

THE CHILDREN'S MUTUAL CONFLICTS OF INTEREST POLICY

1. Introduction

- 1.1 The development and maintenance of systems and procedures to avoid the occurrence of conflicts of interest, and for the management of conflicts where such cannot be avoided, is an essential part of good business governance. A well-run business will be underpinned by a robust governance framework. It is vital that decisions made, at all levels of the business, are impartial and not affected by conflicts of interest.
- 1.2 By developing and maintaining a **conflicts of interest policy**, the business is able to demonstrate that the people making decisions on its behalf do so in a manner that is neither biased nor tainted by personal preference, nor likely to give rise to personal gain or enhancement (for example by the receiving of bribes) to the detriment of the business, its owners or customers.
- 1.3 Such policy must be, and be seen to be, impartial, have integrity, and be fully compatible with the obligation to treat customers fairly. The policy should also form part of the organisation's suite of systems and controls designed to achieve compliance with the Bribery Act 2010, and to facilitate a defence for the organisation under section 7 of that act.

2. The Children's Mutual

- 2.1 The Children's Mutual is the trading name of two firms, each providing and distributing (or having in the past provided and/or distributed) financial services products and ancillary services to retail customers. The parent firm is Tunbridge Wells Equitable Friendly Society Limited (TWEFS), which is a mutual insurance undertaking registered under the Friendly Societies Act 1992. The other firm is Tunbridge Wells Equitable Investments Company Limited (TWEICL), which is registered under the Companies Act 1985. Both firms are authorised and regulated by the Financial Services Authority.
- 2.2 Ownership of TWEFS is vested in its members, being all those persons who are party to a contract of long-term insurance issued by TWEFS. As a mutual organisation, TWEFS has no shareholders, and any profits earned by the operation of the business are used exclusively for the benefit of its members.
- 2.3 100% of the issued share capital of TWEICL is owned by TWEFS. So, although TWEICL itself is not a mutual firm, any dividend it may declare would accrue to TWEFS and ultimately form part of any profits of the mutual parent. Ownership of a product issued by TWEICL does not give rise to membership of TWEFS.
- 2.4 TWEFS and TWEICL each have a separate legally constituted Board of Directors. However, as for operational and administrative purposes the business transacted individually by both firms is regarded as a continuum, on an overall basis the management of both is vested in the Board of Directors of TWEFS. Responsibility for the day-to-day operation of both firms is delegated to a Management Board, which includes two executive

Directors of TWEFS. They and two other members of the Management Board are also Directors of TWEICL.

2.5 All staff of The Children's Mutual (including the TWEFS executive Directors) are employees of TWEFS. The greater part of the day-to-day operational and administrative functions of the business are outsourced to third party firms, under relevant legal and contractual arrangements. Where functions are outsourced, both legal and regulatory responsibility for the operation and oversight of those functions rests with either TWEFS or TWEICL, as appropriate. It is also incumbent upon The Children's Mutual to ensure, as far as is possible, that any third party firm, its employees, associates and agents undertaking a function on behalf of The Children's Mutual complies with the requirements of the Bribery Act 2010.

3. Situations in which conflicts of interest may arise

3.1 A conflict of interest may arise in any situation where an individual Director or employee (including Directors and employees of firms contracted by The Children's Mutual to undertake functions on its behalf) is required to make a decision

- that requires him or her to act in the best interests of the owners or customers of the business (or both), and
- at the same time he or she
 - has (or may have) a separate personal interest, or
 - is related to, or connected commercially or financially with, another person or business with a separate interest, or
 - is under a fiduciary duty owed to another person or business.

3.2 A conflict of interest may also arise between:

- (1) The Children's Mutual and (2) any current or potential individual member or customer, or group of members and/or customers
- (1) any current or potential individual member or customer, or group of members and/or customers, and (2) any other current or potential individual member or customer or group of members and/or customers
- (1) The Children's Mutual and (2) a firm to which it has outsourced operational, administrative, or any other functions.

