

Veda Assurance Report

For the year ended 30 June 2015

30 September 2015

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1. Executive Overview

It gives us great pleasure to present our fourth annual Assurance Report, which has been prepared in accordance with *the Credit Reporting Privacy Code 2004* ('Code').

Consistent with our commitment to raise our internal standards in relation to governance, risk and compliance and to progress our transparency in these areas, we have taken the opportunity in this year's report to provide further detail on how we derive 'reasonable assurance' that we are in full compliance with both the form and substance of our Code obligations.

The specific topics of interest raised by the Privacy Commissioner ('the Commissioner') to which responses are expected in this year's report again affords a useful opportunity to challenge our controls using specific lines of enquiry related to the topics of interest raised. This is consistent with the challenge approach used by Veda's Review Committee in its governance and oversight role.

This Report represents the culmination of the Review Committee's work during the reporting year to 30 June 2015 ('the Reporting Year'). It has three main purposes. First, it presents the Review Committee's overall conclusions on Veda Advantage (NZ) Limited's Code compliance for the Reporting Year. Secondly, it provides the basis for arriving at these conclusions, including using the Commissioner's specific topics of interest to evidence the controls Veda has in place to deal with the scenarios and situations the topics of interest relate to. And, thirdly, it provides additional information specifically called for under Schedule 6 of the Code.

We trust that the report, apart from meeting its mandated objectives, makes a useful contribution to advancing the means by which the Commissioner and New Zealand public at large can gain comfort that their privacy is being safeguarded by all means reasonably practicable.

I became Managing Director of the New Zealand business in July 2015, which was after the period reported on. However, I shall look forward to overseeing the improvements outlined and forecast.

We look forward to receiving feedback and are happy to expand on or discuss any aspect of the Assurance Report.

Sincerely,



Carol Chris

Managing Director New Zealand

2. Executive Summary

2.1 Introduction

The Code requires Credit Reporters, such as Veda, to submit an Assurance Report to the Privacy Commissioner every year confirming that they have complied with the law.

In summary, this Assurance Report:

- explains the process of review and reporting of the review committee;
- provides assurances relating to policies, controls and subscriber agreements and the monitoring of those policies, controls and subscriber agreements; and
- Including the identification of any potential risks or issues.

In July 2015, the Office of the Privacy Commissioner ('OPC') also identified five (5) topics of interest that they would like Credit Reporters to specifically address within their Assurance Report for the Reporting Year.

This Assurance Report has been prepared by a Review Committee, established by Veda, in accordance with the requirements of clause 9 and Schedule 6 of the Code for the period 1 July 2014 to 30 June 2015.

2.2 Veda's approach to regulatory compliance

Veda, as the leading credit reporter in Australasia, is committed to maintaining the highest standards of regulatory compliance in the interests of the New Zealand public and our shareholders. Veda strives for and endorses best practice compliance with regulatory requirements, and as such, ensures that we have the systems, processes, training and a culture of compliance in place to ensure that we are meeting the prescribed compliance standard to the very best of our corporate and individual abilities.

The key components of our regulatory compliance framework are captured in the Figure below.

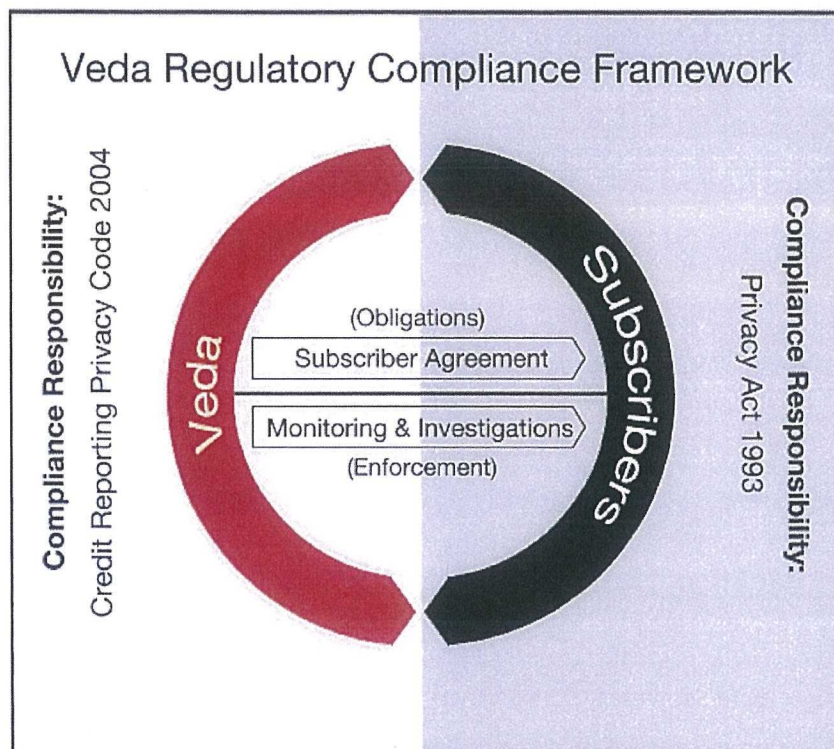


Figure A: Veda's Regulatory Compliance Framework
(Code perspective)

3. Assurance Report for the year ended 30 June 2015

3.1 An Assurance Report with two perspectives

In its Assurance Report, Veda sets out how it addresses clause 9 requirements of the Code within its business operations and the Commissioner's topics of interest identified by the Office of the Privacy Commissioner ('OPC') in July 2015.

