



**STATE SUPER**  
SAS Trustee Corporation

# Conflicts Management Policy

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Version 4.1

26 April 2018

*(Operational Review: 6 July 2021)*

# Conflicts Management Policy

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## Policy Control Information

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## Revision History

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| Version 4.1    | General Counsel    | RACC<br><i>(Noted the results of an operational review on 6 July 2021. Minor changes to the Policy will be made when the Policy is fully reviewed)</i> | RACC<br>Date: 6 July 2021  |
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| Version 1      | General Counsel    | RACC and HRNC  | STC Board<br>Date: 29 May 2013<br><i>(Updated on 31 July 2013 to delete duplication with Trading &amp; Sensitive Information Policy, reference to Embargo in Schedule 1)</i> |

## 1. Introduction

- (a) This Conflicts Management Policy (**Policy**) documents the controls and processes that are in place for:
- (i) acceptance of gifts, entertainment and other benefits;
  - (ii) identifying and monitoring actual and potential conflicts;
  - (iii) avoiding conflicts where required to do so;
  - (iv) where there is a conflict, managing that conflict, and ensuring that the conflict is managed to give priority to the duties to, and interests of, beneficiaries;
  - (v) ensuring that 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;
  - (vi) ensuring no Responsible Person or Staff or their family or related associate benefits or appears to benefit from any transaction in which STC makes a decision;
  - (vii) prohibiting a Responsible Person or Staff from approving or voting on a conflicted matter, except where permitted to do so under the *Superannuation Administration Act 1996* (NSW) (**SA Act**);
  - (viii) disclosure of conflicts;
  - (ix) recording details of conflicts identified and the actions taken to avoid or manage the conflict; and
  - (x) implementing processes for the development and maintenance of STC's Register of Relevant Duties and Register of Relevant Interests.
- (b) This Policy also documents STC's processes for undertaking regular and thorough enquiry to identify all conflicts arising for Representatives.

## 2. Definitions

The following terms have the following meanings:

- (a) **“Board”** means the Board of SAS Trustee Corporation.
- (b) **“Board Members”** means the members of the Board.
- (c) **“Committee”** means any committee established by the Board from time to time and includes, the:
  - (i) Investment Committee;
  - (ii) Risk, Audit and Compliance Committee;
  - (iii) Human Resources and Nomination Committee; and
  - (iv) Member Services Committee.

- (d) **“Conflict of duty”** means where a person owes a duty to two different parties and those interests conflict or there is a real sensible possibility that the interests of those parties will conflict.
- (e) **“Conflict of interest”** means where a person has or there is a real sensible possibility that the person may have a material personal interest in a matter that is in conflict with the interests of another party to whom the person owes a duty.
- (f) **“Relevant Duty”** means a duty owed by STC or by a Responsible Person or Staff to beneficiaries of the STC schemes or to any other person, and STC has determined to be relevant.
- (g) **“Relevant Interest”** means any interest, gift, remuneration or benefit, whether pecuniary or non-pecuniary, directly or indirectly held by STC, an Associate<sup>1</sup> of STC or a Responsible Person or Staff, and STC has determined to be relevant.
- (h) **“Representative”** means any of the following:
  - (i) STC;
  - (ii) each Responsible Person of STC; and
  - (iii) each Staff member.
- (i) **“Responsible Person”** means any of the following:
  - (i) the Chief Executive Officer (**CEO**)
  - (ii) a Board Member;
  - (iii) the company secretary of STC;
  - (iv) a Senior Manager of STC;
  - (v) an auditor who is appointed by STC to conduct any audit of STC or the STC schemes and includes the Auditor-General of New South Wales;
  - (vi) an actuary who is appointed to perform an actuarial function in relation to any of the STC schemes; and
  - (vii) a person who performs activities for an entity which is associated with STC where those activities could materially affect, either directly or indirectly, the whole or a substantial part of STC’s business activities or financial standing.
- (j) A **“Senior Manager”** is a person (other than a Board Member) who reports directly to the Chief Executive Officer, or currently occupies the role of the General Manager, Asset Allocation.
- (k) The persons considered to be Responsible Persons in relation to STC are listed in the

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<sup>1</sup> Associate has the meaning in the *Corporations Act 2001* (Cth). Relevantly, in relation to STC, it includes a Board Member and the Company Secretary of STC, any related body corporate of STC and a director and Company Secretary of such a related body corporate.

Fit and Proper Policy.

- (l) “**Staff**” includes all employees, secondees, contractors or temporary employees of the STC Staff Agency or STC other than a Responsible Person.
- (m) “**STC**” means SAS Trustee Corporation.
- (n) “**STC schemes**” means the superannuation schemes established under the following legislation:
  - (i) *Police Regulation (Superannuation) Act 1906 (PRS Act)*
  - (ii) *Superannuation Act 1916 (SS Act)*
  - (iii) *State Authorities Superannuation Act 1987 (SAS Act)*
  - (iv) *State Authorities Non-contributory Superannuation Act 1987 (SANCS Act)*

### 3. Scope of this Policy

#### 3.1 Commencement of this Policy

This Policy commenced on 26 April 2018.

