

Integrity Trust Expertise The Fiducian Way



FGL Fraud and Corruption Policy

Fiducian Group Limited
Level 4, 1 York Street, Sydney

June 2020

Control Sheet

Policy	Fiducian Group Fraud and Corruption Policy
Version	5.0
Entity	Fiducian Group Limited
Date Effective	June 2020
Approved By	FGL Board
Review Requirement	Triennial

Modifications			
Version	Date of modification	Brief description of modification	Approved by
2.0	Dec 2012	Minor changes	
3.0	May 2016	<u>Added</u> : policy statement, pyramid of fraud, risk & controls, managing the risk of fraud, monitoring and reviewing, fraud risk assessment tool, termination, external service providers. <u>Expanded</u> roles & responsibilities, Fraud Response Team. <u>Updated</u> : Fraud Reporting Line. <u>Replaced</u> : appendix of fraud certification with managers' declaration in Tickit.	FGL Board – 12 May 2016
4.0	June 2017	Minor changes	FGL Board – 29 June 2017 (by circular)
5.0	June 2020	Triennial Review	FGL Board – June 2020

Table of Contents

1	Background	4
1.1	Organisational context	4
1.2	Policy statement.....	4
1.3	Purpose	4
1.4	Scope.....	4
1.5	Pyramid of fraud, risk and controls	5
1.6	References:.....	5
2	Fiducian’s stance.....	6
2.1	Commitment.....	6
2.2	Tolerance.....	6
2.3	Consequences of fraud, corruption and non-reporting.....	6
3	Definitions.....	7
3.1	Theft.....	7
3.2	Fraud	7
3.3	Corruption	7
3.4	Examples of fraud and corruption.....	7
4	Managing the risk of fraud	8
4.1	Fraud risk triangle	8
4.2	Fraud risks	8
4.3	Assessment of fraud risk.....	9
4.4	Fraud control types	9
4.5	Fraud prevention controls.....	10
4.6	Fraud detection controls.....	11
4.7	Fraud correction controls.....	11
5	Roles and responsibilities	12
5.1	Overall responsibility	12
5.2	Board and management.....	12
5.3	All employees.....	12
6	Detecting, reporting and handling fraud events.....	13
6.1	Signs of potential fraud	13
6.2	Fraud Reporting Line	13
6.3	Upon discovery or suspicion of fraud.....	14
6.4	How to report	14
6.5	Investigation.....	14
6.6	Fraud Response Team	15
6.7	Termination	15
6.8	Whistleblower protection	15
7	Fraud checks of external service providers.....	16
7.1	Due diligence	16
7.2	Ongoing assurance	16
7.3	Contractual liability	16
8	Monitoring and reviewing.....	17
	Appendix A - Fraud risk assessment tool	18

1 Background

1.1 Organisational context

The Fiducian Group Limited (Fiducian) is a specialist financial services organisation providing financial planning, funds management, investment platform administration, information technology and business development and distribution services related to Fiducian Group. A chart of the relationships of the parent and subsidiaries of Fiducian is in the Risk Management Framework (RMF).

1.2 Policy statement

The board and management of Fiducian recognises that fraud risk management is an integral part of business and is committed to establishing and maintaining an organisational culture that supports ethical conduct, thereby minimising the risk of fraud.

The Executive Chairman, FGL and Management Team have a responsibility to demonstrate ethical and honest behaviour by virtue of their respective positions of authority and high levels of accountability for decision making and leadership.

The introduction of an effective Fraud and Corruption Policy in Fiducian is an essential element specifically designed to ensure the ability to operate with integrity, transparency and at maximum economic efficiency. Appropriate mechanisms will be put in place to manage the risk of fraud, including policies and procedures, risk assessment, internal controls, investigation, reporting, education and independent auditing to reduce the incidence of fraud. The board, management and staff will be made aware of this Fraud and Corruption Policy by ensuring it is included in induction training and that policy updates are communicated to all.

1.3 Purpose

The purpose of this Fraud and Corruption Policy is to

- outline Fiducian's commitment to the prevention and detection of fraud, theft and corruption,
- promote organisational behaviour consistent with Fiducian's Code of Conduct,
- provide an overview of the mechanisms employed by Fiducian to manage fraud risk and
- lay out processes that will help detect, report and investigate fraud against Fiducian.

