



# **Conflicts Management Policy**

**4 September 2020**

## Conflicts Management Policy

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## 1. Overview

Aracon Superannuation Pty Ltd (the Trustee/Board) is ultimately responsible for the development, approval and maintenance of the Conflicts Management Framework (Framework). The Framework is the totality of systems, structures, policies, processes and controls within an RSE licensee's business operations that identify, assess, mitigate, manage and monitor all conflicts.

Prudential Standard SPS 521 - Conflicts of Interest (SPS 521) requires that a Board approved Conflict Management Framework is in place to ensure that it identifies all potential and actual conflicts in the RSE licensee's business operations and takes all reasonably practicable actions to ensure that they are avoided or prudently managed. The conflicts management framework must be appropriate to the size, business mix and complexity of the RSE licensee's business operations.

### 1.1 Conflict

Any reference to the term 'conflict' in this policy is a reference to conflict:

- between the duties owed by an RSE licensee (or responsible person of an RSE licensee) to beneficiaries and the duties owed by them to any other person;
- between the interests of beneficiaries and the duties owed by an RSE licensee (or responsible person of an RSE licensee) to any other person;
- between an interest of an RSE licensee, an associate of an RSE licensee (or a responsible person of an RSE licensee) and the RSE licensee's duties to beneficiaries; and
- between an interest of an RSE licensee, an associate of an RSE licensee (or a responsible person of an RSE licensee) and the interests of beneficiaries.

## 2. Conflicts of Interest

The Trustee gives priority to its duties to, and interests of beneficiaries. Failure to adequately manage or avoid conflicts of interest could affect the quality of decision making to the detriment of beneficiaries and/or the services provided to beneficiaries. This could result in reputational damage to the Trustee, regulator intervention (including loss of license) or legal action.

A conflict of interest may arise where the Trustee, a Responsible Person or Representative is required to make a decision and/ or take action which is in the best interests of beneficiaries and at the same time has a separate financial or personal interest or duty to another person, entity or, beneficiary. In such circumstances, the other duty or interest may potentially interfere with (or could be seen to interfere with) the ability to exercise independent judgement or act in the best interests of beneficiaries.

Conflicts of interest can be potential, actual or perceived, and they may be business-related or personal.

- A '**potential conflict**' is one where existing circumstances could give rise to a conflict of interest in the future, although there is no current incentive to act other than in the best interests of beneficiaries.
- An '**actual conflict**' is one that is present, where if no measures are taken, could result in the Trustee, or its Responsible Persons or Representatives having an incentive to act other than in the best interests of beneficiaries.

- A '**perceived conflict**' is one that may not be actual or potential but may be considered in the mind of one or more parties or to external parties to represent a conflict.

The Trustee must have mechanisms in place to effectively identify and monitor potential conflicts of interest and avoid or manage actual or perceived conflicts of interest.

### **3. Relevant Duties and Interests**

Under SPS 521 defines a “relevant duty” as any duty owed by the Trustee or a responsible person of the Trustee, to beneficiaries or any other person, that the Trustee considers is relevant.

A “relevant interest” of the Trustee, an associate of the Trustee or a responsible person of the Trustee refers to any interest, gift, emolument or benefit, whether pecuniary (monetary) or non-pecuniary (non-monetary), directly or indirectly held by the Trustee, the associate or responsible person, that the Trustee has considered to be relevant.

The Trustee will assess these as being relevant if it might reasonably be considered to have the potential to have a significant impact on the capacity of the Trustee, the associate of the Trustee or the responsible person, to act in a manner that is consistent with the best interests of the beneficiaries of the Trustee.

### **4. Appointment**

Appointment procedures for Directors and Responsible Persons must include a requirement that, prior to their appointment, they are provided with a copy of the Conflicts Management Policy. They must also disclose all relevant duties and interests that they hold and complete the Declaration in Appendix 1.

Responsible Persons must be advised that they are required to notify the Head of Trustee Office of any obsolete or new relevant duties and interests as soon as practicable after their change in circumstances occur.

#### **4.1 Quarterly attestations**

All Responsible Persons (including persons who are not employees of the Group) are required to attest to the accuracy of the information held in the register in relation to them on at least a quarterly basis and provide amendments if they have any obsolete or new relevant duties or interests. These attestations may be provided in writing or verbally if they are recorded in the minutes of a Board or Committee meeting.

