

Conflicts of Interest

1. Parts A and C

To ensure the appropriate identification and management of conflicts of interest by all Community CPS Group Directors, General Managers and staff.

Potential conflict arises where there is a real possibility of conflict between the person's duties to Community CPS and either a personal interest or a duty to some third party.

Under s 191 of the Corporations Act Directors are required to disclose any material personal interest they have in a matter relating to the affairs of the company. The disclosure needs to be of sufficient detail for the whole Board to be able to understand the potential benefit to the Director.

2. Part B

To ensure the appropriate identification and management of conflicts of interest that may arise wholly, or partially, in relation to the provision of financial services by the licensee, or a representative of the licensee, as part of the financial services business of the licensee or the representative". This is called the "conflict management obligation".

Who should use Part A of this Policy:

All Directors and General Managers (defined as Senior Managers in s 9 of the Corporations Act) of Community CPS Australia Limited and its subsidiaries. For purposes of this policy the term 'General Manager' includes the Chief Executive Officer, Deputy Chief Executive Officer and Company Secretary.

Requirement to disclose

Whilst s 191 of the Corporations Act requires Directors to disclose any material personal interest they have in a matter relating to the affairs of the company this policy also applies that requirement to General Managers.

The disclosure needs to be of sufficient detail for the whole Board or Executive Committee to be able to understand the potential benefit to the Director or General Manager.

Material Personal Interest

The Corporations Act does not define a material personal interest and if there is any doubt as to whether an interest a Director or General Manager has in a matter relating to the affairs of the company is material the Director or General Manager should make full disclosure of that interest.

A personal interest may be direct or indirect. Thus, if a Director or General Manager is the effective controller (through a chain of companies) of an entity and Community CPS is to consider a significant proposal to deal with that entity, the Director or General Manager will be regarded as having a material personal interest in a matter that relates to the affairs of Community CPS.

There are two levels of materiality to consider, these being the materiality of:

1. the matter relating to the affairs of Community CPS; and
2. 'the interest' the Director or General Manager has in that matter.¹

For example, a small shareholding held by a Director or General Manager in a public company with which Community CPS does business would not usually be considered a material personal interest.

Every Director and General Manager of the Group is responsible for ensuring they comply with this policy.

Risk Consequences:

If this policy is not observed by Directors and General Managers the Group risks non-compliance with the Corporations Act and/or decisions being made that are not in the best interests of Community CPS.

1. General Managers

1.1 Ongoing Disclosure – General Managers

1.1.1 Executive Committee Meetings

At the commencement of every meeting the Chair of the meeting will ask the General Managers to disclose any conflicts of interest based on the agenda for that meeting. Details of any disclosure will be recorded in the minutes of the meeting.

¹ This material sourced from Company Meetings: What You Need to Know, Bateman G, Butterworths 2001

1.1.2 Executive Submissions

A General Manager must disclose to all other General Managers any material personal interest he or she has in the subject matter of an Executive submission. This disclosure must be included in the submission by an appropriate notation in section 7 of the submission template titled “Leadership and Corporate Governance Impact”.

1.1.3 Board Submissions

A General Manager must disclose to all Directors any material personal interest he or she has in the subject matter of a Board submission. This disclosure must be included in the submission by an appropriate notation in section 7 of the submission template titled “Leadership and Corporate Governance Impact”.

The disclosure must be made before the submission is considered by the Executive Committee or Board.

1.2 Procedures for Handling a Conflict of Interest – General Managers

Where a General Manager has declared a material personal interest in the subject matter of an Executive Committee or Board submission, the material personal interest will be taken into consideration by the Executive Committee or Board in making its decision in relation to the recommendation contained in the submission. The General Manager concerned will not be present at the meeting (or part of the meeting) while the matter is being considered.

The minutes of the meeting should record the fact that a General Manager had a material personal interest in subject matter of a Board or Executive Committee submission and the action taken by the Board or Executive Committee (eg. asked the General Manager to leave the meeting whilst the matter was considered).

2 Directors

2.1 Directors Election and Board Appointments

All persons nominating for election as an elected Director or being considered for appointment as a Director must complete a Material Personal Interests and Potential Conflicts of Interest declaration as part of the nomination of appointment process.

