

Conflicts of Interest Policy



IS Industry Fund Pty Ltd ATF Intrust Super

Revision History

The table below sets out the history of this document.

Version	Reasons for amendment	Date approved by Board
1	New Policy	20 December 2012
2	Incorporates APRA Feedback	25 January 2013
3	Annual Review	29 May 2014
4	Management Review	23 October 2014
5	Internal Review	22 October 2015
6	Internal Audit Recommendations	16 December 2015
7	APRA Review	25 May 2017
3	Annual Review	31 May 2018

Introduction

1. As required by section 912A(1)(aa) of the Corporations Act, the holder of an Australian Financial Services Licence (AFSL) must ensure that it has, at all times, adequate arrangements for the management of conflicts of interest that may arise wholly, or partially, in relation to activities undertaken by the licensee or a representative of the licensee in the provision of financial services. In addition, a licensee must do all things necessary to ensure that the financial services covered by the licence are provided efficiently, honestly and fairly in accordance with section 912A(1)(a) of the Act. This involves identifying, managing and, where possible, avoiding any conflicts of interest.
2. As the licensee of a Registrable Superannuation Entity (RSE), similar provisions are prescribed by Prudential Standard SPS 521 Conflicts of interest, made in accordance with section 34C of the Superannuation Industry (Supervision) Act (SIS Act). In particular, section 52(2)(d) of the Superannuation Industry (Supervision) Act imports a covenant into the Fund's Trust Deed a requirement that where there is a conflict between the duties of the trustee to the beneficiaries, or the interests of the beneficiaries, and the duties of the trustee to any other person or the interests of the trustee or any associate of the trustee:
 - (i) To give priority to the duties to and interests of the beneficiaries over the duties to and interest of other persons; and
 - (ii) To ensure that the duties to the beneficiaries are met despite the conflict; and
 - (iii) To ensure that the interests of the beneficiaries are not adversely affected by the conflict; and
 - (iv) To comply with the prudential standards in relation to conflicts.
3. This Conflict of Interest Policy forms part of the IS Industry Fund Pty Ltd governance framework. In addition to this Policy, the other conflict management related elements of the Board's Framework are:
 - Register of Relevant Duties for Responsible Persons;
 - Register of Relevant Interests for Responsible Persons;
 - Fit and Proper Policy; and
 - Gift Register.

Who does this policy apply to?

4. This policy applies to Responsible Persons of the Trustee and extends to employees of the RSE Licensee.

5. As outlined in Prudential Standard SPS 520 Fit and Proper, the Responsible Persons of the Trustee are those persons whose conduct is most likely to have a significant impact on its sound and prudent management and comprise:
- A director of the RSE licensee;
 - A secretary of the RSE licensee;
 - A senior manager of the RSE licensee;
 - An RSE auditor who is appointed to conduct any audit of an RSE for which the RSE licensee is trustee, or any connected entity of the RSE licensee; and
 - A person who performs activities for a connected entity of the RSE licensee where those activities could materially affect the whole, or a substantial part of the RSE licensee's business operations, or its financial standing, either directly or indirectly.

What does this policy cover?

6. This policy sets out the principles and minimum standards for the management of conflicts of interest and covers the following areas:
- Identification: how to identify a conflict of interest;
 - Obligations: the obligations of Directors and Officers and employees which will assist in preventing a conflict of interest;
 - Reporting: how to disclose a conflict or potential conflict of interest; and
 - Assessment and Evaluation: the process undertaken to assess and evaluate potential conflicts once they have been reported.

Responsibility

7. The Board is responsible for managing conflicts of interest. Monitoring and review of ongoing compliance is the responsibility of the Board and may be supported by the CEO and/or their delegate.
8. It is the Board's responsibility to take reasonable steps to ensure that all Responsible Persons and employees clearly understand:
- (a) the need to identify all potential conflicts;
 - (b) the circumstances that might give rise to a conflict;
 - (c) the content and purpose of the RSE licensee's conflict management framework; and
 - (d) their obligations as a Responsible Person of the RSE licensee.

Identification - what is a conflict of interest?

