



LICI UK CONFLICT OF INTEREST POLICY

Purpose of document

This document describes LICI UK's Conflict of Interest Policy, which is the entirety of the strategies, systems, tools, processes, roles and responsibilities in use across the business to ensure that it identifies and manages Conflict of Interest appropriately in support of its strategic vision and objectives and in line with regulatory requirements.

This document set out the minimum standards to be maintained to support effective management of Conflict of Interest.

The Chief Manager, being responsible for the management of Conflict of Interest, is the owner of this document.

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1 Introduction

The LICU UK is committed to removing Conflict of Interest from all its business dealings where possible and expects that all employees, temps and contractors act without a Conflict of Interest where possible. Where potential, perceived, or actual Conflicts of Interest arise Life Insurance Corporation of India – UK (LICU UK) expects disclosures and mitigating actions to be adequate and effective.

UK authorised firms are expected by regulators to have appropriate and proportionate systems and controls in place to identify and manage Conflicts of Interest.

LICU UK employees, outsourcers and contractors should avoid Conflicts of Interest where possible but, where conflicts do or can exist, it is vital that these are understood and managed properly to avoid detriment arising in practice.

The objective of this document is to set out the policy for the management of Conflict of Interest at LICU UK. Conflict of Interest is defined as:

“An actual, potential or perceived conflict between the aims of two parties”

A Conflict of Interest, at LICU UK, can arise between LICU UK and an individual (e.g. customer, employee or contractor) or an organisation (e.g. supplier, outsourcer, regulator) or between two individuals or two organisations.

This Conflict of Interest Policy describes the minimum standards in place for the management of Conflicts of Interest in line with above definition. Care has been taken to ensure that this policy adheres to regulatory standards set out in the UK supervisory requirements.,

2 Conflict of Interest Policy

The Conflict of Interest Policy provides direction to individuals on their roles and responsibilities for effectively managing Conflicts of Interest. It applies to all employees of LICU UK, its subcontractors, joint ventures and outsourcers. The scope of this policy extends to outsourced activities to the extent that these activities are (performed as) an inherent part of LICU UK’s business activities and directly affect or relate to LICU UK’s risk profile.

LICU UK is committed to managing Conflicts of Interest to the highest standards, by ensuring that any potential Conflicts of Interest between itself and its customers are prevented during distribution activities.

If Conflicts of Interest between itself and its customers cannot be removed, the general nature or sources of the conflict should be disclosed to the customer. In any case, in the interest of the customer’s protection, appropriate information must always be available to parties impacted before signing of the contract.

The purpose of this policy is to:

- Ensure that every employee, outsourcer and contractor is aware of the risk of Conflicts of Interest and, should they identify a potential Conflict of Interest, discloses and records that conflict.
- Ensure that potential conflicts of Interest are managed appropriately, in accordance with and in compliance with internal and regulatory requirements.

- Enable Compliance to provide support and guidance to identify potential Conflicts of Interest in all areas, including in particular:
 - Relationships between legal entities within the LICI Group
 - LICI UK executives holding multiple internal roles
 - Segregation of duties in relation to functions
 - Insurer-distributor arrangements where LICI UK holds a shareholding / other financial interest in the distributor, or where distributors are part of LICI UK that provides other services to LICI UK.
 - Insurer-agent relationships where the agent has authority to place cover or settle claims, including appointed representatives, tied agents and any person directly, or indirectly linked by control.
 - Material outsourcing or intra-group sourcing, particularly where a number of legal entities use the same supplier.

The scope of this policy extends to outsourced activities:

1. Only as far as these activities are (performed as) an inherent part of LICI UK's business activities and directly affect or relate to LICI UK's risk profile.
2. To the same extent as if the activities would be performed by LICI UK itself.

2.1 Policy Scope

All aspects of Conflict of Interest are included within the scope of this policy and there are no exclusions.

3 Conflict identification

The LICI UK must take all appropriate steps to identify all Conflicts of Interest which have the potential to impact its customers in particular those which arise between:

- (1) Itself, including its managers, employees and appointed representatives (or where applicable, tied agents), or any person directly or indirectly linked to the organisation by control, and a customer of the firm; or
- (2) One customer of the LICI UK and another customer, in relation to LICI UK

For the purposes of identifying the types of Conflicts of Interest that arise in the course of carrying out any insurance distribution activities related to insurance products and which entail a risk of damage to the interests of a customer, LICI UK should assess whether it, a relevant person or any person directly or indirectly linked to it by control, have an interest in the outcome of the insurance distribution activities, which meets the following criteria:

- (a) It is distinct from the customer's or potential customer's interest in the outcome of the insurance distribution activities;
- (b) It has the potential to influence the outcome of the distribution activities to the detriment of the

customer.

