

## First Summary Report

### Sanlam Private Wealth Pty Ltd

11 July 2025

#### Limitations

This First Summary Report provides a summary of our work carried out as the Independent Expert as defined within paragraphs 21 to 24 of the Court Enforceable Undertaking between Sanlam Private Wealth Pty Ltd (Sanlam) and the Australian Securities and Investments Commission (ASIC) solely for the purpose set out in Section 2 of this First Summary Report.

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# 1. First Summary Report

## 1.1. Introduction

Sanlam Private Wealth Pty Ltd (Sanlam) entered into a Court Enforceable Undertaking (CEU) with the Australian Securities and Investments Commission (ASIC) on 23 December 2024, following an investigation by ASIC.

As per paragraph 28 of the CEU, Sanlam undertook to appoint an Independent Expert - approved by ASIC - to conduct a Compliance Review of Sanlam's systems, processes and controls to assess its compliance with certain obligations set out in s 912A(1) of the Corporations Act 2001. Refer to Section 2 of this First Summary Report for further details of the certain obligations.

Ashurst Risk Advisory was appointed as the Independent Expert on 12 March 2025.

Requirements of the Independent Expert Report are set out in paragraph 29 of the CEU and include:

- Findings of the Compliance Review, including any deficiencies identified in the systems, processes and controls necessary to ensure compliance with the certain obligations set out in s 912A(1) of the Corporations Act 2001.
- Recommendations as to any action that should be taken by Sanlam in response to our findings.
- Our opinion of a reasonable time period for implementation by Sanlam of all recommended actions.

Requirements of this First Summary Report are set out in paragraph 30 of the CEU.

### 1.1.1. Sanlam's response to ASIC's investigation

Since ASIC's investigation, Sanlam has taken material steps to simplify its business by assisting, or in the process of assisting, the financial technology businesses authorised under its Australian Financial Services (AFS) licence to obtain their own AFS licence.

Sanlam has also taken steps to improve its systems, processes, and controls to manage and demonstrate compliance with the certain obligations set out in s 912A(1) of the Corporations Act.

These activities have had a collective impact in reducing Sanlam's overall risk profile.

## 1.2. Findings and recommendations

Sanlam has made material improvements to its systems, processes and controls, including how they are documented, aligning them to the evolving and simplified nature of its business.

That said, certain components remain under development or have been recently implemented, requiring more time to demonstrate their effectiveness in meeting the certain obligations set out in s 912A(1) of the Corporations Act.

Sanlam is committed to deliver the necessary systems, processes and controls across its businesses, including its Corporate Authorised Representatives (CARs) and Authorised Representatives (ARs), to achieve and demonstrate compliant outcomes.

We found the below components to be under development as part of Sanlam's existing program of work. Therefore, as per paragraph 29.1 of the CEU, would reflect a deficiency within its current systems, processes and controls to ensure

Sanlam complies with the certain obligations set out in s 912A(1) of the Corporations Act.

ASIC's areas of concern	Deficiencies (work in progress)
Risk management systems	<ul style="list-style-type: none"> <li>• Three Lines of Defence (3LOD)</li> <li>• Risk profile and controls</li> <li>• Compliance plan</li> </ul>
Supervision and monitoring	<ul style="list-style-type: none"> <li>• Align monitoring activities with risk profile and compliance plan</li> <li>• Also refer to 3LOD above</li> </ul>
Training of representatives	<ul style="list-style-type: none"> <li>• Authorised Representative training program - plan setting</li> </ul>
Organisational competency and human resources	<ul style="list-style-type: none"> <li>• Appointment of new RMs, including clearly defined and embedded roles and responsibilities</li> </ul>

### 1.2.1. Risk management systems

#### a) *Three Lines of Defence*

Sanlam's business size and structure does not support a rigid application of the Three Lines of Defence (3LOD) model. In practice, we observed that most personnel - including Risk & Compliance resources - operate predominantly within the First Line, resulting in the absence of a clearly defined and independent Second Line.

Sanlam's business model utilises third-party service providers. While this presents certain risks in-and-of-itself, it also provides external standards and scrutiny on the business from outside the Sanlam organisation.

While Sanlam undergoes external statutory audits, there is no ongoing presence of a Third Line function (e.g. Internal Audit) to provide assurance over governance, risk management, and internal controls.

Although this situation is not uncommon among small to medium-sized businesses, we believe a distinct level of independence is required to provide management, customers and regulators comfort that compliant outcomes are being achieved.

#### b) *Risk profile and controls*

During our review, Sanlam was undertaking a risk profiling and controls exercise to standardise its risks taxonomy, evaluate exposures across the licence, and identify mitigating controls.

This process is being conducted both 'top down' - led by Sanlam's Risk & Compliance team - and 'bottom up', with each AR and CAR needing to undertake and contribute their assessment of business-specific risks.

