



ANZ Australian Staff
Superannuation Scheme

Conflicts Management Policy

22 August 2017

ANZ Staff Superannuation (Australia) Pty Limited
(ABN 92 006 680 664 AFSL 238268 RSEL L0000543)

Trustee of the ANZ Australian Staff Superannuation Scheme
(ABN 83 810 127 567 RSE R1000863)

Registered Address

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Current

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Conflicts Management Policy

Introduction

ANZ Staff Superannuation (Australia) Pty Limited ABN 92 006 680 664 AFSL 238268 RSEL L0000543 (the "Trustee") is the corporate trustee of the ANZ Australian Staff Superannuation Scheme ABN 83 810 127 567 RSE R1000863 (the "Scheme").

The Trustee has a fiduciary duty to act in the best interests of the members of the Scheme. This duty is also set out in the covenants prescribed in Section 52 of the *Superannuation Industry (Supervision) Act 1993*. Given that the Trustee is required to act in the best interests of members, it is important that any conflict of interest (actual, perceived or potential) is appropriately managed.

The Trustee is also required to act impartially between members. The Trustee is required to ensure that all members are treated fairly and consistently. Its policies and procedures are applied uniformly and no group of members is afforded preferential treatment.

As the holder of an Australian Financial Services Licence, the Trustee is required to implement adequate conflicts management framework and comply with other relevant obligations. The Trustee is authorised under its licence to provide general financial product advice in relation to superannuation to retail clients.

As the holder of a Registrable Superannuation Entity licence, the Trustee is required to have a conflicts management framework to ensure that the Trustee identifies all potential and actual conflicts in its business operations and takes all reasonable practicable actions to ensure that they are avoided or prudently managed.

Purpose

This policy sets out the Trustee's arrangements for the management of conflicts that may arise as part of the management of the Scheme or in its provision of financial services.

This policy is reviewed annually by the Trustee or more frequently if required by changes to legal or regulatory requirements.

Legal Requirements

Under Section 912A(1)(aa) of the *Corporations Act 2001*, licensees are obliged to have adequate arrangements for the management of conflicts of interest that may arise wholly or partially in relation to the provision of financial services by the licensee as part of its financial services business.

Other licence obligations potentially relevant to the management of conflicts of interest include the obligations to:

- do all things necessary to ensure that their financial services are provided efficiently, honestly and fairly;
- have adequate risk management systems and compliance arrangements;

- comply with Registrable Superannuation Entity and financial services laws and take reasonable steps to ensure their representatives comply with these laws;
- disclose benefits and relationships in a Financial Services Guide before providing financial services to members; and
- not engage in misleading, deceptive, dishonest or unconscionable conduct.

In addition to these licence obligations, the Trustee is required to act in accordance with the following obligations relevant to the management of conflicts of interest:

- a Director must not take improper advantage of the position of Director;
- a Director must not allow personal interests, or the interests of any associated person, to conflict with the interests of the Scheme; and
- a Director has an obligation to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board.

Under Section 52(2)(d) of the *Superannuation Industry (Supervision) Act 1993*, 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 an associate of the Trustee, the Trustee is required to:

- (i) give priority to the duties to and interests of the beneficiaries over the duties to and interests of other persons;
- (ii) ensure that the duties to the beneficiaries are met despite the conflict;
- (iii) 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.

The prudential standards in relation to managing conflicts of interest are set out in Prudential Standard SPS 521 *Conflicts of Interest* ("SPS521") and took effect from 1 July 2013. Paragraph 18 of SPS521 requires the Trustee to have a conflicts management policy that is approved by the Board. This document sets out that policy.

Definition

In the context of the Trustee's Australian Financial Services Licence, "conflicts of interest" are defined as circumstances (actual, apparent or potential) where some or all of the interests of people for whom a licensee (or its representative) provides financial services are inconsistent with, or diverge from, some or all of the interests of the licensee or its representatives.

In the context of the Trustee's Registrable Superannuation Entity Licence, "conflict" refers to a conflict between:

- (a) between the duties owed by an Registrable Superannuation Entity (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.

