

PostSuper Pty Ltd  
as Trustee of the  
Australia Post Superannuation Scheme

**CONFLICTS MANAGEMENT POLICY AND FRAMEWORK**

Accountable Executive:	Head of APSS Governance & Risk
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## 1. Introduction

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This document describes the Conflicts Management Policy and Framework for PostSuper Pty Ltd (the **Trustee**) as trustee for the Australia Post Superannuation Scheme (**APSS**) (the **Policy**).

The Trustee is required to have a Conflicts Management Framework (**Framework**), approved by the Board, to ensure that the Trustee:

- identifies all potential and actual conflicts in the Trustee's business operations; and
- takes all reasonable practicable actions to ensure that they are avoided or prudently managed.

The Trustee considers that the Framework is appropriate to the size, business mix and complexity of the Trustee's business operations. This Policy forms part of the Trustee's overall Framework, which consists of the totality of systems, structures, policies, processes and controls within the Trustee that identify, assess, mitigate, manage and monitor all conflicts. The documentation forming part of the Framework includes:

- this Policy;
- the Governance Framework Document;
- the APSS Register of Relevant Interests and Relevant Duties;
- the Directors Standing Notice of Personal Interests;
- the Fit and Proper Policy;
- the Outsourcing Policy; and
- the Whistleblower Policy.

The Trustee Board is ultimately responsible for the development and maintenance of the Framework.

The Trustee Board must take all reasonable steps to ensure that all Responsible Persons and Staff clearly understand:

- the need to identify all potential conflicts;
- the circumstances that might give rise to a conflict;
- the content and purpose of the Trustee's Framework; and
- their obligations, where applicable, as a Responsible Person.

The Trustee considers that an effective Framework is one that mitigates and manages the risk that a conflict may result in the Trustee acting improperly to the detriment of its beneficiaries and which mitigates and manages the risk that the Trustee may be perceived to have acted improperly, which may affect the reputation of its business operations. In preparing this Policy, the Trustee Directors have had regard to the requirements of the legislation and the expectations of the regulator, APRA, in relation to the timeliness and effectiveness of conflict management. These obligations and expectations are outlined within APRA Prudential Standard SPS 521 Conflicts of Interest (**SPS 521**).

## 2. Superannuation Industry (Supervision) Act 1993

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The general covenants of the *Superannuation Industry (Supervision) Act 1993 (SIS Act)* (Section 52(2)(d) and Section 52A(2)(d)) require that, where there is a conflict between the duties of the trustee/director to the beneficiaries, or the interests of the beneficiaries, and the duties of the trustee/director to any other person or the interests of the trustee/director or an associate of the trustee/director, the Trustee will:

- give priority to the duties to and interests of the beneficiaries over the duties to and the interests of other persons;
- ensure that the duties to the beneficiaries are met despite the conflict;
- ensure that the interests of the beneficiaries are not adversely affected by the conflict; and
- comply with the prudential standards in relation to conflicts.

Additional requirements in relation to conflicts management are stipulated by APRA in SPS 521. The key requirements of SPS 521 include the need to:

- develop, implement and review a conflicts management policy that is approved by the Board;
- identify all relevant duties and relevant interests; and
- develop and publicly disclose registers of relevant duties and relevant interests.

## 3. Definitions

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### Conflict

SPS 521 provides that a reference to a 'conflict' is a reference to a conflict:

- 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;
- between the interests of beneficiaries and the duties owed by the Trustee, or a Responsible Person of the Trustee, to any other person;
- between a relevant interest of the Trustee, an associate of the Trustee or a Responsible Person of or an employee of the Trustee and the Trustee's duties to beneficiaries; and
- between a relevant interest of the Trustee, an associate of the Trustee or a Responsible Person of the Trustee, or an employee of the Trustee and the interests of beneficiaries.

A director's duty to avoid conflicts of interest arises under the *Corporations Act 2001* (Cth) (**Corporations Act**) and at common law, and reflects the special position a director holds in a corporation.

