

The Investment Association - Statement of Principles

Investment managers have a central role in people's financial wellbeing. We help them achieve their financial goals in an uncertain world – a crucial responsibility. They are our primary concern. Always.

Investment managers also have a crucial role in the Global economy. We are entrusted with the collective savings of tens of millions of individuals, which we allocate to companies and governments that use capital to create not only returns for our clients but also the economic growth that delivers the jobs and tax revenues that underpin infrastructure spending, education and welfare. The efficient management of that capital is a core responsibility.

Moreover, as major investors, investment managers play an important role in the stewardship of companies and in the efficiency of capital markets.

However people invest - whether directly with an investment manager (for example in a fund or indirectly), or through a pension or life policy, and whether using an adviser or not - there are common principles that underpin the mindset and behaviour of investment managers. These principles represent a culture of excellence for investment managers in helping clients succeed in achieving their financial goals.

As signatories to these principles we do our utmost to:

1. **always put our clients' interests first and ahead of our own**

We act on behalf of our clients as their agents. All relationships between investment managers and their clients include an agreement about objectives and the fees that will be paid. So, in carrying out that agreement, if circumstances or issues should ever arise that contain a conflict with our own interests, we must always put the interests of clients ahead of our own. We also ensure that any conflicts of interest that may arise between clients are dealt with fairly to all the clients concerned.

2. **take care of clients' money as diligently as we would our own**

We are as vigilant with costs borne by clients when we engage suppliers and transact with third parties and as demanding of value from the investments we make on behalf of clients as we would be if we were managing our own money.

3. **only develop, offer and maintain funds and services designed to add value for clients and help them achieve their financial goals**

Value for money is key and the outcomes that are delivered, over the stated time horizon, should be assessed for value added after all costs and charges are taken into account. Costs and charges should never be so high as to compromise the likelihood of achieving agreed objectives.

People's needs vary widely. Either alone or with distribution partners, we aim to offer funds and services that are purchased by the types of clients for whose needs they were designed.

It is important that clients buy funds and services that are suitable for them. And, it is important that they understand what they are buying. That means, for example, providing information, both to direct clients and intermediaries, that they can understand, which explains the objectives, and which is candid about the factors that may prevent those objectives from being achieved. We also monitor that our investment funds and services remain fit for the originally promoted purpose, taking action if necessary.

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4. maintain and apply the investment and operational expertise needed to meet the objectives agreed with clients

We ensure that we maintain and invest in the professional skills and the operational infrastructure necessary to succeed in delivering agreed objectives. For example, we ensure that we have governance processes, risk controls, training and technology such that our firms are fit for purpose as well as our funds and services.

5. make all costs and charges transparent and understandable

We explain our fee structures as simply as possible and the structure itself must be understandable. We also disclose all other costs that could be expected to affect returns in a simple transparent manner. We use standardised approaches to provide comparability.

6. disclose to investors the source and value of any other material benefit we receive as a consequence of our role as investment manager

We will disclose any material monetary or non-monetary benefit we receive in simple terms and quantified where possible. For example, we will disclose the value of investment research provided to us as a consequence of dealing commissions paid to brokers when we buy and sell investments on clients' behalf.

7. ensure regular, timely and clear lines of communication with clients

We are accountable to our clients for our performance, our service and all costs borne by clients. We provide clients or their intermediaries with all the information they need to understand the costs of their investments with us, to judge our performance, and to determine their satisfaction with the value for money we have provided. This information is provided in a clear and understandable format.

8. set out clearly our approach to the stewardship of client assets and interests

As major investors, we engage with the companies we invest in, helping them to achieve better long-term results and, ultimately, greater returns for our clients and the economy. We use our influence to engage with management and Boards, discussing and supporting companies' strategies for sustainable value creation, promoting sound and effective corporate governance and management and helping to resolve problems when they arise. We vote in accordance with the interests of clients, and encourage ethical behaviours and culture within investee companies and markets.

9. maintain a corporate culture that sustains these principles

We believe in these principles. Our senior executives lead from the top to ensure that alignment to these values and understanding of their practical application is embedded in our corporate cultures. This means that our leaders sustain the principles by setting an example, by providing a structure of training, by rewarding good practice and by identifying and addressing misaligned behaviours.

10. work with industry colleagues and stakeholders to develop and maintain guidance on industry best practice

We work with our colleagues, The Investment Association and all interested parties to ensure that our understanding and implementation of best practice evolves to anticipate and influence change in capital markets, consumer behaviour and regulation.

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What is a client?

Our clients are people with whom we have entered into a legal agreement for the management of their money. However, we also use the term “client” in this Statement of Principles to refer to people with whom we may have an indirect relationship, such as the client of a distribution platform, a member of a pension scheme or a client of a discretionary adviser. It is understood that in some circumstances an investment manager will simply not have the same level of information and transparency about the ultimate beneficiaries of the money that they are managing that their intermediaries possess. However, to the extent that we are able to do so, investment managers still seek to apply these principles and give the same consideration to these ultimate beneficiaries with whom we have an indirect relationship as we do to clients with whom we have a direct, legal relationship.

Assurance

Investment Association Members who register as signatories to these principles will set out on their websites, in their own words:

- how they apply the principles within their businesses and how they ensure that their policies and processes are successfully embedded
- how they identify key issues or conflicts of interest that could present the greatest challenges to their alignment and how they ensure that they are managed effectively

They will also confirm on an annual basis that they have processes in place that are designed to ensure that they act in a way that is consistent with the principles and that those processes are working effectively in practice. They will identify any qualifications identified by their monitoring processes and explain how they are addressing issues arising.