigate the conflict appropriately. The Committee must be made aware of any situation where the Conflict of Interest has not been appropriately mitigated and must approve any decision to disclose a conflict and the form this disclosure takes.

The disclosure of the Conflict of Interest will:

- be in the form of a durable medium;
- state that the organisational and administrative arrangements established by HL to prevent or manage that conflict are not enough to ensure, with reasonable confidence, that the risks of damage to the interests of the Client will be prevented;
- include specific description of the Conflicts of Interest that arise in the provision of services, considering the nature of the Client to whom the disclosure is being made; and
- explain the general nature and sources of Conflicts of Interest in enough detail to enable that to take an informed decision with respect to the service in the context of which the Conflicts of Interest arise. The disclosure will also set out the risks to the Client that arise as a result of the Conflict of Interest and the steps undertaken to mitigate these risks.

## Declining to Act

HL may decline to act for a Client in cases where HL considers the Conflict of Interest cannot be managed, and where disclosure may not be practicable.

## Product Design

HL must consider potential Conflicts of Interest as part of its Product Governance Framework and ensure that these are appropriately mitigated, in accordance with this Policy (see also the Product Design Policy). The Product Governance Committee is responsible to challenge other's identification of conflicts. It is not responsible for the identification of conflicts itself.

# 8. TRAINING & ATTESTATION

The policy owner will arrange for the Policy to be available to all staff and ensure that updates are communicated as appropriate. The policy owner will be responsible for determining the appropriate training requirements for staff in relation to Conflicts of Interest. These will include:

- All HL employees to complete annual conflicts awareness training;
- Additionally, a discrete set of senior managers and executives will be required to complete further, more detailed training including a Conflicts of Interest attestation, at least annually. The attestation will require these individuals to attest that:
  - they have read this Policy;
  - they have disclosed any personal relevant relationships or matters as required by relevant Policies;



- they have notified compliance of any personal Conflicts of Interest of which they have become aware of;
- they have adhered to any relevant policies and procedures (where applicable) designed to mitigate Conflicts of Interest.

## **9. REVIEW ARRANGEMENTS**

HL shall assess and periodically review, on an at least annual basis, the Conflicts of Interest Policy and the associated HL Conflicts of Interest Register and shall take all appropriate measures to address any deficiencies.

The policy must be approved, on an annual basis, by the Board.

## **10. POLICY EXCEPTIONS**

Where circumstances mean that Policy requirements cannot be completed in full, then HL will take appropriate steps to ensure that our Clients are treated fairly. Where exceptions are required, HL will endeavour to ensure that the full process is completed in due course.

Any exceptions to this Policy (whether inadvertent or not) will be reported to the Compliance department and the Committee, who will determine the appropriate course of action.

## **11. RECORD KEEPING**

HL will keep a written record of all key decisions taken under this Policy. Records must be able to demonstrate the decision taken, as well as the basis upon which that decision was taken.

## **12. ASSOCIATED DOCUMENTS**

- Gift and Hospitality Policy
- Anti-Bribery and Corruption Policy
- Personal Account Dealing Policy
- Product Design Policy and Product Review Policy
- Market Abuse Policy
- Remuneration Policy
- Order Allocation Policy
- Product Governance Policy

# APPENDIX 1 – EXAMPLES OF MATERIAL CONFLICTS OF INTEREST

Situations in which Conflicts of Interest subsist or could arise within HL and measures that could avoid or control the Conflict of Interest

The purpose of this section is to set out the key situations in which Conflicts of Interest arise and are managed during HL's day-to-day business, so that employees are better equipped to identify, report and assist in eliminating or managing conflicts.

This is not the full list of identified conflicts within HL. There is a separate register that captures all material Conflicts of Interest with more detailed descriptions, and what the mitigating procedures, policies and processes are.

HL operating its own funds and providing fund best buy lists which those HL funds invest into. HL has a duty to consider the consequences of its actions on all Clients. As HL Multi-Manager Funds ("HL MMFs") managed by Hargreaves Lansdown Fund Managers Ltd. ("HLFM") are able to invest in funds which have separately been selected to be part of the best buy list, maintained by Hargreaves Lansdown Asset Management Limited ("HLAM"). There is a potential Conflict of Interest, at the HL level to equally represent all its Clients. The independent actions of either HLFM or HLAM impact the interests of the other's Clients, where those actions have a material impact a third-party fund's liquidity.