Each Responsible Person of the Trustee is also subject to the same duty to avoid conflicts of interest or duties that result from their position at the Trustee.

For the purposes of this Policy, some examples of conflicts of interests or duties include circumstances where a person's duty to the Trustee may conflict with a personal interest or with a separate duty the Director owes to another corporation or organisation.

The duty arises even when the conflict does not cause the Trustee to suffer loss or the Director does not make any profit from the conflict and requires a Director to give full and frank disclosure of the nature of a conflict as opposed to merely abstaining from voting on the matter.

In general terms, a conflict arises where the Trustee or a Responsible Person has a personal interest in a matter under consideration or the person owes a duty to another, which duty may influence or affect a decision in relation to a matter under consideration.

This Policy requires that any person who has a conflict must identify and declare the conflict and unless he or she can determine the matter under consideration can satisfy the duties to give priority to the interests of the beneficiaries and the Trustee in priority to those other interests or duties, subject to this Policy he or she must be excluded from consideration of and decision in relation to the matter under consideration.

For further details regarding Director's duties regarding conflicts, see the Annexure to this Policy.

### **Staff**

References to Staff in the Policy refers to the staff employed by Australia Post responsible for managing the APSS.

### **APSS Management**

APSS Management refers to the following management roles within the APSS:

- General Manager / CEO, Superannuation
- Head of APSS Finance and Operations
- Head of APSS Member Services
- Head of APSS Investments
- Head of APSS Governance and Risk

### **Associate**

'Associate' has the same meaning as section 12 of the SIS Act which defines 'associate' by reference to Division 2 of Part 1.2 of the Corporations Act. For example this would include, but is not limited to:

- an immediate family member of a Responsible Person or a Staff member;
- a related body corporate of PostSuper Pty Ltd;
- a person in partnership with a Responsible Person or Staff member; and
- a director of a company of which a Responsible Person or a Staff member is also a director.

### **Responsible Persons**

The Responsible Persons of the Trustee and the APSS comprise:

- (a) each Trustee Director;
- (b) the Actuary;
- (c) the Approved Auditor;
- (d) the Internal Auditor;
- (e) the Company Secretary of PostSuper;
- (f) the Chief Executive Officer (CEO) of PostSuper;
- (g) the persons who are from time to time employed by Australia Post in the following 'senior manager' positions:

- (i) General Manager, Superannuation;
- (ii) Head of APSS Governance and Risk;
- (iii) Head of APSS Finance and Operations;
- (iv) Head of APSS Member Services; and
- (v) Head of APSS Investments.

## **4. Responsibility for this Policy**

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### **4.1 Trustee**

The Trustee has primary responsibility for this Policy, including approving the Policy and ensuring it is implemented by the Trustee.

### **4.2 Responsible Persons and Staff**

The Head of APSS Governance and Risk has responsibility to ensure that all Responsible Persons and Staff are aware of the need to adhere to this Policy in the day to day operations of the Trustee.

## **5. Implementation of the Policy**

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The Chairman will have responsibility for monitoring Directors' compliance with this Policy.

The Head of APSS Governance and Risk will have responsibility for monitoring compliance with this Policy by Responsible Persons and Staff.

The Company Secretary will have responsibility for maintaining the Register of Relevant Duties and Register of Relevant Interests for Directors and Staff.

All new Directors and Staff will be provided with a copy of this Policy.

The mechanisms that would generally be used to manage conflicts of interest and duties are:

- identifying and controlling conflicts of interest and duties via regular and thorough inquiry;
- avoiding conflicts of interest and duties;
- disclosing and managing conflicts of interest and duties; and
- ensuring that appropriate action is taken in the event of a conflict arising, including ongoing management of the conflict and escalation to an independent party if deemed necessary by the Trustee.

