

# Conflicts Management Policy

## Introduction

- 1.1 The Trustee has a Conflicts Management Framework (“CMF”). This Conflicts Management Policy forms part of the CMF.
- 1.2 The Trustee treats potential and actual conflicts of interest seriously and has developed controls and process for identifying, monitoring, avoiding and managing conflicts as appropriate.
- 1.3 Potential or actual conflicts of interest are matters that, if not managed appropriately, could adversely affect the Trustee’s liability insurance cover and adversely impact on its professional reputation.
- 1.4 The CMF includes examples of potential conflict situations which the Trustee has identified. The Trustee will consider the specific circumstances of any particular conflict which arises, as well as the controls and processes set out in this Policy, before determining how to respond to that conflict.

## Controls and processes for identifying and monitoring all potential and actual conflicts

- 1.5 The Trustee has approved the following controls and processes for identifying and monitoring all potential and actual conflicts.
- 1.6 The Trustee has also established certain principles regarding duties and interests that may give rise to potential or actual conflicts of interests. These principles are set out in the CMF, and must be considered in determining whether a potential or actual conflict has arisen or may arise.
- 1.7 The Trustee has appointed established a Conflicts Committee which consists of all directors.
- 1.8 The directors, the Compliance Officer and each Fund’s Account Manager must make appropriate disclosures in relation to any potential or actual conflicts prior to their appointment and at each Trustee Board meeting (or sooner if there is any material change to the disclosure), including in relation to:
  - any interests with respect to any agenda item or
  - any potential or actual conflict of interest arising in relation to any other matter.
- 1.9 Each person appointed to a responsible person position must disclose all Relevant Duties and Relevant Interests prior to taking up the appointment, in accordance with the requirements of the Trustee’s Fit and Proper Policy.

- 1.10 Responsible persons and employees (if any) of the Trustee are required to notify the Compliance Officer if a conflict of interest arises as soon as that conflict arises. The Compliance Officer will be responsible for reporting any conflict of interest to the Trustee.
- 1.11 All responsible persons must also confirm on an annual basis that they have disclosed all positions held, investments held and relationships that could give rise to an actual or potential conflict.
- 1.12 The Trustee will take all reasonable steps to ensure that all persons given a copy of the CMF are aware of the Trustee's policies in relation to the identification and avoidance or management of potential or actual conflicts.

### Controls and processes for avoiding potential and actual conflicts

- 1.13 If a potential or actual conflict is identified and referred to the Conflicts Committee, the Conflicts Committee will assess and evaluate the issues that arise out of the matter and make and communicate to the Trustee, as it considers appropriate, any recommendations for avoiding the conflict.
- 1.14 Where a conflict of interest may have a serious potential impact on the Trustee, the conflict must be avoided. Any conflicts of this nature must be discussed with the Compliance Officer and/or Chair of the Conflicts Committee as soon as they arise.

### Controls and processes for managing potential and actual conflicts

- 1.15 Where a director, the Compliance Officer or other responsible person has a potential or actual conflict of interest in relation to an item on the agenda for a Board meeting which is not required to be avoided in accordance with section 1.14 above, the Trustee may consider a range of actions for ensuring that the conflict is managed in accordance with the requirement to give priority to the duties to, and interests of, members. The action to be considered will depend to some extent on the gravity of the matter. For example, the Trustee may request that the director, the Compliance Officer or other responsible person:
- leave the meeting for the duration of the discussion
  - remain in the meeting but abstain from the discussion and decision on the matter
  - provide additional information on the matter because of their expertise or knowledge of the matter, or
  - provide additional information on the potential or actual conflict of interest and, if the Trustee considers that the conflict is not significant or material, participate in the decision.
- 1.16 If a potential or actual conflict is identified other than in the circumstances set out in section 1.15 above, the Conflicts Committee will assess and evaluate the issues that arise out of that matter and communicate to the Trustee:
- any recommendations for ongoing evaluation and management of the conflict