For simplicity, both perspectives are presented in table format that allow the linkages to be easily drawn between the two.

The information below also provides an additional explanation as to what is incorporated in each section and how this is dealt with in our Assurance Report:

Perspective 1: Clause 9 of the Code section

Veda sets out below in section 3.2 its responses to the Clause 9 requirements of the Code presented in table format that allow the linkages to be easily drawn between the two.

The table also incorporates additional references where clause 9 requirements are particularly relevant to each of the Commissioner's specific topics of interest.

This dual perspective of 'input-based' Code compliance requirements and 'outcomes-based' enquiry (implicit in the topics of interest) affords, in our view, a more comprehensive and useful approach to gaining reasonable assurance rather than either approach in isolation.

Perspective 2: The Commissioner's topics of interest section

Veda has developed separate tables for each topic of interest.

As these are specific items to be addressed by Veda as a result of a request by the Commissioner and are not strictly a requirement of the Code, Veda has inserted Appendices, which we have redacted from the full report.

The Appendices table sets out:

- The underlying relevant key Veda processes involved;
- The associated (inherent) risks;
- The relevant Veda controls (mitigating the risks); and
- The relevant Clause 9 requirement.

3.2 Perspective 1:– Clause 9 requirements

In the table below, Veda makes reference to the relevant section of the Code in column one and provides our formal response on our Code obligations in column 2. In column 3 we have included general commentary on our formal response to give a deeper understanding and insight into our response and highlight any changes from our 2014 Assurance Report.

| Reference | Response | Commentary on Response & any changes from last year's report noted. |
|--|--|---|
| <p>1. Process of Review and Reporting</p> | <p>The systematic review process and the methodology followed engaged all relevant stakeholders, as in previous years. This year the Commissioner's specified topics of interest was used to undertake a more detailed assessment in particular areas. (See further details on the review process and methodology in the Section 4 of this Assurance Report)</p> <p>Veda elected to prepare the report by a Review Committee under clause 9(2)(b) of the Code.</p> <p>The members of the Review Committee are listed below, along with their respective areas of specialisation:</p> <ul style="list-style-type: none"> • Carol Chris, Managing Director, New Zealand; • Tracy Pennell, General Manager - Product; • Michelle Chignell, NZ Legal Counsel; • Chris Woodhead, Head of Data and Architecture; • Michael Amyes, B2C Product Manager; • Hana Fuimaono, Customer Services Operations Manager; • Clare McGill, Service Level Manager, Operations; • Clive Schwartz, Project Manager; • Alana Hampton*, Compliance Manager; • Ruchi Khosla*, Compliance Officer; • Richard Kirkland, Independent Person; <p>The Review Committee both participated in and reviewed the participation of other relevant participants to arrive at the Assurance Report.</p> <p>*The AU Veda Compliance team formed part of the Review Committee to assist in achieving an aligned Compliance approach across the Australasian region with the differences in regional compliance accounted for.</p> <p>Independent Person</p> <p>The Independent person on the Review Committee, Richard Kirkland is a partner in the professional services practice RiskIQ Limited. This is Richard's second year on the Review Committee.</p> <p>Richard was previously a partner with Deloitte New Zealand where he led that</p> | <ul style="list-style-type: none"> • Key changes to the Review Committee: John Roberts departed from Veda and was succeeded by Carol Chris as the Managing Director of Veda New Zealand and as Chair of the Review Committee from July 2015. |

| Reference | Response | Commentary on Response & any changes from last year's report noted. |
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| | <p>firm's risk advisory service line delivering risk advisory and assurance services to a wide range of public and private sector clients.</p> <p>Richard Kirkland is not an employee, director, or owner of Veda nor has he provided any other services or consulting advice to Veda other than as an independent person on this Committee. Whilst Richard is independent he was remunerated for his participation.</p> | |
| <p>2. Assurances Relating to the Policies, Procedures, Controls and Subscriber Agreements</p> <p>Veda provides reasonable assurance in terms of Schedule 6 clause 2 that in the Reporting Year 1 July 2014 to 30 June 2015, it had formal and informal policies in place to give effect to the requirements of the Code. In particular:</p> | <p>(a) <i>Veda had internal procedures and controls in place to give effect to the policies and requirements of the Code;</i> Veda has internal policies, procedures and controls to give effect to the Code including automated access detection. Veda continues to review and assess the continued suitability of its processes, procedures and controls during the reporting year in light of experience and internal and external developments.</p> <p>(b) <i>Veda provided information and training to its staff to ensure compliance with the policies, procedures and controls;</i> Training is provided on the basis of function, which includes the access to data that may be required by staff.</p> | <p>2(a)</p> <ul style="list-style-type: none"> • Veda continues to give effect to the requirements of the Code through a suite of complementary policies and supporting procedures and tools. • Veda has detailed procedures in place to guide staff and ensure consistency in the application of consumer credit reporting policies in day to day operations. <p>2(b)</p> <ul style="list-style-type: none"> • Compliance with procedures is independently checked by functional heads, periodic independent checks and in the case of IT systems by automated access detection. • <u>At recruitment</u> – part of the induction process covers training on Code requirements and how Veda gives effect to Code compliance through its performance management process and risk and compliance framework. Veda is realigning the NZ business to be closer to the way of operations in Australia at present, but accounting for regional differences and regulations; We update the employee handbook regularly to ensure regulatory compliance and reflect any changes to employment benefits. Training is referenced back to the Employee Handbook that clearly details employee obligations, including in relation to privacy and security. • <u>Ongoing</u> team and 'one-on-one training' is held by functional leads. This focuses on detailed aspects of the Code and how employees help Veda meet its obligations. • All employees are required to complete annual privacy compliance training through an on-line compliance testing application (Safetrac). <ul style="list-style-type: none"> ○ Equal Opportunity Workplace for Employees – Aus/NZ |

