

Conflicts Management Policy

Strictly confidential

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1 Introduction

1.1 The Vision Super Group

Vision Super Pty Ltd (VSPL) - RSE L0000239, ABN 50082924561 is the trustee of the Local Authorities Superannuation Fund (LASF).

Pooled Super Pty Ltd (PSPL) - RSE L0003414, ABN 11142516005 is the trustee of the Vision Pooled Superannuation Trust (VPST).

VSPL and PSPL are part of a corporate group, collectively known as the Vision Super Group (Vision Super). As a result, group policies and functions can be used provided the respective Boards have agreed to this having regard to their respective RSE licensee business operations.

VSPL and PSPL will review on a regular basis (at least annually) whether the continued use of group policies is appropriate.

In this document, unless the context otherwise requires or specifies, a reference to the:

- Board is a reference to the boards of both VSPL and PSPL or any one of them
- Directors is a reference to the directors of VSPL and PSPL
- Trustee is a reference to VSPL and PSPL or any one of them
- Fund is a reference to the Local Authorities Superannuation Fund
- LASF is a reference to the Local Authorities Superannuation Fund
- VPST is a reference to the Vision Pooled Superannuation Trust and
- Constitution is a reference to the constitution of either VSPL or PSPL.

1.2 Purpose

The purpose of the Conflicts Management Policy is to outline the Trustee's strategy for managing conflicts and the key elements of the conflicts management framework (CMF) and the wider risk management framework (RMF) that give effect to this strategy.

The Boards are ultimately responsible for the Conflicts Management Policy and the CMF.

1.3 Scope

The CMF is aligned to the Australian Prudential Regulation Authority (APRA) Prudential Standard SPS 521 Conflicts of Interest (SPS 521) and is applicable to all directors, senior management and staff. If there is any inconsistency between SPS 521 and this document, the requirements of SPS 521 take precedence so that the Conflicts Management Policy satisfies the requirements of SPS 521.

1.4 Related Policies

This document should be read in conjunction with the Group Policy, the Governance and Policy Framework, the Group Risk Appetite Statement and the Risk Management Strategy. Reference should also be made to the Code of Conduct which applies to all directors, responsible persons and staff.

2 Conflicts Management Framework

The Vision Super CMF refers to all the structures, systems, people, policies and processes that have been implemented to identify, manage, treat and monitor conflicts of interest.

The CMF is one of the ‘functional governance frameworks’ as described in the Governance and Policy Framework. This Policy describes the components of the CMF implemented to ensure that potential and actual conflicts are appropriately identified, disclosed, assessed and managed. Vision Super believes an effective CMF will support the business to make informed decisions, take advantage of opportunities and allow the business to identify the factors that may create an actual or perceived conflict.

The following illustrates how the components of the CMF have been designed in accordance with the RMF:



2.1 Conflicts of interests and duties

The Boards are required to operate the fund in the best interests of its members (including all beneficiaries of the Fund). There are covenants¹ within the *Superannuation Industry (Supervision) Act 1993* (SIS Act) that require the Boards to act honestly, to exercise a required degree of care, skill and diligence and to perform their duties and powers in the best interests of members. These covenants further specify that the Boards must ensure that where a conflict arises and has not been avoided, the duties to and interests of beneficiaries take priority over any duties to and interests of, other persons.

A conflict refers to a situation where the Boards, individual directors, responsible persons or staff deliberately or inadvertently prefer their own interests, or that of another person/entity, over the interests of members. These are referred to as 'relevant interests' or 'relevant duties'.

A **relevant interest** is:

- Any interest, gift, emolument or benefit
- Financial or non-financial
- Held directly or indirectly held by directors, responsible persons or staff, or an associate of directors, responsible persons or staff, and
- Is reasonably determined to impact the capacity of the director, responsible persons or staff member to act in the best interests of members.

A **relevant duty** is:

- Any duty owed by directors, responsible persons or staff to an entity or persons other than beneficiaries, and
- Is reasonably determined to impact the capacity of the director, responsible person or staff member to act in the best interests of members.

If not identified and managed appropriately, a relevant interest or duty may have an impact on the ability of the Boards, responsible persons and/or staff to meet their obligations to members, resulting in a breach of relevant laws and significant reputational damage to the business.