4. The Children's Mutual's conflicts of interest policy

4.1 Our **conflicts of interest policy** consists of the following elements:

- (i) Identifying**
- (ii) Monitoring**
- (iii) Managing**
- (iv) Disclosing**

4.2 We review the policy not less than once a year.

5. (i) Identifying conflicts of interest

- 5.1 In respect of conflicts described in 3.1 above, it is the duty of each Director and employee to identify all possible circumstances in their personal and business life which could give rise to an actual or potential conflict with the interests of The Children's Mutual, its members and customers.
- 5.2 It is also, in respect of conflicts described in 3.1 above, the duty of each Director and employee to notify the TWEFS Company Secretary of any conflict of interest which has actually arisen between him or her and The Children's Mutual, or between him or her and any individual member or customer of The Children's Mutual.
- 5.3 It is expected that identification of any conflict described in 3.2 above will arise in the normal course of business.
- 5.4 We have developed and maintain a register in which all such instances of potential or actual conflict involving a Director or employee of The Children's Mutual described in Section 3 are recorded. This register is held electronically, and maintained in accordance with the data protection principles set out in the Data Protection Act 1998. It is the duty of any Director or employee who becomes aware of a potential or actual conflict to enter details into the register and report it to the TWEFS Company Secretary or Assistant Company Secretary, as soon as possible after first becoming so aware.
- 5.5 The TWEFS Company Secretary or Assistant Company Secretary is responsible for recording the means by which the conflict has been, or will be, resolved, or, if relevant, disclosure of the fact that no resolution can reasonably be found.
- 5.6 In respect of Directors and employees of third party firms contracted by The Children's Mutual to undertake functions on its behalf, due diligence will be performed in order to ensure that such firms have in place appropriate systems and controls to ensure their compliance with the Bribery Act 2010.

6. (ii) Monitoring conflicts of interest

- 6.1 It is the responsibility of the Board of Directors to monitor each of the registers described in Section 5 above. However, this function may be delegated on a day-to-day basis to the TWEFS Company Secretary or Assistant Company Secretary, whose responsibility it is to report to the Board of Directors, not less frequently than once every six months, on the number and nature of conflicts reported, the means by which they have been or will be resolved, and the length of time it has taken for resolution to be achieved. At the same time, the TWEFS Company Secretary or Assistant Company Secretary will report to the Board any incidence of which The Children's Mutual has become aware of a third party firm acting on our behalf, or an employee of such firm, breaching any part of the Bribery Act 2010.
- 6.2 The Board of Directors will evaluate the data so reported, and the effectiveness of the procedures in place for the reporting and resolution of such conflicts, so as to ensure that decisions taken by them, and by employees, are not compromised thereby.

7. (iii) Managing conflicts of interest

- 7.1 No Director may make, or take part in making, a decision on any matter in respect of which he or she is exposed to an actual or potential conflict of interest, unless he or she has first notified the other members of the Board of Directors of such conflict, and received their permission to make, or take part in making, such decision. If such permission is not given, the Director will not be involved in any way in making the decision.
- 7.2 No employee may make, or take part in making, a decision on any matter in respect of which he or she is exposed to an actual or potential conflict of interest, unless he or she has first notified his or her line manager of such conflict, and received their permission (and, if deemed appropriate by the line manager or a more senior employee or Director) that of the Head of Human Resources, to make, or take part in making, such decision. If such permission is not given, the employee will not be involved in any way in making the decision.
- 7.3 The decision as to whether or not the Director or employee is permitted to be involved in the making of a decision will be recorded in the relevant register described in Section 5 above, together with, if they are so permitted, the eventual decision made.
- 7.4 Any Director or employee being offered an inducement of any kind or value which could reasonably be deemed to constitute a bribe shall refuse to accept such inducement, and report the offer immediately to the TWEFS Company Secretary or Assistant Company Secretary. Acceptance of any such inducement (unless officially sanctioned by the Board of Directors), shall be deemed an act of gross misconduct which shall result in immediate dismissal.

8. (iv) Disclosing conflicts of interest

- 8.1 Every reasonable effort is undertaken to avoid conflicts of interest arising, and to resolve any such conflicts that do arise. In the event that no reasonable resolution can be found, the existence of the conflict, and its potential or possible effects, will be fully disclosed to all parties affected, or potentially affected, by such conflict.
- 8.2 Disclosure of a conflict shall not of itself constitute a resolution, nor relieve The Children's Mutual of the liability to take all reasonable steps and measures to avoid conflicts arising, and to manage any conflicts that do nevertheless arise, with the aim of mitigating the effects or potential effects thereof.