| Reference | Response | Commentary on Response & any changes from last year's report noted. |
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| | <p>(c) <i>Veda ensured that subscriber agreements that complied with Schedule 3 were in place before disclosing credit information. Veda's processes are designed to ensure that no disclosure of credit information is made except to a subscriber with a subscriber agreement in place (or as otherwise permitted by law). In addition the new terms for Comprehensive Credit Report (CCR) data must be agreed to before there is any CCR data participation.</i></p> | <ul style="list-style-type: none"> ○ OHS/OSH Workplace for Employees – Aus/NZ ○ Trade Practices – NZ ○ Credit reporting Privacy Code 2004 ○ Privacy – NZ ○ Insider Trading ○ Veda Data Security ○ Equal Opportunity Workplace for Managers and Supervisors – Aus/NZ ○ OHS/OSH Workplace for Managers and Supervisors – Aus/NZ <p>2(c)</p> <ul style="list-style-type: none"> • Veda has subscriber agreements that have been drafted recognising all Code requirements (including changes to the Code over time) • No services can be provided unless a duly executed subscriber agreement is in place. The NZ Subscriptions Process provides 'step-by-step' details to achieve this. • Authorised signatories are required to ensure that all requisite subscriber on-boarding (including any changes for existing subscribers) steps have been appropriately completed. • In the case of CCR the terms and conditions similarly must be agreed to before there is any CCR data participation. |
| <p>3. Monitoring of Policies, Procedures, Controls and Subscriber Agreements</p> <p>In accordance with clause 3 of Schedule 6, this Report provides a reasonable assurance that:</p> | <p>(a) <i>The credit reporter believes it followed its own policies, procedures and controls. Veda has been reviewing its internal compliance and continues to do so in order to improve where possible. Given the low level of enquiries to either Veda or to the OPC and from the internal and external reviews undertaken to date, and from the automatic and system controls around access of data held regarding credit reporting, Veda holds this belief reasonably.</i></p> <p>(b) <i>The information held by Veda was protected by reasonable security safeguards. Veda has robust security policies including system access controls which are applied group wide. This framework includes firewalls; secure housing of the database with disaster relief back up</i></p> | <p>3(a)</p> <ul style="list-style-type: none"> • Veda's Regulatory Compliance Policy states: ".....Regulatory compliance is an essential part of Veda's value proposition as a trusted custodian of data, a trusted business partner and an employer....." • Veda fosters a strong compliance culture. <p>3(b)</p> <ul style="list-style-type: none"> • The reference standard applied for comparative purposes is ISO27001 – Information Security. • Veda has undertaken a high-level comparison of Rule 5 requirements to |

| Reference | Response | Commentary on Response & any changes from last year's report noted. |
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| | <p>provisions; restricted accesses and controlled and monitored log-ins. Internal and external access safe guards are in place. Therefore Veda holds this belief reasonably.</p> <p>(c) <i>The credit reporter processed information privacy requests in accordance with Rule 6 and 7 of the Code. Veda monitors requests for credit information and holds the belief that such requests are processed in a way that meets the requirements of rules 6 and 7 of the Code. Veda notes that the outcome of C/24879 was that there was no interference with privacy in relation to the complainant. (This led to an own motion investigation which subsequently led to</i></p> | <p>the ISO standard, having regard for what is reasonable and applicable to local conditions.</p> <p>Architecture</p> <ul style="list-style-type: none"> • The technology architecture is well proven in terms of security and control. • There are appropriate disaster recovery arrangements in place. • User access internally and externally is by a variety of means, mainly secure web or native terminal. The documented standards (e.g. HTTPS, SFTP) are fit for use. • Periodic security testing takes place, and the platform has a managed release cycle that includes testing. • User access is managed through three key programs related to the Code: <ul style="list-style-type: none"> ○ Personnel access management offers menu (application) level control. ○ Privacy access logging tags records at the database level, and then logs any interaction alongside a purpose Code. ○ Access logs are reported for permission verification on a monthly basis. <p>Process Control</p> <ul style="list-style-type: none"> • Major processes are covered by the following key documents: Subscriber agreement; Employee handbook; Data security policy; Subscription process • These set out the system rules (incorporating areas such as data transfer) adequately to meet the Code. • Interviewing the user community indicates a good level of understanding (of the importance of security) and compliance. There is a good culture of privacy and good practice. <p>3(c)</p> <ul style="list-style-type: none"> • Veda has a comprehensive suite of product and service information for Consumers, to help them to make fully informed decisions in relation to accessing and correcting their credit information, including: <ul style="list-style-type: none"> ○ Your credit file explained ○ Your rights explained ○ Comprehensive reporting – what it means for you |

