Conflict of Interest Management Policy

Introduction

Howden Insurance Brokers (Australia) Pty Ltd (ABN 79 644 885 389 | AFSL 539613) (**Howden**) acts on behalf of certain insurers (including certain underwriters at Lloyd's).

Where the relevant insurer is subject to the General Insurance Code of Practice (Code), certain financial hardship obligations apply to them under the Code.

Any reference to "we", "our" and "us" is to the relevant insurer(s) Howden is acting on behalf of.

What is a Conflict of Interest?

A conflict of interest occurs where the interests of a client are inconsistent with our interests. This can occur in our day-to-day business activities, in our relationships with clients and with others. Conflicts can be actual or potential, depending on how circumstances evolve. Sometimes there may be no actual conflict, but only the appearance of a conflict.

Our Approach to Conflicts of Interest

Generally, we will manage conflicts of interest by either:

- Disclosing the conflict – we will use this approach wherever possible;
- Allocating a different person to deal with the other party or provide the service, i.e. creating a "Chinese wall"- we will use this approach to manage confidentiality conflicts; or
- Declining to provide some or all of our services – we will only use this approach where absolutely necessary.

The guiding principle that we will follow is that the other party needs to have sufficient information about the conflict to decide whether to deal with us and on what terms.

The general approach may not always be appropriate, for example, where the conflict might have a serious impact on our ability to provide our services properly. For this reason, we always consider appropriateness before taking action in relation to a conflict.

Honest, Efficient and Fair

We will use our best endeavours to ensure that the quality of our service is not compromised by conflicts of interest and that our actions are transparent at all times.

We will at all times provide our services efficiently, honestly and fairly. To this end we will:

- clearly disclose any financial, direct or other interests we have;
- clearly disclose any associations or relationships we have with any insurers, brokers or other service providers;
- ensure that any personal advice we give to insureds is appropriate to their needs, objectives and financial circumstances;
- have a reasonable basis for any advice given to insureds, in other words, we will not recommend a product solely because it pays the most remuneration; and
- clearly disclose remuneration (including commission) that we receive in relation to retail clients which may influence any personal advice we give (see below).

Remuneration

We do not need to disclose remuneration if it is not material. It will not be material in the following situations:

- we rebate the remuneration in full; or
- we were not aware of the remuneration at the time we provided our advice.

Where we disclose our remuneration, we will include the following information:

- the circumstances in which it is expected to be received including any pre-conditions;
- the amount (in dollar terms where possible and if not, how it is calculated) paid by the recommended insurer as compared to other insurers considered by us who pay lower rates of commission;
- when and to whom it is payable (i.e. the licensee or an individual); and
- who will pay it.

We will keep records of remuneration we receive and if applicable, any personal advice we give to insureds.

Managing Conflicts of Interest

Generally, we will either control, disclose or avoid conflicts of interest that occur.

The Compliance Manager will make all decisions regarding management of conflicts of interest. The Compliance Manager may consult other management and/or seek professional advice as required.

Controlling conflicts - Where possible, we will control conflicts of interest by implementing procedures to ensure that the affected party's interests are not compromised as a result of the conflict.

Disclosing conflicts - We will make disclosures to clients as part of our approach to managing conflicts of interest. Disclosure is an integral part of managing conflicts of interest and it is important to ensure at all times that clients are adequately informed about conflicts that may affect the provision of financial services to them. Sometimes a conflict can be adequately managed merely by disclosing it. This is likely to be the case where the conflict is related to our relationships or our remuneration.

In some cases, e.g. conflicts of interest relating to confidential information, disclosure may not be appropriate as it may necessarily involve disclosing some of the confidential information. The Compliance Manager will need to assess if this is the case.

When disclosing a conflict of interest, we will provide sufficient information to make a reasonable assessment of the possible influence of the conflict on our services. The person can then decide if they will continue to use our services or rely upon the advice we have provided and to what extent (i.e. if a person is aware of a conflict, it may cause them to more closely consider their position).

Where the conflict is significant and material, we will provide more information than if it is not.

Any disclosure will be:

- **Timely** – that is, we will disclose the conflict before the time we provide the service so the person has time to consider whether they want to use our services;
- **Specific to the client** – we will describe the conflict and explain how it applies to the service we are providing. We do not need to disclose all conflicts – only those that are relevant to the person concerned;
- **Clear** – we will aim to ensure that the person is able to understand the conflict and its potential impact on them; and
- **Sufficiently prominent** – we will ensure that the person's attention is drawn to the conflict.

We may disclose conflicts either orally or in writing, but where we give the client advice, the disclosure should be made in the same form as the advice (e.g. if we give a Statement of Advice or letter of advice, the conflicts disclosure should appear prominently in that document). If the disclosure is oral, we will keep a detailed file note.