#### 3.2 Who does this Policy apply to?

- (a) This Policy applies to each Representative.
- (b) All Representatives must be aware of their obligation to appropriately manage conflicts and to comply with this Policy.
- (c) Representatives should avoid conflicts of interests and duties but where avoidance is not possible the conflict should be managed. Disclosure of a conflict of interest or duty is not of itself sufficient to manage the conflict, unless expressly provided for in this Policy.
- (d) The Board regularly conducts reviews of the fitness and propriety of its Responsible Persons in accordance with its Fit and Proper Policy. A Responsible Person's ability to appropriately manage conflicts and his or her past record, in this regard is relevant to the determination of whether a person is fit and proper to act in the relevant role.

#### 3.3 STC's Conflicts Management Framework

- (a) STC has implemented a conflicts management framework (**Conflicts Framework**) so that STC can identify potential and actual conflicts in STC's business operations and takes all reasonably practicable actions to ensure that they are avoided or prudently managed. The Conflicts Framework is appropriate to the size, business mix and complexity of STC's business operations and has been approved by the Board.

- (b) The Conflicts Framework is the totality of systems, structures, policies, processes and controls within STC's business operations that identify, assess, mitigate, manage and monitor all conflicts. This Policy forms part of the Conflicts Framework. The Board is ultimately responsible for the development and maintenance of STC's Conflicts Framework.
- (c) The Conflicts Framework is expected to mitigate and manage the risk that:
  - (i) a conflict may result in STC acting improperly to the detriment of its beneficiaries; and
  - (ii) STC may be perceived to have acted improperly, which may affect the reputation of its business operations.
- (d) The Board must take all reasonable steps to ensure that all Responsible Persons and other Staff clearly understand:
  - (i) the need to identify all potential conflicts;
  - (ii) the circumstances that might give rise to a conflict;
  - (iii) the content and purpose of STC's Conflicts Framework; and
  - (iv) their obligations, where applicable, as a Responsible Person.

## 4. What is a conflict?

Broadly, the term 'conflict' may refer to either a conflict of duty and duty (called a **conflict of duties**) or a conflict of interest and duty (called a **conflict of interest**).

### 4.1 Conflicts of duties

- (a) A conflict of duties may arise where a person owes a duty to two different parties and there is a real sensible possibility that the interests of those parties will conflict.
- (b) Under general law, a person who owes a duty to two parties must take care not to find themselves in a position where there is an actual conflict of duty so that the person cannot fulfil his or her obligations to one principal without failing his or her obligations to the other.
- (c) In APRA Prudential Standard SPS 521 *Conflicts of Interest (SPS 521)*, APRA identifies the following conflicts, which are essentially examples of a conflict of duties:
  - (i) a conflict between the duties owed by STC or a Responsible Person to beneficiaries and the duties owed by them to any other person;

- (ii) a conflict between the interests of beneficiaries and the duties owed by STC or a Responsible Person to any other person.
- (d) For example, a Board Member's duty to avoid conflicts of duties would arise if there was a conflict, or a potential conflict, between the Board Member's duty to act in good faith and with care and diligence in the best interests of STC and a corresponding duty, in the same circumstances, to act in good faith and with care and diligence in the best interests of another company of which he or she is a director.
- (e) Where a conflict of duty arises, the conflicted person cannot fulfil the duties owed to both parties because the interests of the parties conflict. A conflict of duties cannot be 'cured' through disclosure and must be avoided. For the avoidance of doubt, at the Board level this can be achieved through delegation by both sides<sup>2</sup> of all deliberations and decision making on the matters giving rise to the conflict to board committees which, in each case, exclude the conflicted Board Member. In the case of STC such delegation is generally permitted under section 77 of the SA Act and therefore will not involve a failure by the relevant Board Member to discharge their duty to STC<sup>3</sup>. Other appropriate mechanisms may be available.

#### 4.2 Conflicts of interests

- (a) A conflict of interest may arise where a person has (or there is a real sensible possibility that the person may have) a material personal interest in a matter that is in conflict with the interests of another party to whom the person owes a duty.
- (b) In SPS 521, APRA identifies the following conflicts, which are essentially examples of a conflict of interests:
  - (i) a conflict between an interest of STC, an Associate of STC, a Responsible Person or Staff and STC's duties to beneficiaries;
  - (ii) a conflict between an interest of STC, an Associate of STC, a Responsible Person or Staff and the interests of beneficiaries.
- (c) Typical situations where a conflict of interest might arise for STC include:
  - (i) where a Board Member of STC has an interest in the outcome of a

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<sup>2</sup> The effectiveness of measures taken on the non-STC side are a matter for the Board Member concerned and not for STC, provided that the Board Member confirms to STC that he or she will not make available to the other entity any confidential information or act against STC's interests.

<sup>3</sup> The Board Member concerned would need to confirm that this approach is also available in relation to the other organisation to which he or she owes duties.

- proposal which Board is asked to consider and approve; or
  - (ii) where a Representative has an interest in the outcome of an exercise of a delegated authority to the Representative.
- (d) Generally speaking, the SA Act requires Board Members to avoid conflicts of interests.
- (e) For all other Representatives, where the conflict is unavoidable, the conflict may be managed by favouring the duties to and interests of the beneficiaries of the STC schemes over the duties owed to, and interests of, other persons (including STC).

## 5. Trading and Sensitive Information

Responsible Persons and Staff must comply with the Trading and Sensitive Information Policy.

