

**HOUSE OF REPRESENTATIVES STANDING COMMITTEE ON ECONOMICS  
REVIEW OF THE FOUR MAJOR BANKS AND OTHER FINANCIAL INSTITUTIONS  
SUPERANNUATION SECTOR**

**Colonial First State – CBA Group**

- CFS16QW:** Several case studies in the Royal Commission highlighted that related party contracts in vertically integrated super funds (into the wealth management arms of banks) led to conflicts where the interest of the shareholder came before the super fund members.
- a) Please describe your tender process for related party contracts such as custodial services, insurance, brokerage, administration and investment management.
  - b) How do you determine that these contract arrangements reflect value for money for members?
  - c) Please describe the potential conflicts of interest with such arrangements and how you manage them?
  - d) How do you evaluate whether your management of conflicts of interest is working?
  - e) Have you prepared or commissioned any reports focussed on benchmarking the performance and cost of contracts with related-party service providers, relative to the wider market? If so, please provide these for the period covering the last five years.

**Answer:** a) Please describe your tender process for related party contracts such as custodial services, insurance, brokerage, administration and investment management.

All outsourced and supplier arrangements (including related party arrangements) are governed by the CBA Group's Supplier Governance Framework (SGF) (which includes the Outsourcing Policy) and other governance frameworks such as the Insurance Management Framework (IMF) and the Investment Governance Framework (IGF). These frameworks include an appropriate tender or selection process with due diligence required on the proposed service provider, whether it is a related party or otherwise.

b) How do you determine that these contract arrangements reflect value for money for members?

The product features, terms and pricing are regularly reviewed and benchmarked to ensure they remain competitive and are in the best interest of members.

c) Please describe the potential conflicts of interest with such arrangements and how you manage them?

Potential conflicts are managed in accordance with the RSE Trustee's Conflicts Management Framework (CMF). The CMF includes a Conflicts Management Register (CMR) which documents the actual, potential and perceived related party conflict scenarios identified and outlines the management and monitoring processes and reporting in place. A conflicts register maintained within each business unit records identified conflicts (instances occurring rather than scenarios) and the actions taken (including escalation and management reporting as applicable) including assessment/evaluation of the conflict, management (control, disclose, avoid or a combination of these) and monitoring activities for each.

d) How do you evaluate whether your management of conflicts of interest is working?

Regular reviews of the management of conflicts are conducted and recorded in the business unit's conflict register by the conflict owner and the risk management team. As noted above, actions taken to manage and monitor the conflict are recorded, including the periodic review and modification of the arrangements when required.

The CMF is reviewed annually and approved by the Board. The annual review includes review of the:

- Conflicts Policy; and
- CMR, including the management review of processes for managing conflicts.

The CMF is also subject to a triennial review by operationally independent persons with appropriate training and expertise to review the appropriateness, effectiveness and adequacy of the CMF. The triennial review was last performed in 2019.

The Board of Colonial First State Investments Limited also considers the management of conflicts through the standing agenda requirement for all board papers to address any conflicts identified and how they are managed. Where matters are presented to the Board for consideration that presents a conflict [for the Board], the Board has an established protocol whereby it will split and utilise Conflicts Management Committees to consider the matter. The Board and non-director responsible persons are also provided periodic training on conflicts management.

e) Have you prepared or commissioned any reports focussed on benchmarking the performance and cost of contracts with related-

party service providers, relative to the wider market? If so, please provide these for the period covering the last five years.

Yes. The relevant benchmarking reports for insurance are attached.