The conflicts management obligation does not prohibit all conflicts of interest. Rather, the conflicts management obligation requires that all conflicts of interest be adequately managed. Many conflicts of interest can be managed by a combination of:

- internal controls; and
- disclosures.

However, some conflicts (particularly conflicts of duties) cannot be managed in this way. Where conflicts cannot be adequately managed through controls and disclosure, the person with the conflict must avoid the conflict. That is, they must be excluded from any action or decision in relation to the matter involving the conflict.

To control conflicts, the Trustee must:

- identify the conflicts relating to their business;
- assess and evaluate those conflicts; and
- decide upon, and implement, an appropriate response to those conflicts.

To be adequate, conflicts management arrangements must successfully identify conflicts of interest and duties and control the effects of the conflict.

## **6. Conflicts Management Methodology to be Applied for Directors and Responsible Persons**

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The following conflicts management methodology will be applied:

### **(a) Identifying and monitoring all potential and actual conflicts**

The Chairman, with the assistance of the Company Secretary, will seek to identify on an ongoing basis circumstances where there are potential or actual conflicts of interest or duties in matters coming before the Trustee and any Trustee Committee.

Examples of factors that could be relevant in the assessment of whether a conflict exists includes, but are not limited to:

- whether commercial terms and arrangements exist;
- the Responsible Person's delegation and/or role and duties;
- the dealings between the service provider and the APSS;
- the impact of the relevant interests and duties on Beneficiaries;
- the likelihood of or extent to which the relevant interests and duties may harm the quality and integrity of APSS benefits to members; and
- the risk of APSS's reputation if the relevant interests and duties are not effectively managed.

In making the above assessments to identify conflicts, the Trustee will also include in the scope a regular and thorough review of arrangements with service providers, both existing and prospective, as needed in order to determine if any conflicts arise from the relationship of the Trustee (or of a Responsible Person or Staff) with a service provider. Further details on arrangements with service providers are detailed in the Outsourcing Policy.

Once a conflict or potential conflict of interest or duties has been identified, a record of the conflict will be maintained by the Company Secretary in the Register of Relevant Interests or Register of Relevant Duties (as appropriate). The recorded conflict will then be monitored on a regular basis (i.e. at least annually) and reassessed as necessary to ensure that the conflict is being managed in an appropriate manner.

### **(b) Avoiding conflicts**

In certain circumstances, conflicts are to be avoided (if the law requires so) or where the Trustee so decides that a conflict should be avoided as a mechanism for resolving a conflict. This may require a person to relinquish a duty to another person, dispose of an interest or cease their role with the Trustee.

If a conflict has been identified as needing to be avoided, or one that has been decided to be avoided, then a record of the conflict and the reason for avoiding the conflict will be maintained by the Company Secretary.

Where a conflict is to be avoided by a person (a conflicted person), that conflicted person must be excluded from discussion or decision in relation to the relevant matter.

In circumstances where the Chairman decides that it is in the interests of beneficiaries that, by reason of the conflicted person's knowledge or experience in the matter under consideration, the conflicted person may participate in discussion concerning the matter but be excluded from any decision concerning the relevant matter.

**(c) Giving priority to the duties to, and interests of, beneficiaries**

In all considerations of any interests, duties and conflicts, the Trustee will ensure priority is given to the duties to, and interests of, beneficiaries. This priority is a fundamental aspect of the conflicts management methodology adopted by the Trustee and is evidenced within the various policies and procedures that have been detailed in this Policy document.

**(d) Taking appropriate action in managing conflicts**

For each possible conflict of interest or duties identified with respect to matters coming before the Trustee and any Trustee Committee, there shall be an assessment by the Chairman of the potential impact of that matter. Each conflict of interest or duty will then be reported to the:

- Trustee and will be recorded in the Minutes; or
- Applicable Trustee Committee and recorded in the Minutes of the Committee.

The reported conflict of interest or duty will also be recorded in the Register of Relevant Interests or Register of Relevant Duties (as appropriate).

