



CONFLICTS OF INTEREST POLICY

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CONTENTS

1	Introduction	3
2	Scope.....	3
3	Purpose	3
4	What are conflicts of interest?	3
4.1	What to do if a conflict is identified?	5
5	Controlling and avoiding conflicts.....	5
5.1	Methods of control.....	6
5.1.1	Honesty & Integrity	6
5.1.2	Use of Auswide Bank Information.....	6
5.1.3	Representatives must not:	7
5.1.4	Acceptance of Gifts.....	7
5.1.5	Non-Work Related Activities	8
5.1.6	Employee Personal Banking	8
5.1.7	Incentive & Remuneration Practices	9
6	Disclosing conflicts	9
6.1	Directors.....	10
6.2	Employees	10
6.3	Political Donations	10
7	Strategies to Manage Potential Conflicts.....	11
7.1	Conflict of Interest Handling Process	11
7.2	Potential Conflict of Interest Complaints.....	11
8	SUPERVISION AND Monitoring.....	12
8.1	Staff appraisal	12
8.2	Complaints handling & dispute resolution process.....	12
8.3	Organisational Chart.....	12
8.4	Training	13
8.5	Contract Management	13
9	Documentation and Record Keeping.....	13
10	Awareness of the Policy Content and Training.....	13
11	Review	14

1 INTRODUCTION

Pursuant to section 912A(1)(aa) *Corporations Act 2001 (Cth)* (“the Corporations Act”) a financial services provider must:

“have in place adequate arrangements for the management of conflicts of interest that may arise whole, or partially, in relation to activities undertaken by the licensee or a representative of the licensee in the provision of financial services as part of the financial services business of the licensee or representative.”

The obligation adds to the existing general obligations imposed on licensees under section 912A of the Corporations Act and the fiduciary obligations licensees may owe to their clients.

2 SCOPE

This policy applies to all directors, officers, agents, employees, labour hire workers and contractors of Auswide Bank.

3 PURPOSE

The objective of this policy is to set out:

- how Auswide Bank will identify conflicts of interest, including those in relation to the credit activities it engages in;
- how Auswide Bank will control the effects of those conflicts so that:
 - no customer is disadvantaged; and
 - the quality of those credit activities, and Auswide Bank’s integrity, is not compromised; and
- how Auswide Bank will report such information for review to ensure that Auswide Bank and its representatives do not breach the requirements contained in the Corporations Act.

4 WHAT ARE CONFLICTS OF INTEREST?

ASIC Regulatory Guide RG 181 (Licensing: Managing Conflicts of Interest) sets out ASIC’s guidance for complying with the conflicts management obligation in section 912A(1)(aa) of the Corporations Act controlling and avoiding conflicts of interest and disclosing conflicts of interest.

In RG 181, for the purpose of that document, ASIC defines conflicts of interest as 'circumstances where some or all of the interests of people (clients) to whom a licensee (or its representatives) provides financial services are inconsistent with, or diverge from, some or all of the interests of the licensee or its representatives. This includes actual, apparent and potential conflicts of interest'.

Both RG 81 and the conflicts management obligation contained in the Corporations Act are designed to minimize the potential adverse impact of conflicts of interest on clients with a view to promoting consumer protection.

A conflict of interest may arise in the discharge of an employee's functions or duties, including decision-making, handling complaints, applying policy or procedures, reporting, supervising staff and dealing with customers.

Examples

Possible conflicts might include:

- Encouraging a customer to invest in higher risk products that result in high employee bonuses, which is inconsistent with the customer's personal desire to obtain a lower risk product;
- A situation where an Auswide Bank representative could be involved with another organisation which may have dealings with Auswide Bank customers eg. Shares in a financial planning firm;
- Outsourcing decisions, particularly where the decision-maker has an interest in the outsourced service provider;

Conflicts of interest can be financial or personal and involve the interests of a representative or the representative's family.

Representatives must not take into account their own personal interests or other irrelevant considerations in performing their duties on behalf of Auswide Bank.

A lack of impartiality may arise as a result of a family relationship or close friendship, whether or not financial loss or gain is involved.

Auswide Bank representatives should avoid situations in which private interests impact upon or may impact upon the discharge of duties as a representative of Auswide Bank.

4.1 What to do if a conflict is identified?

The three mechanisms that Auswide Bank uses to manage conflicts of interest are:

- A** Controlling conflicts of interest;
- B** Avoiding conflicts of interest; and
- C** Disclosing conflicts of interest.