The LICI UK shall proceed in the same way for the purposes of identifying Conflicts of Interest between one customer and another, in relation to its business.

3.1 Personal Conflicts of Interest

An individual's personal interests and considerations must never influence their business judgement or decision-making when acting on behalf of LICI UK.

When a Conflict of Interest arises for an individual, may arise, or may be perceived to arise, they must disclose the relevant information and obtain approval from the Chief Manager before proceeding

If a Conflict of Interest cannot be avoided and an activity has to be started or a decision has to be taken, individuals must immediately disclose all relevant information to their supervisor in writing or discuss with the Compliance Officer and refrain from any further activity relating to this situation until further instruction is given. If the Compliance Officer has a Conflict of Interest, s/he has to disclose it to the Chief Manager and Branch Management Committee in writing including how it was addressed.

Employees, temps and contractors must refrain from any action or decision that could conflict with an activity concerning LICI UK if they hold or intend to have:

- A financial interest which diverges or has the potential to diverge from the interests of LICI UK or its customers.
- A personal interest in a transaction in which LICI UK has or may have an interest.
- Access to any non-public LICI UK information.
- An engagement (such as second employment) primarily with any company LICI UK is or is likely to do business with (e.g., supplier, customer, agent, intermediary, distributor or competitor). However, all secondary employment is expected to be disclosed.
- Personal relationships including: entering into or being in a close or intimate relationship with anyone in LICI UK.
- Personal Conflicts of Interest regarding external "Closely Related Persons" which means any child, step-child, parent, step-parent, spouse, sibling, or relationship-in-law
- Any other situation, e.g. acceptance of gifts or entertainment, that influences or potentially influences or may appear to influence his or her decision when acting on behalf of LICI UK.

3.2 Related Persons

For purposes of this policy, a "Related Person" means:

1. Closely Related Person, as defined above; or
2. any person who is, or at any time since the beginning of LICI's last fiscal year was, a director or executive officer of the Company, or a nominee to become a director of LICI; or

Employees, temps and contractors must disclose relevant information to their line manager if:

- A Closely Related Person acts, or is requested to serve, as an advisor or consultant to, or hold a position at any governmental or regulatory body which has a direct or indirect relationship with LICI UK, or
- A Closely Related Person acts, or is requested to serve, as an advisor or consultant to, or hold a position with a supplier, customer, distributor, agent, intermediary or competitor of LICI UK.

4 Managing Conflict of Interest associated with remuneration activities

Remuneration arrangements have the potential to increase the degree of Conflict of Interest faced by the LICI UK. There are no variable compensation arrangements in place which could give rise to a Conflict of Interest.

LICI UK has a principles-based approach to ensure an appropriate mechanism is in place to review and assess potential impact of future remuneration activities.

LICI UK has set an overarching remuneration principle:

“Its employees, agents or contractors and/or insurance distributors must not be remunerated or their performance assessed in a way that conflicts with their duty to comply with the Customer’s Best Interests Rule. In particular LICI UK must not operate remuneration policies that could provide it or its employees with an incentive to recommend a particular contract of insurance to a customer when a different insurance contract could be offered which would better meet the customer’s needs.”

The scope of this policy, from a remuneration perspective, covers all of the remuneration activities and requires LICI UK Chief Manager to prohibit any remuneration and performance management practices that would conflict with the Customer’s Best Interests Rule.and ensure:

- Any variable pay arrangements are assessed appropriately to avoid Conflicts of Interest.
- Conflict of Interest policies cover remuneration aspects.
- Compliance manuals cover sales practices.
- Any other internal documents or procedures discourage conflicts.
- All of the existing and/or new bonus plans meet regulatory requirements.
- Pre-contract disclosure protocols meet the requirements.
- Any Appointed Representative meets the regulatory requirements.
- Remuneration Policy Statements cover conflicts in respect of customer interests and are robust and consistent with any other regulatory reports.

4.1 Pre-Contract Disclosure

LICI UK where applicable and in line with the Customer’s Best Interests Rule will consider the information needed to provide the pre-contract disclosure of information about:

- (i) The nature (broadly, type) and basis (broadly, source) of the remuneration that LICI UK receives in relation to an insurance contract; and
- (ii) The nature (type) of the remuneration paid to LICI UK employees. The disclosure should include, for example, disclosure of bonuses for hitting a sales target where the specific insurance contract sold will count directly towards that target.

These disclosures should consider the information needs of customers, highlight potential Conflicts of Interest and promote transparency.

