

# Trustee Policy

## Conflicts of Interest Policy for The People's Pension Trustee Limited

### Background and definition

Conflicts occur when an individual's personal interests or duty to another party is at variance with that person's duty as a trustee of a pension scheme.

One of the key duties of a pension scheme trustee is to act in the best interests of the scheme's beneficiaries. To comply with this duty, it is important that the trustee (or the trustee directors where the trustee is a company) avoids circumstances where they have other interests or duties that conflict with the interests of beneficiaries. As The People's Pension Trustee Limited (the Trustee of The People's Pension Scheme – 'the Scheme') is a company, its Trustee Directors also have similar obligations under the **Companies Act 2006**, which are reflected in the Trustee's Articles of Association.

Problems may arise where a trustee has responsibilities and duties in relation to a participating employer in the scheme at times where such duties may be at odds with what might be the best course of action for beneficiaries. In such circumstances the trustee might have a conflict of interest that must be managed.

**The Occupational Pension Schemes (Scheme Administration) Regulations 1996** require that a majority of trustees, including the chair, of a relevant multi-employer trust scheme, (such as a master trust) must be non-affiliated. All Trustee Directors of The People's Pension Scheme are non-affiliated.

Other conflicts can arise because of a trustee being a member of the scheme. If decisions are being made in relation to benefits which a trustee is entitled to, then clearly that trustee will have a personal interest in the decisions being made.

**Section 39 of the Pensions Act 1995** specifically permits a trustee to make decisions that will affect their own benefits where they are a part of a larger group of members affected in the same way (but

not where the decision is being made in relation to that specific trustee's benefits alone or as a part of a small group). As a result, trustees can still involve themselves in decisions where they have a personal interest in the outcome of that decision because of being a member of the scheme.

Nonetheless, as The People's Pension Trustee Limited is a company, it is also sensible in these circumstances for the Trustee Directors to disclose all such actual or potential conflicts and have them approved by the Trustee Directors under **Section 175 of the Companies Act 2006**.

Conflicts of interest could also arise where a Trustee Director is involved on the trustee board of another master trust, either as an individual trustee or as a director or other representative of a trustee company.

Conflicts of interest are also relevant in relation to advisers. If an adviser to the Trustee is also acting for an employer or for another party that the Trustee is dealing with, or for another master trust, the Trustee will need to consider whether that adviser has a conflict of interest.

This document sets out The People's Pension Trustee Limited's policy and procedure for determining when a potential conflict situation might arise and how to evaluate it and deal with it once it has been identified.

### Objectives

The Trustee Directors, as a group and individually, have agreed that they must:

- understand what their duties are to the beneficiaries,
- identify in what circumstances they may have other duties or interests which might conflict with those of the beneficiaries,
- disclose any on-going potential conflict of interest they may have, for example in relation

to a specific employer role they hold and intend to continue to hold, or in relation to their involvement with another master trust,

- disclose any specific conflicts of interest which arise in relation to a particular activity as soon as they become aware of them,
- encourage a culture of openness and transparency in relation to conflicts of interest,
- adopt practical solutions when conflicts arise,
- plan and agree on how to manage any conflicts which arise,
- seek legal advice where a potential conflict situation has arisen, and the Trustee Directors are uncertain how to deal with it,
- ensure contracts and terms of appointment require advisers and service providers to operate their own conflicts policy, and disclose all conflicts to the Trustee,
- disclose adviser and service provider relationships outside of the Scheme for transparency, including where no actual or potential conflict is likely to arise.

## Identifying, disclosing, and recording conflicts of interest

The Trustee has adopted a procedure that is intended to implement their objectives in relation to conflicts of interest. In summary, the procedure is in two parts:

- i. identifying and recording the conflict, and
- ii. managing the conflict.

Conflicts can arise in a variety of situations. However, it is not possible to provide an exhaustive list of all the circumstances in which a conflict can arise and, as a result, the Trustee Directors should always be aware of the possibility of conflicts of interest.