| Reference | Response | Commentary on Response & any changes from last year's report noted. |
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| | <p>Amendment 9. Compliance with the Amendment took effect outside of the period reported on.)</p> <p>(d) <i>Veda took such measures that were reasonably practicable to avoid the incorrect matching of information.</i> Veda has complex automated routines to underpin how its data matching is undertaken. As the OPC is aware, these are automatic system processes, not manual. As these processes are automatic they are difficult to audit outside the IT environment. However from the low level of enquiries around data matching, Veda believes that it complies with this obligation. The IT processes are clearly documented. Complex algorithms underpin the processes. The key data fields to match on are name, address and date of birth. Driver licence data is not available on every file to match, however Veda believes over time use of driver licence data will further improve matching accuracy as this information builds on the database.</p> <p>(e) <i>The information held by Veda was subject to reasonable checks to ensure it was accurate, up to date, complete, relevant and not misleading.</i> Veda reasonably believes that the information is up to date, and that it is complete, relevant (more a function of system design) and not misleading. This is based upon the level of enquiries from individuals around data; assessments made in investigations and on the assurances Veda seeks from its subscribers both through their contractual obligations and through the monitoring it undertakes (see below) to ensure data accuracy.</p> | <p>o Understanding your VedaScore</p> <ul style="list-style-type: none"> • These are supported by a systematic investigation process with a range of response template letters covering a wide range of client requests. • The investigation process is systematic with defined pathways and timelines to handle all requests. • A database is used to keep track of all requests from the time of initiation until formally resolved. <p>3(d)</p> <ul style="list-style-type: none"> • Veda has complex automated routines to underpin how its data matching is undertaken. • The key data fields to match on are name, address and date of birth. • Veda takes a deliberately conservative stance on matching and will not match and merge any records unless its confidence levels are very high that there is a genuine 'match'. Veda achieves this in the first instance through a set of 'policy rules', based on past experience, statistical modelling, which is clearly documented. • The above processes are also underpinned by data quality remediation routines driven by the processing of privacy requests (under 3(c) – above). <p>3(e)</p> <ul style="list-style-type: none"> • Veda's approach and strategy to ensuring that information is accurate, up to date, complete, relevant (more a function of system design) and not misleading relies on both preventative and detective controls. • Veda has addressed retention periods in the section addressing the five (5) points of interest raised by the Commissioner. <p>Preventative controls comprise:</p> <ul style="list-style-type: none"> • Subscriber contractual obligations • Conservative (stringent) data matching policies |

| Reference | Response | Commentary on Response & any changes from last year's report noted. |
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| | <p>(f) <i>Veda's reporting and retention of credit information was in accordance with Rule 9 and Schedule 1 of the Code. Veda has automated processes regarding reporting of information and how long data is retained for; accordingly it reasonably believes that it meets these requirements. The relevant data fields listed in Schedule 1 of the Code are assigned an automated removal date and the system is designed for those fields to be removed in accordance with that date.</i></p> <p>(g) <i>Veda processed direct marketing lists in accordance with Rule 10(1)(C). Special contractual terms apply to the processing of direct marketing lists which aim to ensure that the subscriber meets their obligations in this regard. Veda has policies that state access cannot take place without the subscriber agreeing to these terms. The current policies require sign off from senior staff members who are trained in privacy compliance before any such access is made available. Veda notes that such services are available to a very limited range of subscribers.</i></p> | <ul style="list-style-type: none"> • Prompt remediation of any known data quality issues, including sanctioning of non-compliant subscribers • Internal data quality policies and procedures e.g. mandatory fields, missing data etc. • Employee training <p><u>Detective controls comprise:</u></p> <ul style="list-style-type: none"> • Relating to the level of enquiries investigated following subscriber monitoring <p>3(f)</p> <ul style="list-style-type: none"> • Veda has automated processes regarding reporting of information and how long data is retained for; accordingly it reasonably believes that it meets these requirements. • The relevant data fields listed in Schedule 1 of the Code are assigned an automated removal date and the system is designed for those fields to be removed in accordance with that date. <p>3(g) No changes</p> <ul style="list-style-type: none"> • Special contractual terms apply to the processing of direct marketing lists which aim to ensure that the subscriber both understands and meets their obligations in this regard. • Veda has policies that state access cannot take place without the subscriber agreeing to these terms. • The current policies require sign off from senior staff members who are trained in privacy compliance before any such access is made available. • These services are only available to a very limited range of subscribers. • These services support responsible lending practises |

