

# Conflicts of Interest Policy



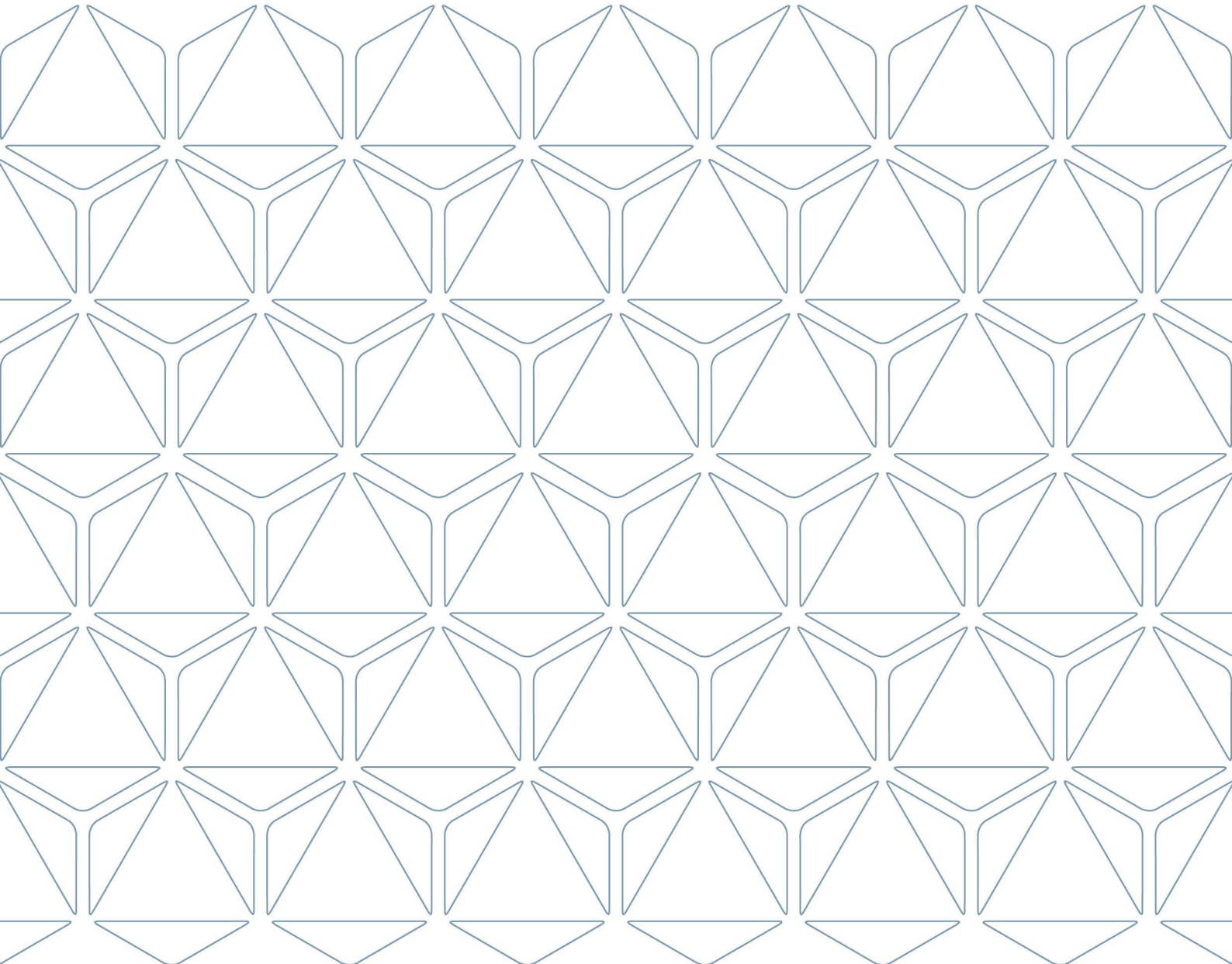
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# Overview

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## Background

Praemium Australia Limited (PAL), Powerwrap Limited (PWL), MWH Capital Pty Ltd (MWH), OneVue Wealth Services Ltd (OVWS), Investment Gateway Pty Ltd (IG), OneVue Wealth Assets Pty Ltd (OVWH) are wholly owned subsidiaries of Praemium Limited (PPS), an ASX listed company (collectively referred to as Praemium).

