

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

OnePath – ANZ

- OP16QW:** 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) OnePath does not have any related party contracts for custodial services, brokerage or investment management services. OnePath has entered into contracts in relation to insurance provided to superannuation members with OnePath Life Limited (OPL), who were a related party at the time the contracts were entered. OPL has subsequently been sold to Zurich. OnePath has also entered into contracts with related parties for the provision of superannuation administration services.

When engaging a related party service provider, OnePath has either engaged an external expert to advise on the suitability of the services, or has conducted benchmarking activities to compare the services of the related party with other alternate providers. We note that the relevant prudential standard (*APRA SPS231 – ‘Outsourcing’*) does not require a full tender to be conducted when entering into such arrangements. Where the services are considered to be a material outsource, the standard requires the Trustee to determine that its conduct in relation to the outsourcing agreement is in the best interests of beneficiaries.

- b) Refer answer to part a) above.
- c) In compliance with *APRA Prudential Standard 521 – ‘Conflicts of Interest’*, OnePath Custodians Pty Ltd and Oasis Fund Management Ltd (Trustee) maintain a conflicts of interest register (Register) which is reviewed annually by the Trustees’ Board Risk Committee (inclusive of the non-executive independent directors). The Register outlines any actual, potential or perceived conflicts

identified by the Trustee and how that conflict is either avoided or managed. In addition, the Trustee requires that each Board paper considers any conflicts (actual, potential or perceived) and outlines, where appropriate, relevant mitigation actions.

Finally, in compliance with *SPS231*, there is a contract in place to manage the arrangement between related entities with segregation of duties between contract management and service delivery.

- d) Consistent with the requirements of *APRA Prudential Standard 521 – ‘Conflicts of Interest’*, the Trustee engaged an independent consultant in July 2019 to complete a comprehensive review of the conflict management framework. The review found that the design of the framework was appropriate and commensurate with the size, structure and complexity of the Trustee and the environment in which it operates.
- e) The Trustee has not prepared or commissioned such a report in relation to insurance provided to superannuation members. ANZ ‘Smart Choice’ is, however, currently tendering its default insurance arrangements. With respect to superannuation administration services, the Trustee benchmarks the services every three years using SuperRatings. Refer separate attachment (OP16.1QW) – the most recent Administration Benchmark Review.