9. A reference to a “conflict” is a reference to a conflict:
 - (a) Between the duties owed by an RSE licensee, or a Responsible Person of an RSE licensee, to beneficiaries and the duties owed by them to any other person;
 - (b) Between the interests of beneficiaries and the duties owed by an RSE licensee, or a Responsible Person of the RSE licensee, to any other person;
 - (c) Between an interest of an RSE licensee, an associate of an RSE licensee or a Responsible Person or an employee of an RSE licensee, and the RSE licensee’s duties to beneficiaries; and
 - (d) Between an interest of an RSE licensee, an associate of an RSE licensee or a Responsible Person or an employee of an RSE licensee and the interests of beneficiaries.
10. A “Relevant duty” refers to any duty owed by the RSE licensee, or a Responsible Person of the Board.
11. A “Relevant Interest” of a Trustee or a Responsible Person of the Trustee refers to any interest, gift, emolument or benefit, whether pecuniary or non-pecuniary, directly or indirectly held by the Trustee, or the Responsible Person that the Trustee has determined to be relevant in accordance with paragraph 16 of SPS 521.
12. Some examples of conflicts of interest that should be disclosed include:
 - Being directly involved in the selection of an external provider and a family member is the service provider;
 - Participating in investment decisions where a person holds a significant interest in the investment under discussion; and
 - Where a direction is received from an employer or employee sponsor that may not be in the interests of the members.
13. The test of whether a conflict of interest exists is objective – whether an individual could be influenced, or appear to be influenced, by a private interest in carrying out their duties.
14. In determining the relevance of a duty, the Trustee will consider the extent to which the role giving rise to the duty could influence the duties owed by the RSE Licensee, or a Responsible Person of the RSE Licensee, to beneficiaries.
15. Examples of scenarios that might arise at the RSE Licensee level which may be considered a relevant duty include, but are not limited to:

- (a) Where the RSE licensee has an association with a service provider (such as an investment manager or administrator), investment vehicle or financial product and the governing rules permit the RSE licensee to engage those service providers, invest in those vehicles or purchase those financial products; and
 - (b) Where the RSE Licensee is the trustee of multiple RSEs and it is considering a successor fund transfer from at least one of these RSEs to another.
16. Examples of scenarios that might arise in relation to Responsible Persons include, but are not limited to:
- (a) Where a Responsible Person is a director or other officer of another entity, and that other entity:
 - (i) Provides a service or financial product to, or operates as an investment vehicle for, the RSE licensee;
 - (ii) Is being considered by the RSE licensee as a possible provider of such a service, financial product or investment vehicle;
 - (iii) Is being considered by the RSE licensee as the transferring fund or successor fund in a successor fund transfer, or
 - (iv) Operates in the same market as the RSE licensee, potentially in competition;
 - (b) Where a Responsible Person has a material ownership interest in an entity referred to in paragraph 17(a) above. For clarity, a “material” interest is one which consists of holding more than 5% of the issued shares.
 - (c) Where an entity currently provides a service or financial product to, or operates as an investment vehicle for, the RSE licensee, and the entity offers gifts or hospitality; and
 - (d) Where a Responsible Person is also a member of the RSE and may be personally affected by a decision of the RSE licensee.
17. Any gift or benefit received from a single entity (individual or corporate) which exceeds \$1,000 either as a one-off, or over a 12-month period, will be considered a “Relevant Interest” for the purpose of this policy.

Obligations - procedures for Responsible Persons

18. The procedures in this section apply only to Responsible Persons of the Trustee.
19. Prior to the appointment of Directors, Officers and other Responsible Persons each Responsible Person is required to complete a “Relevant Duties and Relevant Interests” form (refer Appendix A). The declaration requires the potential Responsible Person to advise of any Relevant Interests and Relevant Duties. Furthermore, each Responsible Person must sign an annual declaration either that he or she does not have any Relevant Interests or Relevant Duties in the previous year, or that all such Relevant Duties and interests have been disclosed in line with these procedures.