## Guiding Principles

Praemium recognises that:

- while conducting business, conflicts will arise;
- adequate conflict management arrangements help minimise the potential adverse impact on our clients and on the businesses; and
- it is our policy to conduct all activities with the highest degree of integrity and fair dealing and comply with our obligations under the law.

## Purpose

The objective of the Conflicts of Interest Policy (this Policy) is to set out how Praemium will manage situations giving rise to actual, perceived and potential conflicts, and how it will meet its conflicts management obligations and specifically, provide guidance on:

- What a conflict of interest is;
- How a conflict of interest is identified;
- How conflicts of interest are managed;
- The roles and responsibilities of parties covered by this Policy; and
- How any conflicts of interest that may arise are monitored.

A strong conflicts management culture is essential to effectively manage conflicts of interest and reflects Praemium's corporate values and expected attitudes and behaviours of all employees. This culture is demonstrated through:

- (a) Openness – ensuring the requirement to disclose all actual, perceived and potential conflicts is well understood, accepted and followed throughout the business.
- (b) Transparency – a copy of this Policy is made available on the website, as well as to all employees.
- (c) Recruitment and training – having procedures in place which require the initial and ongoing disclosure of actual, perceived and potential conflicts upon an appointment and on an ongoing basis, as well as adequate training to ensure all employees understand their responsibilities in relation to this.
- (d) Policies that encourage and support whistleblowing – see the Whistleblower Policy for details.

## Scope

This Policy applies to all directors, and employees including contractors of Praemium's Australian incorporated subsidiaries (unless otherwise stated hereafter referred to as "employees").

All employees are expected to ensure that they understand the key principles, the process, roles, and responsibilities contained in this Policy.

Importantly, all employees must:

- promptly identify and report any conflicts of interest in accordance with this Policy; and
- not put themselves in a position where their personal interests result in a breach of this Policy.

## Training

The Senior Compliance Manager will ensure that training on this Policy is conducted for all employees at induction and on an ongoing basis.

## Related Policies

This Policy forms a key part of Praemium's conflicts management framework and should also be read in conjunction with:

- Our Ways of Working (Code of Conduct);
- Privacy Policy;
- Fraud, Anti-Bribery and Corruption Policy;
- Whistleblower Policy;
- Trading Policy; and
- Designated Employee Trading Policy.

## Privacy

Praemium recognises that the reporting of potential or actual conflicts of interests and duty may involve disclosing personal information. This information will be handled in accordance with the Praemium Group Privacy Policy. If disclosing an interest by a staff member to a manager raises privacy concerns for the staff member, the staff member may disclose the interest to the Chief Risk Officer or CFO.

## Non-Compliance

Any non-compliance with and breach of this Policy will be taken seriously, and will be subject to further investigation, and may result in disciplinary action. In assessing non-compliance, each matter will be considered on a case-by-case basis according to its merits.

Considerations may include the level of non-compliance, reasons for non-compliance (e.g. training), frequency and any other relevant circumstances.

## Record Keeping

Praemium will keep a copy of this Policy for at least seven years.

Praemium will also keep for at least seven years, records of conflicts identified, and action taken in the form of the Register and any other documentation pertaining to any reportable conflicts.

# What is a Conflict of Interest?

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## Legislation

In accordance with section 912A(1)(aa) of the *Corporations Act 2001 (Cth)* ("Corporations Act") a financial services provider must *"have in place adequate arrangements for the management of conflicts of interest that may arise wholly, 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."*

This requirement is known as the "conflicts management obligation" and forms part of the general Australian Financial Services (AFS) licensing obligations imposed on Praemium, alongside providing financial services efficiently, honestly and fairly and honouring our fiduciary obligations to our clients.

It is Praemium's policy that all employees must:

- a. avoid positions of conflict or potential conflict:
  - i. Therefore, all employees must avoid placing themselves in a situation that could be, or may lead to a conflict of interest or duty, or a reasonable perception of an actual or potential conflict of interest or duty.
- b. disclose any material personal interest:
  - i. Therefore, all employees must fully and frankly disclose to the Board of Directors material personal interests that relate to the affairs of Praemium or external business interests that may lead to an actual or potential conflict of interest or duty, or a reasonable perception of an actual or a potential conflict of interest or duty; and
  - ii. All employees must fully and frankly disclose to their manager any material personal interests that relate to the affairs of Praemium or external business interests that may lead to an actual or potential conflict of interest or duty, or a reasonable perception of an actual or a potential conflict of interest or duty.

