



CODE OF CONDUCT FOR TRUSTEES OF A RETIREMENT BENEFITS SCHEME

Disclaimer

This handbook is not a legal document nor does it substitute the provisions of the Uganda Retirement Benefits Regulatory Authority Act and the Regulations made thereunder. The handbook should be read together with the URBRA Act, 2011 and the regulations made thereunder.

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FOREWORD

Over the years, the role of pension fund / retirement benefits scheme trustees in managing private and institutional pension assets and investment landscape for the benefit of participating members and beneficiaries has increasingly gained importance. The conduct of persons who manage / govern these pension plans significantly impact the lives of those who depend on those savings for retirement. It has therefore become apparent that the trustees of the pension and retirement benefits scheme need to adhere to high standards of professional conduct in accordance with fundamental ethical principles of honesty, integrity, independence, fairness, openness, and competence, hence this trustee code of conduct. This voluntary adherence to high standards of ethical conduct that goes beyond the minimum requirements of the law, is the most effective and efficient form of market regulation.

This trustees' code of conduct is a set of guidelines outlining the responsibilities of, or proper practices for, an Individual Trustee or Corporate Trustee.

i. Application of this trustee code of conduct.

This code provides guidance to those overseeing the management of the scheme regarding their individual duties and responsibilities but is not meant to replace the overall policies and procedures established for the governance of the pension scheme. However, to reflect best ethical practice, incorporating the fundamental ethical principles embodied in this code will enhance those policies and procedures.

Generally, this code is applicable to all trustees irrespective of the nature and size of funds under their management and whether they are member or sponsor nominated trustees. This benchmark code provides a best practice framework to guide the activities of the trustees and provides beneficiaries and members an added sense of confidence that the trustees are working for their best interest.

This code of conduct details what is expected of scheme / fund trustees, thus;

1. Act in good faith and in the best interest of the scheme participants and beneficiaries.
2. Act with prudence and reasonable care.
3. Act with skill, competence, and diligence.
4. Maintain independence and objectivity by, among other actions, avoiding conflicts of interest, refraining from self-dealing, and refusing any gift that could reasonably be expected to affect their loyalty.
5. Abide by all applicable laws, rules, and regulations, including the terms of the scheme documents.
6. Deal fairly, objectively, and impartially with all participants and beneficiaries.
7. Take actions that are consistent with the established mission of the scheme and the policies that support that mission.
8. Review on a regular basis the efficiency and effectiveness of the scheme's success in meeting its goals, including assessing the performance and actions of scheme service providers, such as Fund managers, Administrators, Custodians, Auditors and actuaries.
9. Maintain confidentiality of scheme, participant, and beneficiary information.
10. Communicate with participants, beneficiaries, and supervisory authorities in a timely, accurate, and transparent manner

1. Trustee code of conduct

i. Act in good faith and in the best interest of the scheme members and beneficiaries.

RBS trustees have a primary duty to act for the benefit of the scheme members and beneficiaries by safeguarding and growing the assets of the pension scheme to provide maximum benefit to the scheme participants and beneficiaries.

To act in the members' and beneficiaries' best interest, an effective trustee should

- Often engage in a delicate balancing act of taking sufficient risk to generate long-term returns high enough to support real benefit increases for active members who will become future beneficiaries while avoiding a level of risk that jeopardizes the safety of the payments to existing pensioners.
- Place the benefit of the scheme members and beneficiaries above that of the sponsor of the pension scheme even if the trustee is employed by or appointed to the board of the pension scheme by the scheme's sponsor.
- Consider whether the position of the scheme is enhanced by any investment or action and will not be swayed by other considerations, such as the interests of the employer sponsor of the pension or other external institutions (e.g., trade unions or political parties).

