Conflicts of Interest Policy Summary

Insignia Financial Ltd (Group)
Conflicts of Interest Policy Summary

1/05/2022

Introduction

The Insignia Financial group of companies, comprising of Insignia Financial Ltd (**IFL**) and its subsidiaries and related bodies corporate (the **Group**), recognises that managing conflicts of interest and conflicts of duties is integral to its reputation and business objectives. This involves providing professional and ethical financial services and products which are in the best interests of its members, beneficiaries, investors and policyholders (collectively referred to as "**Client(s)**" in this document unless otherwise stated, for example when referring to superannuation funds, and its Members or responsible entities and its Investors or the friendly society and its policyholders).

References to '**Conflict(s)**' refers to potential, actual or perceived conflicts of interest and/or conflicts of duty unless specifically stated. This includes Conflicts which may be identified through the nature of each entity's business and any duties and/or obligations which may arise through being a part of the Group.

Policy Statement

This Policy summary outlines the mechanisms in place for the Group to manage Conflicts under its licensing regimes, legislative, common law and fiduciary obligations.

It sets out the high level processes for identifying, reporting, managing or avoiding and monitoring Conflicts that arise within the Group's business. It also outlines how to minimise the potential adverse impact of those conflicts on the interests of, and duties to, its Clients

Scope

The Group Conflicts of Interest Policy (**Policy**) applies to the Group, which includes Australian Prudential Regulation Authority (**APRA**) Regulated Entities (**AREs**), Responsible Entities (**REs**), Australian Financial Services (**AFS**) licensees, Australian Credit Licence holders and Service Operators (collectively referred to "**IFL**"). Where an entity specifically adopts this Policy (for example an ASIC or APRA-regulated entity) references to IFL are taken to be a reference to that entity.

This Policy applies to all employees including casuals, temporary and contracted employees as well as executives and non-executive directors, any independent board committee members who are not directors, all authorised representatives of AFS licensees and any third parties acting on behalf of the Group, whether as affiliated parties or as stipulated in an underlying contractual arrangements with those parties (collectively referred to as "Our **People**").

Conflicts Management Framework

The Group Conflicts Management Framework (**Framework**) is the totality of the systems, structures, policies, processes and controls that identify, assess, mitigate, manage and monitor Conflicts. The Framework consists of:

- Conflicts of Interest Policy;
- Conflicts of Interest Register and the Board/Directors' register;
- Other relevant infrastructure at IFL – which support the Framework, notably the Risk Management Framework, the Compliance Framework, policies, systems, resourcing and controls.

An independent review of the Framework is undertaken every three years to ensure the framework continues to be appropriate, effective and adequate for the size, business mix and complexity of business operations, particularly in respect to Retirement Superannuation Entity (**RSE**) licensees.

What is a Conflict of Interest or Duty?

There are various types of conflict which arise, which broadly can be categorised into conflicts of interest and conflicts of duty. A conflict can be an actual, a potential or a perceived conflict, and that may influence the Group and individual's response to the conflict. Conflicts can also exist between an interest and a duty.

- An **actual** conflict is one that currently exists;
- A **potential** conflict is one that could occur at some stage in the future based on existing relationships but does not currently exist; and
- A **perceived** conflict is a situation where it could be reasonably perceived, or give the appearance that, a competing interest or duty could improperly influence a decision by Our People.

Conflict of Interest

Conflicts of interest are circumstances where the interests (any interest, gift, emolument or benefit, whether pecuniary or non-pecuniary, directly or indirectly held) of the person or entity are inconsistent with, diverge from, or compete with, the interests owed to our Clients (e.g. superannuation fund Members, advice clients) or another entity. Conflicts may also exist between the interests of one Client and the interests of another Client.

Conflict of Duty

Conflicts of duty relate to circumstances where the duties of a person in one capacity are inconsistent with and/or divergent from the duties owed in another capacity.

Identifying and Reporting Conflicts

Recognising Conflicts

Conflict situations may be straightforward in some circumstances but in others they may be difficult to detect and involve more complex situations and divergent interests.

Conflicts are not always personal or between individuals, they can exist between entities or funds or in relation to a proposed transaction. For example: RE/RSE decides to replace its cash account with an authorised deposit-taking institution structure and the bank that is proposed is also the provider to IFL. These factors all need to be identified and recorded.

Conflicts of Interest Register

The Conflicts of Interest Register (**Register**) records identified and reported Conflicts to ensure transparency and to manage Conflicts.

The Register records that the relevant entity has:

- Identified Conflicts relevant to the business being considered;
- Assessed and evaluated those Conflicts; and

- Decided upon and implemented an appropriate response to those Conflicts using the conflicts management mechanisms of avoiding, managing and/or disclosing.

The Register is required to be maintained for at least 7 years after an identified Conflict ceases or ceases to be managed.

Material Conflicts

While all Conflicts need to be recorded in the Register, it is important to determine whether a Conflict is material. Material conflicts need to have stringent monitoring and controls. Though 'Material Conflicts' is not defined in the Acts or Regulations, IFL considers Conflicts to be material in nature when it is considered a significant risk to the Group or our Clients.