More generally, "conflicts of interest" are circumstances where some or all of the interests of the Trustee are inconsistent with, or diverge from, some or all of the interests of the members or a Director's or Responsible Person's personal or commercial interests and duties are inconsistent with, or diverge from, their duties as a Director or Responsible Person.

Managing Conflicts of Interest

Conflicts of interest may be managed by:

- controlling conflicts of interest;
- avoiding conflicts of interest; and
- disclosing conflicts of interest.

In practice, conflicts of interest may be managed by a combination of internal controls and disclosures. If this approach is not possible, it may be necessary to avoid the conflict or refrain from providing the service.

Controlling Conflicts of Interest

Controlling conflicts of interest involves:

- identifying and monitoring potential and actual conflicts of interest;
- assessing and evaluating those conflicts identified; and
- deciding on, and implementing, an appropriate response to the conflicts identified.

IDENTIFYING AND MONITORING POTENTIAL AND ACTUAL CONFLICTS OF INTEREST

The Trustee has reviewed its business structure, operations and relationships and identified a range of potential sources of conflicts of interest (actual, apparent or potential), including:

- the relationship with Australia and New Zealand Banking Group Limited ("ANZ") as employer-sponsor of the Scheme and the Trustee's status as wholly owned, but non-controlled, subsidiary of ANZ;
- dealings with related parties such as OnePath Life Limited (the "Insurer") and ANZ financial planners;
- dealings with service providers or advisers, particularly where related companies provide services or advice to the Trustee;
- Directors and Responsible Persons being members of the Scheme;
- Directors and Responsible Persons who are employees or paid by ANZ;
- Directors and Responsible Persons with other directorships or who are employed by an entity other than ANZ; and

- Receipt of gifts or hospitality from current or potential service providers.

ANZ is the employer-sponsor of the Scheme. It also provides support services to the Scheme and the Trustee is a wholly owned albeit non-controlled subsidiary of ANZ. The potential for ANZ to inappropriately influence the Trustee could be perceived to give rise to a conflict of interest. The corporate governance structure instituted by the Trustee and training provide clear guidance to Directors in managing any conflicts of interest which arise in relation to their role as part of the Trustee Board.

While the Scheme Administrator (Mercer Outsourcing [Australia] Pty Limited) provides only superannuation administration services for the Scheme, its business includes a wider range of financial and related services. In providing services to the Scheme and its members, care needs to be taken to manage the potential for it to seek to cross-promote its other commercial interests. The Trustee and management of the Group Superannuation department of ANZ as the delegate of the Trustee monitor the provision of services by the Scheme Administrator to manage the possibility of conflicts of interest arising.

The engagement of service providers where related companies provide services to the Trustee is a potential source of conflicts of interest (actual, apparent or potential). This risk arises in the context of selecting and monitoring service providers such as:

- the Insurer where OnePath Life Limited (a subsidiary of ANZ) is the insurer of death, Total and Permanent Disablement, terminal illness and salary continuance benefits payable through the Scheme; and
- the provision of limited personal advice in relation to members' holdings in the Scheme where ANZ Financial Planning has been appointed to provide these services.

These potential conflicts are managed in accordance with this policy and consistent with the principles from the ANZ Policy - Associations with Related Entities. The appointment and renewal of related service providers is undertaken via competitive tenders or external reviews/benchmarking undertaken by an independent adviser. Ongoing monitoring, reporting and review processes are put in place to manage the performance of the service providers and potential conflicts in relation to the provision of their services.

As the environment in which the Scheme operates changes, new services and features are introduced, benefits and conditions change, service provider arrangements and alliances alter, the Trustee will review the possibility of conflicts of interest arising. Such reviews would include considering potential conflicts arising from the relationship of Responsible Persons with existing or prospective service providers or advisers or which may affect the performance of a service provider or adviser in respect of its obligations undertaken for the Trustee or its business operations.

MANAGING CONFLICTS OF INTEREST GIVING PRIORITY TO BENEFICIARIES

Where a conflict (actual, apparent or potential) is identified, the potential consequences of that conflict for members and beneficiaries must be carefully assessed. The initial assessment will be undertaken by the Senior Strategy and Governance Manager of the Group Superannuation department of ANZ. This assessment includes consideration of whether it adversely affects member and beneficiary interests.