A Trustee Director must disclose any conflict of interest as soon as practicable after it arises. Disclosure should be made either in writing to the Chair of the Trustee or the Trustee Secretary, by disclosure at the next Trustee Board meeting (or, where relevant, at any meeting of a Trustee sub-committee) or for potential new Trustee Directors during the appointment process.

Conflicts of interest are subject to ongoing monitoring and are identified, recorded, and managed in accordance with this policy which is regularly reviewed and approved.

## Conflicts of Interest Register

The Trustee Secretary maintains a standing register of Trustee Directors' interests which could give rise to a conflict of interest (the 'Conflicts of Interest Register'). The Conflicts of Interest Register will include actual, potential, and perceived conflicts of interest.

As soon as the Chair or the Trustee Secretary is notified of a conflict the Conflicts of Interest Register will be updated. If the Chair is not present at a meeting where a conflict is declared, the other Trustee Directors present will ensure that the Conflicts of Interest Register is updated.

The Conflicts of Interest Register will be available for inspection at each Trustee Board meeting and can be accessed between meetings by contacting the Trustee Secretary.

Each Trustee Director must periodically (and at least annually) confirm that the information relating to them in the Conflicts of Interest Register is correct and that they are not aware of any conflicts which have not been disclosed to the other Trustee Directors.

External advisers will be required to complete a declaration annually to confirm any conflicts of interest, which will also be recorded in the Conflicts of Interest Register.

The Conflicts of Interest Register will be updated, if necessary, after the attestations and the revised version will be sent to all the Trustee Directors with the agenda packs for the next Trustee Board meeting.

The Conflicts of Interest Register is also provided to The Pensions Regulator (TPR) in June each year under a Non-Statutory Information Request. These requests form part of TPR's master trust supervision regime.

## Identifying issues with potential conflict

The ultimate responsibility for assessing whether a conflict of interest exists rests with the Trustee and each individual Trustee Director.

All new Trustee Directors must declare any potential conflicts to the Chair who will ask the Trustee Secretary to update the Conflicts of Interest Register. However, when a new Trustee Director is appointed, the Trustee induction process will explain the importance of the Conflicts of Interest

Policy and assist the Trustee Director in identifying any potential areas of concern.

Any Trustee Director who feels that they or another Trustee Director or an adviser has a conflict of interest on a particular topic, should advise the Chair or Trustee Secretary prior to any meeting.

As a standing item at the start of each Trustee Board meeting (or, where relevant, meeting of a Trustee sub-committee), the Chair (or the Chair of the relevant sub-committee) will invite those present to declare any potential conflicts relating to the items on the agenda for discussion at that meeting and any such disclosure will be minuted.

**Section 177 of the Companies Act 2006** and the Trustee Company's own Articles of Association require the Trustee Directors to declare any interest in a proposed transaction or arrangement involving the Trustee. This obligation will be satisfied in any event, where the Trustee Directors follow this procedure in identifying, disclosing and recording a potential conflict of interest in accordance with this section.

## Managing potential conflicts

Once a conflict has been identified, the Trustee Directors must consider how it should be dealt with before conducting any further business to which the conflict might be relevant. A decision on how to proceed should be made unanimously by the Trustee Directors present at the meeting (excluding any Trustee Directors being discussed).

