



Australian Government

Commonwealth Superannuation Corporation

Conflicts Management Policy Summary



Commonwealth
Superannuation
Corporation

Commonwealth Superannuation Corporation (CSC) has implemented a conflicts management policy and framework to identify, disclose, manage, monitor and avoid conflicts in accordance with regulatory obligations.

Governing Requirements

CSC manages conflicts of interest in accordance with the Australian Prudential Regulation Authority's (APRA) *Prudential Standard SPS 521 Conflicts of Interest*, the *Corporations Act 2001*, the *Superannuation Industry (Supervision) Act 1993 (SIS Act)*, the *Public Governance, Performance and Accountability Act 2013* and the *Governance of Australian Government Superannuation Schemes Act 2011*. Guidance material such as *APRA Prudential Practice Guide SPG 521 – Conflicts of Interest, Regulatory Guide 181 Licensing: managing conflicts of interest* issued by the Australian Securities and Investments Commission, and guidance material issued by the Association of Superannuation Funds of Australia Limited has also been considered.

Policy Application

The policy applies to all CSC directors, responsible persons and staff. Responsible persons are defined as those that are responsible for the management and oversight of the superannuation funds. A Responsible Person is any of the following:

- a director of CSC;
- a senior manager of CSC;
- an approved auditor appointed to conduct any CSC audit or audit of any of its entities;
- an actuary appointed by CSC;
- a secretary of CSC; and
- a person who performs activities for CSC's entities which could materially affect the whole, or a substantial part, of CSC's business operations, or its financial standing, either directly or indirectly.

Conflicts, Interests and Duties

Interest refers to any interest, gift, emolument or benefit, whether pecuniary or non-pecuniary and whether directly or indirectly held.

Duties refers to any duty owed by CSC, or a responsible person of CSC, to customers or to any other person.

a **Relevant Duty** refers to any duty owed by CSC, or a responsible person of CSC, to customers or to any other person that might reasonably be considered to have the potential to have a significant impact on the capacity of the RSE licensee, the associate of the RSE licensee or the

responsible person with the relevant duty or holding the relevant interest, to act in a manner that is consistent with the best interests of customers.¹

a **Relevant Interest** is any interest, gift, emolument or benefit, whether pecuniary or non-pecuniary and whether directly or indirectly held, which might reasonably be considered to have the potential to have a significant impact on the capacity of CSC, or the person with the relevant interest, to act in a manner that is consistent with the best interests of CSC's customers.²

SPS 521 identifies various forms of conflict that can occur. It distinguishes between duties and interests as being:

- between the duties owed by CSC, or a responsible person of CSC, to CSC customers and the duties owed by them to any other person;
- between the interests of CSC customers and the duties owed by CSC, or a responsible person of CSC, to any other person;
- between an interest of CSC, an associate of CSC, a responsible person or an employee of CSC and CSC's duties to CSC's customers; or
- between an interest of CSC, an associate of CSC, a responsible person or an employee of CSC and the interests of CSC's customers.

A conflict may be actual, potential or perceived, as follows:

- An actual conflict involves a direct conflict between an individual's responsibilities to CSC, its customers and a competing interest or duty, whether personal or involving a third-party.
- A potential conflict arises where an individual's interest or duty, whether individually or involving a third-party, could but does not currently, conflict with responsibilities to CSC, its customers in the future.
- A perceived conflict of interest occurs where it could reasonably be perceived that a competing personal interest or duty could improperly influence the fulfilment of an individual's responsibilities to CSC, its customers.

Conflicts Management

Best interest of customers: When managing conflicts, CSC gives priority to the duties and interests of customers in accordance with the SIS Act.

Conflicts management: Conflicts are managed by CSC through disclosure, using management and monitoring tools and avoidance. For example, directors are asked to declare any conflicts prior to their appointment, to update relevant interests or duties at every board meeting and to declare and manage any relevant interests. CSC's Register of Duties and Interests is available on the CSC website. Staff obligations include declaring any conflicts of interest prior to commencing employment with CSC and on an ongoing basis, and declaring any gifts and other interests.

¹As defined by SPS 521 at [6(a) and 16]

² As defined by SPS 521 at [6(b) and 16].

Principles in relation to gifts and hospitality: CSC understands that gifts and hospitality may create a conflict of interest or the perception of one. All directors, other responsible persons and staff must not offer or receive gifts or hospitality that create or appear to create an obligation, affect impartiality, or inappropriately influence a decision involving CSC or its customers. Bribes, facilitation payments, inducements and commissions must not be accepted or provided under any circumstance.

Avoidance of conflicts: Directors, other responsible persons and staff should avoid placing themselves in situations where conflicts may result. The first preference for managing conflicts is to avoid them. This is best exemplified in the case of conflicted remuneration. CSC does not allow any form of conflicted remuneration. Director remuneration is set by the Remuneration Tribunal and staff, including CSC financial planners, are paid by salary and any variable remuneration is not related to advice about the schemes.

Where a conflict cannot be avoided, it must be managed so that CSC always acts in the best interests of its customer so that the interests of customer prevail.

Management and monitoring tools: CSC has developed tools, including registers, policy statements and internal procedures that guide its practices, to identify, manage and monitor actual, potential or perceived conflicts of interest and duty that might arise in the course of its business.

Review

A comprehensive review that meets the requirements specified by APRA in SPS 521 will be conducted at least every three years. In addition to the comprehensive review, the Board Governance Committee will, on an annual basis, review the Conflicts Management Framework and report the result of this review to the Board.