If the impact on members and beneficiaries is adverse, the Senior Strategy and Governance Manager in consultation with the Senior Manager Superannuation of the Group Superannuation department of ANZ will analyse the extent of the impact and determine the most appropriate approach (including an action plan where appropriate) to manage or avoid the conflict.

Where deemed appropriate by the Senior Strategy and Governance Manager, management of a conflict will be escalated to the Trustee.

ONGOING EVALUATION OF THE MANAGEMENT OF THE CONFLICT

Having established the appropriate approach to manage or avoid the conflict, the Senior Strategy and Governance Manager will monitor its implementation and report to the Trustee and Governance and Audit Committee on its status and progress.

BREACHES OF THE CONFLICTS MANAGEMENT POLICY

Where a breach of this conflict management policy is identified, the breach management processes described in the Trustee's Compliance Arrangements would apply. In the case of breaches related to conflicts of interest, corrective actions may include:

- disclosure to the relevant members; and
- initiation of internal/external disciplinary action where warranted.

The corrective action to be taken depends on the facts, circumstances and nature of the conflict of interest.

Avoiding Conflicts of Interest

If a conflict of interest is identified which may have a serious potential impact on the Trustee or members, it may be necessary to avoid the conflict.

Disclosing Conflicts of Interest

DISCLOSURE TO MEMBERS

Clear communication and disclosure is a key aspect of managing potential conflicts of interest. The communication needs to be clear, concise and effective to allow members to make informed decisions about the impact on the conflict of interest on the general advice being provided to them or the operations of the Scheme.

The Trustee's Financial Services Guide includes key disclosure about the remuneration of the Trustee and its representatives, their interests and influences on the general advice provided.

Where appropriate, potential conflicts of interest will be disclosed to members via the newsletter, annual report or website.

The Trustee's Conflict Management Policy and Register of Relevant Interests and Duties are available on the Scheme's website (www.anzstaffsuper.com).

DISCLOSURE TO THE BOARD AND COMMITTEES

A Director who has a material personal interest in a matter being considered or about to be considered by the Board or Committee or a duty to another party which has the potential to have a significant impact on his or her capacity to act in a manner consistent with the best interests of the members, shall, as soon as possible after the relevant facts have come to the Director's knowledge, disclose the nature of the interest or duty at a meeting of the Board or Committee.

The disclosure shall be recorded in the minutes of the meeting.

The Director shall not vote on the matter or be present whilst the matter is being discussed unless the remaining Board or Committee members agree otherwise.

For those Directors who are members of the Scheme, their membership in itself does not constitute a material personal interest, except where the matter being considered would impact on their membership differently to that of other members.

STANDING NOTICES OF INTERESTS

Standing Notices of Interests are maintained for each Director and Responsible Person.

Each new Director and Responsible Person shall complete a Standing Notice of Interests prior to their appointment. The Standing Notice of Interests shall be tabled at a Board meeting shortly following his or her commencement. New Directors and Responsible Persons shall also be required to detail any duties to other parties which may impact his or her capacity to act in a manner consistent with the best interests of the members.

Whenever there is any change in interests notified under a Director's or Responsible Person's Standing Notice of Interests or any change to their duties to other parties which may impact his or her capacity to act in a manner consistent with the best interests of the members, the Director or Responsible Person shall disclose the change as soon as practicable and an updated Standing Notice of Interests and details of any change to his or her duties to other parties which may impact his or her capacity to act in a manner consistent with the best interests of the members shall be tabled at the next Board meeting and recorded in the minutes of that meeting.

The Company Secretary's Office will maintain a register of interests notified by Directors and Responsible Persons under Standing Notices of Interests. At least annually, each Director and Responsible Person will review and attest to the interests recorded for them in the register of interests.

REGISTER OF RELEVANT INTERESTS AND DUTIES

The Company Secretary's Office will maintain the Register of Relevant Interests and Duties on behalf of the Trustee. The register of interests under Standing Notices of Interests will be maintained in conjunction with this register.