1.4 Scope

The policy applies to all divisions, business units, subsidiaries and franchises of the Fiducian Group. A reference to the Fiducian Group may mean one member or more than one member of the Group, depending on the context. It includes anyone employed or engaged by Fiducian and encompass directors, external members of various board sub-committees, management committees, staff, contractors and authorised representatives. All persons to whom the policy applies are required to read and understand the policy.

Compliance with this policy is mandatory.

This policy applies to any irregularity, or suspected irregularity to all the members of Fiducian listed above.

1.5 Pyramid of fraud, risk and controls

Framework and processes for fraud, risk and controls in Fiducian are interrelated as depicted in the diagram below.



1.6 References:

This document has been prepared with reference to:

- a) Prudential Practice Guide SPG 223 Fraud Risk Management (June 2015).
- b) Based on definition used in Australian Standard on Fraud and Corruption Control AS8001-2003.
- c) Crime and Misconduct Commission (Qld) publications which postdate the AS8001-2003.
- d) Fraud risk assessment tool - Audit Office of New South Wales, Fraud Control Improvement Kit, February 2015

This policy should be read in conjunction with Fiducian's:

- a) Conflicts of Interest Policy
- b) Fit & Proper Policy (Appointment of Responsible Officers)
- c) Risk Management Framework

- d) Compliance Framework
- e) Incident Management Procedures
- f) Securities Trading Policy
- g) FSS' Outsourcing Policy and
- h) FSS' Risk Management Framework..

2 Fiducian's stance

2.1 Commitment

The board and management of Fiducian are committed to conducting its business with honesty, integrity and best practice. It promotes an organisational culture from the top down that will not tolerate any act of fraud or corrupt conduct, whilst still maintaining an open and stimulating work environment.

Fraud and corruption are against Fiducian's interests.

This policy is designed to mitigate Fiducian's exposure to fraud and criminal acts committed by any person. It is also designed to protect Fiducian's reputation.

2.2 Tolerance

Fraud and corruption are unacceptable and Fiducian has zero tolerance of either.

Wrongdoers will be subject to appropriate disciplinary action and prosecution.

The Fraud awareness program is designed to address the range of identified corporate risks and is tailored to meet those risks.

2.3 Consequences of fraud, corruption and non-reporting

A breach of this policy may result in termination of employment or contract with the Fiducian Group.

Fiducian's policy is to suspend any member of Fiducian suspected of committing fraud or corruption pending the outcome of an investigation. If fraud or corruption is proven, the perpetrator's employment or contract will be terminated immediately.

Fiducian also takes a very strong view towards any individuals who fail to report any actual or suspected incident of fraudulent or corrupt behaviour. Fiducian regards the failure to report as being as serious as the crime itself. Failure to report may carry the same consequences as the crime itself. It does not matter if a person does not receive any benefits from the fraud. Failure to report the fraud may be viewed as collusion with the fraudster.

3 Definitions

Because of the overlap between fraud, theft and corruption, the generic term 'fraud' will be used throughout this document.

3.1 Theft

Theft can be defined as the dishonest appropriation of another person's property with the intention of permanently depriving the owner of their property.

3.2 Fraud

For the purpose of this policy, Fiducian defines fraud as dishonest activity that causes actual or potential financial loss to any person or entity. Fraud is similar to theft, but may include the additional element of deception. Fraud also includes deliberate falsification, concealment, destruction or use of falsified documentation or computer records used or intended for use for a normal business purpose or the improper use of information or position.

3.3 Corruption

Corruption is defined as: 'dishonest activity in which a person acts contrary to the interests of Fiducian and abuses his or her position of trust to achieve some personal gain or advantage for himself or herself or for another person or entity'.

