



Conduct Risk Policy

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1. Introduction

ODM Limited ('ODM') is an independent field sales and field marketing company established in 1999 employing staff in its head office and field based regional sales managers and area team leaders and has an active pool of approximately 700 field-based sales staff across the UK. ODM specialises in managing face-to-face (field) marketing campaigns primarily consumer finance, loyalty, telecoms and home entertainment sectors in the UK & Ireland, typically focused on customer acquisition and engagement. ODM works with clients to develop and execute either short term tactical campaigns or long-term contractual projects using ODM's field-based staff across the UK and deploying them at venues to match the client's target market.

Since the inception of the Financial Conduct Authority ('FCA') in April 2013, the work of the FCA has been underpinned by the concept of Conduct Risk. Conduct Risk has been defined by the FCA as, "*the risk that firms' behaviours may result in poor outcomes for the consumer*", [2011 Conduct Risk Outlook]. Conduct Risk takes forward the principles of Treating a Customer Fairly ('TCF') as well as the six expected TCF outcomes.

The ODM policy has at its heart the FCA's conduct risk objectives and the TCF outcomes. This policy applies to the regulated sales activities of ODM and seeks to ensure that the conduct risks faced by ODM are known, managed and mitigated. This policy applied to the Board, operational staff and management and to all staff and their supervisory line management.

As a business ODM has applied the principles of this policy to its non FCA regulated activity.

Overall, ODM has a low appetite for risk as related to the sales activities of its staff; therefore this policy combined with associated processes seeks to ensure that Conduct Risks do not crystallise. If Conduct Risks do develop then immediate action is taken to mitigate this risk.

The company has four directors:

- Mr Simon Richard Peter Dawes
- Mr Antony Guy Peter Mauder
- Mr Antony Stewart Lane
- Ms Suzanna Elizabeth Dawes

ODM is authorised and regulated by the Financial Conduct Authority. The permissions held relate to the advising, arranging or non investment insurance contracts and regulated mortgage contracts. ODM also has interim permissions for Credit broking limited to credit intermediation valid until 31st December 2014. ODM utilises the sales training and application processes provided by its clients and is the first point of interaction with the consumer. ODM is responsible for the compliant delivery of its clients' sales processes. ODM utilises its clients' sales script (including technology) to fulfil the sales process with the customer. All training programmes are approved by the client. Once the application has been submitted to the client, ODM does not contact the customer again. Any complaints in respect of ODM staff are managed by the client (at their request and as contractually agreed).

Our activities are limited to fulfilling the requirements of the clients' sales process and completing an application provided by the client and their associated product material. However, we are cognisant that ODM plays a vital role in the delivery of a complaint sales process and have therefore implemented systems and controls to manage our role and to ensure we do not fall short of consumer, client or regulatory expectations.

ODM have implemented appropriate Key Performance Indicators ('KPI's) and Key Risk Indicators ('KRI') to assess and manage the potential conduct risks posed by its activities and the activities of its staff. The KPI and KRI's are discussed further in this policy document. The term 'monitoring' within this policy is defined as 'monitoring to desired consumer and client outcomes'.

ODM's commitment to Conduct Risk management is as follows:

“ODM will ensure that its staff and Directors are aligned to the principles of ensuring fair and consistent outcomes for consumers. Therefore the activities it undertakes and the training, supervision and monitoring processes put in place, will have at their heart the consumer”

The Board have committed to not engaging clients where the products to be offered to consumers are not considered to be fair or of value to the consumer, and/or are not transparent with regards to the terms of the products. The core objective of ODM is to drive forward a culture where the customer is at the 'heart' of strategic and tactical decision/activities.

As a result of the culture being driven by the Board of ODM and the FCA's enhanced focus on the management of Conduct Risk to consistently deliver fair outcomes for customers, the objective of this Policy is to ensure that the possible occurrence of conduct risks is minimised through the following measures:

- 1) Robust governance arrangements;
- 2) A proportionate and well functioning risk management framework;
- 3) Robust recruitment and on-boarding of staff
- 4) A balanced remuneration system of sales executives and management that promotes the required standards of behaviour.
- 5) Regular staff training, supervision and monitoring of activities
- 6) Detailed analysis of data to drive forward improvements, e.g. the root cause analysis of complaints; and
- 7) Regular analysis of client and staff feedback

2. Conduct Risk Appetite

The risks of 'getting it wrong' and failing to manage our Conduct Risks are serious and ODM is driven to ensure appropriate behaviours are displayed by Directors and staff. If ODM was to fail in this it would lose the confidence of its clients and the consumer. In the event of significant failures ODM could be subject to regulatory censure or direct action. ODM is focused on ensuring mechanisms are in place to limit potential Conduct Risk failures during the course of its activities.