However, trustees who exclusively seek to enhance the position of members and beneficiaries cannot discount additional considerations, such as the effect of the trustees' decisions on the financial health and viability of the scheme sponsor or their impact on scheme investments. In addition to these considerations, trustees will;

- Consider the additional objectives of ensuring an adequate match between scheme assets and liabilities, maintaining stable funding costs over time, keeping management costs down, and paying benefits upon the death, disability, retirement, or other special circumstances of scheme members.

- Carry out the scheme activities in a way that does not impose an unnecessary financial burden on the scheme sponsor and serves the interests of scheme members well but without excessive burden to the sponsor.
- Consider the position of other stakeholders when carrying out their duties to the scheme / fund. It's important to consider how the decisions made (even for the benefit of members and beneficiaries) will affect the rest of the public, government, other industry participants, *inter alia*.
- Consider all relevant risk and value factors deemed appropriate when designing the scheme's investment strategy, such as environmental, social, and corporate governance issues.

ii. Act with prudence and reasonable care.

Effective trustees will exhibit the care and prudence necessary to meet their obligations to RBS scheme members and beneficiaries. The exercise of prudence requires acting with the appropriate levels of care, skill, and diligence that a person acting in a like capacity and familiar with such matters would use under the same circumstances.

In the case of scheme trustees, prudence requires;

- Acting in a judicious manner to avoid harming scheme members and beneficiaries.
- Acting in good faith, without improper motive or purpose.
- Exercising power and discretion consistently.
- Following the investment parameters set forth by the scheme documents and applicable regulation.
- Having appropriate knowledge and skill in balancing risk and return by seeking appropriate levels of diversification.

Trustees can rely on external third-parties or service providers and professional consultants provided that the trustees have made reasonable and diligent effort to;

- Determine that the service providers act with appropriate skill, competence, and diligence.

- Determine that such co-opted professionals are independent and free of conflicts of interest and have the proper incentives to act in the best interests of the fund participants
- Ensure that all decisions have a reasonable and adequate basis and that the decision process is adequately documented.

Trustees may also consider appointing expert or independent trustees and hiring internal staff with investment expertise who may act as an internal consultants.

However, although the delegation of certain trustee responsibilities to experts is a prudent option, the trustees retain the ultimate fiduciary duty and responsibility to monitor the experts and to ensure that the delegated responsibilities are carried out appropriately.

iii. Act with skill, competence, and diligence.

Skill and diligence require trustees to be knowledgeable about the matters and duties with which they have been entrusted. Ignorance of a situation or an improper course of action on matters for which the trustee is responsible or should at least be aware is a violation of this code.

Improper or ill-advised decisions can be costly to the scheme and detrimental to the scheme's members and beneficiaries. Prior to taking action on behalf of the scheme, effective trustees should analyse the potential investment opportunities and act only after undertaking due diligence to ensure they have sufficient knowledge about specific investments or strategies.

In exercising due diligence and competence, scheme trustees must have full knowledge of the following scheme documents;

- Trust deed and rules, or such other document setting up and governing the scheme.
- Scheme funding and liabilities.
- Internal scheme policies and rules
- The strategies in which the scheme is investing.

- Investment Policy statement, as well as the thoroughness of the analysis performed, the timeliness and completeness of the information, and the objectivity and independence of the source.
- The basic structure and function of the selected investments and securities in which the scheme invests.
- How investments and securities are traded, their liquidity, and any other risks (including counterparty risk).

The level of such analysis will depend on the investment style and strategy employed by the scheme. Certain types of investments, private equity, or more sophisticated derivative instruments, necessitate more thorough investigation and understanding than do fundamental investments, such as straightforward and transparent equity, fixed-income, or mutual fund products. Trustees may seek appropriate expert or professional guidance if they believe themselves lacking the expertise necessary to make an informed decision.