Identification of Relevant Interests and Duties

The Company Secretary's Office, in conjunction with the Senior Strategy and Governance Manager of the Group Superannuation department of ANZ, will assess whether the interests

and duties disclosed or identified above are “relevant” as defined in SPS521. In making this assessment, the following aspects will be considered:

- the nature of the interest or duty; and
- the extent to a duty could influence the duties owed by the Trustee or Responsible Persons to the members.

Development and Review of the Register of Relevant Interests and Duties

All interests and duties assessed as being relevant will be recorded in Register of Relevant Interests and Duties.

At least annually, a copy of the Register of Relevant Interests and Duties will be provided to each Director and Responsible Person for review. Any suggested changes advised by the Directors and Responsible Persons will be assessed by the Company Secretary’s Office and Senior Strategy and Governance Manager and the Register of Relevant Interests and Duties updated where required.

Roles and Responsibilities

Board

The Board is responsible for developing and maintaining an appropriate conflicts management framework for its business operations.

Group Superannuation

The Group Superannuation department of ANZ undertakes the day-to-day management of the Scheme and provides a range of support services for the Trustee. As part of its activities, Group Superannuation is responsible for identifying, monitoring and managing conflicts of interest and reporting to the Board in relation to conflict of interest issues. Specific responsibilities of Group Superannuation in relation to conflict of interest issues for the Trustee are set out in this policy.

Company Secretary’s Office

The Company Secretary’s Office of ANZ provides secretarial services to the Trustee. Specific responsibilities of the Company Secretary’s Office in relation to conflict of interest issues for the Trustee are set out in this policy.

Service Providers

For outsourced services, the Trustee needs to assure itself of the integrity of the conflict management processes of its service providers.

Documentation and Record Keeping

The Trustee will retain:

- records of any conflicts identified, action taken to avoid or manage the conflict and related disclosure material, where relevant; and
- copies of reports in relation to any conflicts identified.

Details of any conflicts identified and the action taken to avoid or manage the conflict will be recorded in the minutes of Board, Committee or other meetings as appropriate.

This documentation may be retained electronically or as hardcopy and will be kept for at least seven years.

Awareness

The Trustee seeks to ensure that Directors, Responsible Persons and other staff involved in the management of the Scheme are aware of the conflicts management framework via:

- the induction process for Directors and Responsible Persons (including the provision of associated statements and policies and the completion of Standing Notices of Interests);
- provision of Register of Relevant Interest and Duties for information and review; and
- provision of relevant information sessions and ongoing training.

Monitoring of Conflicts Management Framework

Monitoring of the conflicts management framework forms part of the compliance testing program outlined in the Compliance Arrangements. The results of this testing program are reviewed and considered by the Trustee and its Governance and Audit Committee.

The Trustee may, in consultation with the Governance and Audit Committee, may commission an independent review by the external auditor or professional adviser.

Review of Conflicts Management Framework

The Senior Strategy and Governance Manager of the Group Superannuation department of ANZ acts as the Compliance Officer for the Scheme. Further details of the roles and responsibilities of the Compliance Officer are described in the Compliance Arrangements.

The Compliance Officer is responsible for implementing, reviewing and updating the conflicts management framework adopted by the Trustee. The Compliance Officer reports to the Trustee and its Governance and Audit Committee in relation to the conflicts management framework and policy. The Senior Manager Superannuation of the Group Superannuation department of ANZ provides support and oversight of the implementation, review and updating of the conflicts management framework.

The conflict management framework will be reviewed at least annually by the Compliance Officer to assess the ongoing monitoring processes and controls in relation to potential or actual conflicts as well as compliance with the framework. The Compliance Officer will report to the Governance and Audit Committee on the results of this review and any suggested improvements to the compliance program. The Governance and Audit Committee may escalate any issues arising from the review for consideration and decision by the Trustee.

The Trustee will arrange for the appropriateness, effectiveness and adequacy of its conflict management framework to be reviewed by an operationally independent, appropriately trained and competent person at least every three years. The scope of this review will be agreed by the Trustee and reviewer prior to the commencement of the review. At a minimum, the review will consider the issues required by SPS521.