- any recommendations for escalation or alternative action if the Conflicts Committee considers that ongoing evaluation and management of the conflict may not suffice in the circumstances or if its previous recommendations have not been implemented satisfactorily.
- 1.17 The approach to ongoing management of the conflict or for alternative action may include, without limitation:
- disclosure of the actual or potential conflict to interested stakeholders of the interest of the relevant party giving rise to the disclosure and, where applicable, the extent to which a relevant party is likely to receive financial or other benefits as a result of the service provided or decision made
  - declining to provide the service to, or make a decision in respect of, the affected member(s) or interested stakeholder.
- 1.18 The Trustee may at any time seek independent legal or other professional advice where a matter raises complex or significant conflict issues, including without limitation:
- where required in order to ensure the appropriate evaluation or management of a conflict, or
  - in the event of any dispute involving the appropriate management of a conflict.
- 1.19 One of the key methods for managing conflicts of interest that are not able to be avoided is adopting appropriate levels of disclosure. The Trustee has adopted a fully transparent approach in order that interested stakeholders are fully informed in relation to any relevant potential or actual conflict and can therefore raise any concerns that they may have. The Trustee can then consider and manage them in a manner which gives priority to the duties to, and interests of, members.
- 1.20 The Trustee shall ensure that stakeholders (including members, service providers and associated employer sponsors as applicable) are adequately informed (in a clear, concise and effective form) about any material conflicts of interest that may affect the provision of financial services to those stakeholders. The nature, mechanism and extent of the disclosures required will be determined having regard to factors including, but not limited to:
- the level of financial sophistication of the stakeholders
  - the extent to which third persons are likely to rely, directly or indirectly, on the service
  - the complexity of the service provided.

## Related party conflicts

- 1.21 The Conflicts Committee has considered related party conflicts and in particular the conflicts and potential conflicts that arise in outsourcing material business activities to Towers Watson Australia Pty Ltd (“Consultant”) and in investing in TWIM products (see section 1.25).

### ***Outsourcing to the Consultant***

- 1.22 The Trustee recognises that the Consultant is a major service provider to the Trustee. The Consultant provides the Trustee with its human, financial and technical resources, and it is only with the Consultant's support that the Trustee exists and will continue to exist.
- 1.23 To manage the conflicts and potential conflicts that arise in outsourcing material business activities to the Consultant, the Trustee follows the process set out in sections 3.14 to 3.18 of this Policy.
- 1.24 In addition, the Trustee recognises that the Consultant does not seek to control or influence the Trustee and acts as if on an arm's length basis to the Trustee. The Trustee monitors the Consultant's performance by objective standards, including ensuring that the Consultant meets its KPIs and provides value for money.

### ***Investing in TWIM products***

- 1.25 The Trustee recognises that a potential conflict arises when the Trustee invests the assets of a fund under trusteeship via a related body corporate such as Towers Watson Investment Management Ireland 1 PLC ("TWIM"). The Trustee recognises that TWIM currently offers greater diversity than small funds could achieve in any other product.
- 1.26 The Trustee has put in place a structure to manage the conflict:
- The Trustee relies on the Consultant's investment advisers' assurance that they have taken into account both the Trustee's and the fund's interests when recommending investments via TWIM. This assurance assists the Trustee to make decisions that are in the fund members' best interests.
  - The Trustee periodically reviews TWIM's fees and returns to ensure that the investments continue to be in the best interests of fund members.
  - The Trustee ensures that its investment advisers inform the Trustee if another more suitable product becomes available. It does this by regularly meeting with its investment advisers to discuss due diligence matters, rather than relying on TWIM's product adviser.

### **Conflicts in relation to the actuary or the internal or external auditor**

- 1.27 The Trustee recognises that the RSE actuary (as defined in the SIS Act) appointed for the purposes of the SIS Act to a fund for which the Trustee acts as trustee (in this section 1.27 and section 1.28 referred to as "the fund") may also be appointed by an employer sponsor of the fund (or a related party to that employer sponsor) in relation to the funding of defined benefits in the fund, or in relation to a matter which has a bearing on the benefits payable to members under the fund and therefore its cost to the employer sponsors. As there are generally cost advantages for both parties in using the same actuary, the Trustee recognises that the opportunity emerges for a conflict of interest to arise.
- 1.28 The Trustee has determined that the following approach will be adopted in these circumstances:
- the RSE actuary is required to disclose to the Trustee if an employer sponsor (or another related party) wishes to engage the actuary separately for any services in relation to the fund