2.2 Ongoing Disclosure – Directors

A Director must disclose to all Directors:

- any material personal interest they have in a matter which relates to the affairs of Community CPS or its subsidiaries; and
- any other interest which the Director believes is appropriate to disclose in order to avoid an actual conflict of interest or the perception of a conflicting interest; and

The disclosure must be made either;

- as soon as practicable after the Director becomes aware of their interest or acquires the shareholding; or
- the need to make a disclosure becomes apparent.

Where a Director is uncertain as to whether an interest should be disclosed in accordance with this policy, the director should consult with the Company Secretary.

At the commencement of every Board meeting and committee meeting the Chair of the Board or Committee will ask Directors to disclose any conflicts of interest based on the agenda for that meeting. Details of any disclosure will be recorded in the minutes of the meeting.

2.3 Standing Notice of Disclosure of Material Personal Interests ('Standing Notice')

A Standing Notice is maintained for each Director and a copy is provided to each new Director on commencement.

Each new Director shall complete a Standing Notice which shall be tabled at a Board meeting shortly following commencement.

Whenever there is a change in interests notifiable under a Director's Standing Notice, the Director shall disclose the change as soon as practicable and an updated Standing Notice shall be tabled at the next Board meeting and recorded in the minutes of that meeting.

A copy of each Director's Standing Notice will be distributed to the relevant Director at least annually and will be tabled at a Board meeting and recorded in the minutes of that meeting. Directors will disclose any changes to the Standing Notice as soon as practicable. Such changes will be recorded in the minutes at which Directors are advised of the change.

In making this disclosure the Directors must give details of the:

- nature and extent of the interest; and
- relationship of the interest to the affairs of the company.

2.4 Procedures for Handling a Conflict of Interest - Directors

A Director who has:

- a material personal interest in a matter which relates to the affairs of Community CPS or a subsidiary; or
- any other interest which the Director believes is appropriate to disclose in order to avoid an actual conflict of interest or the perception of a conflict of interest,

will not be present at a meeting (or part of the meeting) while the matter is being considered nor vote on the matter unless a majority of Directors who do not have an interest in the matter agree that the matter should not disqualify the Director from being present while the matter is being considered nor disqualify the Director from voting on the matter.

The minutes of the meeting are to record the decision taken by the Directors who do not have an interest in the matter.

The obligation in 2.6 above also applies to meetings of Board Committees.

2.5 Register of Conflicting and Competing Interests

The Company Secretary will maintain a register of all actual or potential conflicts of interest and competing interest disclosed by each Director and Executive or other senior manager.

Who should use Part B of this Policy:

All Staff.

3 ASIC RG 181 Licensing: Managing Conflicts of Interest

ASIC RG 181 requires AFS Licensees to, “have adequate arrangements for the management of conflicts of interest that may arise wholly, or partially, in relation to the provision of financial services by the licensee, or a representative of the licensee, as part of the financial services business of the licensee or the representative”. This is called the “conflict management obligation”.

Conflicts of interest are defined as being circumstances where some or all of the interests of people (members and potential members) to whom Community CPS or its staff (representatives) provides financial services are inconsistent with, or diverge from, some or all of the interests of Community CPS or its staff. This includes actual, apparent, and potential conflicts of interest (RG181.15).

The Group shall fully comply with ASIC RG 181 and will have in place, appropriate policies and processes to:

- control conflicts of interest;
- avoid conflicts of interest; and
- disclose conflicts of interest.

The Group’s conflict management arrangements will enable identification of such conflicts, on order that they can be avoided or appropriately disclosed.

4 Identification of Conflicts of Interest

The Group undertakes a regular review (at least annually) of the products and services it offers and on an individual basis gives consideration as to what conflicts of interest exist (RG 181.28 (a)). Other relevant comments are recorded against the relevant product or service. This review is summarised in the products and services conflict of interest matrix. In preparing this matrix for all conflicts of interest, consideration is given to the nature and magnitude of the conflict (RG 181.28 (b)).

The Risk and Compliance Manager is responsible for maintaining the matrix as part of this review.

4.1 Response to the Identified Conflicts of Interest

Having conducted the assessment and evaluation of the conflicts of interests consideration is given to the most effective and efficient method for addressing the conflicts of interest (RG 181.28 (c)). Due to the nature of products and services offered by the Group, it is considered that the most feasible and reasonable method for addressing the conflict of interest is through adequate disclosure to the member or potential member (RG 181.29 (a)). This disclosure will primarily be via the Financial Services Guide (FSG), relevant Product Disclosure Statement (PDS), Product Guides or Statement of Advice (SOA) where applicable and / or oral disclosure before the member or potential decides to acquire to the financial product or service.