### **5. Responding to identified conflicts of interest**

Effective controls and monitoring are necessary to ensure that conflicts of interest do not result in the Trustee, or its Responsible Persons or Representatives acting (or being perceived to have acted) contrary to the best interests of beneficiaries. Legal advice may be necessary where the conflict of interest under consideration is either complex or involves a serious risk.

The Trustee's conflicts management framework comprises the totality of systems, structures, policies, processes and controls utilised by the Trustee and its Service Providers to identify, assess, mitigate, manage and monitor all conflicts in accordance with this Policy.

The Head of Trustee Office will maintain a register of relevant duties and interests.

Details of any conflicts identified in a Trustee board, committee or other relevant meeting should be recorded in the minutes, including actions taken to manage or avoid the conflict.

## **6. Identifying and managing conflicts of interest**

At a minimum, the Trustee must have processes in place to identify all conflicts arising from its relationships and comply with all regulatory requirements which are relevant to the management of conflicts of interest.

### **6.1 Outsourcing**

The Trustee has outsourced some of the daily operations of The Aracon Superannuation Fund (Fund) to both related and non-related party Service Providers. The duties and obligations of each Service Provider are set out in the contractual Service Agreements of each provider. All services provided under these agreements and provided by their employees are to be provided in accordance with this Framework.

The Trustee remains ultimately responsible for all action whether undertaken by the Fund or an outsourced provider.

Where a potential, actual or perceived conflict of interest exists between the interests of a prospective or existing service provider and the Trustee, the situation must be assessed to determine whether the conflict can be avoided or effectively managed, monitored and whether disclosure of the conflict is warranted. Where the conflict cannot be effectively managed or avoided, the proposal or contract should be rejected/terminated or re-negotiated.

The Trustee must not appoint a prospective service provider or continue to utilise the services of an existing service provider unless it can demonstrate that the quality of the service and costs to beneficiaries would be no less favourable than would be the case if the services were to be provided by an alternative provider. The Trustee must also demonstrate that adequate arrangements are in place for on-going evaluation of any conflict situations and escalation for alternative action where required.

Refer to the Aracon Superannuation Fund Outsourcing Policy for more information on outsourcing requirements.

### **6.2 Related party agreements**

All proposed commercial transactions with a related party must be on arm's length terms and in the best interests of beneficiaries. The Trustee must show that the related party has the capacity to adequately perform the services on terms which are competitive with terms offered by non-related parties.

The existence of related party arrangements should be disclosed in relevant disclosure material.

### **6.3 Trustee Board decision-making**

The Trustee Board must adopt effective measures to avoid or manage and monitor any conflicts of interest of its directors to ensure it always carries out its prescribed purpose and applies independent judgement in acting in the best interests of beneficiaries. Below are some measures applied to manage conflict situations. These also apply to Trustee Committees:

- All directors must disclose their relevant duties and interests.
- Where a director has a conflict of interest which relates to a matter that is being considered, they should not generally be present while the matter is being considered or should refrain from voting on the matter.
- A director may only vote on a matter where a conflict exists if the other directors have been fully informed of the conflict and determine that it is acceptable for them to vote on that matter eg the matter is immaterial.
- The Trustee must ensure that delegated authority / decision-making is not given to any individual who has a material conflict of interest which cannot be avoided or effectively managed and monitored.
- Where necessary, the Trustee should seek independent legal advice on complex matters.

### **6.4 Personal dealing and insider trading**

Directors, Responsible Persons and Representatives and employees are not permitted to obtain any advantage personally or for another person from information that has been obtained in the course of performing their duties on behalf of the Trustee and which is not generally available to the public.

### **6.5 Conflicted remuneration**

The Trustee, Responsible Persons and Representatives must not give payments or non-monetary ('soft dollar') benefits to financial advisers or Financial Product Advice Licensees if the payment or benefit could reasonably be expected to influence personal advice which they provide to their retail clients ('Conflicted Remuneration').

### **6.6 Gifts, hospitality and entertainment**

Responsible Persons and Representatives of the Trustee must not offer, give or accept gifts, hospitality or entertainment where it could reasonably be viewed as unduly influencing others.