- the RSE actuary is required to treat the Trustee as the principal client in this situation
  - if the employer sponsor has any concerns regarding a potential conflict of interest and/or the Trustee's access (via the RSE actuary) to any confidential information of the employer sponsor, then that employer sponsor should seek advice from its own independent actuary. If the parties wish to adopt a different approach then this should be documented in writing in a formal agreement.
- 1.29 The Trustee has determined to outsource its internal audit function to the Consultant. The Trustee notes that the internal audit function is independent of the day-to-day operations of any fund for which the Trustee acts as trustee. One of the prescribed roles of the internal audit function is to regularly review and report to the Trustee on compliance with the Trustee's outsourcing policy, in accordance with paragraph 33 of Prudential Standard SPS 231 Outsourcing ("SPS 231").
- 1.30 The Trustee recognises that the outsourcing of the internal audit function to the Consultant, and review of the Trustee's compliance with its Outsourcing Policy by the internal audit function, may therefore represent a perceived or actual conflict of interest. However, the specific requirements of paragraph 33 of SPS 231 in relation to this review are also noted, as follows:
- An RSE licensee's internal audit function must review any proposed outsourcing of a material business activity and regularly review and report to the Board or Board Audit Committee on compliance with the RSE licensee's outsourcing policy...*
- 1.31 The Trustee's Outsourcing Policy sets out specific requirements for monitoring and review of service providers and the process which will be applied if a service provider is to be replaced. The Trustee considers that the review of this Policy is an objective one – that is, it is a matter of fact whether the Trustee has complied with the provisions set out in its Outsourcing Policy. The Trustee therefore considers it is not inappropriate that this review be undertaken by its internal auditor.
- 1.32 The Trustee also notes that the RSE actuary or RSE auditor (as defined in the SIS Act) appointed for the purposes of the SIS Act to a fund for which the Trustee acts as trustee may also hold a similar appointment in relation to another fund for which the Trustee acts as trustee. Conflicts of interest may extend to the RSE actuary's or RSE auditor's duty of confidentiality in this case. Confidential information obtained by the RSE actuary or RSE auditor in relation to their professional work for one fund may have a material impact on any advice provided to the other fund, with the result that, in some situations, the RSE actuary or RSE auditor may not be able to provide appropriate advice to that other fund without disclosing the confidential information.
- 1.33 The Trustee has determined that potential conflicts of interest in this case should be managed through informed consent and mutual understanding regarding the approach that will be adopted if a conflict emerges, including which fund has priority access to the RSE actuary or RSE auditor in the first instance. Such an approach would allow all the parties to deal appropriately with their confidential information and seek independent advice from their own independent actuary or auditor should the circumstances warrant it.

## Records in relation to conflicts

- 1.34 The Trustee will record in the minutes of each Board meeting all instances in which the Trustee was advised of:
- any advice or notifications to the Trustee of any potential or actual conflict of interests with respect to any agenda item
  - any advice or notifications to the Trustee of any potential or actual conflict of interest arising in relation to any other matter
  - the action considered and taken to deal with the situation.
- 1.35 The minutes shall record relevant details in the event that a director has been requested to take any of the actions referred to in section 1.15 of above.
- 1.36 If any director, the Compliance Officer or other responsible person who advised the Trustee of a potential or actual conflict of interest remains in attendance in the meeting at which the matter is considered, this fact will be specifically noted in the minutes, together with a statement as to why the Trustee concluded that this course of action was appropriate.
- 1.37 If the Trustee is advised of any potential or actual conflict which arises between the Trustee and the Consultant, the minutes will record:
- the referral of the matter to the Conflicts Committee
  - the action that the Conflicts Committee recommended that the Trustee take in relation to the matter, together with a statement as to why the Conflicts Committee concluded that this was the appropriate course of action.

## Register of Relevant Duties and Interests

- 1.38 The Trustee shall develop and maintain an up-to-date Register of Relevant Duties and Interests.

## Conflicts with service providers

- 1.39 At each Board meeting, the Trustee shall identify all new potential or actual conflicts arising from its relationship, or the relationship of a responsible person, with related or external service providers (if any).
- 1.40 Where any potential or actual conflict arises between the Trustee, or a responsible person of the Trustee, and the Consultant, the Trustee will refer the matter to the Conflicts Committee. The Conflicts Committee will consider the matter and make a recommendation as to the action to be taken by the Board in relation to the matter.
- 1.41 Where any conflict arises between the Trustee, or a responsible person of the Trustee, and any other existing or prospective service provider or adviser to the Trustee, the Trustee will refer the matter to the Conflicts Committee.

- 1.42 Whenever a matter is referred to the Conflicts Committee, it will consider the matter after obtaining all relevant information in relation to the conflict, and will recommend to the Trustee the action, if any, to be taken in relation to the matter.

### **Disclosure of Conflicts Management Policy**

- 1.43 To the extent required by law, the Trustee will ensure that a copy of this Conflicts Management Policy can be accessed via the Fund's website or by other appropriate means.