## 6. Gifts and other benefits

### 6.1 The acceptance of gifts or benefits

- (a) Representatives must not accept gifts or benefits that could place them under an actual or perceived financial or moral obligation to other organisations or individuals. Additionally, they must not also solicit any gifts or benefits or hospitality.
- (b) Gifts and benefits are broad-ranging and may include but are not limited to conferences, tours, entertainment, bottles of wine, football tickets or meals.

### 6.2 Approval requirements

- (a) Gifts and other benefits:
  - (i) with an estimated value of \$300 or more; or
  - (ii) with an estimated cumulative value of at least \$300 in any 3 consecutive calendar months from one single entity or related group;are considered to be substantial gifts or benefits, and to the extent practicable must be approved by the CEO or the Chair before acceptance. If a substantial gift or benefit is accepted without prior approval, then the CEO or Chair (as applicable) must be notified and will determine what (if any) further action is required. Gifts and other benefits below \$300 are considered to be token gifts or benefits and approval is not required.
- (b) The following table summarises the rules for acceptance of substantial gifts

and token gifts:

| Type of gift                          | Can be accepted where:  |
|---------------------------------------|---|
| <b>Substantial gifts and benefits</b> | The recipient is satisfied that his or her position will not in any way be compromised or appear to be compromised by acceptance<br><br>AND<br>the CEO or the Chair of the Board has approved the receipt of the gift or benefit. |
| <b>Token gifts and benefits</b>       | The recipient is satisfied that his or her position will not in any way be compromised or appear to be compromised by acceptance  |

- (c) However, before any gift or benefit is accepted, the potential recipient must satisfy themselves that his or her position will not in any way be compromised or appear to be compromised by acceptance having regard to the following factors:
- (i) gifts or benefits must not be accepted where the receipt or expectation of which might in any way tend to compromise, or appear to influence, the recipient in his or her official capacity;
  - (ii) situations should be avoided in which the appearance may be created that any person or body, through the provision of hospitality or benefits of any kind, is securing, or attempting to secure, the influence or favour of the recipient;
  - (iii) all reasonable steps should be taken to ensure that spouses and children of Representatives are not the recipients of benefits that could give the appearance of an indirect attempt to secure the influence or favour of the Representative.
  - (iv) the relationship of the Board, Staff and STC to the donor; (v) the primary business of the donor;
  - (vi) the likelihood of further contact with the donor;
  - (vii) whether the donor has been appointed as a service provider or is a potential service provider;
  - (viii) the possible adverse consequence to interests or reputation of the Board, STC and Staff, the Government or the State, which may result from the acceptance or refusal of a gift;
  - (ix) the type of gift or benefit, if any, which in the context or the operations of STC can be seen as inconsequential or trivial.
- (d) Where any substantial gift or benefit or a potential bribe is directly or indirectly

made, Representatives must report the facts at the first opportunity to the CEO, and Board Members and the CEO should report the facts at the first opportunity to the Chair. The Chair will report the facts to the Board.

### **6.3 Disclosure requirements relating to gifts and other benefits**

- (a) Any substantial gifts or benefits as defined in section 6.2 above that have been accepted must be reported to the Compliance Manager who will record the gift or benefit on STC's Gifts Register, a copy of which is annexed hereto as Attachment A.
- (b) Token gifts or benefits as outlined in section 6.2 above should be reported to the Compliance Manager for the purpose of monitoring the cumulative value in any 3 consecutive calendar months from one single entity or related group.
- (c) The person receiving the gift or benefit must also assess whether the gift or benefit constitutes a Relevant Interest and, if so, disclose the gift or benefit as a Relevant Interest in accordance with section 11 below.

## **7. Identifying conflicts**

### **7.1 Board**

- (a) STC must ensure that it identifies all potential and actual conflicts in STC's business operations and takes all reasonably practicable actions to ensure that they are avoided or prudently managed.
- (b) Further, the Board must take all reasonable steps to ensure that all Representatives clearly understand:
  - (i) the need to identify all potential conflicts;
  - (ii) the circumstances that might give rise to a conflict;
  - (iii) the content and purpose of STC's conflict management framework; and
  - (iv) in the case of a Responsible Person – their obligations as a Responsible Person of STC.
- (c) To achieve the above, the Board has approved this Policy together with the Fit & Proper Policy, the Trading and Sensitive Information Policy and the Code of Conduct. Upon recruitment and induction all Responsible Persons are required to acquaint themselves with these policies. Section 9 of this Policy requires Representatives to provide declarations in regard to conflicts as a prerequisite to initial employment and as on-going condition of employment.
- (d) As part of the initial and ongoing conflicts awareness and training that Board

Members will undergo, Board Members will be made aware of the possibility of a conflict between the interests of beneficiaries and the interests of the nominating or appointing body (as the case may be) of Board Members, as well as the importance of complying with this Policy.