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| | <p>(h) <i>Veda processed suppression, release, or cancellation requests in accordance with Schedule 7. Veda notes that there have continued to be very low levels of such requests during the period covered by this report. Veda holds this belief reasonably.</i></p> <p>(i) <i>Veda processed complaints in accordance with Clause 8 of the Code. Veda is satisfied that complaints are dealt with in accordance with Clause 8. The personnel involved in dealing with complaints have processes to follow which comply with the Code. Those processes include diary follow ups to ensure that key dates are met. Internal reporting on a monthly basis is designed to ensure that appropriate personnel in the organisation can check on such complaints and offers a reactive check on such processes. Monthly complaints outcomes are monitored and Veda looks for anomalies or trends which can then be addressed. Veda believes this is an appropriate level of compliance for the size and nature of most complaints.</i></p> <p>(j) <i>Veda's website disclosed accurate information that gave effect to Rules 6(4)(b), 7(4)(b), 8(3)(A) and 8.1 of Schedule 7. Veda believes it complies with this obligation.</i></p> | <p>3(h)</p> <table border="1" data-bbox="1189 352 2029 475"> <thead> <tr> <th></th> <th colspan="6">2014</th> <th colspan="6">2015</th> </tr> <tr> <th></th> <th>Jul</th> <th>Aug</th> <th>Sep</th> <th>Oct</th> <th>Nov</th> <th>Dec</th> <th>Jan</th> <th>Feb</th> <th>Mar</th> <th>Apr</th> <th>May</th> <th>Jun</th> </tr> </thead> <tbody> <tr> <td>Suppression Cancelled</td> <td>3</td> <td>4</td> <td>4</td> <td>4</td> <td>3</td> <td>4</td> <td>4</td> <td>6</td> <td>2</td> <td>10</td> <td>6</td> <td>6</td> </tr> <tr> <td>Suppression Extension Loaded</td> <td>2</td> <td>2</td> <td></td> <td></td> <td>2</td> <td></td> <td></td> <td>1</td> <td>2</td> <td>3</td> <td>5</td> <td>3</td> </tr> <tr> <td>Suppression Extension Required</td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>Suppression Release Loaded</td> <td>5</td> <td>6</td> <td>4</td> <td>3</td> <td>6</td> <td>4</td> <td>0</td> <td>7</td> <td>4</td> <td>13</td> <td>11</td> <td>9</td> </tr> </tbody> </table> <p>Change:</p> <ul style="list-style-type: none"> Veda has implemented controls around identifying CCR data and pre-existing credit accounts in relation to credit suppression. <p>3(i)</p> <ul style="list-style-type: none"> Veda has a systematic complaints procedure that accords with the Code (Refer also 3(c) above). The personnel involved in dealing with complaints are well trained in the Code requirements and dealing with the public. Their familiarity with the process as well as dealing with recurring complaints allows them to discern potential issues not necessarily evident through other means (e.g. the low level of enquiries is insufficient to support advanced analytics). Complaints statistics are closely monitored including any potential correlation with other factors e.g. results of subscriber monitoring. <p>3(j)</p> <ul style="list-style-type: none"> A periodic website review against the Code requirements is undertaken regularly. The website is not to be changed without a compliance and legal review of the proposed changes. <p>(A review was undertaken in the implementation project for Amendment 9 changes.)</p> | | 2014 | | | | | | 2015 | | | | | | | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | Suppression Cancelled | 3 | 4 | 4 | 4 | 3 | 4 | 4 | 6 | 2 | 10 | 6 | 6 | Suppression Extension Loaded | 2 | 2 | | | 2 | | | 1 | 2 | 3 | 5 | 3 | Suppression Extension Required | | | | | | | | | | | | | Suppression Release Loaded | 5 | 6 | 4 | 3 | 6 | 4 | 0 | 7 | 4 | 13 | 11 | 9 |
| | 2014 | | | | | | 2015 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | Jul | Aug | Sep | Oct | Nov | Dec | Jan | Feb | Mar | Apr | May | Jun | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Suppression Cancelled | 3 | 4 | 4 | 4 | 3 | 4 | 4 | 6 | 2 | 10 | 6 | 6 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
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| Suppression Extension Required | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Suppression Release Loaded | 5 | 6 | 4 | 3 | 6 | 4 | 0 | 7 | 4 | 13 | 11 | 9 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

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| | <p>(k) <i>Subscribers complied with agreements and controls.</i> To the best of Veda's knowledge this is the case. All customers are required to have a subscriber agreement which contractually obliges those customers to comply with the relevant obligations of the Code. If it is identified either by monitoring or by complaint investigation that a subscriber is not complying, Veda takes appropriate remedial action to deal with such subscriber. Veda believes this is appropriate.</p> | <p>3(k)</p> <p><u>Preventative controls comprise:</u></p> <ul style="list-style-type: none"> Subscriber contractual obligations Review of subscriber's privacy terms and conditions on signing up subscribers and at other opportunities (e.g. when complaints are received) <p><u>Detective controls comprise:</u></p> <ul style="list-style-type: none"> Results of subscriber monitoring Veda continues to use a range of preventative and detective controls to ensure subscriber compliance. |
| <p>4. Assurances Relating to Action Taken on Deficiencies Identified</p> | <p>(a) <i>During Veda's systematic reviews, monitoring activities or as a result of a complaint, where Veda identified a breach of an agreement, policy, procedure, control or requirement of the Code, Veda investigated that breach and where appropriate took prompt remedial action</i> Veda notes from the above that it takes remedial action where appropriate. Veda reviews investigations and complaints regularly and systematically looks for and addresses any systemic issues.</p> <p>(b) No deficiencies were identified in the previous year's report.</p> <p>(c) Where any minor issues were identified, these have been investigated and a remedial plan was put in place.</p> | <p>4(a)</p> <ul style="list-style-type: none"> During Veda's systematic reviews, monitoring activities or as a result of an enquiry, where Veda suspects a breach of an agreement, policy, procedure, control or requirement of the Code, Veda investigates that breach and takes appropriate remedial action Veda reviews investigations and complaints regularly and systematically looks for and addresses any systemic issues. <p>4(b) No change</p> |