Given that ODM fulfils the initial sales process for its clients, ODM will align its risk appetite to that of the clients.

The primary staff KRI's and KPI's monitored and utilised by ODM are:

- high individual daily sales volumes
- low application accept rates
- low activation or card usage rates

- high 30 day customer cancellation rates
- complaint levels above agreed SLAs (both at individual and project level)
- mystery shopping / observation scores below target

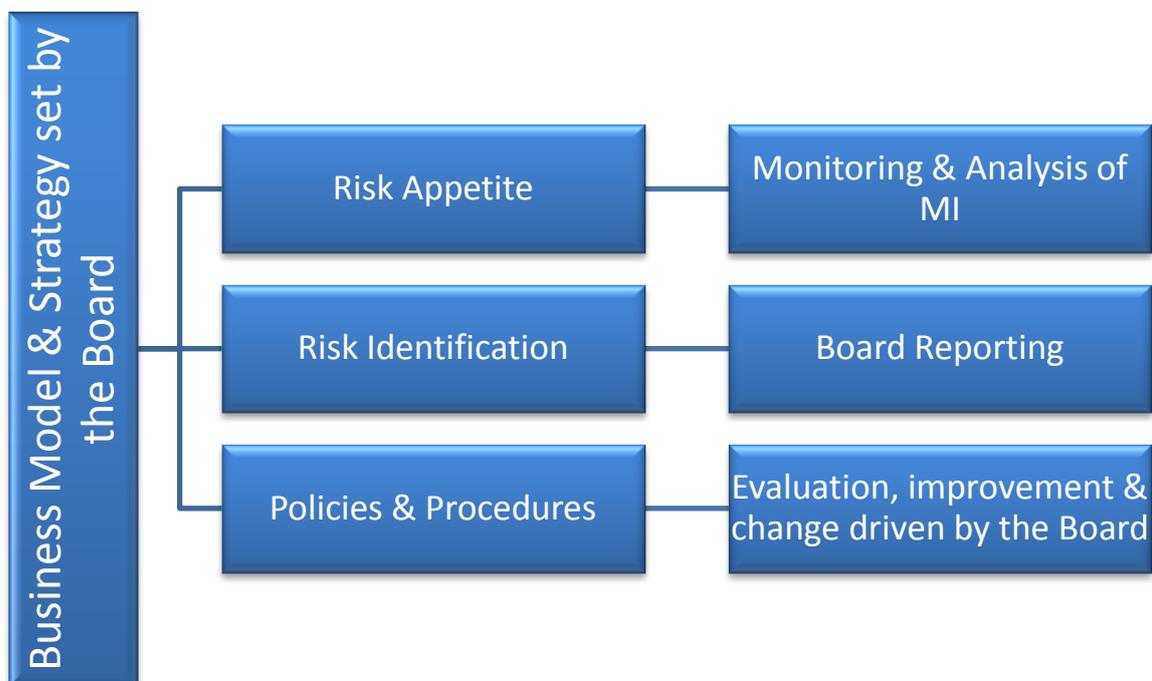
These KRI/ KPI's have been selected as they represent a means to understand the consumer interaction and the quality of service delivery by ODM staff. The above list represents a core list of KPI's / KRI's and this is under continual review by the Board. Changes to the above metrics are made when appropriate or when a thematic issue arises.

3. Conduct Risks

The Conduct Risks ODM mitigates against (given the current business model) are:

- 1) Poor behaviours of staff in terms of providing misleading information to consumers and making promissory statements;
- 2) Poor behaviours of our staff related to the misappropriation of customer data and client technology (hardware and software);
- 3) Inadequate training provided to our staff; and
- 4) Recruitment procedures not being sufficiently robust to ensure all our staff are of good character and 'fit and proper' for the role they are to undertake.