The intended outcome being a consolidated risk profile for Sanlam, with the capability to drill down into individual businesses for detailed risk analysis.

We believe completion of this exercise is required for Sanlam to demonstrate the completeness and adequacy of its risk management systems. The outcome of this activity will also inform the nature and extent of supervision and monitoring activities, including those performed by a Third Line function.

#### c) *Compliance Plan*

Sanlam has an existing obligation register. However, it has not been consistently updated to reflect current obligations or business arrangements e.g. policies, processes, training and controls.

Enhancing this register with features typical of a compliance plan - such as mapping obligations to compliance arrangements, controls and testing activities - would support a more systematic approach to validating and demonstrating compliance.

We believe completion of this exercise is required for Sanlam to demonstrate the completeness and adequacy of its compliance arrangements.

#### *d) System Enablement*

Sanlam has implemented technology solutions to support several risk and compliance activities. Notably, these include:

- A centralised data collection platform that facilitates monthly AR and CAR attestations, analysis, inquiries, and reporting to the Compliance Committee.
- A Risk Action workflow system that enables the Risk & Compliance team to capture and manage risk-related activities, including AR inquiries, events, complaints, control failures, and other incidents.

Given the inherent dependencies between the findings raised above and Sanlam's technology solutions, we are unable to define any specific deficiencies within the current technology solutions. However, we believe the adequacy of the current technology solutions will need to be reviewed and potentially updated as Sanlam addresses our findings.

#### **1.2.2. Organisational competency and human resources**

Sanlam is in the process of appointing four new Responsible Managers (RMs) to improve its organisational competency and oversight.

We believe completion of this exercise including, clearly defined and embedded roles and responsibilities for each RM, is required to demonstrate sustainable compliance with the organisational competency obligation.

Sanlam has recently recruited an additional compliance resource to support the execution of daily compliance activities - such as account opening checks, trade and settlement delegations, and management reporting. This role also contributes to the development of new risk and compliance technology solutions.

With the additional RMs and compliance resource, coupled with the reduction in business size and complexity, we believe this could deliver the necessary employee, CAR and AR supervision and monitoring activities and meet the organisational competency obligations.

#### **1.2.3. Supervision and monitoring**

Consistent with our 3LOD finding above, Sanlam's Risk & Compliance team predominantly operates within the First Line. While this structure enables real-time compliance supervision and supports segregation of duties within critical customer processes, it does limit the capacity for independent review and oversight typically expected from a Second Line function.

Sanlam has taken steps to formalise its monthly CAR and AR monitoring activities. This has been operating for several months and includes metric collection, obtaining supporting evidence, analysis and reasonability checks, and further inquiry / scrutiny in the event of discrepancies and / or variances.

Outcomes are reported to the Compliance Committee.

Similar to our system enablement finding, there is an inherent dependency between the risk profile and compliance plan activities and monitoring activities (i.e. the monthly attestation process). We believe the attestation process will

require updates after completion of the risk profile and compliance plan, to ensure risk coverage and demonstrability of compliant outcomes.

#### **1.2.4. Training of representatives**

Using its monthly monitoring solution, Sanlam has implemented a record retention and tracking system to monitor the continuous professional development (CPD) of its ARs.

Sanlam does not mandate that each AR establish a formal annual training plan. Instead, high-level expectations regarding CPD hours and acceptable training formats are outlined in the Sanlam Licensee Manual.

We believe Sanlam should utilise its newly structured training data to complete the feedback loop of its AR training program, ensuring insights from training outcomes are used to continuously refine content, address knowledge gaps, and improve overall program effectiveness.

Given the nature of its business and tenure of ARs, the AR training program should be a strategic, long-term approach to professional development and capability building.

#### **1.3. Next steps – Remedial Action Plan**

Pursuant to paragraph 31 of the CEU, upon receipt of the Independent Expert Report, Sanlam has 21 business days to consider the findings and prepare a Remedial Action Plan. This plan must outline the actions and associated timeframes to address any recommendations, or alternatively, identify any recommendations Sanlam does not intend to implement and provide justification.

Consistent with our findings above, Sanlam has already taken steps to enhance its systems, processes and controls.

In accordance with paragraph 35 of the CEU, which requires the Independent Expert to conduct an Implementation Review of the Remedial Action Plan, it is essential that the agreed Remediation Action Plan comprehensively addresses the design, implementation, and embedding of actions. Each action should have a clearly defined set of deliverables and completion criteria.

The actions should be supported by appropriate timeframes to enable the collection of sufficient evidence to demonstrate their effectiveness.

We believe a period of six to nine months would be appropriate for Sanlam to address our findings and recommendations, and give sufficient time for the new measures to be embedded. This timeframe will be validated as part of the Remedial Action Plan activity.