Obligations – procedures for Responsible Persons and employees

20. Prior to appointment, and on annual basis training will be provided by the Executive Manager, Risk & Company Secretary to all Responsible Persons and employees on:
 - (a) the need to identify all potential conflicts;
 - (b) the circumstances that might give rise to a conflict;
 - (c) the content and purpose of the RSE licensee’s conflict management framework; and
 - (d) their obligations as a Responsible Person and/or employee of the RSE licensee.
21. On appointment of a new service provider to the Fund, the Trustee will ensure that appropriate checks are undertaken to ascertain whether any employee or Responsible Person is an officeholder of the provider. This process may include a declaration from all employees or Responsible Persons whether they have any interest in the service provider to be appointed either as an officeholder of that service provider or as a shareholder. If a declaration is received that a person has an interest in the service provider, that declaration will be tabled at the next Board meeting for determination of appropriate action in accordance with this policy.
22. Declarations of Relevant Interests and Relevant Duties of Responsible Persons are to be maintained in the Register of Relevant Duties and Register of Relevant Interests. The Executive Manager, Risk & Company Secretary will be responsible for the maintenance of these registers. The Executive Manager, Risk & Company Secretary will update the register in accordance with Regulatory Guidance RG 252: Keeping Superannuation Websites up to Date.
23. At each Board meeting there is a standing item on the agenda for disclosure of any Relevant Interests or duties by Responsible Persons and employees.

24. Each Responsible Person must advise the Board as soon as he or she becomes aware of any actual or potential conflict of interest or duty involving him or herself.
25. Each employee must advise the Chief Executive Officer on becoming aware of any actual or potential conflict of interest or duty involving himself or herself. The Chief Executive Officer must then disclose this to the Board in accordance with this Policy.
26. If there is a doubt as to whether a conflict of interest or duty exists, it should be disclosed to the Board.
27. Wherever possible, disclosure should be made in writing prior to a Board meeting. If it is not possible for this disclosure to be made in writing prior to the Board meeting, the disclosure may be made verbally to the Chief Executive Officer, who will disclose the conflict at the Board meeting, and ensure that it is minuted accordingly.
28. If a Responsible Person believes that another Responsible Person has or may have a conflict of interest or duty which has not been reported to the Board, the first Responsible Person must bring the matter to the attention of the Board and explain why he or she holds that belief. Where possible, disclosure should be made in writing prior to a Board meeting.
29. If the Responsible Person does not report to the Board or circumstances are such that it is not practicable to wait until the next Board meeting, a conflict of interest is to be reported to the CEO. The conflict will be addressed by the CEO in consultation with the Chairperson or other available Director. The conflict will then be reported to the Board at the next meeting for assessment and determination of relevant action.
30. Where the person disclosing the conflict is the Chair, it is to be reported in the first instance to the CEO or Deputy Chair.
31. Where the person disclosing the conflict is the CEO, it is to be reported in the first instance to the Chair.
32. Responsible Persons may accept benefits of meals, travel, gifts or entertainment from third parties (e.g. current or potential service providers) relating to Fund matters without prior consent of the Board, provided such benefits do not exceed \$500. Any benefit more than \$500 must not be accepted unless approval has been reported to the Chief Executive Officer and approved by the Chair of the Board.
33. Any gifts or financial benefit of more than \$100 (one-off or cumulative from the same person/entity in a financial year) must be disclosed (via completion of the appropriate declaration form) to the CEO for recording in the Gift Register. The Gift Register is

provided and reviewed at each Board meeting along with the Register of Interests and Register of Duties.

34. Employees must not solicit any third party for any gift or benefit irrespective of the value of the gift/benefit. The purpose or objective of the solicitation is not relevant.
35. No offer of the type referred to in 34 and 35 above may be accepted from any third party currently participating in a tender to provide services to the Fund.
36. When a conflict of interest or a potential conflict of interest has been declared by or in respect of a Responsible Person, or an employee, the Responsible Person or employee must:
 - (a) Provide additional relevant information as requested by the Board;
 - (b) Offer to leave a meeting to allow the remainder of the Board to discuss the matter;
 - (c) If the Responsible Person is a Director, abstain from voting on questions of whether there is a conflict of interest and, if so, whether the conflict is material;
 - (d) If a Responsible Person is a director, abstain from voting on any matters where there is a conflict of interest, unless the Board determines that the conflict (or potential conflict) is not material and should not prevent the Director from voting.
37. When a conflict of interest has been declared by or in respect of a Responsible Person or employee, the Board may:
 - (a) Seek legal advice;
 - (b) Request additional relevant information from the person involved;
 - (c) Request the officeholder prepare and sign a Statutory Declaration in respect of the nature of the conflict and any associated benefits received;
 - (d) Allow the officeholder involved to remain in the meeting while the matter is being discussed;
 - (e) Require the officeholder to abstain from voting on or having involvement in any matter where there is a material conflict of interest.
38. In **assessing** and evaluating matters involving an actual or potential conflict of interest, the Board will consider the nature and circumstances of the matter and a determination will be made and minuted.
39. In particular, the Board will consider the following factors in assessing a disclosure:
 - (a) The impact on the Responsible Person's or employee's ability to discharge his/her duties as a Responsible Person or employee of the Fund; and