Disclosure alone may not be enough to manage a conflict of interest.

5 CONTROLLING AND AVOIDING CONFLICTS

In controlling conflicts of interest, ASIC expects that Auswide Bank will have arrangements in place to enable Auswide Bank to:

- Identify the conflicts of interest relating to our business;
- Assess and evaluate those conflicts; and
- Decide upon, and implement, an appropriate response to those conflicts.

ASIC states that some conflicts of interest have such a serious potential impact on a licensee or its clients that the only way to adequately manage those conflicts will be to avoid them. In such cases merely disclosing them and imposing internal controls will be inadequate. Further, ASIC states that a licensee's conflicts management arrangements must enable the licensee and its representatives to identify those conflicts of interest that must be avoided.

The conflicts management obligation does not prohibit all conflicts of interest. It does not provide that a licensee can never provide financial services if a conflict of interest exists. Rather, the conflicts management obligation requires that all conflicts of interest be adequately managed.

It is Auswide Bank's policy to primarily manage conflicts by a combination of:

- (a) Internal controls; and
- (b) Disclosures.

However, where conflicts cannot be adequately managed through controls and disclosure, Auswide Bank must avoid the conflict or refrain from providing the affected financial service.

The conflicts of interest obligation applies equally to services provided to retail and wholesale clients, although the level of disclosure required may be less detailed for wholesale clients.

5.1 Methods of control

5.1.1 Honesty & Integrity

All representatives shall act honestly and with integrity in all their dealings for or on behalf of Auswide Bank. This includes engaging in and promoting honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships.

Representatives will not discriminate on the grounds of people's race, religion, gender, marital status or disability.

Representatives will not make promises or commitments that Auswide Bank does not intend, or would be unable to honor.

Representatives' conduct, at all times, will be such that their honesty is beyond question.

Representatives will adhere to the truth, and not mislead directly or indirectly nor make false statements, nor mislead by omission.

5.1.2 Use of Auswide Bank Information

Representatives will take all reasonable measures to protect the confidentiality of non-public information obtained or created in conjunction with their activities and to prevent unauthorised disclosure of such information unless required by applicable law or regulation or legal or regulatory process or with the consent of Auswide Bank.

Representatives must not:

- use Auswide Bank's name, or any confidential information obtained during their employment or appointment as an authorised representative with Auswide Bank (regardless whether this information is available to the general public) for personal gain or for the benefit of others;
- directly or indirectly communicate price sensitive information about Auswide Bank's products to a person who is likely to deal or trade in these products.

5.1.3 Representatives must not:

- allow any personal relationships with customers or third parties to interfere with their duties to Auswide Bank;
- manage any customer relationships where they have an interest or potential to obtain a personal benefit from the relationship;
- while in the employment of Auswide Bank, accept additional employment with, or enter into any business arrangement with a customer of Auswide Bank without Auswide Bank's consent;
- knowingly cause or direct Auswide Bank to acquire goods or services from vendors or organisations in which they have an interest or under arrangements in which they will obtain a personal benefit or gain.

A representative will only prepare any of Auswide Bank's security or other legal documents for customers or any other person, if this is in the normal course of their duties.

If a representative becomes aware of any matter which may result in them being in an actual or perceived conflict of interest, they must fully disclose this to their Business Unit Manager, or refer the situation to the Head of Financial Crimes and Compliance.

A representative must not use any insider information to gain any professional or personal advantage.

A representative must disclose to their Business Unit Manager or the Head of Financial Crimes and Compliance, any material interests they have in Auswide Bank's customers or Auswide Bank's contracts, transactions or other commercial arrangements upon becoming aware of the interest.

5.1.4 Acceptance of Gifts

In the course of their employment with Auswide Bank, if a representative receives money (whether as a gift or commission) from outside parties involved in Auswide Bank's business, they must return this money and immediately report the incident to their Business Unit Manager.

If a representative receives a gift or benefit with an actual or estimated value of \$200 or more, in the course of their employment at Auswide Bank, they will pass on same to their Business Unit Manager who will distribute it to the appropriate personnel at his or her discretion. Acknowledgement of receipt of the gift and its disposal will be recorded in the Ansarada Gift Register.

A representative will not provide or accept any gift or benefit which, to a reasonable person, will seem inappropriate or abnormal.