Assessing and Evaluating Conflicts

Once a Conflict has been identified, an assessment process will be undertaken which will evaluate which of the Conflicts management mechanisms will be appropriate. The evaluation and assessment of a Conflict will consider whether the legal duties of the parties have been effectively addressed, whether the management of the Conflict reduces the potential risk to a level considered acceptable according to Board's risk appetite and what the potential impact of a Conflict could be.

Mechanisms to Control Conflicts

The Group applies three main mechanisms to control Conflicts: avoiding, disclosing and/or managing. Actual material conflicts should be avoided wherever possible. If the Conflict is not possible to avoid, then it must be managed, which includes disclosure as a means of managing or treating a Conflict. These are not mutually exclusive and are often used in combination to control a Conflict, for example disclosure and management. These are discussed further below.

Avoiding Conflicts

In the situation where Conflicts cannot be adequately managed through disclosure or control, such that the integrity of the service is still compromised, then the Conflict must be avoided altogether.

Our People are encouraged and expected to maintain the highest professional standards when fulfilling the duties associated with their position. They should avoid placing themselves in a position where there is a material Conflict between their own interests and those of the Group and Clients.

Each Conflict that is identified or disclosed in the Register will be assessed by the ERC together with the Conflict Owner, with the assistance of Legal where required. Where ERC (or Legal) determines a Conflict cannot be appropriately managed with adequate treatment plans and/or controls, the Conflicts must be avoided.

It is important to note that certain types of Conflicts are illegal and must be avoided (e.g. insider trading). Furthermore, where Conflicts involve a situation where the best interests of Clients or the fiduciary responsibilities to Clients will be compromised, then they must be avoided or adequately managed.

Directors have additional fiduciary obligations under the Corporations Act on avoiding Conflicts.

Disclosing Conflicts

Certain Conflicts can be managed through the use of clear and informative disclosure of the Conflict. Clients need to be adequately informed about any Conflicts that may affect the provision of financial services to them. The disclosure needs to be prominent and clear and provide enough detail to indicate how the Conflict might affect the service being provided to them. Adequate disclosure will assist Clients to consider the impact of a Conflict before relying on the service. Disclosure alone will often not be effective enough to fully manage a Conflict. In addition to disclosure, reasonable steps must be taken to ensure that the Client understands the nature of the Conflict and its ramifications. Disclosure of Conflicts to Clients may be in writing or be made verbally if appropriate in the circumstances.

Managing Conflicts

Managing Conflicts involves identification of Conflicts relating to our business, assessing and evaluating those Conflicts and then devising an appropriate solution or response to those Conflicts. It entails introducing specific controls to mitigate or remove the impact of the Conflict. Many Conflicts can be managed by a combination of internal controls and disclosures.

Conflicts are managed through various methods including appropriate recruitment, ethical wall arrangements, training and segregation of duties between Our People within the Group's business. Other methods may involve ensuring discrete Conflicts agenda items are included in and tabled at the relevant board/committee meetings. Also, Conflicts declarations are required upon appointment of new employees and on an ongoing basis.

Conflicts are also managed through adherence to company policies, such as the Code of Conduct, Gifts and Entertainment Policy, Securities Trading Policy, Responsible Manager Policy and Responsible Person Policy. Ongoing monitoring of Conflicts also constitutes a control. Managing a Conflict involves ensuring that the existence of a Conflict does not affect the quality of the service provided to a Client.

Treatment Plan

A treatment for non-material Conflicts involves disclosing and/or managing the Conflict. Where a Conflict is considered material, it will require a formal treatment plan. The treatment plan will be recorded in the Register. All treatment plans will be assigned an owner, a due date or review date, monitoring requirements, and a description of how the matter is to be managed to ensure the plan is carried out. Treatment plans are required to be reviewed at least annually to not only ensure ongoing compliance, but that the plans have been effectively implemented.

Monitoring Conflicts

The Register is monitored and managed on a regular basis. Conflict and its treatment plan will be reviewed to ensure adequate arrangements are in place and ensure areas of non-compliance are identified. The review and any associated findings are recorded in the Register.

Additional testings and assurance are conducted by Assurance as well as internal and external audit as required.

Review and Approval

The Policy will be reviewed annually to ensure it remains appropriate with regard to the changing nature of legislation, change in our business operations or business environment.

Any material changes to the Policy is approved by the relevant Board(s). Non-material amendments may be approved by the Board(s) delegated authority in accordance with the relevant Delegations Policy.

Policy Compliance

Our People must clearly understand:

- The need to identify all Conflicts;
- The circumstances that might give rise to a Conflict; and
- The content and purpose of the Policy and Framework.

Compliance with the Policy is a condition of employment as an Insignia Financial employee. Any instances of non-compliance with the Policy (including non-compliance with a treatment plan), must be reported according to the Group Incidents & Breaches Policy. Non-compliance could result in disciplinary action including ineligibility for a bonus payment, termination of employment or termination of contract.

If there are any concerns about how a Conflict is being managed, or whether someone is following the Policy, there are other channels to report including the Whistleblower process (refer to the IFL Whistleblower Policy which explains how to report your concerns and the measures in place to protect eligible whistleblowers).