

Conflicts of Interest Policy

Issued by: Risk - Enterprise Compliance

Effective Date: 27 August 2018

Approved by:

GM Enterprise Compliance 18 May 2020

Hallmark Board 12 September 2018

Policy Owner: GM Enterprise Compliance

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1. Scope

1.1 Applicability

This Policy applies to all employees of Latitude Financial Services Australia Holdings Pty Ltd and its related bodies corporate ('Latitude').

This Policy also applies to Latitude's contractors and third party employees, including Brokers, Dealers and Retail Partners and their employees, acting as representatives of Latitude (Representatives), unless its applicability is specifically excluded in this Policy or cannot practically apply to the legal entity in light of the activities that it performs.

1.2 Effective Date

This Policy is effective as at the date of approval.

2. Overview and Purpose

Where different businesses within Latitude, employees, partners, or third parties with which Latitude deals with have, or may have, competing professional or personal interests, conflicts of interest may arise. Failing to properly address conflicts may lead to poor conduct, poor customer outcomes, and breaches of regulatory requirements. It could also increase reputational, legal and regulatory risks.

Managing Conflicts is therefore fundamental to the running of Latitude's business. It is an integral part of how we manage conduct risk and allows Latitude to create the right environment to operate in, achieve fair outcomes for clients, and participate fairly in providing financial services.

This Policy addresses the requirements of Latitude as:

- an Australian Financial Services Licensee [Corporations Act 2001 (Aus)]
- an Australian Credit Licensee [National Consumer Credit Protection Act 2009 (Aus)]
- a Qualifying Financial Entity [Financial Advisers Act 2008 (NZ)]
- a lender under the NZ Credit Contract and Consumer Finance Act 2003
- an insurer as authorised by the Australian Prudential Regulation Authority Act 1998 and the NZ Insurance (Prudential Supervision) Act 2010.

In the event that laws and regulations require a higher standard to be applied than that set out in this Policy, the legal standard must be followed. To the extent that a legislative or regulatory requirement conflicts with this Policy, the law or regulation shall prevail, and the Policy Owner must be advised.

2.1 What is a Conflict of Interest?

A Conflict (whether real or perceived) may occur in a situation where there is an incentive and an opportunity for someone to act to the detriment of a customer or Latitude.

A Conflict may arise between Latitude and an employee where gifts or special advantages are offered, a financial interest or family/friend connection is held or bribes or kickbacks are offered with an intention to influence a person's ability to make judgements in the best interest of Latitude.

In providing financial services, a Conflict is any situation where the interests of a Customer may be wholly or partly inconsistent with or diverge from some or all of the interests of Latitude, its employees or its Representatives involved in providing the service, such as general or life insurance products.

In performing credit activities, a Conflict is a situation where a Customer may be disadvantaged as a consequence of Latitude's interest as licensee, wholly or partly conflicting with the pursuit of its interests (and including its legal obligations).

A Conflict could be between the interests of a Customer and an employee (or Representative) (eg through the influence of sales targets, bonuses or incentive schemes) or between Latitude and the Customer (eg through commissions to different legal entities, pricing or policy decisions and may result in the recommendation or provision of a product or service that is inconsistent with the interests of Latitude or its Customers or is unsuitable considering the Customer's financial situation, their needs and objectives).

A Conflict may also arise in determining business strategies, where customer need and business strategy should not be misaligned through unreasonable pricing, inappropriate communication or market approaches or inappropriate customer or staff incentives. Interests include direct interests, as well as those of family, friends, or other organisations a person may be involved with or have an interest in (eg as a shareholder).

A Conflict may be financial or non-financial.

3. Policy Statements

3.1 Identify Conflicts

The primary obligation of Latitude, its Employees, and Representatives, is to recognise, identify and record Conflicts to enable appropriate steps to be taken protect Latitude and its Customers from any disadvantage that may arise as a consequence of the Conflict.

3.2 Disclose Conflicts

Disclosure is considered inadequate where a Conflict arises in the course of providing a credit activity under an Australian Credit Licence. The Conflict should be managed and mitigated through internal controls.

Where a Conflict arises in the course of operating the business, it must be disclosed and recorded to enable appropriate action to be taken to manage and/or mitigate the Conflict, protecting both the Customer and Latitude.

Where a Conflict arises in the course of providing a financial service (not a credit activity), clear disclosure to the Customer may be adequate and suitable protection for a Customer to minimise any disadvantage. If disclosure is being relied upon it must be:

- Timely – made to the Customer at a time that enables the Customer to make an informed decision before the financial service is acquired
- Clear – communicated clearly, effectively and concisely, in the appropriate form, so it is easily understood by the Customer
- Specific – focusing on material conflicts, the disclosure must be specific to the service being provided and identify the details of the Conflict, for example product ownership relationships and/or commissions.