2.2 Roles and Responsibilities

The obligation to act in the best interests of members falls to each individual director, responsible person and staff member. Ensuring the attitudes and behaviours of individuals are consistent with the Vision Super values is key to ensuring the effectiveness of the conflicts management framework, while ensuring the maintenance of a strong risk culture at all levels of Vision Super. The key roles and responsibilities within the CMF are:

¹ SIS Act sections 52 and 52(A)

Role	Responsibilities
Boards	<ul style="list-style-type: none"> • Approves the Conflicts Management Policy and establishes risk appetite for risk arising out of identified conflicts • Ensures that all reasonable steps are taken so that all directors, responsible persons and staff clearly understand and comply with the requirements of the prudential standards • Ensures accurate records of Board decisions are maintained including minutes of Board, board committee and other relevant meetings detailing each conflict identified and the action taken to avoid or manage the conflict • Ensures any new director/responsible person is required to disclose all relevant duties and interests prior to taking up the appointment
Chairman	<ul style="list-style-type: none"> • Determines the appropriate management strategies to be adopted in relation to conflicts raised by the CEO or other directors having regard to the circumstances of the matter, the CMF, recommendations of the Conflicts Officer and other external advisors (if applicable) • Report any conflicts raised by the CEO or other directors to the Conflicts Officer
ARCC	<ul style="list-style-type: none"> • Reviews any changes of the Conflicts Management Policy and CMF • Ongoing monitoring of the CMF and the Conflicts Management Policy • Reviews the Register of Gifts and Entertainment on a regular basis • Monitors compliance with agreed actions of each high-rated conflict and ensures that all conflicts are accurately recorded and kept up-to-date
CEO	<ul style="list-style-type: none"> • Ensures staff are aware and comply with the Conflicts Management Policy and the procedures for reporting a conflict • Reports any conflicts to the Conflicts Officer and determines the appropriate management strategies to be adopted in relation to conflicts in relation to staff having regard to the circumstances of the matter, the CMF, recommendations of the Conflicts Officer and other external advisors (if applicable) • Consults with the Chairman, Conflicts Officers, Company Secretary and/or external advisors on any conflicts having regard to the circumstances of the matter and the CMF

Role	Responsibilities
Company Secretary	<ul style="list-style-type: none"> • Advises the Boards, Committees and CEO on the appropriate management strategies to be adopted in relation to conflicts in relation to staff having regard to the circumstances of the matter and the CMF • Ensures any conflict declaration made by a director/responsible person is recorded in the minutes • Maintains the Register of relevant interests and duties and oversight of the conflicts and gifts and entertainment registers
Conflicts Officer	<ul style="list-style-type: none"> • Assesses all identified and reported conflicts and potential conflicts, including conflicts identified from regular reporting opportunities for all directors, responsible persons and staff • Consults with the CEO and/Chairman on how the conflict or potential conflict should be managed • Advises the relevant parties of the management strategies to be implemented for that conflict or potential conflict, monitors the implementation of those strategies and reporting to the ARCC • Advises the Company Secretary of any conflicts to be included on the registers • Formulates effective arrangements for managing conflicts and reviewing those arrangements to ensure their ongoing adequacy • Reviews the CMF annually and submits recommended changes to the ARCC taking into account changes to the prudential requirement and any recommendations received from the assurance activities undertaken relating to the CMF
Quality and Risk Team	<ul style="list-style-type: none"> • Supports the Conflicts Officer to assess and identify reported conflicts and potential conflicts, including conflicts identified from regular reporting opportunities for all staff • Advises staff on the identification of conflicts and the management strategies to be implemented for that conflict or potential conflict • Regular monitoring of all registers within the CMF and risk appetite tolerance measures
Directors and Responsible persons	<ul style="list-style-type: none"> • Compliance with the CMF and the Conflict Management Policy • Identifies and reports potential or actual conflicts that affect them personally to the Chairman, CEO or Company Secretary • Reports any potential or actual conflicts they become aware of in relation to the Vision Super group's activities on an ongoing basis as and when they occur

Role	Responsibilities
All staff and service providers	<ul style="list-style-type: none"> • Compliance with the CMF and the Conflict Management Policy • Report potential or actual conflicts to the Conflicts Officer

2.3 Conflict Management Registers

Creating the desired risk culture and translating that into effective conflict management requires a structure that allows directors, responsible persons and staff to be proactive in declaring an actual or a potential conflict. A key component of the CMF are the registers used to capture, assess and report on any declarations made in accordance with this policy. Vision Super maintains the following registers:

2.3.1 Register of relevant interests and duties

The Boards are required by the *Superannuation Industry Supervision Regulations 1994* (SIS Regulations) to maintain and publicly disclose any relevant interests and duties of directors and other responsible persons. The Register of relevant interests and duties is maintained by the Company Secretary to record, assess and disclose any declarations made by directors and responsible persons.