- (b) The degree to which the proposed action will be inconsistent with the Responsible Person's, or employee's, obligations to the beneficiaries of the Fund.
40. In determining **what action** to take in respect of reported conflicts of interests, the primary consideration of the Board is its obligations under section 52(2)(d) and 52A(2)(d) of the Superannuation Industry (Supervision) Act. That is:
- (a) To give priority to the duties to and interests of the beneficiaries over the duties to and interests of other persons;
 - (b) To ensure that the duties to the beneficiaries are met despite the conflict; and
 - (c) To ensure that the interests of the beneficiaries are not adversely affected by the conflict; and
 - (d) To comply with the prudential standards in relation to conflicts of interests.
41. Following an assessment that any disclosure is relevant, the Board in determining what action to take will consider the following matters:
- (a) Whether the interest or duty is ongoing;
 - (b) Whether the interest or duty is capable of being removed;
 - (c) Whether the interest/duty is consistent with the duties owed by the Responsible Person or employees to the beneficiaries of the Fund.
42. After considering the matters referred to in 41 and 42 above, the Board may determine that the conflict of interest is to be avoided or is able to be prudently managed. If the duty or interest is to be avoided, any change to these duties or interests is to be reflected in the register of duties and register of interests.
43. Where the Board has determined that the conflict is able to be managed, details of such management are to be recorded in the minutes, and must be reviewed at each Board meeting to ensure the conflict is monitored and the management plan remains appropriate.
44. Actions that the Trustee may require a Responsible Person or employee to take to avoid or manage a conflict of interest include:
- (a) Require the Responsible Person or employee to dispose of a Relevant Interest or relinquish the duty to another person;
 - (b) Require the Responsible Person or employee to resign;
 - (c) Where a director with a Relevant Interest or duty that conflicts with the duty to or interests of beneficiaries and relates to a matter being considered at a directors' meeting that director is to absent himself/herself from the meeting and shall not vote on the matter under consideration.

45. The Board considers that it is undesirable for a Responsible Person to hold a directorship with a competing superannuation fund without the fully informed consent of the Trustee.
46. The Board considers that is untenable for a Director to hold a management position in a service provider engaged by the Trustee and such positions must not be held by a director while they are engaged by the Trustee.
47. In dealing with a conflict of interest or potential conflict of interest matter, the Board shall be the determining body.
48. The outcome in relation to each conflict of interest is also to be recorded and monitored in the Register of Interests of Register of Duties.
49. Failure to comply with the requirements of this policy, including not declaring conflicts, or failing to take such action as the Board determines after considering any conflict will lead to disciplinary action, including dismissal. Disciplinary action is at the discretion of the Board and will be determined by the facts and severity of each individual case.

Policy to be provided to APRA

50. A copy of this Policy will be provided to the Australian Prudential Regulation Authority on request. APRA will be advised in a timely manner of any material changes to the policy.

Review of Policy

51. The policy and its implementation will be reviewed annually by the Executive Manager – Risk & Company Secretary.
52. The Board’s appointed Internal Auditor will conduct a regular review of the conflicts of interest elements of the governance framework and making recommendations to the Board as to its effectiveness.
53. As stipulated by SPS 521, this policy and associated documents will be reviewed for its appropriateness, effectiveness and adequacy at least every three years by an operationally independent, appropriately trained and competent person.
54. The scope of this 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.

55. The review of the Trustee's conflicts management framework by operationally independent, appropriately trained and competent person must consider at a minimum:
- (a) Whether all Relevant Duties and all Relevant Interests have been identified and are being addressed in accordance with the Trustee's conflicts management framework;
 - (b) The level of compliance with the conflicts management policy, including reporting on the registers of Relevant Duties and Relevant Interests; and
 - (c) Any non-compliance with the conflicts management policy, including steps taken to return to, and improve, ongoing compliance.