5.1.5 Non-Work Related Activities

A representative will not:

- participate in any business activities; or
- enter into any business arrangement; or
- accept any employment with another business outside their employment with Auswide Bank;

that could:

- have an adverse impact on their ability to carry out his/her responsibilities and duties to Auswide Bank;
- cause a conflict of interest; or
- conflict with Auswide Bank's corporate image or business activities.

A representative will not become or act as an executor, administrator, trustee or attorney for any customer of Auswide Bank who is not a member of their immediate family or associated entities without Auswide Bank's consent.

If a representative is nominating or running for any government office (whether it is local, State or Federal government), they will disclose this to their Business Unit Manager.

5.1.6 Employee Personal Banking

Representatives will ensure that their own accounts (which includes their deposits, loans and other facilities) with Auswide Bank are maintained in accordance with Auswide Bank's policies and procedures, and they will not process their own transactions.

If a representative is about to undertake any Auswide Bank financial transaction on their own behalf and is unsure whether a conflict of interest or a breach of policy or risk exists, they will refer the matter to their direct reporting manager before undertaking the transaction.

A representative will only allow a representative to personally operate on accounts of public bodies, churches, societies, clubs etc held at Auswide Bank provided the representative has declared this intention and it has been approved by a senior manager in writing for them to do so.

A representative will not borrow money for him or her self from an Auswide Bank customer in any circumstances unless it is from an associated family member.

A representative will not lend money to an Auswide Bank customer on their own behalf in any circumstances unless it is to an associated family member.

A representative will not approve or process family member's loans without prior written consent from the Business Unit Manager.

5.1.7 Incentive & Remuneration Practices

Auswide Bank will ensure that their incentive and remuneration practices for all representatives are consistent with the provision of financial services in a fair, honest and professional manner.

Incentive and remuneration practices that place the interests of the business or its representatives in direct and significant conflict of those of their clients will be avoided (not just disclosed).

Division 4 of Pt 7.7A of the Corporations Act contains a ban on 'conflicted remuneration'. The ban on conflicted remuneration applies to AFS licensees, authorised representatives, representatives, product issuers and sellers and employers. 'Conflicted remuneration' is defined as any benefit, whether monetary or non-monetary, given to a financial services licensee, or a representative of a financial services licensee, who provides financial product advice to persons as retail clients that, because of the nature of the benefit or the circumstances in which it is given, could reasonably be expected to influence the choice of financial product recommended to or advice given to the client. Certain exemptions apply (eg. monetary and non-monetary benefits in relation to general insurance and basic banking products, certain non-monetary benefits of less than \$300).

ASIC's Regulatory Guide 246 Conflicted and Other Banned Remuneration must also be complied with in relation to remuneration where advice is given and remuneration where information is given on, or dealing occurs in a life risk insurance product.

6 DISCLOSING CONFLICTS

ASIC requires that Auswide Bank ensures that clients are adequately informed about any conflicts of interest that may effect the provision of financial services to them. This means providing clear, concise and effective disclosure so that clients can make an informed decision about how the conflict may affect the relevant service.

The conflicts of interest obligation applies equally to services provided to retail and wholesale clients, although the level of disclosure required may be less detailed for wholesale clients.

6.1 Directors

Where an actual or a potential conflict of interest is of material significance, directors should disclose this immediately to the Chairman of the Board of Directors for consideration.

Where the matter is of a minor nature and can be easily managed, the disclosure is to be made at the monthly Board meeting. These minor disclosures may be simply noted in the Board minutes or may be acted upon by the Board as required.

6.2 Employees

In any matter where an actual or potential conflict of interest arises, the employee must immediately report such a conflict in the Ansarada Conflict of Interest Register. The Head of Financial Crimes and Compliance will investigate and determine what, if any, future involvement there should be in the matter.

When evaluating a disclosure, action which may be considered includes:

- authorisation in writing allowing the continuation of the involvement of the employee in the matter;
- requiring the employee to cease acting in any or all aspects of the matter;
- directing the employee to cease involvement with a third party to the matter; or
- issue any other directive required to avoid the conflict of interest.

6.3 Political Donations

In the event Auswide Bank makes a donation or gift to a political candidate or political party during the financial year of an amount exceeding that year's reportable threshold (this amount is indexed annually), Auswide Bank must make a disclosure to the Australian Electoral Commission (AEC), in the approved form by 17 November each year.

All political donations are recorded in the Auswide Bank's Political Donations Register in Ansarada.