## 2. Background, scope and approach

### 2.1. Background

Sanlam Private Wealth Pty Ltd (Sanlam) entered into a Court Enforceable Undertaking (CEU) with the Australian Securities and Investment Commission (ASIC) on 23 December 2024. Sanlam was investigated by ASIC with respect to potential breaches of its general obligations as an Australian Financial Services Licensee under section 912A(1) of the Corporations Act 2001 (Cth) (ASIC Investigation).

As a result of the ASIC Investigation, under section 93AA of the ASIC Act, Sanlam offered, and ASIC agreed to accept as an alternative to pursuing civil penalty proceedings, the undertakings set out within the Court Enforceable Undertaking.

As part of the CEU, Sanlam undertook to engage an ASIC approved Independent Expert to review its systems, processes and controls as set out in section 2.2 below.

Sanlam has also agreed to provide remedial action plans to ASIC and the independent expert, which ASIC and the independent expert will review to ensure Sanlam is taking appropriate steps to comply with the CEU.

### 2.2. Compliance Review

As per paragraph 28 of the CEU, Sanlam engaged Ashurst Risk Advisory Pty Ltd (Ashurst Risk Advisory) on 12 March 2025 to conduct a Compliance Review of Sanlam's systems, processes and controls in order to assess Sanlam's compliance with certain obligations set out in s 912A (1) of the Corporations Act.

These certain obligations include:

- *Supervision and monitoring (s 912A(1)(ca))*: Sanlam must take reasonable steps to ensure that its representatives comply with the financial services laws, except to the extent that:
  - i. those representatives are persons who carry on a business of providing goods or services to persons insured under insurance products in satisfaction of the liability of the insurers under those products; and
  - ii. the financial services laws relate to the provision of claims handling and settling services by those representatives.
- *Human resources (s 912A(1)(d))*: Sanlam must have available adequate resources (including financial, technological and human resources) to provide the financial services covered by the licence and to carry out supervisory arrangements.
- *Competence to provide financial services (s 912A(1)(e))*: Sanlam must maintain the competence to provide those financial services.
- *Training of representatives (s 912A(1)(f))*: Sanlam must ensure that its representatives are adequately trained (including by complying with the Continual Professional Development (CPD) provisions), and are competent, to provide those financial services.
- *Risk management systems (s 912(1)(h))*: Sanlam must have adequate risk management systems.

Sub-paragraphs 28.1 to 28.5 of the CEU set out the following matters, relating to the above obligations, to be addressed within the Compliance Review:

- Processes and procedures for the monitoring and supervision of Sanlam's employees, CARs and ARs to ensure they have the ongoing ability to comply with financial services laws.
- Arrangements to ensure Sanlam has adequate human resources (including compliance personnel) to continue to provide the financial services covered by its licence and to carry out supervisory arrangements.
- Arrangements and processes to ensure Sanlam maintains the competence to provide financial services, including having a suitable number of suitably qualified and experienced RMs.
- Arrangements and processes to ensure Sanlam's representatives (including its staff) are appropriately trained, including ongoing training requirements.
- To have adequate risk management systems (including compliance management) (Compliance Review).

### **2.3. Independent Expert Report**

Requirements of the Independent Expert Report are set out in Paragraph 29 of the CEU, and requires us to:

- Detail our findings from the Compliance Review, including any deficiencies identified in the systems, processes and controls necessary to ensure compliance by Sanlam with its obligations under s 912A(1) of the Corporations Act (as described in paragraph 28).
- Set out our recommendations as to any action that should be taken by Sanlam in response to any of its findings.
- Set out our opinion of a reasonable time period for implementation by Sanlam of all recommended actions.

### **2.4. First Summary Report**

Paragraph 30 of the CEU requires the Independent Expert to deliver to Sanlam and ASIC, at the time it provides the Independent Expert Report, a written summary of that report (First Summary Report).

### **2.5. Approach**

We undertook the following activities to complete the Compliance Review as set out above:

- a) Reviewed policies, procedures and process documentation.
- b) Interviewed individuals including Sanlam executives, risk and compliance personnel, employees, CARs and ARs and those with responsibility for monitoring, supervising and training representatives.
- c) Undertook walkthroughs of key systems, processes and controls, including those used in managing risk and compliance obligations and the monitoring, supervision and training of representatives.
- d) Sample tested, where relevant, Sanlam's systems, processes and controls to assess if they are operating effectively, this included re-performing monitoring and supervision activities over representatives to examine whether compliance and non-compliance is being accurately assessed by Sanlam.
- e) Tested whether RM's are suitably qualified to perform their duties and that there is a sufficient number of RMs to oversee Sanlam's ability to meet its obligations under s 912A(1) of the Corporations Act.

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