For any conflict of interest or duties identified with respect to matters being dealt with by APSS Management or Staff, there shall be an assessment by the Head of APSS Governance and Risk of the potential impact of the matter and it will be reported to the Trustee and recorded in the Register of Relevant Interests or Register of Relevant Duties (as appropriate).

The Trustee will ensure that pursuant to this Policy, appropriate ongoing action and evaluation in relation to the conflict be undertaken by APSS Management. Where necessary, this will include escalating an issue to the Trustee or determining alternative action to be taken if a conflict could be managed in a more effective manner.

**(e) Record keeping**

All conflicts or conflicts of interest or duties details will be recorded in the Minutes of the Trustee, Trustee Committee or other relevant meeting at the time they are first notified and to conclusion. The minutes are to reflect the details of each conflict that has been identified and also the action that is being taken to avoid or manage the identified conflict. The Company Secretary has responsibility for ensuring the relevant records are maintained.

**(f) Register of Relevant Interests & Register of Relevant Duties**

The Company Secretary will be responsible for maintaining details of conflicts within the Register of Relevant Interests and Register of Relevant Duties and keeping these up to date on a regular basis.

To assist in ensuring the accuracy of the registers for new personnel, any Responsible Person appointed to the Trustee must disclose all relevant duties and relevant interests to the Company Secretary prior to the person taking up the appointment. If necessary, disclosure of the relevant duties and relevant interests will also be made to the Trustee for consideration prior to making an appointment.

### ***Register of Relevant Interests***

This register will include details of all identified relevant interests. 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 or non-pecuniary, directly or indirectly held by the Trustee, the associate or the Responsible Person that the Trustee has determined to be relevant.

Under this Policy, the threshold for reporting gifts, emoluments or benefits (including entertainment) is \$100 per item per person.

The Register of Relevant Interests will include a description of the interest and the consideration given to the effect of the interest and particulars of details in managing the conflict associated with the interest.

### ***Register of Relevant Duties***

This register will include details of all identified relevant duties. A relevant duty refers to any duty owed by the Trustee, or a Responsible Person of the Trustee, to beneficiaries or to any other person. This may include directorships of multiple RSE licensees.

In determining whether a relevant duty or relevant interest exists, the Trustee will consider whether the relevant duty or relevant interest in question might reasonably be considered to have the potential to have a significant impact on the capacity of the Trustee (or any associate or Responsible Person of the Trustee) to act in a manner that is consistent with the best interests of beneficiaries.

## **7. Review, Monitoring & Ongoing Disclosure**

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This Policy (together with the Trustee's Framework more generally) will be reviewed annually by the Company Secretary. The annual review will cover at a minimum the ongoing monitoring processes and controls focused on potential and actual conflicts as well as broader compliance with the Framework across the entirety of the Trustee's business operations. The results of the annual review will be reported by the Company Secretary to the Trustee Board.

Further, the appropriateness, effectiveness and adequacy of this Policy (together with the Trustee's Framework more generally) will be comprehensively reviewed by an operationally independent, appropriately trained and competent person once every three years. The scope of the comprehensive review of the Trustee's Framework should 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 RSE licensee operates.

At a minimum, the comprehensive review of the Framework must consider:

- (a) whether all relevant duties and all relevant interests have been identified and are being addressed in accordance with the RSE licensee'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.

## **8. Reporting Staff Non-Compliance**

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On becoming aware of non-compliance with this Policy, the Company Secretary will promptly inform the Chair who will consider the impact of non-compliance and either initiate or ratify corrective action.

Non-compliance is to be reported at the next Audit, Risk and Compliance Committee meeting and, if considered material, also at the next Trustee meeting.

## **9. Formal Trustee Reporting**

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With respect to Directors, the Chair (with assistance from the Company Secretary, as required) will:

- confirm to the Trustee that they have made due inquiry and determined that this Policy has been effectively implemented; and
- report any conflicts to the Trustee and any action as appropriate taken under this Policy to effectively deal with those conflicts of interest and duties.

