

Meat Industry Employees' Superannuation Fund Pty Ltd

Conflicts Management Policy as at 3 June 2016

1. Process for identifying and monitoring conflicts

For the purposes of appropriately identifying conflicts, the Trustee acknowledges that a reference to a 'conflict' is a reference to a conflict:

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

The Trustee's processes and controls for *identifying and monitoring* all potential and actual conflicts are as follows:

Conflicts that arise at the Trustee and responsible person level

- (e) The Trustee identifies and monitors these conflicts through disclosure. As part of its Fit and Proper due diligence process the Fund's administration requires all responsible persons to provide details prior to taking up their appointment, annually and continuously thereafter all duties (ie, directorships and other positions held) and all relevant interests (ie, share holdings and other relevant interests) that may give rise to a potential or actual conflict. These disclosures are updated and maintained on the Register of Relevant Duties and the Register of Relevant Interests (Registers) which is prepared by the Compliance Officer and submitted to each Board and Committee meeting (see procedure in paragraphs 2(a) and 6). Furthermore where a decision is being made that may involve a conflict, these are to be declared and the Board or Committee will determine whether the individual involved is disqualified from the decision making process (see paragraph 3).

- (f) What is a "relevant duty"?

A 'relevant duty' refers to any duty owed by the Trustee or a responsible person to beneficiaries or to any other person that the Trustee may determine to be relevant because it might reasonably be considered to have the potential to have a significant impact on the Trustee's capacity or the responsible person's capacity to act in a manner that is consistent with the best interests of beneficiaries.

The Trustee requires each responsible person to list all of their "duties".

- (g) What is a "relevant interest"?

A 'relevant interest' is 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 may determine to be relevant because it might reasonably be considered to have the potential to have a significant impact on the Trustee's capacity or the responsible person's capacity to act in a manner that is consistent with the best interests of beneficiaries.

In the context of gifts and hospitality (eg. lunches and dinners), the Trustee requires each responsible person to describe the item, date received and estimated value for any item valued at \$50 or more. The Trustee considers that an amount of \$200 or more (for a 'one off' gift or event) and \$600 or more (cumulative annual amount arising from a series of lower value amounts) to be deemed a 'relevant interest' under this Conflicts Management Policy. However, the Trustee or a responsible person will not accept a 'one off' gift or hospitality valued at \$600 or more, unless approved by the Trustee's Administration Committee.

The Trustee requires each responsible person to list the name of shareholdings held directly by themselves or their family or through any controlled holding company or trust.

So far as trading in shares is concerned, directors should advise all trades to the Chairperson of the Board. Other responsible persons should advise their trades to the Fund Manager. This advice may be after the event, unless the responsible person is aware that the Fund currently has an incomplete decision to trade in the same security in which case permission must be sought in advance.

(h) How does the Trustee determine whether a duty or interest is relevant?

The responsible person discloses all duties and all interests. The Trustee will assess the relevance of each particular duty and interest that has been disclosed when the registers are submitted to each Board and Committee meeting by considering the nature of the duty or interest, including whether it is a one-off occurrence or whether it has an ongoing, recurring or cumulative nature.

The Trustee will also assess the relevance of a duty by considering the extent to which the role giving rise to the duty could influence the duties owed by the responsible person to beneficiaries.

The Trustee will also consider, for example, whether the duty or interest has the potential to:

- (i) Cause the Trustee to breach a duty owed to beneficiaries;
- (ii) Impact the Trustee's capacity to act honestly and fairly towards beneficiaries;
- (iii) Cause the Trustee to provide sub optimal benefits to members by using uncompetitive administration, insurance or investment related services;
- (iv) Be perceived that the responsible person is benefiting personally from their role with the Fund at the expense of beneficiaries; or
- (v) Be reasonably considered by beneficiaries as having the potential to create a conflict of duty or interest.

2. Process for avoiding conflicts

The Trustee's controls and processes for *avoiding conflicts* are as follows:

- (a) The Registers are included with the agenda papers for each Board and Committee meeting. The Chairperson asks all responsible persons to confirm they are eligible to hold the positions they hold and to disclose any changes in any relevant duty or interest stated in their entries in the Registers that might reasonably be considered to have the potential to have a significant impact on their capacity to act in a manner that is consistent with the best interests of beneficiaries.
- (b) Where a decision is being made regarding the management of the Fund (eg. investment matters or the letting of a contract) it is a requirement that a responsible person advises the Board or its Committees of any financial interest or relevant duty

connected to the dealings with an entity or an associate of an entity with whom a commercial transaction is about to be undertaken. This would capture situations where the responsible person is a director or a shareholder of the entity that the Fund holds shares in or has dealings with. The Board or Committee members must assess the conflict to determine whether it is so acute or pervasive that it cannot be managed and it must be avoided, e.g., where general law requires it.