9. Conflicts between The Children's Mutual and any current or potential individual customer or group of customers

- 9.1 In respect of any current or potential individual customer, neither The Children's Mutual, nor any Director or employee will:
- give advice or make personal recommendations about investment products or strategies, or
 - assess or comment upon the suitability of any investment product or strategy.

- 9.2 In the case of a conflict or potential conflict involving a customer, any decision made in accordance with this policy will not adversely affect the statutory right of that customer to submit a complaint to the Financial Ombudsman Service, or to sue the relevant legal entity in a court of law, or both.
- 9.3 Neither The Children's Mutual, nor any legal entity trading under that brand name, conducts investment business on its own account. All assets and financial instruments are acquired, maintained and disposed of for the benefit of, or on behalf of, customers.
- 9.4 Any payments (other than in respect of the standard fee or commission for the service provided) received from third parties in respect of the acquisition or disposal of assets or financial instruments are classed as income, and treated in the same way as other general revenues accruing to the relevant legal entity, and contribute towards the overall profitability of The Children's Mutual.
- 10. Conflicts between any current or potential individual customer or group of customers, and any other current or potential individual customer or group of customers**
- 10.1 Although combined collectively under The Children's Mutual brand name, business is transacted by different legal entities, having different corporate ownership and governance structures. For practical purposes, however, day to day management of The Children's Mutual business is conducted as if the group were a single entity. All customers and potential customers are treated equally, so far as legal constraints permit, regardless of the actual entity with which they have, have had, or will have, a contractual relationship.
- 10.2 All routine procedures and processes are designed so as to treat every customer and potential customer fairly, equitably, and (subject to the particular terms and conditions of the relevant contractual agreement), in a like manner.
- 10.3 To the extent that any matter requires a Director or employee to exercise discretion, he or she will do so impartially and by taking into account not only the interests of the individual customer or potential customer, but also those of all other customers in, or potentially in, the same type of contractual relationship with The Children's Mutual.
- 11. Conflicts between The Children's Mutual and any Director or employee of a legal entity trading under The Children's Mutual brand name**
- 11.1 No Director or employee may transact financial business on his or her own account using the contractual arrangements entered into by a legal entity trading under The Children's Mutual brand name (other than in his or her capacity as a retail customer thereof, and on normal commercial terms).
- 11.2 No Director or employee may receive any inducement (regardless of whether such inducement may constitute a bribe) from a third party which is designed either to influence the selection of that third party as a business partner of The Children's Mutual, or to encourage the use of such third party's products or services by The Children's Mutual. All products and services, of whatever nature, purchased or utilised by The Children's Mutual are acquired on normal commercial terms.

- 11.3 A Director or employee offered a gift by a third party may accept it if permitted by The Children's Mutual's Gift and Hospitality Policy. The receipt of any gift valued at more than £25 must be recorded in the Gift and Hospitality Register, together with its value, and the identity of the donor.
- 11.4 A Director or employee may accept hospitality from a third party if permitted by The Children's Mutual's Gift and Hospitality Policy. The receipt of the hospitality, its approximate value, and the identity of the donor must be recorded in the Gift and Hospitality Register.
- 11.5 The Gift and Hospitality Register is held electronically, and maintained in accordance with the data protection principles set out in the Data Protection Act 1998.
- 11.6 The remuneration of Directors and employees is not linked to specific transactions, nor to commercial arrangements with specific third parties. All or part of such remuneration may, however, be linked to the general profitability of The Children's Mutual, or to the profitability of a particular legal entity trading under that brand name. More detail is contained in The Children's Mutual's Remuneration Policy.
- 12. Conflicts between the distinct legal entities comprising The Children's Mutual trading group.**
- 12.1 Although collectively trading under The Children's Mutual brand name, the group comprises a number of different legal entities, having different corporate ownership and governance structures. Financial services business is transacted with customers either by Tunbridge Wells Equitable Friendly Society Limited or Tunbridge Wells Equitable Investments Company Limited. For practical purposes, however, management of The Children's Mutual business is conducted, so far as legal and regulatory constraints permit, as if the group were a single entity.
- 12.2 In devising and implementing its business strategy, the Committee of Management takes into account the differing natures and ownership structure of the separate legal entities, and the nature of the contractual relationships that each has with its customers and with the other entities within the group.
- 12.3 All customers and potential customers are treated equally, so far as legal and regulatory constraints permit, regardless of the actual entity with which they have, or will have, a contractual relationship.

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