## **10. Director's Disclosure of Conflict of Interest**

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Declarations of interests and personal interests shall be a standing agenda item at the commencement of Trustee and Trustee Committee meetings.

Where there is an agenda item in which a Director of the Trustee (other than the Chair) has either a direct or indirect interest, the Director shall advise the other Trustee members and unless the Chair otherwise determines that the Director's participation is in the interests of the Trustee and/or the beneficiaries of the APSS, the Director(s) shall retire from the meeting while that matter is being considered. If the Chair has either a direct or indirect interest in an agenda item, the Chair shall retire from the meeting while that matter is being considered, unless otherwise determined by the other Directors.

Unless otherwise determined by the other Directors, a Director shall not participate in any decision in relation to a matter where a conflict of interest has been declared or identified. The Chair will monitor discussion during a Trustee meeting as to the need for any declaration of interest by a Director.

## **11. Directors Annual Certification**

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Each Director will complete and provide to the Company Secretary a declaration on conflict of interest disclosures. The declaration is called the '*Directors Standing Notice of Personal Interests*' and is sent to Directors on an annual basis as part of their fit and proper assessments.

## **12. Disclosure of a Conflict by Staff**

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This Policy applies to Staff (including APSS Management). Staff must declare any conflict to the Company Secretary immediately upon becoming aware of any conflict of interest or duty. If a person is in doubt that any matter is a conflict of interest, he or she should speak to the Company Secretary.

## **13. Retention of Records**

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An up-to-date Register of Relevant Duties and Register of Relevant Interests is to be kept by the Company Secretary. Such registers are to be maintained in soft copy and will be updated on the APSS website within 20 business days of the end of the quarter in which the change occurred. A hard copy will be provided on request to relevant persons. The Company Secretary will have responsibility for recording all conflicts of interests and relevant duties as soon as identified.

Records are to be maintained for seven years from creation as to:

- conflicts identified and any action taken;
- any reports generated regarding conflicts matters, and
- any copies of written conflicts disclosures given to clients or to the general public.

The Company Secretary will be responsible for ensuring that the website is updated to include at a minimum, a summary of the updated Trustee approved Policy as soon as practicable and in any event no later than 20 business days after the approval of the updated Policy.

## **14. Awareness of this Policy**

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All new Staff are to be provided with a copy of this Policy as part of their induction and be provided with access to the Policies and Procedures directory on the Trustee's system. Individual managers are to ensure adherence to this Policy by Staff. On an annual basis, all Staff are required to certify that they have complied with this Policy.

Following review of this Policy, Staff will be required to certify that they have read this Policy.

The Company Secretary will ensure that there is periodic training on this Policy from time to time as appropriate and when the Policy is materially modified.

## Annexure

### 1. Overview of Directors' Obligations Regarding Conflicts

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#### 1.1 Fiduciary Duties

As company directors, the Trustee Directors (and other responsible officers) owe fiduciary duties to the Trustee. Because the Trustee is the trustee of the APSS, the Trustee owes statutory and general law fiduciary duties to members and beneficiaries of the APSS.

Fiduciary powers or duties must be exercised honestly and in the best interests of those in relation to whom the duty is owed. A person who exercises a fiduciary power or duty must not:

- (a) be influenced by improper or irrelevant considerations;
- (b) put his or her own interests or the interests of others ahead of the interests of the person to whom the fiduciary duty is owed (conflict of interest rule);
- (c) put the duty he or she owes to another ahead of the interests of the person to whom the fiduciary duty is owed (conflict of duty rule); or
- (d) profit from his or her role as a fiduciary except as expressly provided (no profit rule).

These duties require the Trustee Directors not to put themselves in a position where their own interests and duties conflict or may possibly conflict with their duties as Trustee Directors.