Although investment decisions made by HLFM and HLAM are independent of one another, they are currently based on the same range of information and investment analysis. This gives rise to the following potential Conflicts of Interest:

- if HL fund research is made available to different Client groups at different times, this could disadvantage one Client group due to timing or liquidity under stressed conditions;
- if one of HL's operating subsidiaries conviction is reducing it may not communicate this clearly because of concerns that this could trigger a fund liquidity issue; and
- close relationships with a fund manager or group could affect objectivity and result in a failure to act in a timely manner, particularly in cases where a fund has reduced liquidity or is held in significant concentration across HLFM and HLAM client groups.

## High level Controls

- There is a clear separation between decisions made on behalf of the distribution entities Hargreaves Lansdown Advisory Services Limited ("HLAS") & HLAM and those made on behalf of the HL MMFs, which is achieved by the segregation of duties between the investment research team (HLAM & HLAS) and the fund managers of HLFM, and, the separate investment oversight forums in the Distribution Investment Oversight Committee ("DIOC") and Executive Investment Committee ("EIC") for HLAM, HLAS and HLFM respectively.
- Monitoring & reporting of the liquidity of all Funds on best buy lists of HLFM's own funds. This includes monitoring of HL's aggregate position across its platform Clients and own fund Clients. HLAM is working towards a position where all Wealth 50 funds have liquidity enough to allow for a reasonable proportion of platform investments and all of HL MMFs monies to disinvest, accounting for both normal and stressed environments.

- Separate governance oversight bodies for investment decisions at an operating subsidiary level. These are the DIOC for HLAM and HLAS products and services, the EIC for HL Select and Multi Manager Funds ("HL Funds"). The Committee oversees the effective management of HL-wide Conflicts of Interest.
- Ongoing investment analysis of structured investment selection criteria to ensure that the HL Funds within their sectors remain fit for purpose (e.g. fund risk governance/ information provided/ liquidity score/holdings, and external commentators/analyst sources) conducted and constantly monitored against the target market assessment and high level investment criteria as approved by the Product Governance Committee.
- HL MMFs will not fully redeem their holdings in liquidity-compromised funds until all investors have been provided with relevant information or opinions.

Inappropriate Advisory panel selections based on HL's own financial incentives rather than delivering the right advisory Client outcomes. HLAS uses HLAM to provide investment research and create panels for its advice operation, which includes research on funds managed by HLAM. This gives rise to the following Conflicts of Interest:

- HLAM may be inclined to place HL Funds on these panels or the best buy lists which are accepted by HLAS onto the panel of investments for advisory services based on HL's own financial incentives rather than delivering the right Client outcomes;
- HLAM also provides the Portfolio Managed Service ("PMS") product to HLAS for distribution by HLAS' advisors. PMS comprises of HL MMFs managed by HLFM. There is a potential conflict that if the PMS product no longer meets target market needs there may be incentive for HL to retain this product on the product panel for HLAS advisors, based on HL's own financial incentives rather than delivering the right advisory outcomes.

### **High level Controls**

- An independent product panel committee identifies, researches and selects products and services for the HLAS restricted panel. The panelling of investment funds is delegated to HLFM (best buy lists).
- Procedures and set criteria for the product panel committee to follow during panel selection that applies to all providers without bias to funds managed by HLFM. (HL's PMS is one of three alternative Discretionary Fund Management (DFM) services available for advisers to recommend.
- Advice standards, procedures and monitoring (e.g. Clients are informed verbally and in writing that HLAS is a restricted adviser that recommends from a restricted panel of products and services).
- There is also an ongoing annual review for all products and services to ensure they continue to meet target market needs.
- Policy and guidance for advisors on the use of products and services for advisory services leading to good Client outcomes.

Promoting investments based on potential benefits to HL rather than Client benefit. HL in its position as the UK's leading retail investment platform can promote investments for its own benefit rather than for its Clients. This can be, for example, HL inappropriately promoting its own products and services across its multiple operating subsidiaries and business interests or through inappropriate relationships with third party fund groups or providers. This gives rise to the following Conflicts of Interest:

- HLAM promotes funds that hold Hargreaves Lansdown plc stock in order to influence the demand for Hargreaves Lansdown plc;
- HLAM promotes a fund group in order to encourage the fund group to hold Hargreaves Lansdown plc stock;
- HLAM provides commentary about a financial instrument held by HLFM funds in order to influence the performance of an HLFM fund;
- HLAM may add HL Select Funds or HL Multi Manager Funds to a best buy list in order to improve take-up;
- distributors (advice/workplace) may be influenced to place a provider on panel because of payments or other benefits. Exclusive distribution arrangements for single providers can lead to conflicts especially where commercial interests are placed ahead of the Client.