7 STRATEGIES TO MANAGE POTENTIAL CONFLICTS

RG 181 sets out the minimum arrangements licensees (including their representatives) must have in place to comply with the conflicts management obligation. ASIC has stated that it expects licensees to control, disclose and, where necessary, avoid conflicts of interest.

As part of managing conflicts, ASIC expects Auswide Bank and other licensees to identify, assess and respond to the conflicts of interest that arise in their business.

It is Auswide Bank's policy that all representatives will be forwarded a copy of this policy and instructions on how to declare a conflict of interest on an annual basis. All new employees will be forwarded same at commencement of employment.

Each representative is to review the policy and if the representative believes that any business or personal matter is, or could be, a conflict of interest or potential conflict of interest involving his/her role, they must declare the conflict of interest in the Ansarada Conflict of Interest Register.

The Head of Financial Crimes and Compliance will provide any feedback as to requirements.

7.1 Conflict of Interest Handling Process

Where a potential conflict of interest is declared in accordance with paragraph 6.2 of this manual or perceived, the Head of Financial Crimes and Compliance will investigate the matter to identify the nature of the potential conflict and to determine a course of action to be taken to manage the matter.

The Managing Director will be informed of the issue and if identified as a potential conflict, then it will be declared and recorded in the 'Conflicts of Interest Register' and brought to the attention of the Board of Auswide Bank.

Where the conflict involves either the Managing Director or the Chief Financial Officer then the Chief Risk Officer will undertake the investigation and report any actual conflict to the Board of Directors.

7.2 Potential Conflict of Interest Complaints

All complaints regarding conflict of interest are to be directed to the Head of Financial Crimes and Compliance who will communicate directly with the individual raising the concern and the relevant Business Unit Manager and investigate the matter to determine the nature of the complaint and determine options for appropriate courses of action.

Potential courses of action will be discussed with the complainant to determine if an acceptable resolution can be achieved.

Where a resolution is not reached in a timely manner and the complainant is concerned that the potential conflict of interest still exists, the matter will be referred to the Managing Director or Board of Auswide Bank for determination.

Where referral to the Board fails to reach an acceptable resolution to the complainant's satisfaction, the complainant will be informed in writing of Auswide Bank's position and that they can refer the matter to Auswide Bank's external dispute resolution scheme, the Australian Financial Complaints Authority, if the complainant is a customer of Auswide Bank or, to the Chief People & Property Officer, if the complainant is an employee of Auswide Bank.

All stakeholders involved with the potential conflict of interest complaint will be kept informed in writing of any actions relevant to the complaint.

8 SUPERVISION AND MONITORING

The supervision and monitoring of staff is implemented by the integrated use of various policies and procedures of Auswide Bank.

8.1 Staff appraisal

The appraisal process of each business unit provides for a formal annual review of the performance of each staff member against the individual performance and training goals agreed.

8.2 Complaints handling & dispute resolution process

The Complaints Handling & Dispute Resolution Policy & Procedures applies to all staff and representatives and provides an early warning system of any problems relating to the performance or activities of staff and representatives.

8.3 Organisational Chart

The Organisation Chart of the business provides details of all reporting lines for all staff.

8.4 Training

The Training Plan spells out how we ensure that each staff member and representative has and maintains the appropriate training required to perform their role in a fair, honest and efficient manner.

8.5 Contract Management

The Contract Management Procedure obligates employees to identify potential conflicts and to ensure preferences are not given in relation to the entering into a contract for the supply of goods or services to Auswide Bank.

9 DOCUMENTATION AND RECORD KEEPING

Auswide Bank will keep records showing what it has actually done to monitor compliance with this policy.

Auswide Bank will keep, for at least seven years, records of:

- (a) conflicts identified and action taken;
- (b) any reports given to Auswide Bank's board or senior management about conflicts of interest matters; and
- (c) copies of written conflicts of interest disclosures given to customers (whether personal, general or scripts).

10 AWARENESS OF THE POLICY CONTENT AND TRAINING

Representatives are to be made aware of this policy and should be referred to it following each annual review.

Where applicable, the procedures in this policy are to be incorporated into employee training program modules.

Induction training for new employees is to include familiarization with the policy. A declaration should be appended to a new employee's personal file indicating the policy has been read and that they have been advised where the policy can be found on AB Connect.

11 REVIEW

This policy will be reviewed annually by Auswide Bank's Head of Financial Crimes and Compliance to ensure the arrangements are adequate to identify, assess, evaluate and successfully control conflicts of interest.