## 7.2 Representatives

- (a) All Representatives are required to disclose all Relevant Duties and Relevant Interests (see section 11 below), as well as any actual or potential conflicts (of interest or duty), prior to taking up the appointment.
- (b) Further, each Representative must disclose, in accordance with this Policy, all Relevant Duties and Relevant Interests, as well as any actual or potential conflicts (of interest or duty) as and when they arise.
- (c) The following list of events are examples that may present a conflict for a Representative:
  - (i) Where a Representative holds an interest (eg. a shareholding) in, or has a duty to (eg. as a director), a service provider appointed by STC.
  - (ii) Where a Representative is also a senior manager of a participating employer and the Representative is involved in decision which may have a material impact on the employer.
  - (iii) Where a Representative has investments in a company and that Company is appearing before or is being considered by the Investment Committee.
  - (iv) Where a Representative has a close personal relationship with a potential beneficiary in relation to a hurt on duty pension, death or invalidity claim.
  - (v) Where a Representative may benefit from a decision in which he or she is involved either directly, or indirectly (eg. because the Representative's personal circumstances are similar or identical to the matter being discussed).
  - (vi) Where a Representative takes advantage of an investment or business opportunity for their own (or a related party's) personal gain through access to unpublished or confidential information.
- (d) The above list provides examples where a conflict could arise and is by no means a complete list. It would be impossible for an exhaustive list to be provided due to the many individual factors and circumstances of each

Representative.

## 8. Management of conflicts

### 8.1 All conflicts of duty must be avoided

- (a) As noted in section 4.1(d) above, where an actual or potential conflict of duties arises, the conflict must be avoided and cannot be managed through disclosure or other means. Ceasing to have duties to both sides is the only manner in which a conflict of duty is managed.
- (b) Where a Representative has a conflict or potential conflict of duty, it is important to appreciate that abstaining oneself from involvement in both sides of the transaction and decision making allows for the remaining Representatives to make the decision without the transaction and decision being tainted; however, care must be taken to ensure the Representative with the actual or potential conflict does not fail to discharge their duty to either side (e.g. STC and a service provider).

### 8.2 Significant conflicts of interest must be avoided

Significant conflicts of interest must be avoided: a conflict of interest cannot be managed through disclosure or other means where the conflict is so significant that it would not be possible for the conflicted person to act impartially and consistently with the duties owed to beneficiaries of the STC schemes.

### 8.3 Other conflicts of interest may be managed by disclosure

Other conflicts of interest can be managed through disclosure if it is possible for the conflicted person to act impartially and consistently with the duties owed to beneficiaries of the STC schemes.

## 9. Process for the management of conflicts

### 9.1 Board Members

- (a) In the event of a Board Member becoming aware of a conflict in relation to a matter to be discussed by the Board, the Board Member should, at the time the matter is first raised at the meeting<sup>4</sup>:
  - (i) advise the other Board Members of the existence of the conflict or potential conflict; and

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<sup>4</sup> This process reflects the requirements for Board Members to disclose pecuniary interests in Schedule 2 of the *Superannuation Administration Act 1996* (NSW).

- (ii) provide sufficient detail about the circumstances relating to the conflict to enable the other Board Members to understand the potential impact of the conflict on STC, including details of:
    - (A) any membership of or employment by a specified company;
    - (B) any partnership with or employment by a specified person; or
    - (C) some other specified interest relating to a specified company or other body or to a specified person.
- (b) After a Board Member has disclosed the nature of any conflict of interest in any matter, except where the conflict arises merely because the Board Member is a contributor to an STC scheme, the SA Act prohibits the member from, unless the Board otherwise determines:
  - (i) being present during any deliberation of the Board with respect to the matter; or
  - (ii) taking part in any decision of the Board with respect to the matter.
- (c) Further, the Board Member must not:
  - (i) be present during any deliberation by; or
  - (ii) take part in the making,by the Board of the determination referred to in section 9.1(b).
- (d) Subject to section 9.1(b) and section 9.1(c) the Board may determine:
  - (i) that the Board Member should be authorised to continue his or her duties in the area, because, for example, the potential for conflict is minimal; or
  - (ii) that the Board Member should be requested to divest himself or herself of the interest or to take such other action as is seen to be appropriate under the circumstances.
- (e) The conflicted Board Member must not be present during any such deliberation or take part in the making of such a decision referred to in sections 9.1(b), (c) or (d). The Chair of the Board (or the Board Member designated as Chair for that meeting) may take external advice on any matter as they consider necessary.
- (f) Any conflicts or potential conflicts raised at a Board meeting must be recorded by the Board in a book kept for the purpose and that book must be open at all reasonable hours to inspection by any person on payment of the fee (if any) determined by the Board.

## 9.2 Committee Members

- (a) In the event of a Committee Member becoming aware of a conflict in relation to a matter to be discussed by the Committee, the Committee Member should, at the time the matter is first raised at the meeting<sup>5</sup>:
  - (i) advise the other Committee Members of the existence of the conflict or potential conflict; and
  - (ii) provide sufficient detail about the circumstances relating to the conflict to enable the other Committee Members to understand the potential impact of the conflict on STC, including details of:
    - (A) any membership of or employment by a specified company;
    - (B) any partnership with or employment by a specified person; or
    - (C) some other specified interest relating to a specified company or other body or to a specified person.
- (b) After a Committee Member has disclosed the nature of any conflict of interest in any matter, except where the conflict arises merely because the Committee Member is a contributor to an STC scheme, the Committee member should not, unless the Committee otherwise determines:
  - (i) be present during any deliberation of the Committee with respect to the matter; or
  - (ii) take part in any decision of the Committee with respect to the matter.
- (c) Further, the Committee Member must not:
  - (i) be present during any deliberation; or
  - (ii) take part in the making,
 by the Committee of the determination referred to in section 9.2(b).
- (d) Subject to section 9.2(b) and section 9.2(c) the Committee may determine:
  - (i) that the Committee Member should be authorised to continue his or her duties in the area, because, for example, the potential for conflict is minimal; or
  - (ii) that the Committee Member should be requested to divest himself or herself of the interest or to take such other action as is seen to be appropriate under the circumstances.