In particular, the Trustee Directors should consider whether it is material and so needs to be actively managed. The Trustee Directors will also consider the Trustee company's Articles of Association. The Trustee Directors will decide which of the following alternatives is most appropriate in the situation:

- whether they need legal advice to determine how to proceed,
- the conflicted individual may be required to leave the meeting during the discussion on the conflicted matter,
- where a conflict is deemed to be less serious, the conflicted Trustee Director may declare the conflict, which shall be recorded on the Conflicts of Interest Register, but no further action may be necessary,
- a Trustee Director may be required to withdraw from voting on the conflicted matter (though, depending on the seriousness of the conflict,

this need not prevent the Trustee Director from participating in the debate preceding the vote),

- a sub-committee of the Trustee Directors, excluding that Trustee Director, may be set up to deal with the matter,
- where a conflict only relates to a Trustee Director's role on a particular sub-committee, the Trustee Director may resign from that sub-committee (but not the Trustee Board as a whole),
- the Chair may direct (or the other Trustee Directors may instead so direct where the Chair is the conflicted Trustee Director) that a conflicted Trustee Director should not receive any Trustee information or papers relating to the issue giving rise to the conflict,
- where a conflict is serious and ongoing the Trustee Directors may ask the conflicted Trustee Director to resign,
- in cases where resignation is deemed appropriate, careful consideration will be given to the identity of any replacement Trustee Director and the conflicts they may face,
- whether it is necessary to authorise the conflict in accordance with **Section 175 of the Companies Act 2006** (which will not be necessary if the Trustee reasonably concludes that the issue will not lead to a conflict of interest),
- such other alternative as the Trustee's legal advisers may advise is appropriate in a particular case.

The Trustee Directors are aware that if one or more Trustee Directors have serious conflicts, which cannot be satisfactorily managed or avoided (or if there is no agreement on how to manage or avoid the conflict), the Trustee can apply to the courts for approval of a decision, or to surrender their discretion to the courts.

The Trustee Directors acknowledge that it may be helpful during a meeting for someone to express the views of an employer in relation to a particular issue. If that person is also a Trustee Director, they should declare that they are speaking on behalf of that employer before expressing that view. The Chair (or the other Trustee Directors where it is the Chair expressing that view) will consider whether it is appropriate for the Trustee Director to express that view. Where issues require negotiation and agreement with an employer, the Trustee will

request that the employer appoint a representative who is not a Trustee Director to lead the discussions on behalf of that employer.

Where a conflict has been identified, the Chair or the Trustee Secretary shall ensure that the discussion and decision in relation to the conflict are properly minuted.

If for any reason it is not possible to wait until a Trustee Board meeting (or, where relevant, meeting of a Trustee sub-committee) to deal with a potential conflict (e.g., decisions are being made prior to the meeting), the Chair, in consultation with the other Trustee Directors, may decide how to proceed until the date of the next Trustee meeting (or, where relevant, meeting of a Trustee sub-committee) when the Trustee Directors shall consider the matter as set out above. If the Chair is conflicted, then the other Trustee Directors may instead agree how to proceed.

## Disclosure of information

The Trustee Directors each acknowledge that they are generally required to share with their fellow Trustee Directors any information in their knowledge or possession which may be relevant to the exercise of the Trustee's functions and duties. This does not include information of a hypothetical nature where no decision has been reached on whether to act on the discussion. For example, where a proposed acquisition is being discussed in outline, but a formal offer has not yet been made.

This is subject to any provision that may be inserted in the governing documentation dealing with such a conflict.

However, this duty of disclosure may itself conflict with a Trustee Director's duty to another party.

Where a conflict has been identified and the conflicted Trustee Director is excluded from discussions about the issue in question, the Trustee may decide that the conflicted Trustee Director is not required to disclose relevant information about that issue to their fellow Trustee Directors for so long as the Trustee Director is excluded from Trustee discussions.

If any Trustee Director obtains information, disclosure of which is restricted by the rules of a relevant stock exchange or regulatory authority due to it being price sensitive information, they are not required to disclose that information to their

fellow Trustee Directors if doing so would breach the requirements of that exchange or regulatory authority. They will, however, disclose the information as soon as they are permitted to do so.

Each Trustee Director must provide a declaration at least annually, in relation to any actual, potential, or perceived conflicts of interest, with any relevant details recorded in the Conflicts of Interest Register as well as a statement within an annual Fit and Proper declaration.