3.3 Avoid Conflicts

Where a Conflict may have a potential serious impact on Latitude or its Customers, steps should be taken to avoid the Conflict.

The avoidance of a Conflict is the only option to eliminate the risk of an Employee or Representative making a decision that disadvantages Latitude or the Customer in cases where disclosing the Conflict and imposing internal controls will be inadequate, such as

- a conflict that arises in the course of a credit activity

- an incentives program for employees and their managers that does not prioritise the needs of the customer.

Remuneration models must avoid Conflicts by ensuring incentives are not misaligned (eg short-term targets vs long-term risk management) and linked to sales measures.

3.4 Manage Conflicts

If a Conflict cannot or need not be avoided, appropriate steps must be taken to manage the Conflict, including:

- documenting details of the Conflict in the Conflicts of Interest Register
- assessing the possible impacts or perceptions of the Conflict
- ensuring processes or procedures are in place, or put in place, to negate or reduce the Conflict and/or the disadvantages caused by the Conflict
- taking reasonable steps to address any Customer disadvantage that may have occurred due to a Conflict
- monitoring the processes or procedures to ensure they remain in place and effective
- escalating issues and reporting Conflicts to appropriate Management and Governance forums.

4. Roles & Responsibilities

All Latitude Employees and Representatives:

- identify, record and manage Conflicts.

The Board and Senior Management:

- establish a system for identifying, disclosing and managing Conflicts across Latitude
- monitor compliance with this Policy.

Business Leaders (including the management of Representatives):

- understand the requirements of this Policy
- promote awareness through the establishment, maintenance and adoption of procedures (relevant to their area of responsibility) consistent with this Policy and associated training
- identify any instances of non-compliance, actual or potential, under this Policy through (at least) annual self-assessments
- report all identified areas of non-compliance to the Policy Owner as soon as practical.

Incentives Committees:

- operate within their approved Charters to provide oversight to all Conflicts identified in incentive and/or consumer bonus programs.

HR, Legal:

- assist in assessing Conflicts and in advising on the development of internal controls to manage Conflicts.

Risk and Compliance:

- review reported Conflict
- challenge adequacy of actions to manage and escalate where required
- promote awareness of this Policy and required procedures, including training
- maintain the Conflicts of Interest Register.

5. Related Policies

The following Policies should be read in conjunction with this Policy:

- Compliance Policy
- Gift and Entertainment Policy
- Sales Incentives Campaign Policy

6. Policy Governance

The Conflict of Interest Policy is considered a Tier 2 policy, which means that it does not require KVDA Board approval. This Policy does however require Hallmark Board approval.

The GM Enterprise Compliance will, in consultation with the Hallmark CRO, review this Policy as required and is responsible for approving all changes.

The GM Enterprise Compliance is required, in consultation with the Hallmark CRO, to review and approve this policy annually, irrespective of the materiality of the changes made.

7. Definitions

Defined Term	Description
Customer	An individual (or group of individuals) or an entity to whom Latitude has or wishes to provide a credit product or a financial service.
Credit Activities	Those activities for which Latitude is authorised to provide as an Australian Credit Licensee [National Consumer Credit Protection Act 2009] and/or as a lender under the Credit Contract and Consumer Finance Act 2003.
Financial Services	Those activities or which Latitude is authorised to provide as an Australian Financial Services Licensee [Corporations Act 2001] and/or as an insurer in NZ under the Financial Advisers Act 2008 and related legislation.

8. Revision History

Version	Approval Date	Changed By:	Summary of changes
1.0	06/06/2016	Lucy Gowlett	Original
1.1	21/06/2017	Andrea Lewis	<p>Scope and Governance sections updated in line with current policy template standards.</p> <p>Out of Scope removed with reference to Board charter added and Life Insurer obligations recognised (s1.1)</p> <p>Definition of Col enhanced, with a new broad and new 'business' definition added (s2) and financial services and credit activity separated.</p> <p>Disclosure process added for 'business' conflicts (s3.3)</p> <p>Removal of LFS Group definition</p>
2.0	07/08/2018	Andrea Lewis	<p>Controls (3.4)</p> <ul style="list-style-type: none"> • New controls added re culture and training module; and • Existing control, re remuneration modules elaborated to include avoiding misaligned incentives.
3.0	15/05/2020	Andrea Lewis	<p>There has been no change to prevailing laws, standards or codes.</p> <p>The Policy has been redrafted using the new policy template.</p> <p>The Policy has been refocused to clearly and concisely articulate key policy principles which set expectations regarding management of Conflicts.</p>