Avoiding conflicts – where there is a material and fundamental conflict between our interests and the interests of the other person, it may be necessary to avoid it, by not dealing with the person. We will only refuse to deal with a client as a last resort.

Where the conflict relates to a business relationship, it may be necessary to restructure the relationship or, if the conflict cannot be averted, not enter into it at all.

Compliance Manager

The Compliance Manager has responsibility to oversee and implement this Conflicts of Interests policy and procedures and to make decisions regarding the management of conflicts in conjunction with business leaders and the board of directors.

Role and Responsibilities

The Compliance Manager is responsible for:

- developing and implementing the Conflicts of Interest policy and procedures;
- considering whether any of our commercial arrangements should be restructured to avoid conflicts of interest (e.g. separately incorporating a claims administration service).
- educating and informing staff about conflicts of interest and our Conflicts of Interest policy and procedures;
- identifying and assisting with the management of conflicts of interest;
- where necessary obtaining professional advice;
- maintaining our Conflicts of Interests Register;
- ensuring breaches of our Conflicts of Interests Policy are recorded on our Breach Register; and
- periodically reviewing and updating our Conflicts of Interest policy.

If the Compliance Manager is required to decide how to manage a conflict of interest that significantly affects him/her, then the Compliance Manager can refer the decision to the Regional General Counsel or to the CEO.

On an ongoing basis, the Compliance manager will:

- evaluate all existing and potential conflicts;
- regularly review document templates to ensure that conflict of interest disclosures are up to date and appropriate; and
- work with the Human Resources Manager and CEO to ensure that remuneration structures do not give rise to conflicts of interest.

Conflict Management Techniques

Communication

Our Compliance Manager ensures by regular communication and training that all staff and management are aware of conflicts of interest that have arisen in our business and strategies and processes for managing them.

Monitoring

Our Compliance Manager makes periodic enquiries with employees to measure the extent to which:

- they understand our Conflicts Policy;
- they are complying with our conflicts management procedures; and
- conflicts of interest are being correctly identified, controlled, avoided and disclosed.

Internal and external compliance audits also examine compliance with the Conflicts Policy and Procedures.

Conflicts Register

We record all actual, potential and apparent conflicts in our Conflicts of Interest Register. This Register also contains details of the actions taken to manage that conflict, the person responsible and the dates those actions were taken.

Only our Compliance Manager can add or amend an entry to the Register.

Our Compliance Manager reviews the Conflicts of Interest Register quarterly to include new conflicts or to update existing conflicts. More frequent reviews may be required where changed arrangements mean a novel conflict has arisen.

Management of Breaches

Identify cause – Where our Compliance Manager identifies a failure to comply with our Conflicts of Interest Policy, (s)he will seek to identify the cause of the failure, e.g. inadequacy of training/understanding, placing the Company interests ahead of the interests of the client, etc.

Record in Breach Register – Inadequate management of a conflict of interest may well be a breach of our obligation to act efficiently, honestly and fairly. Accordingly, a breach of our Conflicts of Interest Policy and Procedures can also be a breach of any AFS licence. For this reason, all failures to comply with our Conflicts of Interest Policy and procedures are recorded in our breach register and treated and assessed in accordance with our breach management process.

Rectification and consequence management – In the event that non-compliance with our Conflicts of Interest Policy is identified, our Compliance Manager will take action to rectify the problem.

Depending on the seriousness of the failure, this may involve retraining the person concerned, introducing new procedures, or disciplinary action culminating in termination in a worst-case scenario.

Record Keeping

We keep the following records of how we identify and manage our conflicts of interest for at least 7 years:

- records of conflicts identified and any action taken in our Conflicts of Interest Register;
- copies of all written conflict disclosures (and file notes of oral disclosures) in the file of each relevant client; and
- reports to management about conflict of interest issues

Record any breaches of our Conflicts of Interest Policy and procedures and the action taken in relation to those breaches in the Breach Register.

Reporting

Each time a new conflict emerges our Compliance Manager should provide an updated copy of our Conflicts of Interest Register to management.

Review

Our Compliance Manager reviews our Conflicts of Interest Policy and procedures and our Conflicts of Interest Register every 1-2 years to:

- consider the effectiveness of our policy and procedures; and
- recommend any necessary changes or improvements.

Our Compliance Manager prepares a written report to management regarding the effectiveness of our policy and procedures and any recommendations for change. If changes are approved, our Compliance Manager is responsible for implementing the changes, and training employees accordingly.

If you have any questions regarding this Policy, please contact the Compliance Manager via arun.devendran@howdengroup.com