The action the Trustee will take to avoid the conflict will depend on the circumstances existing at the time. The Trustee may decide it is necessary or prudent for the responsible person to relinquish the relevant duty (connected to the transaction) to another person, dispose of the financial interest (connected to the transaction) or cease their role with the Trustee.

Please see examples below to illustrate how various conflicts may be avoided:

(i) *Director under actual conflict regarding other directorship held in competitor fund*

If a director of MIESF is also a director of a competitor superannuation fund, the Trustee is of the view that this conflict is so acute and pervasive that there is no option but to avoid the conflict by requiring the director to relinquish the other directorship to another person or cease their role as a director of MIESF.

(ii) *Responsible person found to have received monetary gifts and/or benefits that could reasonably be perceived to be an inducement or bribe from a service provider to the Trustee*

If a responsible person is found to have received monetary gifts and/or benefits that could reasonably be perceived to be an inducement or bribe or the like from a service provider to the Trustee, that person will be required to cease their role with the Trustee.

(iii) *Staff buying and selling securities while the Trustee is trading*

While the Trustee is buying and selling securities for MIESF, activities such as 'front running' is not permitted. This would generally only apply in transactions involving small companies, as the volume of securities bought and sold by the Trustee is unlikely to move the price of securities in large companies. Nevertheless, all relevant staff are reminded to remain out of the market over a period in which the Trustee is buying or selling a particular security.

3. Process for managing conflicts

The Trustee's controls and processes for *managing conflicts* are as follows:

- (a) As soon as the Board becomes aware of a potential conflict in relation to a responsible person, the Board will make a decision as to whether the potential conflict affects the responsible person's capacity to make a decision in the best interests of beneficiaries.
- (b) Should the Board be of the view that the potential conflict affects the responsible person's capacity to make a decision in the best interests of beneficiaries; the Board will take necessary action to manage any potential conflict that is on-going in accordance with the requirements to give priority to the duties to and interests of, beneficiaries in sections 52(2)(d) and 52A(2)(d) of the SIS Act.

The action the Trustee will take to manage any potential conflict will depend on the circumstances existing at the time. The Board or Committee members may decide which one of the following actions should be taken:

- The responsible person is excluded from the relevant part of the meeting;
- The responsible person remains at the relevant part of the meeting but abstains from voting on that agenda item; or

- No action is taken because the conflict is considered insignificant and the Board or Committee is satisfied that the interest or duty should not disqualify the responsible person from attending or voting in respect of that agenda item.

It should be noted that non attendance at a meeting by a responsible person without disclosure of a potential conflict does not address or remove the conflict.

Please see examples below to illustrate how various conflicts may be managed:

(i) *Director under potential conflict regarding outsourced material business activity*

If a director of MIESF is also a director or a material shareholder of a company that is in the process of negotiating a contract with the Trustee for the outsourcing of a Trustee's material business activity, the Board will ensure that all negotiations are strictly carried out at arm's length terms. This includes, requiring the director to refrain from voting and to leave the room when the Board is discussing any matter relating to the contract. Furthermore, to ensure appropriate on-going evaluation of management of the potential conflict, each time the contract is due for renewal, the Board will ensure that the director has absolutely no input in any decision to renew or the negotiation of any term in the contract.

(ii) *Responsible person under potential conflict regarding retention of a gift or hospitality valued at \$600 or more*

If a responsible person is offered a gift or hospitality thought to be valued at \$600 or more, the members of the Trustee's Administration Committee must be advised and they will determine whether the gift or hospitality can be accepted depending on the circumstances.

(iii) *Responsible person is a director of a company having been nominated by the Trustee*

Where a responsible person has been nominated by the Trustee to be a director of a company then discussion of matters concerning that company at a Board or Committee meeting involving the responsible person does not give rise to a conflict of interest under this Conflicts Management Policy.

(iv) *Responsible person is a director of an investment company that the Trustee is looking to invest with or has already invested with*

The Board will ensure that all considerations of the proposed or actual investment are subject to the same scrutiny as other investments, including reviews of performance and fees. The Board will determine which of the actions above will apply whenever a meeting considers this investment.

(v) *Responsible person having a personal relationship with a principal or owner of a potential service provider*

The responsible person should discuss the situation with the Board's Chairperson to determine what action to take and what disclosure is needed.

(vi) *Responsible person is a member of the Fund*

The Board has determined that a responsible person being a member of the Fund does not generally give rise to a conflict of interest under this Conflicts Management Policy.