3.4 Examples of fraud and corruption

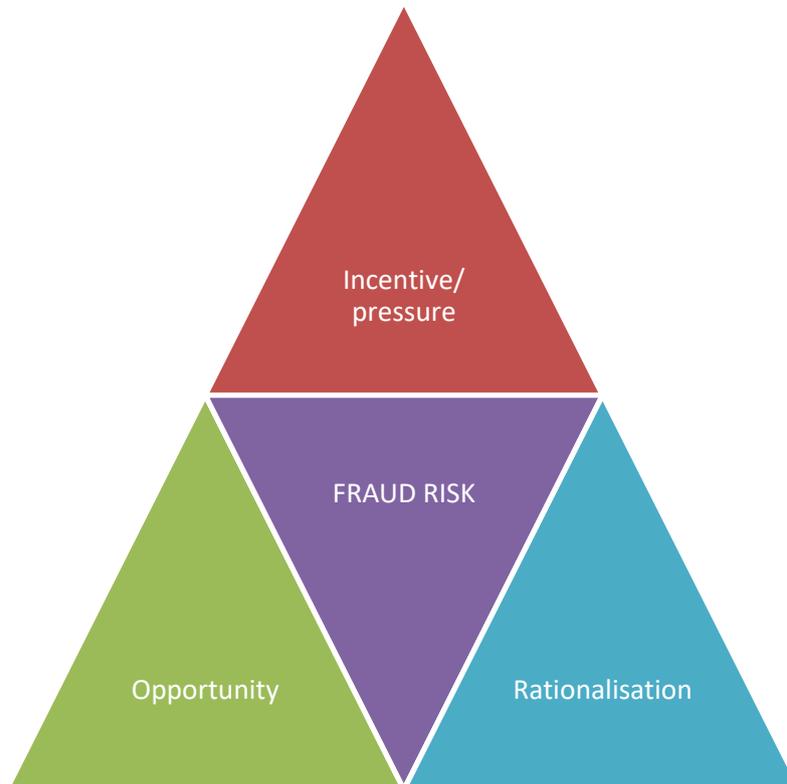
Some broad examples of fraud and corruption are:

- acts which violate Fiducian's Code of Conduct
- theft or other misappropriation of assets, including assets of Fiducian, customers, suppliers or others with whom Fiducian has a business relationship
- mis-statements and other irregularities in company records, including the intentional mis-statement of the results of operations
- profiteering as a result of insider knowledge of company activities
- disclosing or misuse of confidential and proprietary information to unauthorised parties
- forgery or other alteration of documents
- accepting or providing bribes or kickbacks in exchange for business with a contractor or supplier, whether or not it is for the benefit of Fiducian
- stealing passwords to payment systems and using them to make unauthorised funds transfers
- purchasing assets and consumables from associated parties at above market prices, or paying secret commissions or other unlawful inducements
- making investment decisions that may not be in the best interests of investors in Fiducian products including superannuation fund members
- making investments in unapproved investment products for personal gain or for the benefit of a third party
- sale of investments to associates at non-arm's length prices to the detriment of Fiducian
- copying of IT systems for personal benefit or the benefit of others and
- theft generally.

4 Managing the risk of fraud

4.1 Fraud risk triangle

The board and management consider the fraud risk triangle model to explain the causes for someone to commit fraud and devise appropriate controls to manage the risks.



Pressure, such as a financial need, is the motive for committing a fraud.

The person committing the fraud sees an opportunity (i.e. internal control weakness) and, believing no one will notice if funds are taken, begins the fraud with a small amount of money. If no one notices, the amount will usually grow larger.

The person committing the fraud frequently rationalises the fraud. Rationalisations may include, 'I'll pay the money back', 'They will never miss the funds', or 'They don't pay me enough.'

4.2 Fraud risks

The board and management recognise that fraud risk must be managed.

All managers, in consultation with the Chief Risk Officer, are required to identify any risks of fraud that may exist within their area of responsibility. They must also ensure that they have in place appropriate controls to both prevent the risk of fraud occurring and to detect any fraud that may occur.

All risks and controls must be recorded in Tickit (Risk and Compliance system), a risk and compliance system implemented in Fiducian.

Managers, with the assistance of the Chief Risk Officer, are required to monitor the operation of their internal controls, periodically assess their effectiveness and where necessary, improve the controls.

Where an activity involves more than one business unit or entity, each relevant manager is responsible for implementing and maintaining controls that specifically relate to their own area of responsibility and the Chief Risk Officer is responsible for liaising any cross-functional controls that are required.