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<sup>5</sup> This process reflects the requirements for Board Members to disclose pecuniary interests in Schedule 2 of the *Superannuation Administration Act 1996* (NSW).

- (e) The conflicted Committee Member must not be present during any such deliberation or take part in the making of such a decision referred to in sections 9.2(b), (c) or (d). The Chair of the Committee (or the designated Chair) may take external advice on any matter as they consider necessary.
- (f) Any conflicts or potential conflicts raised at a Committee meeting must be recorded by the Committee in a book kept for the purpose and that book must be open at all reasonable hours to inspection by any person on payment of the fee (if any) determined by the Committee.
- (g) Any conflicts or potential conflicts raised at a Committee meeting must be recorded in the Committee minutes, together with the actions taken. The relevant Committee Member must raise the conflict at the next Board meeting attended by the member<sup>6</sup>, and the Chair of the Committee must report on the conflict and the actions taken at the next Board meeting.

### **9.3 Representatives (excluding Board Members)**

- (a) In the event of a Representative (excluding Board Members) becoming aware of a conflict in relation to any matter relating to STC the Representative must immediately:
  - (i) advise the Chair, CEO or General Counsel (as detailed in the table in section 9.6 below) of the existence of the conflict or potential conflict; and
  - (ii) provide sufficient detail about the circumstances relating to the conflict to enable the Chair, CEO or General Counsel (as applicable) to understand the potential impact of the conflict on STC, including details of:
    - (A) any membership of or employment by a specified company;
    - (B) any partnership with or employment by a specified person; or
    - (C) some other specified interest relating to a specified company or other body or to a specified person.
- (b) Where the party to whom the conflict is disclosed (the Chair, CEO or General Counsel, as applicable) forms the view that:
  - (i) the conflicted person has a duty to avoid the conflict, then the Representative (excluding Board Members) may be required to stand aside from the transaction, matter or circumstances that have given rise to the actual or possible conflict; or

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<sup>6</sup> The Investment Committee may include non-Board Members accordingly in that instance the Committee Chair must disclose the relevant conflict to the Board on and detail the action that was taken.

- (ii) a conflict cannot be adequately managed through disclosure or other means, that party will determine what additional steps must be taken in order to manage the conflict. These steps may include (without limitation):
  - (A) having regard to the risk of conflicts arising when appointing persons to roles or assigning responsibilities – for example, the Board may take into account the potential for conflicts to arise in appointing a person to act in a particular role or to be a member of a Board Committee, or may assign tasks to the Staff that is less likely to find themselves in a position of conflict;
  - (B) ongoing monitoring and reporting of conflicts – in particular, trustee and Responsible Person conflicts are recorded on the Register of Relevant Duties and Register of Relevant Interests (in accordance with section 11 of this Policy), which are each tabled at each meeting of the Board;
  - (C) seeking advice from an independent expert to assess the viability of a proposal that is the subject of a conflict.
- (c) Where the actuary that acts for STC also acts for an employer-sponsor of STC, the actuary may be in a situation where it has a potential or actual conflict. In such circumstances, STC will consider the appropriateness of the actuary continuing to act for both parties and, in the event of the actuary continuing to act for both parties; STC will require the actuary to:
  - (i) provide STC with a copy of the actuary's conflicts policy and review it at least annually; and
  - (ii) provide STC with the declarations set out in section 12.1(a) of this Policy.

#### **9.4 Timing of disclosure of interest and duties**

- (a) Board Members must table at the first Board meeting they attend a statement of all financial or other interests which may potentially be a Relevant Interest and all positions and duties owed which may potentially be a Relevant Duty. Board Members must table details of any changes to interests and duties at the Board meeting following any such change and must give annual declarations in accordance with section 9.7 below.
- (b) Responsible Persons and Staff must lodge with the Compliance Manager a statement of all financial or other interests which may potentially be a Relevant Interest and all positions and duties owed which may potentially be

a Relevant Duty on appointment and as soon as practicable following any such change and must give annual declarations in accordance with section 9.7 below.

### 9.5 Form of disclosure

Disclosure of conflicts must be timely, prominent and sufficiently detailed to ensure that the nature of the conflict is fully understood. Disclosure may be provided orally at a Board or Committee meeting, in which case a written record of the disclosure must be kept in the minutes of the meeting. In all other circumstances, disclosure of conflicts must be provided in writing.

### 9.6 Reporting Table

All actual or potential conflicts must be disclosed to the following:

| <b>Conflicted Person</b>   | <b>Must disclose conflict to:</b> |
|--|-----------------------------------|
| Chair of the Board (or a candidate proposed to be appointed as Chair)  | Board                             |
| Board Member (other than the Chair) (or a candidate proposed to be appointed as a Board Member)                    | Chair of Board or Board           |
| CEO (or a candidate proposed to be appointed as CEO)   | Chair of Board                    |
| Responsible Person other than a Board Member or the CEO (or a candidate proposed to be appointed to such position) | CEO                               |
| Staff who is not a Responsible Person  | General Counsel or CEO            |

\* All disclosures will need to be reported to the Compliance Manager, either directly or through the minutes.

