



# Our Approach to Managing Potential Conflicts of Interest

UK Investment Consulting

In Aon Hewitt Limited ("Aon Hewitt") we understand that any decision to rely on a provider (an adviser, a manager or any other third party) requires trust. Our aim is always to be a trusted adviser. We believe that by having a transparent approach to the management of potential conflicts of interest we build trust with our clients.

Aon Hewitt is authorised and regulated by the Financial Conduct Authority (FCA), which set out rules for managing potential conflicts of interest. Our approach to this is more than a requirement it is the way we work with our clients every day.

We believe it is important that our clients understand our approach to managing potential conflicts. Please get in touch if you have any questions.

Our approach is an extension of our Code of Business Conduct, and our global policy on the management of actual and potential conflicts of interest. This requires all colleagues to:

- Recognise and address potential conflicts of interest;
- Avoid doing anything that could create the appearance of failing to act in the best interest of our clients or business partners; and
- Manage actual conflicts of interest that arise.

Our approach is at the heart of our culture. Our training and processes ensure they are reflected in our dealings with clients. We always welcome the opportunity to discuss our approach, the training we provide to our colleagues and the surrounding processes with clients, potential clients, regulators and other interested third parties.



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Aon Hewitt Limited is authorised and regulated by the Financial Conduct Authority.  
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## How we work with our clients

In summary, it is our fundamental belief that each client's situation is unique and dynamic. So we offer a wide range of approaches to give clients choice to operate in the way they prefer both now, and in the future.

Expanding a little we offer the following to our clients:

- **A personal approach:** Clients are different as are our colleagues. We aim to match our colleagues to our clients, to bring enthusiasm and responsiveness to our client relationships.
- **Understanding:** We believe better outcomes and value for money are driven by better client understanding. We focus on understanding a client's situation and objectives and then provide clear understanding to our client.
- **Capability to deliver better outcomes:** Our breadth and depth of expertise gives the greatest ability to work with our clients to help them meet their investment objectives. Our different ways of working provide scalable and cost efficient access to our capability.
- **Choice:** We believe that freedom for our clients to choose how they operate creates diversity in approach that facilitates innovation. We work with clients in the way they prefer while obeying all applicable laws, regulations, and professional standards that govern our business.
- **Transparency:** We believe in transparent pricing, unambiguous demonstration of value, and management of conflicts.

Operationally, we use a number of teams. Some of these teams extend beyond the UK to reflect the global nature of investment markets and make use of our breadth and depth of capability. For later reference these teams include; Advisory Services, Delegated Consulting Services (DCS) and Manager Research (who provide investment manager recommendations).

## How we manage conflicts

### Our people

All colleagues have regular training on the importance of managing conflicts of interest in the services they provide to their clients.

Our colleagues must always consider and act in their clients' best interests, and ensure they are following FCA principles. It is their duty to seek to identify and manage actual or potential conflicts.

Where a colleague has a concern regarding an actual or potential conflict of interest, there is an easy process to obtain support.

We ensure that reward and remuneration policies do not put pressure on colleagues to provide anything other than the most suitable and appropriate recommendations to their clients.

### Our approach

First and foremost, we take steps to avoid any conflicts arising. We will not knowingly enter into any engagement that is likely to result in a conflict of interest between ourselves and clients, unless it is possible to take appropriate steps to manage the conflict so that we can protect our clients' interests.

We do not place over reliance on disclosure – our primary aim is to avoid conflicts whether actual or potential and to manage those we cannot avoid altogether.

Our processes and systems ensure and demonstrate our approach is followed.

### When might conflicts arise?

Below, we highlight a number of actual or potential conflicts, and our approach to mitigating them. The list is not exhaustive. The list aims to address issues that get raised. If you have additional concerns we would like to hear them so that we can continue to operate best practice in this area.

#### **1. Potential Conflicts between the Sponsoring Employer of an Occupational Pension Scheme and Scheme Trustees**

We are often engaged by pension scheme trustees. We may also advise the sponsoring employer itself. There are times where the objectives of these two parties may not be compatible, and they may wish to follow fundamentally different investment strategies.

##### ***Mitigation***

In these circumstances we would notify both trustees and employer of the potential for conflict, and create "Ethical Barriers" where the parties would be advised by separate teams (and where practicable, separate locations), and with no common access to shared data. If either party is not comfortable with this arrangement, then Aon Hewitt would resign one of the advisory appointments.

## 2. “Churning” a Portfolio

We might be perceived to be encouraging clients to make unnecessary changes to their investment strategies and excessive changes to investment products employed, in order to generate greater fee income.

### **Mitigation**

All of our advice must clearly articulate the reasons for the recommendations, and the information on which the advice is based. Therefore any recommendations to change investment strategy or investment products must include the reasons why this advice is appropriate to a client’s specific needs and circumstances. In addition, all client advice is peer reviewed, and samples are scrutinised on a regular basis.