Any gifts, hospitality or entertainment received by Responsible Persons must be recorded in the Register of Relevant Duties and Interests. Where an item exceeds \$300 the Responsible Person should seek the approval of the Head of Trustee Office or Company Secretary.

### **6.7 Escalation**

Where a conflict of interest event occurs which may have a detrimental impact on beneficiaries, the issue must be immediately escalated to the Head of Trustee Office and Company Secretary to investigate (including the reason why the conflict was not

avoided or adequately managed) and appropriate action taken. This may include referring the matter to the Trustee Board.

Restricted flow of information may be necessary at times for reasons of confidentiality and security. Given the size of the business, on such occasions should be directed to a relevant the Chairperson.

## 7. Conflicts of Interest Register

All conflicts relating to the Trustee are to be recorded on a Conflicts of Interest Register which forms part of the Conflicts Framework. The register includes details of the controls in place to avoid or manage and/ or disclose those conflicts.

The register is maintained by the Head of Trustee Office and contributes to the overall risk profile of the Trustee. See Appendix 2.

## 8. Monitoring

The Head of Trustee Office, on behalf of the Trustee, must list the business areas for monitoring and reviewing to ensure that sufficient measures are in place to:

- comply with the Conflicts Management Framework, including monitoring action taken to manage conflicts of interest and the adequacy of actions taken when circumstances change; and
- ensure the ongoing adequacy of the processes in place to identify, report and manage conflicts of interest; and
- escalate the management of a conflict where required.

## 9. Breaches

Where a breach of the Conflict of Interest Policy requirements occurs, it must be reported in accordance with the Incident and Breach Reporting Policy and recorded on the Incident and Breach Register which is held on the Assure online Risk and Compliance system.

## 10. Roles and Responsibilities

The key actions for managing conflicts of interest are as follows.

Area	Role/responsibility
Board	<ul style="list-style-type: none"><li>• Review and approve this Policy.</li><li>• Monitor the effectiveness of the Conflicts Management Framework in addressing the risks associated with Conflicts.</li><li>• Assess reported conflicts.</li><li>• Determine how to deal with conflicts identified.</li><li>• Agree actions to address Conflicts identified.</li></ul>

	<ul style="list-style-type: none"> <li>• Maintain adequate records about Conflicts (delegated to the Head of Trustee Office).</li> </ul>
Responsible Persons and Representatives	<ul style="list-style-type: none"> <li>• Ensure that they are aware of, and understand their obligations outlined in this Policy.</li> <li>• Disclose whether they have any relevant duties or interests in accordance with the 'Relevance Criteria' included in the Appendix (Responsible Persons only).</li> <li>• Identify if they have any conflicts of interest that are applicable to their role.</li> <li>• Report and manage potential, actual or perceived conflicts of interest in accordance with this Policy.</li> </ul>
Head of Trustee Office	<ul style="list-style-type: none"> <li>• Ensure the Trustee's Conflicts Management Policy and Framework is subject to review on at least an annual basis and the results reported to the Trustee.</li> <li>• Maintain the Trustee's Register of Relevant Duties and Relevant Interests: <ul style="list-style-type: none"> <li>- Coordinate quarterly attestations of the relevant duties and interests of Responsible Persons.</li> <li>- Update the register following the notification of new and obsolete duties and interests of Responsible Persons.</li> </ul> </li> <li>• Ensure that the requirements of the Policy are effectively communicated to Responsible Persons and Representatives (including education and training).</li> <li>• Ensure that the Trustee's conflicts management framework is subject to a comprehensive review at least every three years and the results of this review are reported to the Trustee Board.</li> <li>• Regularly review the Gifts Register and notify the Trustee of any gifts, hospitality or entertainment recorded which may have relevance.</li> <li>• Ensure required information is reported.</li> <li>• Have in place and maintain appointment procedures that require incoming responsible persons to disclose all relevant duties and relevant interests prior to the person taking up the appointment.</li> <li>• Investigate conflict of interest events which may have a detrimental impact on beneficiaries.</li> <li>• Approve/decline the acceptance of gifts, hospitality or entertainment with value exceeding \$300.</li> </ul>
Company Secretary	<ul style="list-style-type: none"> <li>• Investigate conflict of interest events which may have a detrimental impact on beneficiaries.</li> <li>• Approve/decline the acceptance of gifts, hospitality or entertainment with value exceeding \$300.</li> <li>• Ensure that conflicts of interest form part of Fund's Risk Management Framework.</li> </ul>
Risk & Compliance	<ul style="list-style-type: none"> <li>• Monitor compliance with the Conflicts Management Framework and report to the ARCCC.</li> </ul>
Internal Audit	<ul style="list-style-type: none"> <li>• Report on the effectiveness of the Trustees' Conflicts of Interest Framework to the Trustee Board at least annually.</li> </ul>