5 Conflict Management

The LICI UK must maintain and operate effective organisational and administrative arrangements with a view to taking all reasonable steps to prevent Conflicts of Interest from adversely affecting the interests of its customers. Instances where Conflicts of Interest typically arise and which need to be appropriately managed by the LICI UK include the following:

- The LICI UK has an interest in selling products of its own group (e.g. funds contained in a unit-linked product);
- The LICI UK is receiving sales commissions and/or follow up commissions;
- There is a horizontal Conflict of Interest between different customers, because there is higher demand for a specific life product than occasion for concluding of contracts/supply;
- The LICI UK is earning money in case of a change of funds during the lifetime of a unit-linked life insurance contract; or
- The LICI UK has an interest to recommend or not to recommend a certain Insurance Based Investment Product (IBIP) due to its own portfolio (own account trading).

5.1 Disclosure of conflicts

The LICI UK understands the disclosure of Conflicts of Interest as the step of last resort to be used only in cases where the organisational and administrative measures are not sufficient to effectively prevent Conflicts of Interest and any over-reliance on disclosure is considered a deficiency in underlying process or system of system of governance or the Conflicts of Interest Policy.

If conflict management arrangements are not sufficient to manage Conflict of Interest, with reasonable confidence, the LICI UK must clearly disclose to the customer and relevant parties:

- a) The general nature or sources of the Conflicts of Interest (or both);
- b) Sufficient detail in the disclosure, taking into account the nature of the relationship relationship, to enable that customer or relevant party to take an informed decision with respect to the activities in the context of which the Conflict of Interest arises; and
- c) The steps taken to mitigate those risks.

The disclosure must:

- a) Be made in a durable medium;
- b) Be made in good time before the conclusion of the contract of insurance;
- c) Clearly state that the organisational and administrative arrangements established by the firm to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the customer will be prevented;
- d) Include specific description of the Conflicts of Interest that arise in the provision of insurance distribution activities, investment services or ancillary services;
- e) Explain the risks to the customer that arise as a result of the Conflicts of Interest; and
- f) Include sufficient detail, taking into account the nature of the customer, to enable that customer to take an informed decision with respect to the service in the context of which the Conflict of Interest arises.

The following disclosure requirements apply only to insurance intermediaries:

- Intermediaries must disclose to the customer if they have 10% or more voting rights or capital in an insurer, or vice versa.
- Intermediaries must disclose to the customer if they give advice based on “a fair and personal” analysis of the market.
- Where an intermediary is contractually bound to place business with a specific insurer or insurers, it must provide the names of these insurers to the customer.

5.2 Record of conflicts:

The LICI UK must keep and regularly update a record of the kinds of service or activity carried out by or on behalf of the organisation in which a material risk of damage to the interests of one or more customers has arisen due to a Conflict of Interest or, in the case of an ongoing service or activity, may arise.

6 Roles and Responsibilities

Everyone has a responsibility for identifying Conflicts of Interest and ensuring that all relevant areas of this policy are applied and for notifying their line manager of any failures / difficulties with regard to this policy.

6.1 Role of the Individuals

Everyone must report such situations that could cause potential, perceived or actual Conflicts of Interest between the individual and LICI UK, customers and LICI UK or one customer or group of customers and another customer or group of customers and:

- Refrain from actions or decision with the potential to negatively impact LICI UK.
- Disclose potential, perceived or actual conflict situations.
- Obtain approval from their line manager for any Conflicts of Interest and external engagements.

Subsequently Chief Manager should be informed of any Conflict of Interest and/or if the circumstances relating to an identified conflict or external engagement change in any way.

Chief Manager should inform the Central Office of any Conflict of Interest falling within scope of this policy and/or if the circumstances relating to an identified conflict or external engagement change in any way.

6.2 Role of the Chief Manager

The Chief Manager is accountable for ensuring that the Conflict of Interest Policy is regularly reviewed, updated and communicated, with support from Risk Consultant. The Chief Manager is also required to:

- Identify, note, assess and record any actual or potential Conflict of Interest
- Support implementation, ongoing management and compliance with this policy.
- Ensure that sufficient management information is delivered to the Branch Management Committee in order to assess whether Conflicts of Interest risks are mitigated effectively.

6.3 Role of Compliance Manager

The Compliance Manager is required to:

- Support the business in implementing this policy and related procedures.
- Monitor compliance with this policy and oversee remediation of non-compliant issues
- Provide support for complex business queries
- Hold a register of potential Conflicts of Interest
- Inform the Branch Management Committee on a quarterly basis of any Conflicts of Interest that have arisen and not been fully mitigated.