5 Internal Structures

The Community CPS organisation structure has been arranged to facilitate the effective management of conflict of interests. Prior to altering the organisation structure consideration is given to the possible impact on conflicts of interest, with the objective of avoiding such conflicts.

6 Remuneration Structures

In developing and/or proposing remuneration structures consideration is given to conflicts of interest. Remuneration structures which could give rise to conflicts of interest will be avoided.

The Human Resources Manager is responsible for oversight of remuneration structures.

7 Disclosing Conflicts of Interest

As part of its arrangements to manage conflicts of interest, the Group must make appropriate disclosures to clients. Such disclosure must:

- be timely, prominent, specific and meaningful to the client;
- occur before or when the financial service is provided; and
- refer to the specific service to which the conflict relates.

8 Avoiding Conflicts of Interest

Some conflicts of interest may have a serious potential impact on the Group or its members/clients. Where an officer believes a conflict interest may potentially occur, the process shall be as follows:

- the conflict of interest shall be clearly identified;
- the conflict of interest will be brought to the attention of the officer's supervisor or manager; and
- the supervisor or manager will make a judgement as to whether the officer should participate in the "transaction", or if there is a need to make an appropriate disclosure to the member/client.

9 Records of Conflicts of Interest

A register of conflicts of interest will be maintained at all times and the record of any conflict of interest will be retained for a period of at least 7 years. The register will record the following:

- the financial service or product which is subject to a conflict of interest;
- the nature of the conflict of interest; and
- the method used to address the conflict of interest

A record of any reports that have been provided to senior management or the board about conflicts of interest matters and copies of written conflicts of interest disclosures provided to members or the public will also be retained for a period of at least 7 years.

The General Manager Risk and Compliance is responsible for the maintenance of this register.

Who should use Part C of this Policy:

All Staff.

10 Staff Conflicts of Interest

This potential conflict of interest relates to promoting the sale of products, goods or services to Credit Union members other than those products, goods or services that are authorised by the Community CPS Group.

Staff must not allow their own interests to conflict with their duties and must not participate in a decision where they or their family have a material personal interest in the subject matter. Where an employee believes a conflict of interest may or has arisen, this must be reported to the employee's immediate manager in a timely manner.

The following practices are considered to represent conflicts of interest and against the Community CPS Group's standards of professional conduct:

- promoting loan financing through the Community CPS Group for any ventures, goods, or services in which they or a member of their family hold a direct or indirect interest;
- converting discounts or bonuses to their personal use which were obtained through the Community CPS Group purchases. Points accumulated in airline reward schemes as a result of travel on Community CPS Group should, as far as possible, be utilised for the purposes of other Community CPS Group required travel;
- using motor vehicles repossessed by the Community CPS Group for personal use;
- receiving 'kick backs' or 'finder's fees' from motor vehicle or other dealers who sell merchandise financed by the Community CPS Group. This is an illegal act since it is considered a breach of fiduciary duty;
- undertaking any unauthorised non Community CPS Group business activities during Community CPS working hours.

11 Gifts & Gratuities

A staff member must not make improper use of information they receive in the course of their employment or during the conduct of their duties, nor use any Community CPS status, power or authority they have in order to gain or seek the gain a benefit or advantage for themselves or for any other person.

Staff must not benefit personally from their dealings with an external party. Cash, gifts (except small Christmas gifts and limited hospitality as outlined below) and special discounts must not be accepted. Staff must not give, seek or accept any type of compensation that could be considered an inducement to conduct business. Staff members' personal and business relationships with external parties must not prejudice their primary obligations to Community CPS.

Accepting invitations to lunches, dinners, other functions or sporting venues is acceptable as a normal business practice provided that those invitations are not solicited by staff of the Community CPS Group, and that accepting the invitation does not carry with it the expectation that anything other than arms length treatment will be given to the other party.

Community CPS Group employees must not accept benefits from third parties that will result in an FBT liability for a Community CPS Group company. Infrequent and irregular benefits worth less than \$300 may be accepted as minor benefits to which FBT does not apply. Where the value of a benefit is not obviously less than \$300, confirmation of the benefit's value must be obtained from the third party provider before the benefit can be accepted. Incentive schemes offered by suppliers and alliance partners must be team based and approved by the relevant Community CPS General Manager before being agreed to. Supplier incentives must

not be provided to individual employees. Refer policy Third Party Fringe Benefits for more information.