Each Trustee Director must also exercise reasonable care and diligence to ensure that the Trustee carries out the statutory covenants set out in the SIS Act. These covenants include ensuring that the Trustee's duties and powers are performed in the best interests of APSS members and beneficiaries and not doing anything to prevent or hinder the Trustee from properly carrying out its functions and powers.

In addition, the SIS Act deems the governing rules of the APSS to include covenants to be observed by each Director of the Trustee. These covenants are in similar terms to the covenants imposed in relation to the Trustee by section 52 of the SIS Act.

As required by the SIS Act, the Trustee Board has a representative structure comprising three Employer Representative Directors being nominated by Australia Post (as the principal employer sponsor of the APSS) and three Member Representative Directors being appointed by each of the CEPU, CPSU and ACTU. The seventh Director is the Independent Director appointed by the Directors in office at the time of appointment.

The fact that a Trustee Director was nominated by an appointing organisation does not of itself give rise to any duty or obligation to that nominating organisation, but the Director may owe duties or obligations to their nominating organisation arising out of an employment relationship or holding office as a director or responsible officer of the nominating organisation.

Accordingly, there are potentially inherent conflicts enshrined in the SIS representative structure requirements. In this context, APRA sees such conflicts as an issue which can often be managed by Trustee Directors, rather than necessarily disqualifying Directors from undertaking the role or participating in decision-making processes involving particular matters. APRA has also stated that it considers the existence of an Independent Director is a mechanism for assisting with the

management of conflicts. However, this does not mean that the no conflict fiduciary rules have no application to the Trustee and its Directors.

Under general law, company directors and other responsible officers must not improperly use their position for their own personal benefit or for the benefit of any other person. The Corporations Act (section 182) provides that a director or other officer or employee of a company must not improperly use their position to gain an advantage for themselves or someone else or cause detriment to the company.

In addition, the Corporations Act sets out certain requirements for Directors who have 'material personal interests' in matters affecting the Trustee or the APSS:

- (a) Section 191 requires a Director of a proprietary company to disclose to the other Directors any material personal interest in a matter that relates to the affairs of the company, unless the interest falls within one of a list of stated exceptions.
- (b) The disclosure must be made by either:
  - (i) giving a notice to a Directors' Meeting as soon as practicable after the Director becomes aware of their interest in the matter, stating the nature and extent of the interest and its relation to the affairs of the company; or
  - (ii) giving to a Directors' Meeting or to the other Directors individually in writing a Standing Notice containing details of the nature and extent of the interest.

## **1.2 Guidance for Directors**

Because of the representative structure of the Trustee Board (as required by the SIS Act), potential conflicts can arise from time to time when there is divergence in relation to a particular matter between:

- (a) the interests of the Trustee or the best interests of the members and beneficiaries of the APSS; and
- (b) the interests of Australia Post (as the principal employer sponsor) or one of the other nominating organisations.

For example, such divergences may arise in relation to the level of employer contributions to be made to the APSS, the investment of the Employer Sub-Fund, Australia Post's role or performance as the Key Delegate, the application of any actuarial surplus in the APSS or benefit changes and/or amendments to the APSS Trust Deed.

In addition, potential conflicts may arise where a Director has a personal interest in a matter that affects the Trustee or the APSS and is called upon to make a decision in his or her capacity as a Director in relation to that matter in a context where there is a divergence between the Director's personal interest and his or her fiduciary duties as a Trustee Director.

A Director should carefully consider disqualifying himself or herself from discussion of, and voting on, a matter that is for discussion at a Meeting where:

- (a) the Director has a 'material personal interest' that relates to the matter for discussion at the Meeting; or
- (b) based on an honest assessment, the Director does not believe that he or she is in a position to disregard another duty, interest or obligation in order to properly consider and

participate in voting on the Trustee's or Committee's decision-making in relation to the matter in the best interests of the members and beneficiaries of the APSS.