### 9.7 Declarations

- (a) All Board Members are required to complete a statutory declaration as a pre- condition to their first attendance at a Board meeting. The statutory declaration includes relevant declarations and disclosures in relation to any conflicts of interest or duty relevant to their appointment as a member of the Board.
- (b) Once a year, all Board Members will review the declaration made in paragraph (a) above and if the declaration:
  - (i) remains true, sign a declaration attesting that the declaration made in paragraph (a) above remains true; or

- (ii) needs to be updated to incorporate disclosures made through the year, execute a revised declaration.
- (c) Members of the Risk, Audit and Compliance Committee are also required to comply with NSW Treasury requirements that apply to Audit Committees of public authorities and should refer to the Risk, Audit and Compliance Charter.
- (d) All Staff must complete a prescribed statutory declaration as a pre-condition to their appointment at STC. The statutory declaration includes relevant declarations and disclosures in relation to any conflicts of interest or duty relevant to their appointment as a Representative.
- (e) Once a year, all Staff will review the declaration made in paragraph (d) above and if the declaration:
  - (i) remains true, sign a declaration attesting that the declaration made in paragraph (d) above remains true
  - (ii) needs to be updated to incorporate disclosures made through the year, execute a revised declaration.
- (f) STC will obtain annual declarations from auditors and actuaries who are Responsible Persons regarding interests, duties and conflicts.

## 10. Breach of Policy

- (a) Any breach of this Policy must be immediately notified to the Compliance Manager. Breaches of this Policy must be managed in accordance with STC's Risk Management Strategy.
- (b) Action may be taken against any Representative intentionally involved in a contravention of this Policy, including:
  - (i) removing from office or position giving rise to the person's position as a Representative;
  - (ii) if relevant, re-assessment of qualification for performance-based remuneration; and
  - (iii) termination of employment.

## 11. Registers

### 11.1 Matters to be disclosed in the Registers

- (a) STC maintains:
  - (i) a Gifts Register (See Attachment A);

- (ii) a Register of Relevant Duties and a Register of Relevant Interests for Staff who are not Responsible Persons (See Attachment B);
  - (iii) a Register of Relevant Duties and a Register of Relevant Interests for Responsible Persons<sup>7</sup> (See Attachment C); and
- (b) for these purposes:
- (i) a Relevant Duty is a duty owed by a Representative to beneficiaries of the STC schemes or to any other person; and
  - (ii) a Relevant Interest is any interest, gift, remuneration or benefit, whether pecuniary or non-pecuniary, directly or indirectly held by a Representative or, an Associate of STC,
- that STC has determined to be relevant.
- (c) Relevant Duties must be disclosed in the Register of Relevant Duties as they are identified in accordance with this Policy.
  - (d) Relevant Interests must be disclosed in the Register of Relevant Interests as they are identified in accordance with this Policy.
  - (e) As soon as practicable after being disclosed, the Compliance Manager must record them as Relevant Interests and Relevant Duties in the applicable register.
  - (f) The Registers of Relevant Duties and Registers of Relevant Interests must each be updated at least annually by the Compliance Manager to remove matters which are no longer deemed relevant. Matters that were identified more than 12 months ago are to be removed from the relevant Register, except in circumstances where the Compliance Manager is of the view that the matter remains relevant.
  - (g) The Registers maintained for Responsible Persons shall be tabled at each Board meeting.

## **11.2 Determining whether an interest or duty is relevant**

- (a) Responsible Persons and Staff are required to disclose all Relevant Interests and Relevant Duties to the person identified in the table in section 9.6 above and to the Compliance Manager. A Relevant Duty or Relevant Interest is a duty or interest that can reasonably be considered to have the potential to have a significant impact on the capacity of a Representative or an Associate of STC with the Relevant Duty or Relevant Interest, to act in a manner that is

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<sup>7</sup> These registers will be made public.

consistent with the best interests of beneficiaries.

- (b) STC applies the test of relevance in three steps, as follows:
  - (i) excluding all gifts and entertainment below a certain threshold;
  - (ii) excluding certain types of remuneration; and
  - (iii) assessing whether the remaining types of interests, and any duties, are inconsistent with the best interests of beneficiaries.
- (c) **Step 1 – Excluding gifts and entertainment below the threshold:** STC considers that gifts and entertainment below the threshold referred to in section 6.3(a) are not sufficiently material to reasonably be considered to have the potential impact described above and, therefore, are **not** ‘relevant’ for the purposes of disclosure on the Register of Relevant Interests.
- (d) Gifts or entertainment that do not constitute substantial gifts (see section 6 above) are excluded. This includes smaller amounts held or received from the same source which taken together or cumulatively over any three consecutive calendar months amount to less than \$300.
- (e) **Step 2 – Excluding certain remuneration:** STC considers that salary and wages received from STC and fees paid for sitting on the Board of STC are not sufficiently material to reasonably be considered to have the potential impact described above and, therefore, are not relevant for the purposes of disclosing them on the Register of Relevant Interests.
- (f) **Step 3: Assessing the remaining types of interests and the duties:** For the remaining types of interests and for duties, the relevance of the interest or duty must be assessed having regard to a number of factors, including but not limited to:
  - (i) 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;
  - (ii) the role of the person in receipt of the interest or subject to the duty;
  - (iii) the extent to which the person in receipt of the interest or subject to the duty is responsible for making decisions which could potentially be influenced by, or could be regarded as potentially being influenced by, the provision of the interest;
  - (iv) the potential impact on the capacity of the person to make an unbiased decision following receipt of the interest or being subject to