4. ODM's Governance Framework



The Governance Framework of ODM is based upon control and assessment from the Board. The Board set the regulatory compliance standards of the business, as well as the behaviours expected of Directors and staff. The establishment of the levels of behaviours expected is essential to the management of conduct risks.

The nature of our activities and the size of our firm do not at this stage necessitate the appointment of a dedicated compliance officer. The overall responsibility for compliance with FCA rules and regulatory requirements and expectations rest with the Board and staffs; however on a day to day basis the Managing Director has responsibility for compliance.

In order to manage the conduct risks, as well as other risks faced by the business, the Board ensures they review critical management information relating to the activities of their staff. In addition to the KRI/ KPIs detailed in section 2 of this policy the data reviewed includes:

Staffing

- Recruitment /HR background checks
- Selection of appropriate and qualified staff
- Training effectiveness
- Trainee competency
- Effective induction process

Sales process

- Compliance to defined sales process
- Observations & mystery shopping and outcomes of identified failures
- Satisfactory conduct reports
- Complaints
- Ongoing competency testing
- Customer fair outcome monitoring
- Conflict of interest risk
- Incentive arrangements

The detailed KPI's and KRI's used are contained in the detailed risk management framework. The information reviewed is used to drive forward improvements in the practices of the firm. The means of tracking such actions is through the Risk Control Framework and the series of planned Control Self Assessments agreed with each client against the key headings of:

a) Staffing

- Recruitment - all new sales staff (dependent on the nature of the project/ client) have the following checks conducted prior to appointment: background references both business and personal; credit reference and DBS checks
- Selection – ensure staff are selected with the appropriate skills for the role
- Training – checks to ensure that the training given is appropriate and as good as it can be
- Trainee competency - testing to make sure staff can put into practice what they have been trained to do
- Induction – ensure induction process is effective through calls to new starters and monitoring of new staff retention rates
- Performance - monitor performance to ensure the principles of Treating Customers Fairly are being observed. Further details of this are found in ODM's Treating Customers Fairly policy.

b) Sales process

- Compliance - mystery shopping process and observations in place with suitable follow up for staff who fail to deliver required standards

- Conduct – identified poor behaviours are rectified in a timely manner
- Complaints – reviewed, actioned and recorded and trend analysis undertaken
- Competency – ongoing quarterly competency testing online
- Fair outcomes – monitor key indicators e.g. ratio of applications to active cardholders and cancellation rates to ensure customers want the product
- Conflict of interest – checks in place to make sure that the remuneration policy does not drive poor sales behaviour or negatively impact customer outcomes