Further, ASIC Regulatory Guide RG 181- *Licensing: Managing Conflicts of Interest* ("RG 181") defines conflicts of interest as:

"circumstances where some or all of the interests of people (clients) to whom an AFS 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."

Conflicts of interests may be:

1. Actual conflict of interest: there is a real conflict of duty or interest that currently exists.
2. Perceived conflict of interest: where it could be perceived that a conflict of duty or interest exists, or may arise, that may improperly influence the actions of an individual's duties, in the present or future.
3. Potential conflict of interest: there is the potential for a conflict of duty or interest to arise in certain circumstances.

Both RG 181 and the conflicts management obligation are designed to:

- minimize the potential adverse impact of conflicts of interest on clients with a view to promoting consumer protection; and
- ensure the quality of financial services delivered by Praemium is not compromised by any conflicts of interest.

Notably, like other consumer-focused obligations, this Policy applies to dealings with both wholesale and retail clients.

## Examples of Conflicts of Interest

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.

A conflict of interest can be pecuniary (i.e. involving financial gain or loss) or non-pecuniary. A conflict of interest can arise from avoiding personal loss as well as gaining personal advantage, financial or otherwise.

Other relevant examples include:

- knowingly trading ahead of the investment portfolios managed by the company;
- using market sensitive information, including sensitive information about the operation of the scheme, for personal gain;
- accepting valuable gifts from potential suppliers and being under an obligation to source services and products from them;
- giving confidential information about products and services to others (whether related or unrelated to staff and management in any way) who can benefit and make investment decisions based on such information;
- engaging related parties (such as relatives, friends, fellow directors) to perform tasks who are not well qualified or experienced for the roles;
- giving preferential treatment to any supplier and paying prices above market for services and products;
- personal or business interests which can cause a person to neglect their roles and responsibilities, leading to significant breaches of relevant laws by their employer;
- encouraging a company to buy a product in order that a person could earn bonuses and commissions despite the product not being suitable for the customer;
- putting the interests of the company ahead of investors in the scheme; and
- not treating investors fairly and equitably.

## Material Personal Interests

### *Employees*

The law and ASIC consider a material personal interest exists where there is a relationship of real substance to the relevant matter. Moreover the "interest" should be seen as the type that is able to influence an employee's decision-making or vote.

A material personal interest may be a direct or indirect advantage or benefit and is not limited to monetary gain (it may be non-financial). If unsure of whether you have a material personal interest in a business activity please discuss with the CRO or CEO.

### *Directors*

The same principles around material personal interest apply to directors however there are some exceptions provided for in the Corporations Act section 191 where disclosure is not required. Key tests in the legislation are provided below:

- arises because the director is a member of the company and the interest is held in common with the other members;
- arises in relation to the person's remuneration as a director;
- relates to a proposed contract which is subject to the approval of the Board and will not impose an obligation on Praemium if it is not approved;
- arises merely because the affected person is a guarantor or has given an indemnity or security for all or part of a loan to any member of Praemium;
- arises merely because the person has a right of subrogation or has given an indemnity;
- relates to a contract that insures a person against liabilities incurred as an executive or officer of the company (provided the company or related body corporate is not the insurer).;
- relates to any payment by the company or related body corporate in respect of any indemnity permitted under the Corporations Act or any contract relating to the indemnity; or
- is in a contract with, or for the benefit of, a related body corporate and arises merely because the person is a director or staff member of the related body corporate.
- in relation to a proprietary company, if all the directors are aware of the nature and extent of the interest

and its relation to the affairs of the company;

- if the director has already given notice to all the directors (at any time) of the nature and extent of the interest and its relation to the affairs of the company and the nature or extent of the interest has not materially increased above that disclosed in the notice;
- the director has given a standing notice of the nature and extent of the interest and the notice is still effective in relation to the interest; or

# Managing Conflicts of Interest

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## How to Identify a Conflict

The following list of matters should be considered when identifying a conflict of interest:

- Is there a competing interest between the person's official role and his/her personal interests or duties?
- Does the matter fall within the scope of a material personal interest as described above?
- Is there a realistic expectation that the person potentially in conflict will, directly or indirectly, gain a financial or other personal or professional benefit or suffer a financial or personal or professional loss?
- Does the matter have the potential to affect the person's or a relative or friend of the person's financial, professional, or personal situation?
- Does the matter have the potential to impact on the value of the shares or property owned by the person or a relative or friend of the person?
- Does the matter have the potential to affect the person's or a relative or friend of the person's private business interests?
- Does the matter have the potential to affect any debts owed by the person?
- Will the person or relative or friend benefit from, or detrimentally be affected by, the person's decision, action, or influence as a result of the person's position?
- Dealing and disclosure of shareholdings in Praemium by staff and directors, refer to the Praemium Share Trading Policy.