4. Process for responsive action in the event of conflict

The Trustee's controls and processes for ensuring appropriate action is taken in the event of a

conflict arising, including on-going evaluation of management of the conflict and provision for escalation or alternative action if required are as follows:

- (a) As stated in paragraph 3(b), once the Board is of the view that a conflict exists, it will take necessary action, in light of the circumstances, to manage the conflict and if necessary, manage any potential conflict that is on-going. The management of the conflict will be reviewed at every Board meeting where the conflict is relevant. Alternative treatment of the conflict will be determined by the Trustee where appropriate.

5. Process for recording conflicts in Board minutes

The Trustee's controls and processes for *recording in the minutes of Board, board committee and other relevant meetings details of each conflict identified and the action taken to avoid or manage the conflict* are as follows:

- (a) At each meeting of the Board and its Committees, the Chairperson will invite all attendees to disclose details of any potential or actual conflict and the appropriate action that was taken in response. These details will be recorded by the staff member taking the minutes.
- (b) Should the details of a potential or actual conflict be disclosed, however appropriate action has not yet been undertaken, the Board and its Committees will agree on an appropriate course of action. These details will be recorded by the staff member taking the minutes.
- (c) For the avoidance of doubt, both the Board and its Committees will be responsible for recording the details of any potential or actual conflict and the appropriate action that was or will be taken in response.

6. Controls and processes for development and maintenance of Registers

The Compliance Officer is responsible for the development and maintenance of the Registers annually, following each Board and Committee meeting and on an ad-hoc basis.

(a) *Annually*

- (i) The Compliance Officer will provide a Responsible Person Declaration of Duties & Interests to each responsible person to complete and return to the Compliance Officer annually.
- (ii) After receiving a completed and signed Responsible Person Declaration of Duties & Interests from each responsible person, the Compliance Officer will review the duties for accuracy and completeness against independent regulatory registers and then update the Registers and provide the up-to-date Registers to the Board at the next Board meeting.
- (iii) The Board will consider the content of the Registers at each Board meeting and decide what further action to take pursuant to paragraphs 2 and 3.

(b) *Following each Board and Committee meeting*

- (i) Should a responsible person disclose under paragraph 2(a) any change in any relevant duty or interest stated in their entries in the Registers, the Compliance Officer will update the Registers, and the updated Registers will be included with the agenda papers for each Board and Committee meeting.
- (ii) The Board or Committee will consider the content of the Registers at each Board or Committee meeting and decide what further action to take pursuant to paragraphs 2 and 3.

- (iii) The Board will assess at each board meeting which duties and interests are actually relevant and hence will be included on the publicly disclosed Register of Relevant Duties and Register of Relevant Interests. Regulation 2.38 of the Superannuation Industry (Supervision) Regulations 1994 requires the public disclosure of a trustee's register of relevant duties and register of relevant interests.

(c) *Ad-hoc*

- (i) Once a responsible person becomes aware of any change in any relevant duty or interest stated in their entries in the Registers, they will report to the Compliance Officer who will update the Registers, and the updated Registers will be included with the agenda papers for each Board and Committee meeting.
- (ii) The Board will consider the content of the Registers at each Board meeting and decide what further action to take pursuant to paragraphs 2 and 3.

7. Process for enquiry into conflicts regarding service providers

The Trustee's processes for *undertaking regular and thorough enquiry to identify all conflicts arising from the Trustee's relationship or the relationship of a responsible person with an existing or prospective service provider or adviser* are as follows:

- (a) When each responsible person completes their Responsible Person Declaration of Duties & Interests in accordance with paragraph 6, they must ensure that all relevant duties and interests in respect of their relationship (if any) or the Trustee's relationship (if any) with existing or prospective service providers or advisers are disclosed.
- (b) When completing a Responsible Person Declaration of Duties & Interests each responsible person must include the details of the duty by making an assessment of their functions and the kinds of decisions they make in both roles and the impact these decisions may have on the business operations of both entities. Similarly, each responsible person must include details of the interest including the source and description of the interest.

8. Process when director is appointed to the Board

- (a) As noted in paragraph 1(e), each director will be provided prior to being appointed as a director, a copy of this Conflicts Management Policy so that they are aware of the Trustee's controls and processes for identifying, assessing, mitigating, managing and monitoring all conflicts. Each newly incoming director will also have to complete a Responsible Person Declaration of Duties & Interests.
- (b) At the newly appointed director's first Board meeting the Board will emphasise the importance of the Conflicts Management Policy, including making the director aware that, due to the strong possibility of a conflict as a result of being nominated by an employer or union, the director must adopt a diligent attitude when disclosing relevant duties and interests and avoiding or managing any actual or perceived conflict between the interests of beneficiaries and the interests of the director's nominating employer or union.

9. Privacy requirements

The operation of the Conflicts Management Policy will result in all responsible persons and potentially other Fund staff, being aware of other responsible persons' private arrangements and it is emphasised that this information is never to be disclosed except to responsible persons of the Fund and except as required by law.