| Reference | Response | Commentary on Response & any changes from last year's report noted. |
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| <p>5. Schedule & Transitional Provisions</p> <p>Clause 6 of Schedule 8: Veda provides a reasonable assurance that:</p> | <p>Clause 4.1 - Veda has incorporated the requirement in its CCR terms. The data standards agreed upon at RCANZ¹ mean that the date when notice was given by a subscriber to their customers can be reported to Veda.</p> <p>Veda captures the date of the clause 4.2(b) notice. Requiring a date to be supplied is a measure to address clauses 4.1 and 4.2 in a way which will be transparent and compulsory.</p> | <ul style="list-style-type: none"> In on boarding for CCR, this date is collected and the notice period and the date together determine the date at which credit providers can receive payment history. |

¹The Retail Credit Association of New Zealand Inc. (RCANZ) is a specialist industry association set up to create a forum for: providers of credit to individuals (major bank, non-bank and utility service organisations); the major credit reporters; and organisations able to access positive credit data under the Credit Reporting Privacy Code 2004. A sub group of RCANZ has formulated the data standards which members of RCANZ agreed would enable CCR data sharing. The data standards work like a data dictionary enabling consistent CCR data collection and sharing.

4. Notes

4.1 Veda's approach

- 1) Establish a Review committee which is comprised of relevant subject matter experts
- 2) This ensures that the assessments and quality of the review reflects the applicable regulations and standards
- 3) The process has Executive oversight and participation throughout the review
- 4) The final report is therefore a representative view

A number of the key components of our assurance review process are explained in the sections below.

4.2 The Review Committee

Veda has elected to have this Assurance Report prepared by a Review Committee in accordance with Clause 9(2)(b) of the Code.

The Review Committee has been carefully selected to ensure that there is rigour within the assurance process.

The key areas of focus during the Review Committee nomination process are that:

- The Review Committee possesses, both as individual Committee members and collectively, appropriate experience, competencies and personal qualities, including professionalism and personal integrity.
- The Committee collectively has adequate knowledge and experience relevant to each of Veda's core business activities in order to enable effective governance and oversight.
- The Committee collectively has a good understanding of local and international trends in privacy and of the related legal and regulatory environment.
- It also has a deep knowledge of the New Zealand regulatory environment and corresponding obligations.

Independent Person

As stated in the table -the Independent person on the Committee, Richard Kirkland is a director in the professional services practice RiskIQ Limited. As part of the review process Richard was given full access to all necessary Veda resources to fulfil his terms of reference as an independent reviewer. As part of his independent evidence gathering Richard led the assurance evidence gathering process. This built on the process established during the previous year and was expanded to incorporate evidence to provide a comprehensive response to each of the Commissioner's (5) specific topics of interest put to Veda – see below.

4.3 Our systematic review process and methodology

The assurance review has again been undertaken using both a review of documentation and interviews with senior management and other key personnel who are responsible for the delivery of consumer credit reporting services across Veda.

The following schematic overviews the review process followed by the Review Committee:

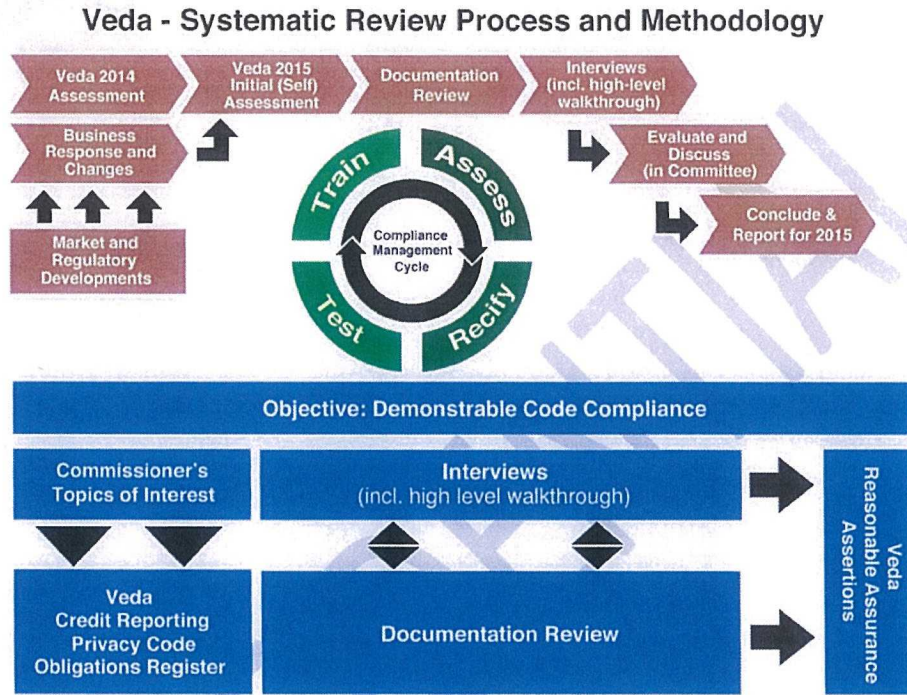


Figure B: Systematic Review Process and Methodology

The review methodology has built on the work of the previous year in relation to Veda’s business model and the ‘mapping’ of the Code (assurance) requirements onto that model. This year, the Commissioner’s five (5) specific topics of interest have also been used to test that mapping and the resulting evidence trail. Our responses to each of the topics of interest aim to clearly and transparently show this connectivity and the basis on which the Review Committee based additional reliance to support its assertions of Code compliance.

4.4 Evidence gathered

Four (4) types of evidence were sourced and used for the Review:

1. Statements of intended approach or process
2. Documentary evidence of policies, procedures and controls
3. Relevant activity and performance metrics
4. Structured interviews

The standards that our Independent Person considered relevant and applicable in undertaking the 2015 Review are the following:

- New Zealand Standard (NZS/AS 3806:2006) Compliance Programmes.
- New Zealand Standard (AS/NZS ISO 31000:2009) Risk management – Principles and Guidelines
- New Zealand Auditing Standards and the International Standard on Assurance Engagements (New Zealand) 3000: ISAE (NZ) 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information
- ISO 27001:2014 Information security management.

In addition a number of interpretations for key terms used in the Code have been referred to, including systematic reviews, monitoring activities and reasonably practicable.

Veda Assurance Report – topics of interest

For the year ended 30 June 2015

30 September 2015

5. Appendices - Assurance detail

Specific topics of interest

The following topics of interest have been raised by the Commissioner. These have been addressed in these Appendices in the manner outlined below:

| Topic | Question |
|---------------------------|---|
| a) Positive Reporting | How is positive reporting going at your agency and any detail that you could provide in terms of compliance and assurance? |
| b) Disputed Debts | How they are treated and your agency's practices and procedures around catching this issue and resolving it? |
| c) Defaults | Issues surrounding defaults that are no longer maintained by creditors. If a record of default is not updated, what is the agency's practice? |
| d) Landlords | Landlord's access to credit reporting was a feature in the Orcon case. We would like to hear about systems your agency operates in managing risks to landlord access. |
| e) Reporting of Judgments | Can you elaborate on your process for dealing with compliance of Rule 11(2A) in particular, that information is not reported on for 5 years after date of judgment. |

Each of these topics of interest is discussed below.

a) Positive Reporting

Commissioner's Enquiry:

How is positive reporting going at your agency and any detail that you could provide in terms of compliance and assurance?

Background & Overview

New Zealand is the most recent live implementation of Comprehensive Credit Reporting (CCR) in the world. While it has taken some time for the transition to positive reporting to commence, New Zealand is now well on the way to transitioning to this new regime. All major industry players are now participating, that is supplying positive data regularly, or have signalled their intent to participate in the coming 12-18 months. This serves to illustrate that the industry is committed to the transition to CCR and to the delivery of the broad benefits this will bring over time. The reason it has taken the industry a period of time to transition is that the transition requires considerable ongoing effort and investment. Additionally, with a full regulatory agenda, mandatory compliance items such as Reserve Bank of New Zealand loan to value (LVR) mortgage restrictions, AML/CFT Know Your Customer and Responsible Lending obligations have taken precedence over CCR project investment due to the time bound nature of this compliance.

To recap, Comprehensive Credit Reporting has been permissible in New Zealand, following amendments 4 and 5 to the Credit Reporting Privacy Code 2004, since April 2012. The key fundamentals of Comprehensive Credit Reporting e.g. industry data standards and principles of reciprocity were determined by the Retail Credit Association of New Zealand (RCANZ). RCANZ is a group comprised of representatives across the credit industry. It is worth noting, industry agreement on data standards and reciprocity (data sharing) principles continued post 1st April 2012 via the

Retail Credit Association of New Zealand (RCANZ) with the latter only being ratified in late 2012.

Veda worked proactively with the credit industry, over several years, to achieve critical data mass which enabled CCR to formally commence in 2014. Early adopter Credit Providers have commenced consumption of CCR data within their respective business practices although it will take several years for utilisation to fully mature. Early adopter Credit Providers have reported that provision of a more complete picture of a consumer's credit worthiness i.e. credit limits and repayment history has resulted in different, more responsible lending decisions starting to be made in a positive reporting environment.

In terms of the transformation of our own business, Veda has applied particular effort to ensuring our consumer investigation and query support processes were appropriately expanded under CCR – this has been an area we have reviewed and refined consistently as theory become practice on the CCR front.