The directors and responsible persons are provided with regular opportunities to consider and report matters that may give rise to a conflict at Board and Committee meetings and the disclosure of relevant interests and duties is a standard agenda item.

2.3.2 Conflicts Register

This register is the central repository for all potential conflicts of duties, interests and other items when they are first reported by directors, responsible persons and staff. This allows for the details to be recorded in a central register while the assessment of the conflict is completed. For all directors and responsible persons, in the event the matter reported is a relevant interest or duty as defined by the SIS Regulations, it will then be added to the Register of Interests and Duties published on the Vision Super website.

2.3.3 Gifts and Entertainment Register

The Gifts and Entertainment Register is available to all directors, responsible persons and staff to disclosure the receipt or offer or any gifts, tickets or hospitality offered by third parties. The register is regularly available on the Hub and accessible to all staff to make entries as appropriate.

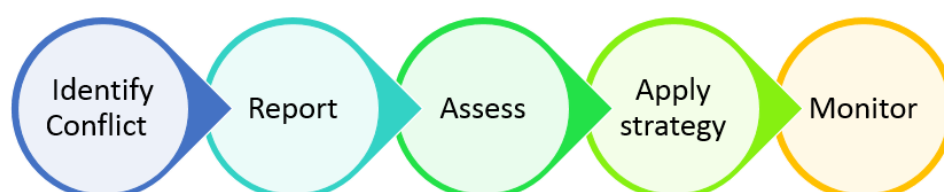
The Conflicts Officer and/or Quality and Risk team regularly assesses each entry and completes a quarterly review of all gifts and entertainment received across the organisation.

2.4 Whistleblowing

While whistleblowing is generally associated with reporting of behaviours that are not in line with expectations around fitness and propriety, it can also be used to report any instance where a director, responsible person or staff member has not appropriately declared a relevant duty or interest in line with this Policy.

Any concerns may be reported to the Chair of the Vision Super Boards, Company Secretary, CEO or by utilising the ‘Your call’ whistleblowing service provided by a third-party service provider. The whistle-blower is also entitled to approach APRA directly with any concerns. The provisions of the whistleblowing program prevent Vision Super or any director, responsible person or staff member from constraining, impeding, restricting or discouraging any person from disclosing information or providing documents relevant to the whistleblowing report.

3 Conflict Management Process



3.1 Identifying conflicts

The identification of conflicts relies on the ability of all directors, responsible persons and staff to be able to recognise a situation where a conflict may arise. Appendix A provides a list of scenarios considered to be a potential source of conflict.

A conflict should be reported regardless of whether it is an **actual** conflict, a **potential** or a **perceived** conflict.

- **Actual** conflicts refer to conflicts that currently exist because a decision has been made or an event has already occurred.
- **Potential** conflicts are identified before the actual conflict materialises. It is often simpler and more effective to put measures in place to avoid the conflict arising, or minimise the impact if it does occur.
- **Perceived** conflicts refer to a situation where a conflict (either actual or potential) may not exist however, there is a perception in the minds of others (internal and/or external to the organisation) that a conflict is present. Failure to manage perceptions can have an impact on the reputation of Vision Super.

The following thresholds should be used to guide directors, responsible persons and staff on whether there is likely to be a significant impact on the capacity of the person to act in the best interests of members:

Interests	<ul style="list-style-type: none"> • Where the interest is a private or public shareholding/investment, 10% of shares on issue/equity interests (whether those shares/equity interests are held directly or indirectly), or • \$500.
Duties	<ul style="list-style-type: none"> • Where the duty involves a directorship or officeholder position at another entity where that entity provides services/products, similar to a service/product provided by Vision Super or operates in the same market as Vision Super.

Gifts and entertainment	<ul style="list-style-type: none"> • All offers must be recorded in the Gifts and Entertainment Register, even if refused (excluding a cup of coffee). • Approval from the CEO or Chair to accept tickets to attend sporting, entertainment or cultural events, regardless of ticket value.
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3.2 Reporting a conflict

3.2.1 Directors and Responsible persons

All directors and responsible persons need to consider whether any conflicts exist through regular declarations, which may include:

- Declarations of interest to be made at the commencement of each Board and Board Committee meeting
- Declarations in relation to gifts and entertainment
- Regular compliance sign offs, and
- Regular declarations regarding personal investments and trading by staff involved in Vision Super's investments, including members of the Investment Committee.