Auditors act as the third line of defence by reviewing and reporting on controls and safeguards of fraud risk.

4.3 Assessment of fraud risk

A fraud risk assessment expands upon traditional risk assessment to incorporate scenario-based assessments that may identify exposure to business operations where the internal control environment may have limitations (e.g. collusions) and prioritise action plans to mitigate fraud risk.

The fraud risk assessment should be done bi-annually. It is important that the following senior managers should be involved in this assessment:

- Executive Chairman, FGL
- Executive Chairman, FSLHead of ITGeneral Counsel
- General Manager Superannuation
- Executive Chairman, FFSHead of Operations & Platform Services and
- Chief Risk Officer.

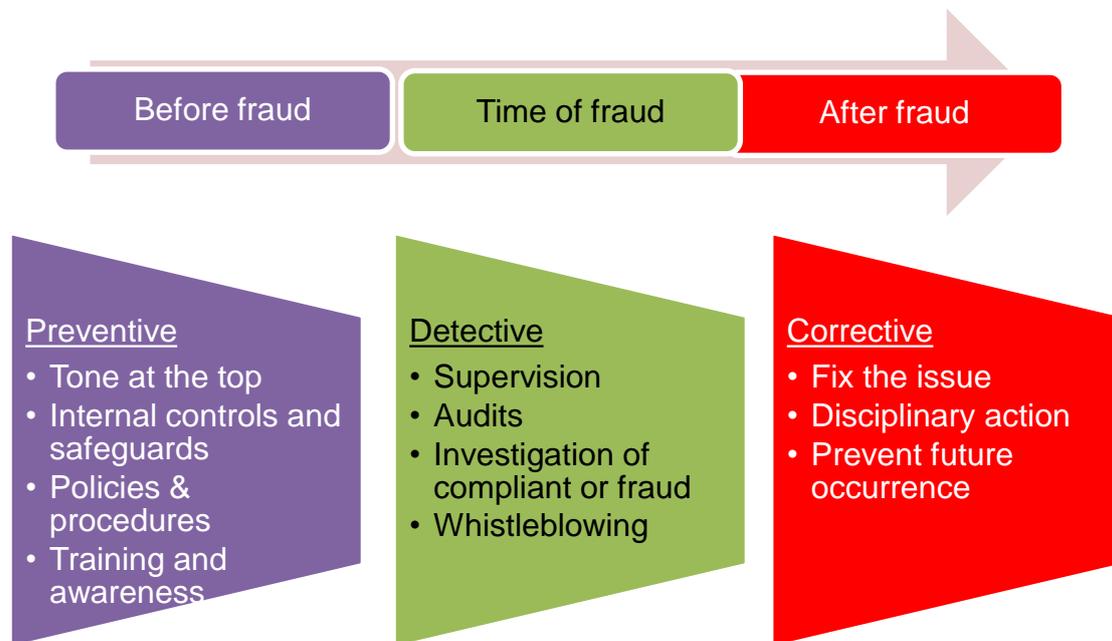
The assigned managers would use an assessment tool to:

- identify broadly the areas of fraud e.g. misappropriation of assets, taking bribes
- note if any fraud event took place
- identify the roles in Fiducian that could have the opportunity or incentive to commit fraud
- assign an inherent risk rating based on the risk matrix in the Risk Management Framework
- devise likely scenarios of fraud in that area
- note the preventive and detective controls that are in place (refer below to sections on 'Fraud preventive controls' and 'Fraud detective controls')
- note the effectiveness of the aforesaid controls and
- state whether the area needs any further actions to mitigate the risk.

A template of the self-assessment tool is provided in Appendix A.

4.4 Fraud control types

A fraud event can be divided into three phases. There are different types of controls that are linked to each phase of a fraud event. The diagram below is a snapshot of the controls and linkages.



4.5 Fraud prevention controls

Some of the key controls to prevent fraud from taking place are as follows.