It is also important to note that;

- Trustees should not act—or fail to act—for the beneficiaries if lacking appropriate understanding or knowledge.
- Trustees are expected to take any training or educational opportunities necessary to ensure that their level of knowledge and understanding about pensions and investments remains current.
- Incumbent trustees and the scheme sponsor have a responsibility to ensure that new trustees receive proper training and education to fulfil their duties.

iv. Maintain independence and objectivity by, among other actions, avoiding conflicts of interest, refraining from self-dealing, and refusing any gift that could reasonably be expected to affect their loyalty.

Effective trustees must endeavour to avoid actual and potential conflicts of interest between their work with the pension scheme and other personal or outside interests. Conflicts of interest are many and varied, but the interests of scheme members and beneficiaries are paramount and this should always be the guiding factor.

Effective trustees

- Strive to avoid even the appearance of impropriety. Outside duties or responsibilities should not influence decisions because the trustee acts primarily for the beneficiaries and members of the scheme.
- Take great care to put their duties to the scheme before their loyalty to the sponsoring entity that appointed them
- Do not solicit political contributions from service providers to the fund, either personally or on behalf of another

v. Abide by all applicable laws and regulations plus scheme rules

The trustees, having been vested with the power to manage and administer the scheme, are responsible for ensuring adherence to the terms of their engagement, statutes, bylaws, contracts, trust instrument, or other associated governing documents. As a general matter, schemes operate in a complex, varied, and rapidly changing regulatory environment. Generally, trustees are not expected to master the nuances of technical, complex law or become experts in compliance with pension regulation. The trustees however, in ensuring compliance with the set laws, regulations and scheme's established codes should;

- Consult with professional advisers retained by the scheme to provide technical expertise on applicable law and regulation.

- Regularly investigate and ensure that the pension scheme has adopted and updated compliance policies and procedures designed to maintain compliance with laws and regulations that govern the pension scheme.
- Report any suspected illegal, unethical, or financial irregularities to the appropriate parties, including the scheme's internal auditor.

Policies and procedures are critical tools to ensure that schemes meet their legal and ethical requirements. Specific policies and procedures of the pension scheme supplement the fundamental principle-based ethical concepts embodied in this code.

Documented compliance procedures will assist trustees in fulfilling the responsibilities enumerated in this code

vi. Deal fairly, objectively, and impartially with all members and beneficiaries.

It is important for the members of the scheme to have utmost confidence in the scheme and the people they entrust with their savings. To maintain the trust that beneficiaries of the scheme place in them, trustees in dealing with the affairs of the scheme should deal with all scheme members and beneficiaries in a fair and objective manner, not giving preferential treatment to members or beneficiaries within a particular class of members or otherwise favour one class over the others.

Many schemes have different types of participants:

- Active members who are making contributions and accruing benefits
- Deferred members who have left employment but have not transferred their assets and will draw future benefits when reaching retirement age
- Retirees, including spouses of deceased members, who are currently drawing retirement benefits.

Effective trustees balance the interests of all types of members, treating each category of member fairly

vii. Take actions that are consistent with the established mission of the scheme and the policies that support that mission.

Another important responsibility of scheme trustees is to develop and implement comprehensive written investment policies that set forth the mission, beliefs, and strategic investment plans that guide the investment decisions of the scheme. In drafting the investment policies, trustees should include a discussion of risk tolerances, return objectives, liquidity requirements, liabilities, tax considerations, and any legal, regulatory, or other unique circumstances, and have provision to review such policies in the period as the circumstances of the scheme and retirement benefits or investment environment may demand

Trustees, in making investment decisions of the scheme will be guided by the investment policies approved and will take into account;

- The suitability of investments given the needs of the scheme, its future (or projected) liabilities, risk tolerance, and diversification goals.
- Investment options within the context of the stated mandates or strategies and appropriate asset allocation.
- Policy frameworks within which to allocate risk for both asset mix policy risk and active risk as well as frameworks with in which to monitor performance of the asset mix policies and the risk of the overall pension fund.
- Work to achieve the proper investment blend to reflect the sometimes competing interests among the different classes of scheme members while focusing on long-term stability and growth.
- Carrying out the terms of the scheme while abiding by any supplemental legal or regulatory requirements

viii. Review on a regular basis the efficiency and effectiveness of the schemes success in meeting its goals,

including assessing the performance and actions of scheme service providers, and consultants.

