



REPORT ON INDEPENDENT REVIEW UNDERTAKEN BY PWC ON BREACH REPORTING AND RESEARCH

In June this year, IOOF appointed PwC to conduct an independent review of its regulatory breach reporting policy and procedures and the control environment within its Research team.

The PwC Report noted and documented numerous initiatives which had been implemented by IOOF over the past year or so to improve structures, processes and systems, including:

- Enhancements to the infrastructure supporting the effectiveness of the breach reporting process.
- Enhancements to the structure and functions within the Research team.

The IOOF Board is pleased to note that there is nothing in the Report that points to fundamental design or process breakdowns in the critical area of breach reporting and incident management.

The key recommendations of the Report are based around the further improvement of the existing operating model for the Research team control environment and the architecture of the breach and incident policies and procedures. A summary of the key Report findings by relevant area is as follows.

Research Department

- A review of the Research team conducted by executive management in 2014 led to a restructure of the team, announced in January 2015 and effective in March 2015 with the appointment of a new Group Head of Research and Portfolio Construction.
- The business model for research has been significantly advanced with base research outsourced to third party providers for both managed funds and equities, with appropriate controls over attribution and disclosure.

In addition to the steps already taken by IOOF, the Report recommends the development of a detailed strategic plan to articulate a clear vision of the future operating model for Research. Further specific recommendations have been made in relation to composition of governance committees, formalisation of research advice processes and controls, harmonisation of staff key performance indicators, monitoring of adherence to policies and procedures and further strengthening team separation where there are heightened risks of conflict.

Breach Reporting

PwC reviewed IOOF's procedures, processes and systems supporting breach reporting, as well as breaches reported to the regulators. PwC noted that IOOF has already planned or implemented enhancements to the infrastructure supporting the effectiveness of the breach and incident management process.

PwC's main recommendations for improvement relate to adopting a uniform set of standards and procedures across IOOF's various individual licensees and at the Group level. In addition, IOOF should ensure that initiatives already in train are executed without delay in order to strengthen the overall operating effectiveness of the breach reporting process. Automation of process, clarity around staff compliance-based key performance indicators and enhancements to staff procedures and controls awareness training were also flagged as areas for further improvement.

The Managing Director of IOOF Holdings, Christopher Kelaher, said that the IOOF Board has accepted all of the Report's recommendations without reservation and would be immediately implementing the recommendations, with a post implementation review to be undertaken by PwC in six months' time.

Mr Kelaher noted that the objective of IOOF, in commissioning the review, was to ensure that the company's governance and compliance processes were beyond reproach, so as to continue to safeguard the trust of its clients and members.

“IOOF acknowledges that putting clients’ interests above all else is paramount. We accept the need to continuously examine our policies and constantly challenge the way we do business in order to protect the interests of our clients and deliver on clients’ expectations of trustworthy advice and behaviour,” Mr Kelaher said.

Mr Kelaher also noted that no client or customer of IOOF has lost any money as a result of the issues leading to this review.

IOOF advised that the Report findings would be provided to ASIC and APRA, as well as a copy of the final post implementation report once available.

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About IOOF Holdings Limited

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IOOF provides advisers and their clients with the following services:

- Financial Advice and Distribution services via our extensive network of financial advisers and stockbrokers;
- Platform Management and Administration for advisers, their clients and hundreds of employers in Australia;
- Investment Management products that are designed to suit any investor’s needs; and
- Trustee Services including Estate Planning and Corporate Trust services.

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