- All directors and employees of Fiducian are expected to operate in accordance with Fiducian’s Code of Conduct including acting honestly and ethically at all times. Fiducian is committed to a culture that makes it clear that fraud will not be tolerated.
- Fiducian has Risk Management Framework and fraud prevention strategies in place that act as the first line of defence.
- All managers, in consultation with the Chief Risk Officer, are required to identify any risks of fraud that may exist within their area of responsibility. They must also ensure that they have in place appropriate controls to both reduce the risk of fraud occurring and to detect any fraud that may occur. All risks and controls must be recorded in Tickit. Managers carry out risk assessments and reviews at regular intervals in Tickit.
- This policy assists employees to understand what fraud is, Fiducian’s attitude to fraud, and what to do if they suspect fraud is being perpetrated. The board and management’s attitude and commitment to fraud and its prevention can act as an effective deterrent.
- Details of internal controls are contained in procedure manuals of various processes and a summary is contained in the risk register. Some of the key preventive controls applied by Fiducian are:
 - reference checks of all employees
 - separation of duties
 - setting limits of spending by managers
 - assets held by custodian
 - authorisation of all investments and redemptions
 - client ID checking procedures and
 - general IT controls e.g. network access controls.
- As part of the induction process, all directors, managers and staff will be provided with training on this Fraud and Corruption Policy. Managers will provide continual job-specific fraud training to staff for whom they are responsible. The Chief Risk Officer will provide refresher training on this policy at least once a year to all staff.

- All managers are required to make a declaration in Tickit every six months certifying that they
 - have not committed fraud
 - are not aware of any fraud (or, if they are aware, they have reported it)
 - have ensured that their staff are aware of this policy and
 - have complied with this Fraud and Corruption Policy and with all relevant operational procedures.

4.6 Fraud detection controls

Some of the key controls to detect fraud at the earliest possible time are as follows.

- Managers supervise staff.
- Managers extract exception reports from the system to detect and investigate any anomalies.
- Quality control checks are performed by administration staff who are independent of operations.
- Management is continually monitoring performances, budgets, events¹ and exceptions.
- The board receives, reviews and challenges reports from management at its meetings.
- Financial reconciliations are done at regular intervals.
- All transactions and changes have audit trail.
- Internal and external audits and other reviews take place regularly.
- The board and management encourage whistleblowing and provide whistleblower protection.

4.7 Fraud correction controls

Once a fraud is detected or reported, there are correction controls to counter the fraud event. Processes to report, investigate and take action are in place when a fraud or suspected fraud eventuates. This is covered in detail below.

¹ An event in Fiducian includes an incident, breach, complaint or audit issue.

5 Roles and responsibilities

5.1 Overall responsibility

Overall responsibility for the management of fraud and corruption within Fiducian rests with the Executive Chairman, FGL.

The General Counsel is responsible for administering this policy.

The Chief Risk Officer is responsible for fraud risk management.

5.2 Board and management

The board and management have a responsibility to ensure that:

- the right tone is set at the top and communicated consistently
- frameworks, resources and mechanisms are in place that minimise the incentive or opportunity for fraud and dishonesty within their area of control
- appropriate and accurate monitoring, reviewing and reporting are in place to detect frauds promptly
- they lead by example and to cultivate a culture within their entity or team that supports high standards of ethical conduct and
- persons who raise concerns in relation to possible fraud are protected from any adverse treatment or retaliation.

5.3 All employees

All employees have a responsibility to:

- act honestly and diligently
- follow the procedures and controls that have been implemented to mitigate fraud and corruption
- not bypass or avoid using prescribed procedures or controls
- immediately report any fraud, suspected fraud, weaknesses or loopholes in procedures or controls to their line manager or to any person in the Fraud Reporting Line set out below (see 6.2). The person receiving an incident report has a responsibility to ensure that action is taken immediately. If no action has been taken, then it is the reporter's duty to bring the matter to the attention of a person higher up in the Fraud Reporting Line.