6.4 Role of Internal Audit

Internal Audit is an independent, objective assurance function and provides an independent evaluation of the controls, risk management and governance processes. Internal Audit will provide independent opinion whether this policy is being applied effectively in practice.

7 Procedures and Measures

The LICI UK must have procedures and measures appropriate to its size and activities, and to the risk of damage to the interests of the customer and these must be followed. The procedures and measures adopted shall include the following:

- a. Effective procedures to prevent or control the exchange of information between relevant persons engaged in activities involving a risk of Conflict of Interest where the exchange of that information may damage the interests of one or more customers.
- b. The separate supervision of relevant persons whose principal functions involve carrying out activities on behalf of, or providing services, to customers whose interests may conflict, or who otherwise represent different interests that may conflict, including those of the insurance

intermediary or insurance undertaking;

- c. The removal of any direct link between payments, including remuneration, to relevant persons engaged in one activity and payments, including remuneration, to different relevant persons principally engaged in another activity, where a Conflict of Interest may arise in relation to those activities;
- d. Measures to prevent or limit any person from exercising inappropriate influence over the way in which insurance distribution activities are carried out by the LICl UK or their managers or employees or any person directly or indirectly linked to them by control;
- e. Measures to prevent or control the simultaneous or sequential involvement of a relevant person in separate insurance distribution activities where such involvement may impair the proper management of Conflicts of Interest;
- f. A gifts and benefits policy which determines clearly under which conditions gifts and benefits can be accepted or granted and which steps are to be taken when accepting and granting gifts and benefits.

7.1 New Starters

All new employees and contractors must complete a Conflicts of Interest form and external engagements notification form as part of the onboarding process.

7.2 Existing employees and contractors

When any potential Conflict of Interest or external engagement is identified the following procedure must be followed:

- Individuals are required to discuss with their line manager and declare the conflict in writing to their line manager and the Chief Manager using the ***Disclosure Form***;
- Line manager must review, discuss implications and speak to Chief Manager as part of the assessment;
- The Chief Manager must retain a copy of the disclosure including all relevant details and ensure that the conflict is managed in accordance with all agreed conditions and does not have any detriment in practice;
- The Chief Manager must arrange for the relevant disclosure form to be logged accordingly.

The individual must subsequently keep their manager informed if the circumstances relating to the identified conflict or external engagement change in any way and follow the Disclosure Process.

All employees, temps and contractors at least annually will be reminded by the Chief Manager that they should advise their line manager of any new Conflicts of Interest or external engagements, or to advise of any changes to existing notifications (including where a Conflict of Interest or external engagement has come to an end). Any changes should be managed in line with the Disclosure Process, and any actions required to mitigate the risk be agreed.

7.3 Analysis

The nature of the potential Conflict of Interest should be analysed by the Compliance Manager in

connection with key stakeholders and an assessment made of the potential conflict, the associated risks and any mitigation in place to prevent crystallisation of an issue. Documentation will be prepared to enable the Conflict of Interest to be appropriately managed.

7.4 Register

A register of potential Conflicts of Interest shall be held by the Compliance Manager. It will be reviewed by the Chief Manager quarterly and reported to the Branch Management Committee as necessary. The review will consider the material Conflicts of Interest recorded and covered by this policy.

7.5 Training and awareness

The relevant employees shall be made aware and, as appropriate, trained on the procedures and behaviours required to ensure that the conflicts are appropriately managed.

7.6 Assurance and Oversight

An assurance and oversight program must be developed, maintained and operated to review whether potential Conflicts of Interest are identified, managed and reported appropriately in compliance with this policy;

- Conflicts of Interest processes and controls are sufficiently designed and operating in line with expectations; and
- The operational activities satisfy the requirements of applicable legal and regulatory requirements and of this policy.

8 Governance

The Branch Management Committee is responsible for reviewing this policy. The Chief Manager is responsible for bringing to the notice of the committee any Conflict of Interest reported on a quarterly basis along with details of how it has been addressed. In this role, the committee has an interest to ensure that the Conflict of Interest management in the LICI UK is well organised and functions properly.

The committee is responsible for recommending appropriate changes to policies concerning the operations of the LICI UK and for the establishment and maintenance of adequate and functioning internal control mechanisms, in order for LICI UK to comply with this policy.

Exceptions to Conflict of Interest Policy, procedures and parameters established by the management will be reported by the Chief Manager to the UKM&RC, which will review and evaluate them for appropriate resolution.

9 Key Contacts

For all queries relating to the Conflict of Interest Policy, please contact the Chief Manager in the first instance at chief.manager@liciu.com