

# conflicts management framework and policy summary

## H.E.S.T. Australia Ltd

October 2017

H.E.S.T. Australia Ltd's Conflicts Management Policy ('Policy') outlines how the Trustee identifies and manages any conflicts that may arise for H.E.S.T. Australia Ltd ('Trustee') and Health Employees Superannuation Trust Australia ('HESTA' or 'Fund').

The purpose of this document is to provide a summary of the Policy. The framework and procedures within the Policy aim to ensure the Trustee prudently manages conflicts in a manner that both meets its obligations under the law as well as best practice standards of corporate governance. The Policy applies to the Trustee's relevant persons and staff members and, as relevant, to the Trustee's service providers.

### Legal Obligations

The Trustee is obligated by various sources of law to ensure it effectively identifies and manages conflicts that arise during its management of the Fund and provision of financial services. These areas of law include the:

- *Corporations Act 2001*(Cth) ("Corporations Act")
- *Superannuation Industry (Supervision) Act 1993* (Cth) ("SIS Act")
- *Superannuation Industry (Supervision) Regulations 1993* (Cth) ("SIS Regs")
- *Tax Agent Services Act 2009* ("TASA")
- Superannuation Prudential Standard SPS 521 - Conflicts of Interest ("SPS 521"), and related Superannuation Prudential Standards ("SPS"):
  - SPS 231 – Outsourcing
  - SPS 520 – Fit & Proper
  - SPS 510 – Governance
  - SPS 250 – Insurance in Superannuation
  - SPS 220 – Risk Management

- general law
- relevant provisions of the Trustee’s Constitution

In particular, sections 52 and 52A of the SIS Act impose covenants on the Trustee and its Directors to ensure that where a conflict arises in relation to itself and the beneficiaries of the Fund, “priority to the duties to and interests of the beneficiaries” must be given over those of any other persons. These obligations further give rise to the need for the Trustee to ensure it has in place a robust framework by which it deals with conflicts.

The Board is ultimately responsible for the development of and adherence to this Policy, and assesses its effectiveness as changes in circumstances or law arise.

### **Conflicts Management Framework**

The Trustee approaches conflicts management by way of applying the following measures:

- Identification
- Disclosure
- Control
- Avoidance

These measures are incorporated by way of the conflicts framework which consists of the totality of systems, structures, policies, processes and controls within the Trustee’s operations that go to identifying, assessing, mitigating, managing and monitoring all conflicts. The current framework is illustrated by the following diagram:

# Legal Obligations

## Board Responsibility / Governance

### POLICIES & PROCEDURES

Governance Framework

Governance and Remuneration Committee (GRC) Terms of Reference and Delegation

Conflicts Management Policy

Code of Conduct for Directors and Trustee staff members

Fit and Proper Policy

Securities Trading and Investment Switching Policy

### PROCESSES & CONTROLS

Identification and monitoring of all relevant duties and interests:

- Appointment process for incoming Responsible Persons (complies with Fit and Proper Policy)
- Annual declarations (Fit and Proper) by Responsible Persons
- Ongoing Directors declarations in Board meetings
- Interests/Duties/Gift register monitoring & reporting
- Outsourcing arrangements

### TRUSTEE COMPANY

- Board
- CEO
- Company Secretary & General Counsel
- Executive Team
- Other Trustee staff

### BUSINESS UNITS

- Office of the CEO
- Investment Strategy
- Investment Execution
- Operations
- Finance and Risk
- Administration and Insurance
- People and Culture
- Marketing and Communications
- Member Advice
- Engagement Strategy



Implement, monitor, review facilitated by online Risk and Compliance Management Tool.

Continuously evolve and improve

Not all conflicts will impact the capacity of Directors or Trustee staff members to act in the best interests of beneficiaries of the Fund. As such this Policy is intended to identify and assess conflicts and provide a process for how they should be best managed.