6 Detecting, reporting and handling fraud events

6.1 Signs of potential fraud

Effective fraud awareness is anchored in understanding and remaining alert for the red flags and warning signs of fraud. All employees should be aware of the signs of potential fraud. Some of the signs of potential fraud² are as follows:

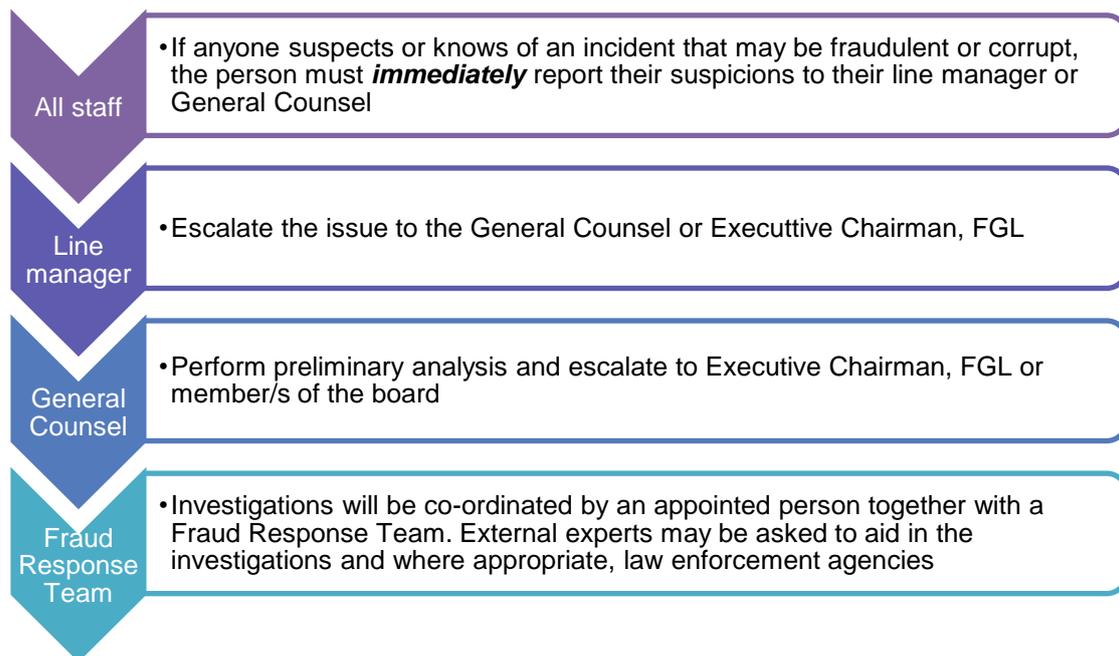
- Internal control weakness:
 - lack of segregation of duties
 - lack of physical safeguards
 - lack of IT general controls
 - lack of independent checks
 - lack of proper authorisation procedures
 - inadequate systems and processes
 - override of existing controls.
- Operational anomalies:
 - unusual relationships, procedures, and events concerning the Fiducian's operations
 - transactions/situations involving unexpected times, places, people, amounts, or frequencies.
- Accounting anomalies:
 - unusual deviations from standard accounting practices, resulting in irregularities in the accounting system
 - anomalies in documents, reconciliations, journal entries, financial statements.
- Behavioural anomalies:
 - living beyond means
 - financial difficulties
 - control issues
 - close association with vendors/customers
 - not observing mandatory leave policies
 - addiction problems.

6.2 Fraud Reporting Line

Fraud or suspected fraud must be reported immediately.

If an employee or director of Fiducian suspects or knows of an event that may be fraudulent or corrupt, he/she must immediately report their suspicion to their manager. If this is not possible, then the matter should be reported directly to the General Counsel or the Executive Chairman, FGL.

² *Corporate Fraud Awareness in Today's Global Regulated Environment presentation James D. Ratley, CEO, Association of Certified Fraud Examiners*



6.3 Upon discovery or suspicion of fraud

The following dos and don'ts are particularly important in fraud reporting and investigation.

Do:	Do not:
Report the fraud or suspected fraud immediately.	Talk to any other person other than the person to whom the report was made or the General Counsel about the matter.
Preserve physical evidence by handling it carefully and storing electronic evidence (e.g. hard disk drives, external memory etc) in a paper envelope or non-electronic evidence (e.g. forms, envelopes) in plastic sleeves.	Touch, turn on or turn off the computer or electronic device the fraud is suspected to have been committed on.
A written report may be required at a later stage. So, it is advisable to note down the details of the discovery.	Confront the alleged fraudster. Attempt to conduct own investigations.