Potential conflicts raised in these forums will be recorded by the Company Secretary and included in the minutes of the Board or Committee meeting. In the event an appropriate solution to manage the conflict cannot be found during the meeting, it will be entered into the Conflicts Register for assessment. In the event the matter is assessed as a 'relevant duty or interest', it will then be disclosed on the Register of Interests and Duties.

Independent verification of all declarations made during the financial year will be completed annually, as part of the compliance testing conducted for the APRA Annual Risk Management Declaration process. Verification will be completed against records available on the ASIC directors and companies register.

3.2.2 Staff

It is the obligation of all staff to advise the Conflicts Officer as soon as they become aware of any circumstance which gives rise to a conflict or potential or perceived conflict, either for them personally, or for any entity within the group.

The Conflicts Officer will record the conflict raised by the staff member on the Conflicts Register. Conflicts relating to staff members who are not responsible persons are not required to be publicly disclosed on the Vision Super website.

Further guidance for staff on how to identify and report a conflict (including the disclosure of gifts and entertainment) is available on the Hub. If there is any uncertainty as to whether an individual or an entity within the Vision Super group faces a conflict on a matter, the Conflicts Officer or the Company Secretary should be consulted. Where necessary, the Conflicts Officer/Company Secretary will arrange for appropriate external advice to be obtained to assist in determining whether there is a conflict or potential conflict, and appropriate management strategies.

3.3 Assess and rate the conflict

There are several strategies that may be adopted to manage a conflict (refer to section 3.4 below). To determine which approach (or combination of approaches) will be most effective, the following factors will be considered:

- The seriousness of the conflict and if it is outside the appetite for risk as articulated in the Risk Appetite Statement
- The likelihood of the conflict impairing the quality or integrity of the decision or service or resulting in members or unit holders being disadvantaged
- The extent to which the conflict may impair the quality or integrity of the decision or service or resulting in members or unit holders being disadvantaged
- The impact on members or unit holders if the conflict does impair the quality or integrity of the decision or service or result in members or unit holders being disadvantaged
- The risk to the reputation of the Vision Super if the conflict is not managed effectively and appropriately
- Whether there are any options for the effective management of the conflict which may, as a matter of practice, be implemented, and
- The cost, administrative issues and commercial implications of implementing effective management approaches, relative to the risk created by the conflict.

Assessing conflicts using the criteria below will assist the Conflicts Officer to apply a risk rating to the conflicts noted in the Conflicts Register to determine the level of monitoring required. All high rated conflicts will be reported to the ARCC, including the strategy selected to manage it.

Rating	Impact on members	Compliance	Reputation
High	The conflict(s) puts the interest of the licensee (or its representatives) ahead of members and cannot be mitigated.	The conflict(s) poses a serious breach of regulation, law, risk appetite or policy that may result in a restriction on the business by the regulator.	The conflict(s) poses a serious threat to reputation if publicly disclosed.
Medium	Some of the conflict's impact on members can be mitigated or controlled, but some impact will remain.	The conflict(s) poses a breach of regulation, law, risk appetite or policy that may result in a sanction or penalty.	The conflict(s) poses a possibility of negative press coverage if publicly disclosed.
Low	The conflict's impact on the interests of members is minimal.	The conflict(s) poses a minor breach of regulation, law, risk appetite or policy that is unlikely to result in a sanction or penalty.	No damage to reputation is likely.

3.4 Apply a strategy to manage the conflict

Various strategies may be used to manage conflicts, and the appropriate approach in each case needs to be determined having regard to the specific circumstances. The three strategies used include disclosure, control and avoidance. One or more of these strategies may be applied to manage a conflict. Appendix A also notes the suggested strategies to be applied for the example scenarios provided:

- **Disclosure**

Certain conflicts can be managed through the clear concise and effective disclosure of the conflict. This involves informing the relevant parties (including, where applicable, members or unit holders, other Board members or other parties to, or persons affected by, a transaction or matter giving rise to the conflict) about the nature of the conflict, with enough detail to indicate how the conflict might affect them. It is preferable that the disclosure should be in writing, it must be given in a timely and effective manner having regard to the recipients and it must not be vague or confusing. Disclosed conflicts are to be captured within the appropriate register. Where disclosure of a conflict is required to members or unit holders, it may be provided through the product disclosure statement, member annual statement or any other form of written communication.

Practical issues may arise where the conflict is in relation to a matter which is commercially sensitive, and this will need to be considered in determining the nature, extent and timing of disclosure.

- **Control**

Some business structures or transactions are such that they inherently give rise to the potential for a conflict of interest. For example, this will generally be the case where there are commercial dealings between related parties or directors who have multiple directorships.