- the duty and to give priority to the duties owed to beneficiaries; and
- (v) the extent to which disclosure is desirable to demonstrate the robustness of STC's processes, having regard to industry best practice.

## 12. Service provider conflicts

### 12.1 Identification of conflicts in relation to service provider or adviser

- (a) As part of the due diligence process conducted prior to appointing a service provider or adviser, and then (if you are a material service provider, an auditor or the scheme actuary or an investment manager) on an annual basis after the appointment, STC requires each of those service providers and advisers to declare:
  - (i) all relevant actual or potential conflicts of duty or interest to which they are aware, including those conflicts that have the potential to affect the service provider's or adviser's (as applicable) performance in respect of the obligations undertaken for STC's business operations;
  - (ii) the action taken to avoid or manage each such conflict; and
  - (iii) where STC reasonably believes it is appropriate, that they are willing to comply with this Policy.
- (b) Conflicts arising from the relationship of a Representative with a service provider or adviser may arise in a range of different circumstances, such as conflicts arising from arrangements with associated entities or from arrangements where individuals may receive direct or indirect benefits as a result of the existing arrangements. Benefits received as a result of the arrangement may be financial or non-financial, and may include the right to a controlling interest or to a Board, committee or management position in respect of STC or another entity including a service provider.
- (c) STC will consider and take into account any actual or potential conflicts of interest between a Representative and the service provider or adviser that may have impacted, or may impact, on STC's monitoring of the service provider or adviser.

### 12.2 Conflicts policy of material service provider

Where STC has appointed a service provider to perform a material business activity, the service provider must:

- (a) have a conflicts policy in place in relation to conflicts which have the

- potential to affect the service provider's performance in respect of the obligations undertaken for STC's business operations; and
- (b) ensure that its conflicts policy is reviewed at least annually.

### 13. Roles and Responsibilities

Roles and responsibilities defined by this Policy are set out in the following table:

|                    |   |
|--------------------|---|
| Board              | <ul style="list-style-type: none"> <li>Review and approve this Policy.</li> <li>Monitor the effectiveness of this Policy in addressing risks associated with Conflicts.</li> <li>Assess conflicts reported by the Chair or Board Members.</li> </ul>  |
| Chair              | <ul style="list-style-type: none"> <li>Assess conflicts reported by Board Members or the CEO.</li> </ul>  |
| CEO                | <ul style="list-style-type: none"> <li>Assess conflicts reported by Responsible Persons.</li> </ul>   |
| Representatives    | <ul style="list-style-type: none"> <li>Awareness of the requirements of this Policy.</li> <li>Identify Conflicts of Duty and Conflicts of Interest as they arise and report them as per the reporting Table at section 9.6.</li> </ul>  |
| General Counsel    | <ul style="list-style-type: none"> <li>Assess conflicts reported by Staff who are not Responsible Persons.</li> <li>Ensure relevant duties and relevant interests are recorded in the Register of Relevant Duties or Register of Relevant Interests (as applicable).</li> <li>Oversee the development of action plans to address conflicts that are capable of being managed.</li> <li>Oversee the implementation of any action plans required in respect of conflicts.</li> <li>Oversee the review of this Policy in accordance with section 17</li> </ul> |
| Compliance Manager | <ul style="list-style-type: none"> <li>.</li> <li>Monitor any conditions prescribed by Board, its committees or the General Counsel in respect of a relevant conflict of interest, to ensure that they are complied with.</li> <li>Monitor compliance with this Policy.</li> <li>Provide reporting to the Risk, Audit and Compliance Committee on a quarterly basis regarding compliance with this Policy.</li> <li>Maintain the Register of Relevant Interests and Register of Relevant Duties and present the Registers at each board meeting.</li> </ul> |

### 14. Record keeping

- (a) STC requires a record of the following to be kept in accordance with the State Records Act 1998 (NSW):

- (i) conflicts identified and actions taken;
  - (ii) any reports given to the Board or an STC Committee about conflicts matters;
  - (iii) all communications with a Chair, the CEO or General Counsel about conflict of interest matters; and
  - (iv) copies of written conflicts disclosures given to members (eg. on the STC website).
- (b) Documents and records may be kept in paper form or electronically.
- (c) The Company Secretary shall also record in the minutes of the Board each conflict identified and the action taken to avoid or manage that conflict.

## 15. Monitoring

This Policy is owned by the General Counsel, with Risk and Compliance monitoring compliance with the Policy and the Conflicts Framework and reporting to relevant stakeholders.

