

OPERATING POLICIES AND PROCEDURES

Chapter 3

Conflicts of Interest and Share Dealing Policy and Procedures

1 September 2013

1. Policy

- 1.1 Ensuring that the integrity of decision-making within the PIDG is not compromised by private interests is a core requirement of the PIDG, recognising that effectively managing conflicts-of-interest requires a balance. A too-strict approach to controlling private interests may conflict with other rights or be unworkable or deter experienced and competent potential candidates from working for PIDG. The PIDG seeks to strike a balance by: identifying risks; prohibiting unacceptable forms of private interest; raising awareness of the circumstances in which conflicts can arise; and ensuring effective procedures to resolve conflict-of-interest situations.

2. Procedures

2.1 Conflicts of Interest

- 2.1.1 A conflict of interest is a situation in which an individual who is in a position of responsibility has a competing professional or personal interest (it can include financial interests, related-party business undertakings, personal relationships, non-financial personal interests and affiliations with for-profit or non-profit organisations, or with political or professional organisations). Such competing interests can make it difficult to fulfill his or her responsibilities impartially. A conflict of interest may be real, apparent or perceived.
- 2.1.2 The existence of a conflict of interest may not, in and of itself, be evidence of wrongdoing. In fact, for many professionals, it is virtually impossible to avoid having conflicts of interest from time to time.
- 2.1.3 PIDG Participants are required to put in place procedures that enable their directors, advisers and employees to identify and disclose all relevant private interests that potentially conflict with their duties. Such disclosure should be made formally to their supervising entity (as defined in the Code) on a periodic basis (generally on commencement in office and whenever a new potential or actual conflict of interest arises), and in writing.
- 2.1.4 PIDG Participants must promptly disclose all relevant information about a conflict when circumstances change after an initial disclosure has been made, or when new situations arise, resulting in an emergent conflict of interest. Each declaration must contain sufficient detail on the conflicting interest to enable an adequately informed decision to be made about the management of the conflict of interest.
- 2.1.5 The responsibility for the adequacy of a disclosure rests with the individual disclosing the interest and this shall be communicated and reinforced in directors' service contracts and employees' employment contracts.
- 2.1.6 Each PIDG Company is required to maintain a register of interests for its directors and officers at its registered office.

- 2.1.7 Disclosure of a private interest does not in itself resolve a conflict, however, it enables the necessary steps to be taken to determine what measures are needed to resolve or manage the conflict. PIDG Participants need to clearly record both disclosed private interests and the measures taken in a particular case for resolution to demonstrate that a specific conflict has been appropriately identified and managed.
- 2.1.8 The options for resolution and management of real, apparent and perceived conflicts of interest can include one or more of several strategies as appropriate, for example:
- divestment or liquidation of the interest;
 - recusal from involvement in an affected decision making process;
 - restriction of access by the affected individual to particular information;
 - transfer of the individual to duty in a non-conflicting function;
 - re-arrangement of the individual's duties and responsibilities;
 - assignment of the conflicting interest in a genuinely "blind trust" arrangement;
 - resignation of the individual from the conflicting private-capacity function;
 - resignation of the individual; and/or
 - disclosure.

2.2 Share Dealing

- 2.2.1 PIDG Participants should have in place adequate policies and procedures for the use and control of inside information. These should recognise the responsibility to control access to inside information and reduce risk of misuse. There should be clear responsibility within PIDG Participants for overseeing controls and procedures in relation to inside information.
- 2.2.2 The UK Financial Services and Markets Act ("FSMA") defines inside information as *"information relating to particular securities or to a particular issuer or issuers of securities which has not been made public and which, if it were made public, would be likely to have a significant effect on the price or value of any securities"*.
- 2.2.3 The principles and the practice suggestions in this section of the PIDG OPPs are not a substitute for the relevant laws and regulations applicable to a PIDG Participant, nor are they intended to have any legal effect or to be used by any regulator. Their objective is to raise standards generally within PIDG in relation to the use and control of inside information.
- 2.2.4 Each PIDG Participant should have a personal account dealing policy, which, in the case of the PIDG Facilities, should be made clear to all Directors and employees. Each PIDG Participant is responsible for ensuring it is aware of any civil and criminal penalties for dealing on the basis of inside information or for enabling such dealing.
- 2.2.5 An example of a Personal Account Dealing (PAD) Policy for use by the PIDG Facilities is set out below.

"How the PAD Policy Applies To You:

1. It is your responsibility to ensure that you adhere to the PAD Policy.
2. You must sign the PAD Declaration [in the form set out in Annex 1] on joining [insert name of PIDG Facility] and on an annual basis thereafter.
3. You must provide a list of your PAD holdings (and those of your connected parties if appropriate). This must be provided to [[Compliance Officer] of a PIDG Facility] [the Chair's Office in the case of the PMU] [the Governing Council in the case of the Chair's Office] (the relevant party being hereinafter referred to as "Compliance") within 30 days of joining [insert name of PIDG Participant].

4. You must obtain pre-authorisation from Compliance for all PAD trades in the relevant products set out in the list below (“relevant personal trades”). Authorisation to trade lasts for three working days.
5. [Transactions are prohibited in certain products / companies shares (the “Stop List”, a copy of which is available from Compliance).]
6. In respect of authorised transactions, you must arrange to provide Compliance with trade confirmations (or state if the PAD trade has not occurred) within five working days of the authorisation being given.
7. If connected parties (spouse, children under 18, etc.) make investment decisions independently, they must complete a “Connected Party Disclosure Form” in order to be exempt from the PAD policy.
8. The holding period for PAD investments is a minimum of 30 days.
9. Compliance has total and final discretion over all decisions relating to PAD transactions.
10. The PAD policy forms part of the PIDG’s overarching approach to appropriately managing conflicts of interest, inducements and anti-bribery, as embodied in the Code. The Code requires PIDG Participants to observe the highest standards, which may in some cases be wider than the PAD rules set out in this document.

Products / Services Included Under PAD Policy (authorisation required)

1. Any transaction involving the transfer of securities (e.g. equity, debt or hybrid securities and also derivatives on financial instruments, whether quoted or unquoted) in “Qualifying Companies” (directly or indirectly, e.g. through a non-discretionary unit trust or investment trust) requires pre-authorisation.
2. Qualifying Companies include:
 - PIDG Companies
 - Any recipient of finance in whatever form from the PIDG Trust or a PIDG Facility
 - Any related corporate entities /investment vehicles and structures
 - Companies financing projects alongside the PIDG Trust or a PIDG Facility
 - Companies delivering services or other goods to PIDG

Products / Services Excluded Under PAD Policy (no authorisation required)

- Foreign Exchange transactions, cash deposits or personal borrowings (including mortgages), government bonds, non-financial CFDs/betting (e.g. sporting), UCITS (and similar unit trusts, ISA’s, etc. where an independent manager makes the investment decisions).
- Independent discretionary managed accounts (e.g. an independent portfolio manager controls and conducts independent investment management on behalf of the individual), provided that the independent manager is not a Qualifying Company.”

Annex 1

PAD Declaration

To: [Compliance Officer] of [insert name of PIDG Participant]

I declare that:

(A) I have read and understood the PAD rules set out in [insert name of document]

(B) I agree to be bound by the PAD rules so long as I remain involved with [insert name of PIDG Participant] and

(C) I have complied with the PAD rules so long as I have been involved with [insert name of PIDG Participant]

Dated _____
(day month year)

Signed _____

Name _____

Position _____