Depending on the nature of such conflicts, it may be possible to control them so that they do not compromise the quality or integrity of decision making, compliance with relevant laws or the services provided to members and unit holders. For example, this is often done using effective information barriers (“Chinese Walls”), which ensure that the interests of each party are considered by separate staff members, and that relevant information is appropriately quarantined.

- **Avoidance**

Avoidance of the conflict will be necessary where there are no available means of managing it appropriately. Avoidance simply means that the circumstances giving rise to conflict must not be allowed to occur. For example, an individual may have to abstain from discussions, a vote or decision.

3.5 Monitor

The Conflicts Register and the Gifts and Entertainment Register are regularly monitored to ensure all matters raised are assessed and managed appropriately. Progress of the strategy employed to manage the conflict will also be considered. Any conflicts that have been given a ‘high’ ranking are to be reported to the ARCC in the Quality and Risk Dashboard.

A quarterly report assessing the Gifts and Entertainment Register is prepared by the Quality and Risk team to identify any trends for specific service providers that may in aggregate, become a source of conflict. Any exceptions will also be raised in the Quality and Risk Dashboard presented to the ARCC.

A modified version of the Register of Interests and Duties is published on the website in accordance with the requirements of SIS Regulation 2.38. In the event a new relevant interest of duty is reported, the Register must be updated and published within 20 days of the event occurring.

3.6 Training

The current version of this policy is available on the Hub for all directors, responsible persons and staff to access.

In addition, the policy will be provided to all new responsible persons and staff and discussed during induction training.

Directors and responsible persons will also participate in an annual refresh of their responsibilities in accordance with this policy to coincide with the annual fit and proper attestations.

A training program for all staff will also be delivered annually to ensure the ongoing awareness of the components of the CMF and this policy, including guidelines for the acceptance and disclosure of gifts and entertainment.

Examples of circumstances that may give rise to conflicts and potential management strategies that may be implemented:

Conflict	Management Mechanism	Management Process
Access to information		
<p>Misuse of Information</p> <p>Employees may also be Fund members and may seek to take advantage of information gained during their employment to switch investment options</p>	Control	<ul style="list-style-type: none"> • Reports of employee investment switches may be obtained for review by the CEO option. • Any evidence of misuse of information would be dealt with by disciplinary action in the absence of a reasonable explanation. • Staff can only complete manual switches and have a 48-hour delay before the switch is actioned. • Staff switches can only be processed by authorised officers.
Investment Management		
<p>Soft Dollar Commissions</p> <p>Equity brokers may rebate commissions to investment managers rather than to the PST. This creates a conflict between the interests of the investment manager and the interests of the PST members, who may be paying higher investment fees.</p>	Control	<ul style="list-style-type: none"> • Internal guidelines stipulate that Vision Super will not allow the use of “soft dollar” arrangements by investment managers. • PSPL’s standard form of Investment Management Agreement does not permit the use of “soft dollar” arrangements.
Service Providers		
<p>Engagement of Auditors</p> <p>The independent judgement of the auditor may be compromised by other relationships between the auditor’s firm and Vision Super.</p>	Avoid	<ul style="list-style-type: none"> • Different audit firms are used for internal and external audit function. • External audit firms are used only for non-audit services in limited circumstances.
Competing Interests		
<p>Decision makers may have a personal interest</p> <p>Directors and employees may have a personal interest in the outcome of a decision or outcome.</p>	Disclose and control	<ul style="list-style-type: none"> • Personal interests must be declared and the person must not take any part in the decision-making process and/or transaction without the consent of the Board.

Conflict	Management Mechanism	Management Process
<p>Decision makers may have conflicting loyalties</p> <p>Directors and employees may have an allegiance to parties other than the Fund members and unit holders and the companies. For example, this can arise where a director is an officer, employee or adviser to another organisation with which Vision Super Group companies may transact or in which they may invest.</p>	Avoid	<ul style="list-style-type: none"> Decisions must only be made in the best interests of Fund members and unit holders. If a decision maker is unable to comply with this requirement, he or she must abstain from participation in the decision.
<p>Joint directorships / management positions</p> <p>Certain directors or executive officers may have roles with various Vision Super Group companies. This creates a potential conflict of duty between the obligations owed to both entities.</p>	Control	<ul style="list-style-type: none"> Where it is necessary for the two companies to deal at arm's length, Directors / officers who have participated in a decision on behalf of one company must not participate in that decision on behalf of the other company. Alternate Directors may need to be appointed in this instance.