If there is any uncertainty about whether a conflict of interest exists after asking yourself the above questions, advice and guidance may be sought from the Risk and Compliance Team.

## Assessment of Conflicts of Interests

Conflicts of interest that have been identified and reported will be assessed by the Risk and Compliance Team to consider how to manage the conflict of interest and as required, sign-off and approval obtained from the Chief Risk Officer and/or Chief Financial Officer (CFO).

The appropriate response will be dependent on the facts and circumstances of a particular conflict of interest.

Where the conflict cannot be managed by putting control measures in place, the situation giving rise to the conflict should be avoided.

Instructions will be provided to the relevant employees as to any required action to be taken. The conflict of interest and any management/actions will be entered into the Conflict of Interest register.

## How Conflicts of Interest are Managed

The conflicts management obligation does not prohibit all conflicts of interest. It does not prevent Praemium or a person (such as a director) from providing services and products if a conflict of interest exists, but it does require that all conflicts of interest be adequately managed.

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

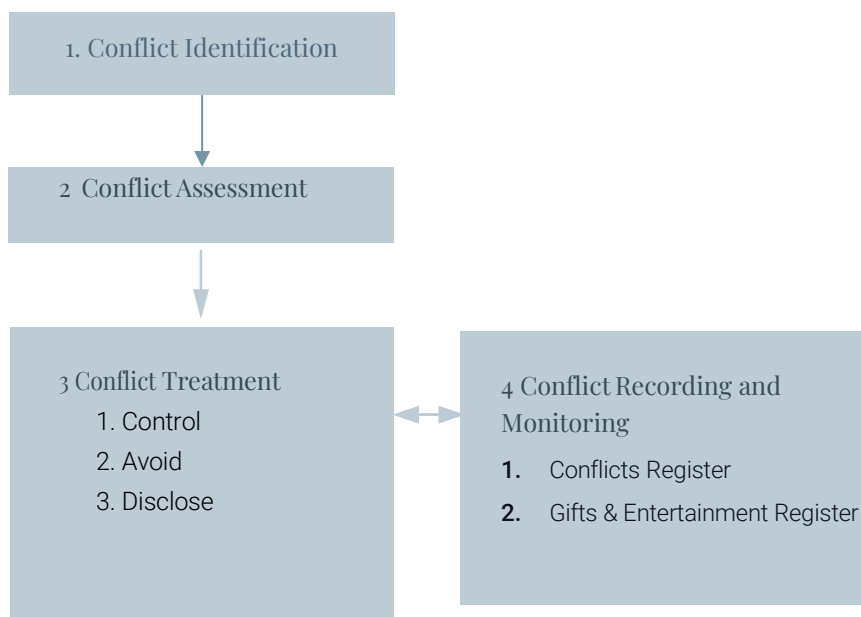
1. Controlling conflicts of interest;
2. Avoiding conflicts of interest; and
3. Disclosing conflicts of interest.

Importantly, disclosure alone will often not be enough to manage a conflict of interest. Many conflicts of interest can be managed by a combination of internal controls and disclosures.

Where conflicts cannot be adequately managed through controls and disclosure, Praemium must avoid the conflict or not provide the affected financial service.



Figure 1



## Controlling conflicts of interest

To control conflicts of interest Praemium must:

- 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 (see Figure 1 above).

An appropriate response may include consideration of whether disclosure of the conflict is required, or if the conflict must be avoided altogether in circumstances where control and disclosure are impractical or inadequate to manage the conflict.

### Internal controls

It is also our policy to manage conflicts by a combination of internal controls and disclosures.