Conclusion

The use of CCR information by New Zealand credit providers is starting to deliver measurable benefits to those sharing the new data sets. The New Zealand market is still transitioning to a fully mature CCR environment but even today, with approximately half of all retail credit accounts being reported on, there are demonstrable benefits accruing to the early adopters and their customers. Veda believes CCR is the cornerstone of embedding more prudent and responsible lending practices across the broader credit industry. CCR too provides consumers a mechanism to demonstrate credit rehabilitation following an adverse event and accordingly access quality credit at a more reasonable price.

Veda remains fully supportive of a CCR regime and in due course, would like to see other key data components such as account balance and repayment amount added to further strengthen this enhanced reporting framework.

b) Disputed Debts

Commissioner's Enquiry:

How they are treated and your agency's practices and procedures around catching this issue and resolving it?

Background & Overview

Prior to the implementation of the Code in April 2006, Veda conducted an extensive legal and operational review, in which it was identified that we would have a policy of not loading disputed defaults.

We communicated this to our subscribers at a range of levels and have consistently applied this in our interactions with subscribers, in our information guidelines relating to the loading of defaults and in our Subscriber facing Policies for Use documentation which are imported into our subscriber agreement as obligations upon our subscribers.

Any disputed debt default which we identify in the context of a complaint is promptly investigated and removed.

Similar requirements in the revised definitions in clause 5 of the Code regarding Debtor Credit Default at (d) and Guarantor Credit Default at (d) which were introduced by Amendment 5 - have led us to also remove any default where we believe upon reasonable grounds that the credit provider may be prevented by or under any law from bringing proceedings to recover the overdue payment.

General Commentary on controls and context:

Whilst Veda as a credit reporter is directly regulated by controls in the Code those controls are supplemented by the controls which apply to the agencies that, as subscribers to Veda, supply data to our credit reporting bureau.

Relevant examples are set out below:

CREDIT PROVIDERS

- A credit provider as an agency collecting , using and disclosing personal information must comply with the Information privacy principles (IPPS) in section 6 of the Privacy Act
- Section 3(4) of the Privacy Act 1993

DEBT COLLECTORS

Where a Debt collector is acting as agent for credit provider:

- Credit provider owns the debt
- Debt collector collects debt on behalf of credit provider
- Credit provider liable under the Privacy Act
- But, there are also contractual consequences- under the subscriber agreement and the agreement between the debt collector and the credit provider

VEDA CONTROLS

- Veda has a policy of not loading disputed debt defaults.
- This is highlighted in our policies and specifications especially for default loading. It is well known and clearly explained to subscribers.
- When investigating complaints there is also a reactive control in that we remove all disputed defaults until the investigation is complete.

Veda uses both contractual and guideline controls.

Conclusion

Veda has processes to identify, address and remediate by the removal of disputed defaults.

c) Defaults

Commissioner's Enquiry:

Issues surrounding defaults that are no longer maintained by creditors. If a record of default is not updated, what is the agency's practice?

Background & Overview

In our view a default which will not be regularly updated should be removed so that it does not unfairly penalise a consumer. Our outlined protocols are intended to support the fullest reporting of credit defaults across the industry and to ensure that defaults are regularly updated.

Default transfer Protocols

Our default transfer protocols and processes are designed to enable updating of defaults as and when updating occurs.

The reasons for default transfer may include :

- Default transfers from a client to another client.
- Default transfers from a client to a collection agency (the client sold the debt).
- Default transfers from a client to a collection agency (the client outsourced the debt collection).
- Default transfers from a collection agency to another collection agency.
- Current practice is to investigate defaults that are sold to a non-subscriber. Veda strives to enable updating.

Conclusion:

Veda has robust processes and protocols to address default transfer scenarios.

d) Landlords

Commissioner's Enquiry:

Landlord's access to credit reporting was a feature in the Orcon case. We would like to hear about systems your agency operates in managing risks to landlord access.

Background & Overview

The Orcon case highlighted the seriousness with which a landlord views a credit history which indicates a failure to pay one's bills. Increasingly landlords view their risk assessment processes as a necessary tool to protect a significant investment. Veda is reporting on creditworthiness and likelihood to pay.

General Commentary:

Landlords are permitted to access credit reporting where eligibility is established and consent has been given.

Subsequent monitoring or review by Veda relates to evaluating evidence of eligibility, consent and compliance with Rule 11 (2)(b)(ii) of the Code.

Refusals to let to a prospective tenant arise from each landlord's appetite for risk. The Landlord decides. A problem for Taylor in the Orcon case related to a refusal to let based upon a perception of risk, along the lines that a person who does not pay their bills might be likely to not pay rent. This may be demonstrably true by reference to statistical information.

Conclusion

Veda addresses what the Code requires regarding Landlord access, but is interested to learn and understand what the Commissioner believes could be improved upon regarding landlord access.

e) Reporting of Judgments

Commissioner's Enquiry:

Can you elaborate on your process for dealing with compliance of Rule 11(2A) in particular, that information is not reported on for 5 years after date of judgment.

Background & Overview

The process relies upon an automated system to manage data retention; which references dates in the judgement data provided by a third party.

Where any minor issues are identified, these are investigated and a remedial plan is put in place.

Conclusion

Veda believes upon reasonable grounds that it has effective data retention and purge processes.