## 11. Framework Review

The Trustee requires that the Conflicts Management Framework is reviewed regularly in order to ensure it reflects current legislative obligations and remains appropriate to deal with current circumstances. The Framework is therefore required to be reviewed at least annually or where a material change occurs to the business which relates to conflicts.

### **11.1 Annual review**

A review of the Conflicts Management Framework will be completed at least annually or where there is a material change to requirements or Fund arrangements. Any changes resulting from the review are to be approved by the Board.

The review will look at the regulatory obligations, the adequacy of controls and ongoing monitoring processes in place to identify actual and potential conflicts.

Material changes to the Fund include but are not limited to:

- (a) change to the RSE licensee's business operations;
- (b) change to the structure of the RSE licensee;
- (c) change of a service/product providers or changes to or within service/product providers;  
and
- (d) change of responsible person roles which would impact the RSE licensee's business operations.

### **11.2 Comprehensive review**

A comprehensive review of the appropriateness, effectiveness and adequacy of the Conflicts Management Framework must be completed operationally independent, appropriately trained and competent persons at least every three years.

The review must have regard to the size, business mix and complexity of the Trustee's business operations, the extent of any change to those operations and any changes to the external environment in which the Trustee operates.

At a minimum, the review should consider:

- whether all relevant duties and interests have been identified and are addressed in accordance with this Policy and regulatory requirements;
- the level of compliance with this Policy, including the maintenance and disclosure of registers of relevant duties and interests; and
- any non-compliance with this Policy, including steps taken to improve ongoing compliance.

On completion of the review, the results will be reported to the Trustee and used to enhance the Conflicts Management Framework.

## **12. Communicating requirements**

The Trustee requires that all Responsible Persons and employees clearly understand:

- the obligations and reason for the Conflicts of Interest Framework;
- the need to identify potential conflicts;
- the circumstances that may give rise to a conflict;
- the requirement to disclose all relevant duties and interests;
- the need for on-going identification, management and monitoring of all potential and actual conflicts;

- the systems, structures, policies, processes and controls which together form the Trustees' Conflict Management Framework; and
- their obligations as a Responsible Person or Representative in relation to conflicts of interest.

The Head of Trustee Office will ensure all relevant persons are made aware of this and are provided with training where required.

### **13. APRA**

It is noted that APRA may, by notice in writing to an RSE licensee, adjust or exclude a specific prudential requirement in this Prudential Standard in relation to that RSE licensee.

# Appendix 1 – Conflict of Interest and Duties Declaration form

Aracon Superannuation Pty Ltd (ABN 13 133 547 396)

Full name:

\_\_\_\_\_

Address:

\_\_\_\_\_

Date of Birth:

\_\_\_\_\_

I have read and understood the Conflicts Management Framework of Aracon Superannuation Pty Ltd.

I confirm the following conflicts of interest and duties that are specific to my prospective or appointed role as a responsible person or employee of Aracon Superannuation Pty Ltd and/or its business operations.

Identified conflict	Proposed management of conflict

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Noted.

Signature: \_\_\_\_\_

Head of Trustee Office

Date: \_\_\_\_\_

## **Appendix 2 – Conflict of Interest and Duties Register**

### **Aracon Superannuation Pty Ltd (ABN 13 133 547 396)**

The conflicts of interest and duties register is a central record to record the following details:

- Responsible person category (eg. Director, Fund Secretary, Auditor, etc.);
- Type of interest; and
- Other entity (eg. service provider, related party, competing entity, etc.).

The working register shall further include the following details:

- Name of responsible person
- Date of disclosure
- Date tabled at Board meeting
- Assessed as relevant – Yes/No
- Details of agreed management action
- Date last reviewed for compliance
- Date entered on the register.