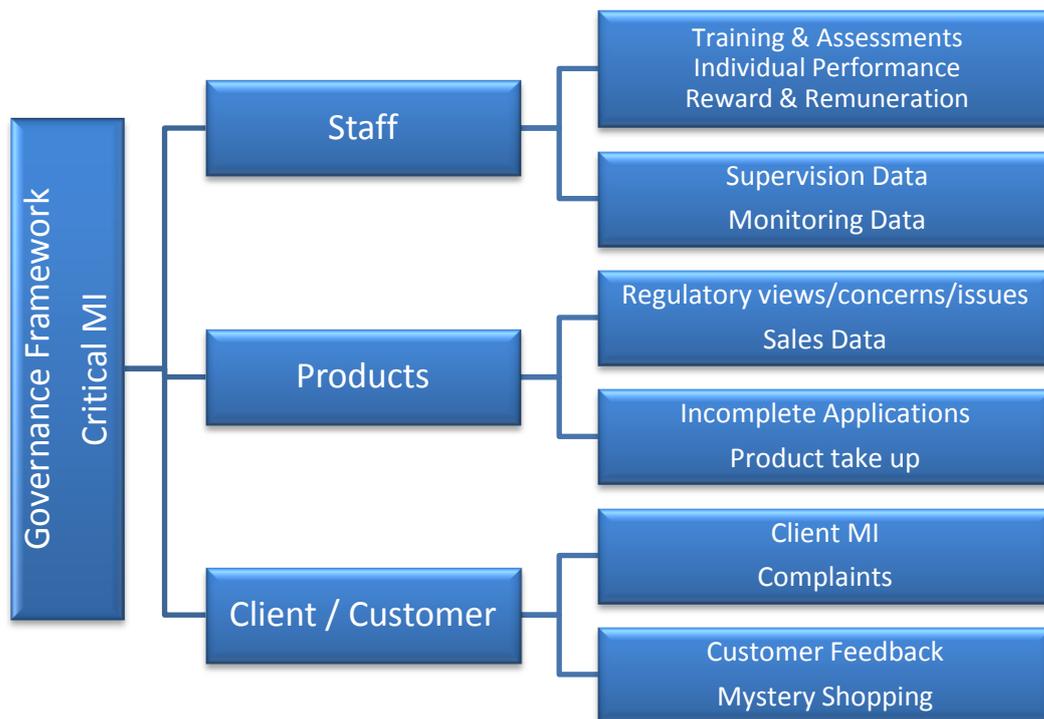
c) Channel performance – monitor KPIs

d) In store/ venue – monitor store/ venue availability and burnout as well as ensuring point of sale and collateral compliance

e) IT service delivery – including protection of customer data checks and salvage process supervision

All monitoring (i.e. outcome testing) is designed to identify potential or actual conduct risks that could result in unfair customer outcomes. Please refer to the ODM Risk Management Framework for further detail.

5. Risk Management Framework



The above diagram demonstrates the key aspects of the ODM monitoring programme. The detail of this is contained in the Risk Control Framework. In summary, ODM assess the regulatory risks posed by its activities (including Conduct Risks). These risks are assessed against the current mitigants in place. A rating is applied to each risk, as well as determining the monitoring activity which is required to manage the risk.

ODM gathers relevant data to enable it to effectively assess and then manage any

conduct risks which become apparent. All management information produced is used both by the Board and the operational areas to ensure improvements are made to processes so that ODM are achieving consistently robust consumer outcomes.

ODM's processes for managing risk posed by its activities reflect the nature of our activities. ODM does not:

- design products;
- provide advice to customers;
- design or provide a non-advised sales process, all sales follow the process provided and approved by the client;
- deal with the fulfillment of the product to the customer; or
- undertake post sales servicing.

Monitoring of Risks

ODM has various means of monitoring the risks identified; this includes on-going supervision activities, and review of complaints. The key aspect of the process undertaken by ODM is the preliminary introduction of products to consumers. The point at which the application is submitted to the client is the point at which the ODM interaction with the consumer ends. Therefore, the three 'points' at which ODM can assess risks and poor behaviours are through on-going supervision, use of management information and via complaints.

1. Supervision

- day-to-day supervision and observation undertaken by Team Leaders
- Probation review within first 3 months for new staff
- Quarterly review with line manager for all customer facing staff with remedial process if unsatisfactory outcome
- Observations undertaken by both client and ODM
- Mystery shopping programme with remedial process in place for failures

2. Management Information

- Weekly production of MI designed to analyse performance data trends or behaviours of individual staff which could indicate poor behaviours and possible conduct risks, this data includes:
 - Application volume
 - Customer profile trends e.g. age
 - Conversion rates
 - Usage rates
 - Cancellation rates
 - Mystery shopping results
 - Observation records

3. Complaints

- Complaints are reviewed and actioned within 48 hours of receipt by the Account Director as per ODM's Complaint Handling Policy
- All complaints can be traced back to the individual member of staff who had the customer interaction and when required feedback is provided by their Regional Sales Manager
- Complaints are reviewed monthly on a case by case basis at a meeting between ODM and the client's retail risk manager
- A log of complaints is kept and as appropriate upheld complaints are recorded on

- the HR file of the member of staff
- Analysis is undertaken to identify common trends and themes and action is taken as appropriate

Lines of Defence

In financial services the 'three lines of defence' are commonly, Operational, Compliance and Internal Audit. Given the size of ODM, an internal audit function is not required. However, ODM applies the principles of the three lines of defence as follows:

1. Operational – day to day monitoring of sales activities and Management Information
2. Compliance – implementation of policies and procedures. Management of the Risk Control Framework and compliance monitoring
3. Board – Management of conduct risks through review and analysis of Management Information. The Account Director produces a Conduct Risk report which is discussed by the Board on a three monthly frequency.

This Conduct Risk Policy is subject to constant review by the Board and any changes in the business model of ODM or the clients requirements will be reflected in the policy.