## Advisers & service providers

The Trustee must appoint its own advisers. However, the Trustee advisers may also advise the Founder and the employers either generally or in relation to specific issues.

Advisers and service providers must make declarations about actual, perceived and/or potential conflicts at their appointment. All references to 'adviser' in this section also applies to service providers appointed by the Trustee.

Where there is a potential for conflict, the advisers should notify the Trustee in writing within reasonable timescales. The Trustee will record this and monitor the potential conflict on a regular (at least half yearly) basis.

In certain circumstances, in accordance with their own professional rules, the adviser may not be able to act for either party. Each of the Trustee advisers is required to notify the Trustee if any circumstances arise in which they feel they are conflicted.

The Trustee will carry out a due diligence process where external advisers / service providers will be required to complete a declaration annually to confirm any conflicts of interest. The Trustee Secretary will record all adviser conflicts in the Conflicts of Interest Register.

The general principles outlined above for managing Trustee conflicts apply equally to advisers. The following principles apply to advisers:

- If the conflict relates to an individual adviser, the Trustee may request that the firm the adviser works for allocates another individual to deal with a particular matter.
- Where there are specific concerns, for example where an adviser acts for both the Trustee and an employer, the Trustee may ask that adviser to produce an agreed set of conflict protocols (the 'Conflict Protocols') that guide the actions

of the adviser.

- **Where a conflict is serious and on-going** the Trustee may ask the conflicted adviser to resign. Where an adviser acts for both an employer and the Trustee, any Conflict Protocols put in place will include provisions that, if an adviser must resign from acting for one or other of the Trustee or the employer for reasons of conflict, the adviser will resign from acting for the employer and continue to act for the Trustee.

## The Pensions Regulator (TPR)

TPR has issued regulatory guidance on conflicts of interest and the expectations for governing bodies (including trustees) within the Conflicts of Interest module under the General Code of Practice. Trustee Directors should read this, and a copy is available at TPR's website: [www.thepensionsregulator.gov.uk/en/document-library/code-of-practice/the-governing-body/risk-management/conflicts-of-interest](http://www.thepensionsregulator.gov.uk/en/document-library/code-of-practice/the-governing-body/risk-management/conflicts-of-interest)

## Other master trusts

Conflicts of interest could arise where a Trustee Director is involved on the trustee board of another master trust, either as an individual trustee or as a director or other representative of a trustee company. The general principles outlined above apply equally to such situations.

The Trustee Directors, as a group and individually, have agreed that they must disclose to each other and to the Founder any master trust they are involved with ('Other Scheme') which operates or potentially operates in competition with The People's Pension Scheme.

Where People's Partnership advises the Trustee of areas in which they are seeking new business for The People's Pension Scheme, each Trustee Director shall evaluate which areas overlap with the activities of the Other Scheme with which they are involved.

Areas of conflict may include:

- intellectual capital developed by People's Partnership for use with The People's Pension Scheme which could be used to improve the commercial prospects of the Other Scheme.

- intellectual capital developed by People's Partnership and/or the Trustee (including proprietary market intelligence) which is deemed the property of People's Partnership and/or the Trustee which could be shared with the Other Scheme.
- disclosure to the Other Scheme of internal issues which could have a negative impact on the reputation of People's Partnership and/or the Trustee or on the commercial prospects of People's Partnership.
- where staff working with People's Partnership could be appropriate candidates for a role within an Other Scheme.
- where client or new business prospect names are also client or new business prospects of an Other Scheme.

Each Trustee Director involved with an Other Scheme as described in this section will ensure that there are robust internal procedures and policies in place to ensure that confidentiality is maintained between their work as a Trustee Director and the work of their colleagues involved with an Other Scheme and that this information is disclosed to the Founder.

## Review

This policy will be reviewed by the Trustee annually and made publicly available on the Scheme's website.

## Invalid Decisions

For the avoidance of doubt, the failure to comply with any of the provisions of this policy will not invalidate any decision made by the Trustee.