### **High level Controls**

- For HLAM and HLFM, HL has a negotiation policy that does not permit the receipt of any financial incentives for the sale or endorsement of fund or other collectives and we do not accept any payments for endorsements.
- Inclusion of providers on HL's products e.g. the HLAS advice panel, or Wealth 50 will not be influenced by the provider's willingness and ability to purchase significant services from or provide other benefits to HLAS.
- It is a matter of policy that neither HL MMFs nor the HL Select UK Growth funds will be included on the best buy lists to avoid this potential Conflict of Interest.
- If any third-party fund which we promote has a significant holding of Hargreaves Lansdown shares, we will ensure this is disclosed to Clients.
- It is a matter of policy that funds that hold HL plc cannot be included in HL best buy lists where the holding exceeds certain percentages of issued share capital.
- HL discloses all funds known to hold HL shares, and additional disclosures are made within in applicable financial promotion.
- Hargreaves Lansdown will not enter commercial arrangements that influence inappropriately the personal recommendations made by its advice team. This includes multi-year agreements with providers or agreements with clauses that guarantee status on Hargreaves Lansdown product panel.
- Distributors such as HLAM should not be influenced to place a provider on panel, or as part of any other HL product or service because of payments or other benefits, such as inappropriate distribution agreements that lead to commercial interests being placed ahead of the Client best interest.
- It is part of the Financial Promotions Manual that HL must make it clear that HL Funds are managed by our sister company HLFM as well as highlighting the charges as our multi-manager costs are more expensive.

HL operating its own equity funds and providing a stockbroking service to HLAM platform Clients. The management of equity funds creates several additional potential Conflicts of Interest between HLFM which manages the HL Select fund range and HLAM which provides the stockbroking service to HL Clients. For example:

- HLAM equity commentary on shares already held by HLFM equity fund which could have an influence on price

- HLFM fund dealing ahead of equity commentary (in advance of publication) that has been made available by the shared research team

### **High level Controls**

- In order to manage Conflicts of Interest that arise from providing both equity funds and equity commentary, HL has implemented Chinese walls to maintain segregation of information. All staff within this room as classed as restricted and have separate line management.
- Managers are not permitted to disclose details of proposed buys or sells for the fund before these are actioned; managers are not permitted to provide misleading equity commentary, or to provide equity commentary (share tips and recommendations) for the brokerage arm of HL.
- The Hargreaves Lansdown Market Abuse policy.

Remuneration Policy/Performance Fees. A conflict may arise where employee remuneration incentives drive inappropriate behaviours and/or conflicts with Client interests. For example:

- Financial Advisers employed by HLAS may be inappropriately incentivised to promote HLAM products and services during the financial advice process.

### **High Level Controls**

- All staff are paid by basic salary, which is not dependent on company performance.
- Discretionary bonus schemes 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.
- Reward Governance Committee oversees the design and implementation of adviser reward programmes, to ensure there is no bias in the scheme.
- Any grants of awards or options will be subject to the rules of those schemes and subject to the oversight of the Remuneration Committee to ensure that incentives are consistent with the provisions of fairness and do not create conflicts.
- HL 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.
- HLFM operates a Fair Value Pricing Committee that ensures independent valuation decisions are taken if a live price cannot be obtained.

## APPENDIX 2 – SCOPE

The FCA SYSC 10 handbook includes some specific definitions for Conflicts of Interest in relation to Undertakings for the Collective Investment in Transferable Securities (UCITS) and Alternative Investment Fund (AIF) management. These definitions are, in substance, the same as that which is reflected in the Scope section of the Policy. They have been included here for clarity.

### *UCITS*

HL, when identifying the types of Conflict of Interests, must consider:

- The interests of HL, including those deriving from its belonging to a group or from the performance of services and activities, the interests of the Clients and the duty of HL towards the UCITS scheme or EEA UCITS scheme HL manages; and
- Where HL manages two or more UCITS schemes or EEA UCITS schemes, the interests of all of them.

### *AIF*

HL must take all reasonable steps to identify Conflicts of Interest that arise, while managing AIFs, between:

- HL, including its managers, employees or any person directly or indirectly linked to HL by control, and an AIF managed by HL or the investors in that AIF; or
- an AIF or the investors in that AIF, and another AIF or the investors in that AIF; or
- an AIF or the investors in that AIF, and another Client of HL; or
- an AIF or the investors in that AIF, and a UCITS managed by HL or the investors in that UCITS; or
- Two Clients of HL.