Trustees should have the knowledge and understanding to critically review and verify the performance of the scheme's fund managers.

Trustees

- Develop disciplined decision rules for hiring, firing, and retaining scheme service providers whilst ensuring growth of the scheme, reduced cost and financial burden on the scheme members and beneficiaries.
- Hiring and firing decisions should be made by considering well-reasoned criteria that may include performance, organizational or operational strength, personnel quality, and other considerations.
- Ensure that service providers and consultants retained by the scheme adopt and comply with adequate compliance and professional standards.
- Ensure that the pension scheme has in place proper monitoring and control procedures for service providers.
- Review service providers' performance assessments relative to the scheme's policies on a regular basis, generally quarterly but at least annually.
- Trustees may delegate the selection and monitoring of service providers to a committee or professional staff as long as the trustees maintain essential oversight and policy-setting responsibilities

ix. Maintain confidentiality of scheme, member, and beneficiary information.

Effective trustees hold strictly confidential all information communicated to them in the context of their duty to the scheme, and they take all reasonable measures to preserve this confidentiality. This confidentiality applies to information related to individual scheme members and beneficiaries as well as any information that may affect the scheme's competitive ability (e.g., detailed security transactions,

investment holdings, private equity transactions, and merger and acquisition information).

Effective trustees ensure that the scheme has in place a privacy policy that addresses how confidential scheme information will be collected, used, stored, and protected and should ensure that this policy extends to external agents and delegates

x. Communicate with members, beneficiaries, and pensions regulator in a timely, accurate, and transparent manner.

Full and fair disclosure of relevant information is a fundamental ethical principle of the retirement benefits / pension sector. Developing and maintaining clear, timely, and thorough communication practices is critical to providing high-quality financial services to scheme members and beneficiaries.

Trustees have a responsibility to

- Ensure that the information they provide to scheme members and beneficiaries is accurate, pertinent, and complete.
- Not misrepresent any aspect of their services or activities in any communications, including oral representations, electronic communications, or written materials (whether publicly disseminated or not).

Effective trustees work to ensure that all communications with scheme participants and beneficiaries are timely, relevant, complete, and accurate. If the scheme is considering significant changes, such as mandating a later retirement age, lowering the percentage of future benefits or closing the scheme to new members, trustees will communicate this information well in advance to allow affected parties the opportunity to provide input.

Among other disclosures, trustees have a duty to present performance information that is a fair representation of the scheme's investment record and that includes all relevant factors. Trustees have a

responsibility to comply with the scheme's disclosure policies by submitting any requested information in a timely manner. To be effective, disclosures of information must be made in plain language and in a manner designed to effectively communicate the information.

It is also important the scheme trustees disclose and communicate information to the regulator, Uganda Retirement Benefits Regulatory Authority (URBRA) in accordance with the Act and set regulations and in the prescribed format. This kind of accountability will foster growth of the schemes as well as the growth sector as a whole.

Conclusion

This code of conduct, which is based on international best practice in prescribing the code of conduct of members of schemes' governing bodies (Board of Trustees or corporate trustees), provides guidance on the factors that need to be considered by trustees in the course of executing their trustee duties. This code is applicable to all trustees irrespective of the nature of the scheme they manage. It provides a level operating landscape so as to oversee the activities of the broad spectrum of stakeholders of the retirement benefits sector. This code can also be incorporated in the internal procedures of the different schemes so as to ensure accountability to the scheme members and beneficiaries, increasing competence of trustees and integrity of the schemes, ultimately, strengthening protection and growth of the sector.

Signed



Date: 15TH DECEMBER, 2016

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CHIEF EXECUTIVE OFFICER