6.4 How to report

Anyone may report any suspected or actual fraud or corruption either verbally or in writing to their line manager or any person in the reporting line the reporter feels comfortable reporting to. If the reporter is uncomfortable in identifying oneself, he/she can always report anonymously.

6.5 Investigation

Fiducian's policy is that any reports of suspected or detected fraudulent or corrupt activity will be fully investigated. Fiducian may enlist the help of external parties to aid in the investigations and where appropriate, law enforcement agencies such as the Fraud Squad will be notified.

6.6 Fraud Response Team

The Fraud Response Team will be chosen by the Executive Chairman, FGL or the relevant Board.

The team will treat all information received confidentially. Members of the Fraud Response Team will have:

- free and unrestricted access to all Fiducian records and premises, whether owned or rented and
- the authority to examine, copy, and/or remove all or any portion of the contents of files, desks, cabinets, and other storage facilities on the premises without prior knowledge or consent of any individual who might use or have custody of any such items or facilities when it is within the scope of their investigation.

The team's responsibility is to:

- analyse or investigate as directed by the sponsor i.e. Managing Director or the relevant Board and
- prepare a report and submit it to the sponsor.

6.7 Termination

If an investigation results in a recommendation to terminate an individual, the recommendation will be reviewed for approval by the Executive Chairman, FGL and, if necessary, by an external HR consultant, before any such action is taken. No one else has the authority to terminate an employee.

6.8 Whistleblower protection

All reports will be treated with the utmost confidence.

Reports will be released only where necessary to comply with legal requirements or in relation to an internal investigation. Any person (refer 'Scope above) who makes a report of suspected or actual behaviour of a criminal kind, or relating to matters prejudicial to the interests of Fiducian will be protected from any adverse reaction to their report, provided the report is not vexatious and they have not been involved in the activity.

If an employee does not feel comfortable in reporting his/her suspicions to anyone in the Fraud Reporting Line, reports can be sent to:

Mark Werman, Wentworth Human Resources Pty Ltd.

Suite 241/ 813 Pacific Highway,

Chatswood, 2067

Ph: +61 2 8448 3200 Fax: + 61 2 9993 9819

If the above information is not up to date, make an enquiry with the General Counsel.

7 Fraud checks of external service providers

7.1 Due diligence

The selection process for any material service provider should include an assessment of their risk and compliance processes, including fraud control procedures.

7.2 Ongoing assurance

Material service providers, in particular the Custodian are required to provide regular assurance about their internal control processes and to promptly report any incidents and breaches including incidents of fraud or attempted fraud that may affect Fiducian and its stakeholders.

7.3 Contractual liability

As far as possible, contracts with material service providers will specify the liability of the provider for losses including losses due to fraud.

8 Monitoring and reviewing

The risk of fraud is managed continually.

The key activities undertaken in monitoring of fraud risk management are shown below.

Board	Management	Staff	External service providers	Auditors
<ul style="list-style-type: none">•Oversight•Review audit and management reports•Review and approve this policy	<ul style="list-style-type: none">•Checks and supervision of staff•Analyse reports and events•Assess and manage the risk of fraud	<ul style="list-style-type: none">•Abide by this policy•Report any anomalies or events	<ul style="list-style-type: none">•Confirm their fraud plan•Report any anomalies or events of fraud	<ul style="list-style-type: none">•Review this policy, processes, systems and controls on fraud

This policy will be reviewed and approved by the FGL Board at least every 3 years.

Appendix A - Fraud risk assessment tool

What could go wrong?	Any fraud reported?	Who could be involved?	Inherent risk rating ³	Scenarios of what could go wrong	What prevention controls are in place?	What detection controls are in place?	How effective are the controls? ⁴	Overall assessment
Theft or misappropriation of assets, internal or external								
Mis-statements and other irregularities of income or expense in company records or related-party transactions								
Payroll fraud								
Profiteering as a result of insider knowledge								
Disclosing or misuse of confidential and proprietary information to unauthorised parties								
Forgery or other alteration of documents, internal or external								
Violation of Fiducian code or policies								
Accepting bribes or kickbacks								

³ Inherent risk ratings = very low, low, moderate, high, very High.

⁴ Effectiveness of controls = very effective, effective, moderately effective, partially effective, ineffective.