## 16. Reporting

The Compliance Manager will provide a report to the Risk, Audit and Compliance Committee on a quarterly basis regarding matters arising in connection with this Policy and with the Conflicts Framework. The Chair of the Risk, Audit and Compliance Committee will report to the Board annually regarding matters arising in connection with this Policy and with the Conflicts Framework.

## 17. Review

- (a) The General Counsel must conduct an internal review of the Conflicts Framework (including this Policy), and the processes flowing from it, every 3 years (or more frequently if required) to:
- (i) maintain its currency and ensure that it is appropriate, effective, adequate and up-to-date as regards STC's business;
  - (ii) consider any changes to the environment that impacts on business operations and should be dealt with in this Policy;
  - (iii) consider any changes to or within STC's service providers;
  - (iv) consider any changes to STC's Responsible Persons or to their composition or circumstances which would impact STC's business operations;
  - (v) improve existing processes; and

- (vi) reflect changes in relevant governing legislation, APRA or ASIC standards or policies.
- (b) The triennial review of the Conflicts Framework must cover, at a minimum:
  - (i) ongoing monitoring processes and controls focused on potential and actual conflicts; and
  - (ii) broader compliance with the Conflicts Framework across the entirety of STC's business operations.

The outcomes of the review may be used to assist the future development or enhancement of the Conflicts Framework.

- (c) Where the triennial review of the Conflicts Framework is undertaken by a person with a role in the implementation of the Conflicts Framework, STC will take appropriate steps to ensure the review is objective.
- (d) The General Counsel will arrange for an external review of the appropriateness, effectiveness and adequacy of the Conflicts Framework (including this Policy) to be undertaken by an external party that is operationally independent, appropriately trained and competent, in conjunction with any review of STC's governance structure, every five years.
- (e) The scope of this external review must have regard to the size, business mix and complexity of STC's business operations, the extent of any change to those operations and any changes to the external environment in which STC operates.
- (f) The external review must, at a minimum:
  - (i) consider whether all Relevant Duties and all Relevant Interests have been identified and are being addressed in accordance with the Conflicts Framework;
  - (ii) consider the level of compliance with this Policy, including reporting on the Register of Relevant Duties and Register of Relevant Interests;
  - (iii) consider any non-compliance with this Policy, including steps taken to return to, and improve, ongoing compliance;
  - (iv) verify that appropriate governance structures and processes are in place; and
  - (v) consider best practice and industry standards and make recommendations to STC as to how to align its practices

accordingly.

- (g) The General Counsel will report the results of both the internal and the external review to the Board.

## 18. Audit

The Chief Audit Executive will:

- (a) arrange for an internal audit of this Policy every 3 years or as may otherwise be considered necessary; and
- (b) report the findings of the audit to the Board and the Risk, Audit and Compliance Committee.

## 19. Protected disclosures

It is important that the Board be apprised about breaches of this Policy. If a Representative has knowledge that leads them to the belief that a Representative has a conflict that has not or may not be disclosed, they should raise their concerns with the General Counsel. The Representative can do so without fear of: retaliation; being disciplined, demotion or termination of their office or position by STC. Further information is set out in STC's Protected Disclosures Policy.

## 20. Training and Education

Various training and education activities are undertaken to ensure that all relevant business units are made aware of STC's Conflicts Framework. This is set out in STC's Training Policy.

Attachment A<sup>8</sup> - Gifts Register

Template Gifts Register

| Date added to Register | Name of recipient | Recipient's title | Name of donor | Description of gift, benefit or interest | Estimated value (\$) | Total YTD (\$) | Date received |
|------------------------|-------------------|-------------------|---------------|--|----------------------|----------------|---------------|
|                        |                   |                   |               |  |                      |                |               |
|                        |                   |                   |               |  |                      |                |               |
|                        |                   |                   |               |  |                      |                |               |

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<sup>8</sup> This Register will **NOT** be published on the website, but will form the basis of determining what information will be included in the published register for Responsible Persons detailed in Attachment C.

Attachment B<sup>9</sup>- Non-Responsible Persons Registers

**Template Register of Relevant Duties**

| Date added to Register | Name | Title | Details of Relevant Duty |
|------------------------|------|-------|--------------------------|
|                        |      |       |                          |
|                        |      |       |                          |
|                        |      |       |                          |

**Template Register of Relevant Interests**

| Date added to Register | Name | Title | Interest | Details of Relevant Interest | Date received |
|------------------------|------|-------|----------|------------------------------|---------------|
|                        |      |       |          |                              |               |
|                        |      |       |          |                              |               |
|                        |      |       |          |                              |               |

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<sup>9</sup> These Registers will **NOT** be published on STC's website as they include information about individuals who are NOT Responsible Persons.

Attachment C<sup>10</sup> - Responsible Persons RegistersTemplate Register of Relevant Duties

| Date added to Register | Name | Title | Details of Relevant Duty |
|------------------------|------|-------|--------------------------|
|                        |      |       |                          |
|                        |      |       |                          |
|                        |      |       |                          |

Template Register of Relevant Interests

| Date added to Register | Name | Title | Interest | Details of Relevant Interest | Date received |
|------------------------|------|-------|----------|------------------------------|---------------|
|                        |      |       |          |                              |               |
|                        |      |       |          |                              |               |
|                        |      |       |          |                              |               |

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<sup>10</sup> It is expected that these Registers **will** be published on STC's website.