## 3. Recommending Investment Products

Payments or inducements from product providers might be seen to influence the investment products we recommend.

### **Mitigation**

Aon Hewitt does not receive any commission from investment product providers in relation to advising on investment products.

The research process within Manager Research is team based, and completely transparent to members of Manager Research. This mitigates the potential conflict of interest that any one, or a small group of individuals within the team, may have with a fund manager or other third party.

We abide by the Aon Hewitt Event, Entertainment, Meals and Gifts Policy which enables management to monitor both the receiving of or offering of events, entertainment, meals or gifts. This supports our independence as an organisation that it is not inappropriately influenced by third parties such as clients, prospects, insurers, product providers, investment houses and suppliers of goods and/or services.

## 4. Fund Managers who are also Aon Hewitt clients

There are some instances where fund management organisations are also clients of Aon Hewitt or the wider Aon Group. This could potentially give rise to a conflict of interest where Aon Hewitt recommends their products.

### **Mitigation**

This conflict is dealt with by the separation of Manager Research from Advisory Services and DCS.

## 5. Conflict in giving clients impartial advice and managing funds on behalf of clients

We might not act in the clients' best interests when suggesting Aon Hewitt in-house funds are suitable.

### **Mitigation**

Aon Hewitt is client led with respect to the level of delegation its clients wish to use. We have a clearly articulated framework and process for building a detailed understanding of a client's situation and preferences, to advise on a suitable approach.

The decision to offer the full spectrum of ways of working reflects our fundamental belief that each client is unique, and that they should have the ability to choose a way of working that is most suited to them. When advising that an approach is suitable, we do not recommend that any approach that involves Aon Hewitt in-house funds is better or worse than one that does not. We will compare a range of approaches including those that involve Aon Hewitt in-house funds against objective criteria and say which are suitable for the client. Potential conflict is mitigated by offering the full spectrum of services to clients.

Manager Research does not rate any Aon Hewitt in-house fund (although it will rate the underlying funds within Aon Hewitt managed funds). This avoids any potential or actual conflict relating to any such rating.

Aon Hewitt is completely open to its advice, approach and processes being subject to inspection by its regulators and third party advisors.

## 6. Conflict in respect of use of information

It is possible that different parts of Aon Hewitt may receive information that, if disclosed to some clients before others, or to DCS before Advisory clients, could place some clients at a disadvantage. An example of this could be information received by Manager Research for the purpose of rating products or managers.

### **Mitigation**

We treat all clients fairly. Following this principle, relevant information received by Manager Research will be relayed to all our advisory consultants (to disseminate to their clients where appropriate) and DCS, simultaneously and will be held confidentially by Manager Research until that time.

Additionally, DCS and Advisory Services may only act on information obtained by Manager Research if it is contained in a formal notification of ratings change or in formal advice.

## 7. Capacity Issues

From time to time, we become aware of investment opportunities that are constrained by a manager's capacity for taking on assets. We might offer to one client at the expense of another.

### ***Mitigation***

In these circumstances, the same opportunity will be notified to all clients for whom it is deemed appropriate, at the same time, and will be made available on a first come first served basis.

Should DCS and an advisory client both be interested in an investment opportunity with limited capacity, where necessary the capacity will be shared fairly in accordance with agreed process.

## 8. Performance-related fees

Because of the nature of performance-related fees, there is a potential for conflict between Aon Hewitt's and the client's best interests if incentives are or become misaligned.

### ***Mitigation***

There are a variety of ways in which Aon Hewitt is remunerated by its clients for the services it provides. Our clients have the choice to select a remuneration option that they deem most suited to them, and this may include a performance-based remuneration structure.

Performance-related fees are subject to a cap, and we do not accept assignments where the entire fee is contingent on achieving a particular performance level. All performance-related fees are agreed in advance in writing by the client according to a defined formula. In the case of DCS the fees are calculated and verified by an independent party outside of Aon Hewitt.

The payments of performance-related fees relating to DCS are typically spread over three years and are dependent on consistent outperformance over this period.

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#### **About Aon Hewitt**

Aon Hewitt empowers organisations and individuals to secure a better future through innovative talent, retirement and health solutions. We advise, design and execute a wide range of solutions that enable clients to cultivate talent to drive organisational and personal performance and growth, navigate retirement risk while providing new levels of financial security, and redefine health solutions for greater choice, affordability and wellness. Aon Hewitt is the global leader in human resource solutions, with over 35,000 professionals in 90 countries serving more than 20,000 clients worldwide. For more information on Aon Hewitt, please visit [www.aonhewitt.com](http://www.aonhewitt.com)

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