These internal controls include the following for all employees:

- ensuring Praemium employees act honestly and with integrity in all dealings for, or on behalf of Praemium. 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;
- using Praemium information carefully. Employees must take all reasonable measures to protect the confidentiality of personal information obtained or created in conjunction with their activities and to prevent unauthorised disclosure of such information unless required by any applicable law;
- not allowing personal relationships with clients or third parties to interfere with or benefit them in any personal capacity;
- disclose at first instance any cash, gift or benefit received by a client; and
- not enter into any non-work-related activities that may have an adverse impact on their ability to carry out their responsibilities to Praemium, cause a material conflict of interest or conflict with Praemium's image or business activities.

## Avoiding conflicts of interest

Conflicts of interest can be avoided by:

- An employee disclosing their existence/potential existence;
- removing the conflicted person from the decision making/assessment/negotiation or voting

process; or

- any other method considered appropriate by the Board of the relevant entity affected by the conflict or potential conflict.

## Disclosing conflicts of interest

The purpose of disclosure is to enable clients to make informed investment and business decisions, taking into account any actual or potential conflict.

Adequate disclosure means providing enough detail in a clear, concise, and effective form to allow the recipients to make an informed decision about how the conflict may affect the service being provided to them.

Disclosure must be timely and meaningful to the recipients so that they understand the actual and potential conflicts and how they can affect them.

Note: excessive disclosure may cause confusion and reduce the effectiveness of the disclosure. Detailed and exhaustive disclosure about conflicts of interest should not be used to obscure information about any possible conflicts. For this reason, disclosure to investors must undergo due diligence before it is made.

### Disclosure by directors and compliance committee members

A director is required to provide notice of their interest at a Board meeting or to each director individually. Section 191(3) of the *Corporations Act* requires that the notice of a conflict of interest must include:

4. the nature and extent of the conflict of interest; and
5. the relation of the interest to Praemium's affairs.

Where a director or a compliance committee member has provided notice of a material personal interest, the interest is recorded and maintained by the Chief Risk Officer.

A director who has a material personal interest in a matter that is being considered at a directors' meeting must not be present while the matter is being considered or there is a vote on the matter. That is unless the directors who do not have a material personal interest have passed a resolution stating that they are satisfied that the interest should not disqualify the director with the interest from voting or from being present.

### Disclosure to clients

Clients must be adequately informed about any conflict of interest that may affect the provision of Praemium financial services to them. This will involve providing clear, concise and effective information to enable the client to make an informed decision about how the conflict may affect the service being provided to them.

The contents of the disclosure will depend on the facts and circumstances of a particular conflict of interest.

In some circumstances it may be inappropriate to disclose the conflict of interest to a client, for example if the information is confidential or can be considered "inside information". In these cases, other conflict management mechanisms may need to be used, or avoidance of the conflict of interest may be considered by declining to provide the affected service.

## Gifts and Entertainment

During the normal course of business, gifts and entertainment of nominal value may sometimes be exchanged with external parties. However, even the appearance of impropriety may affect reputation. Therefore, good judgement must be used in all circumstances.

Caution should be exercised when accepting gifts or entertainment of nominal value, for example:

- Gifts of limited availability, but of nominal value: e.g. tickets to sporting events or concerts; and
- Gifts of nominal value where it is a series of events: e.g. series of lunches from an organisation.

The following gifts or entertainment must not be offered or accepted:

- Gifts of cash, loans, securities or an equivalent; and
- Gifts or entertainment from government officials or regulatory bodies (such as ASIC or APRA), other than working lunches in the ordinary course of business.

Gifts and entertainment must be recorded by the Risk and Compliance Team on the Gifts and Entertainment Register, as follows:

- Receiving: Any gift or entertainment over the value of \$300, individually or combined from a client or external party over a 12 month period needs to be approved before accepting by the CEO, CRO or CFO; and
- Giving: Gift or entertainment given by Praemium over the value of \$100.

To assess whether gifts or entertainment can be offered or accepted, consult with the Risk and Compliance Team.

## Monitoring Conflicts of Interests

Any actual, apparent or potential conflict of interests are to be recorded in the Conflicts of Interest Register.

The Conflicts of Interest Register is updated on an ongoing basis to ensure currency. The Conflicts of Interest Register must contain:

- the nature of the conflict and any action taken;
- any reports given to Praemium, including senior management and the Risk and Compliance Team, about conflicts of interest matters; and
- copies of written conflicts of interest disclosures.

The Conflicts of Interest Register is reviewed on a quarterly basis by the Senior Compliance Manager, and annually by the directors, CRO and CEO.

The Conflicts of Interest Register will be kept for at least seven years as required by Praemium's Document Retention Policy and relevant legislation.