

Dairy Industry Superannuation Scheme

28 September 2018

Conflicts of interest

This document describes the nature of the conflicts of interest that currently exist, or are likely to arise in the future, for the Dairy Industry Superannuation Scheme (Scheme), and the steps that have been (or will be) taken to manage these conflicts.

A conflict of interest means a financial or any other interest, a relationship, or any other association of Dairy Industry Superannuation Scheme Trustee Limited (the trustee of the Scheme) (Trustee) or of a relevant person that would, or could reasonably be expected to, materially influence the investment decisions of the Trustee in respect of the Scheme.

A 'relevant person' means –

- a director of the Trustee; or
- a senior manager of the Trustee; or
- an employee of the Trustee who has a significant impact on the investment decisions that are made in respect of the Scheme; or
- an associated person of the Trustee (or a director or senior manager of that associated person).

As at 28 September 2018, the Scheme does not have any employees and has not appointed any investment managers.

Details of conflicts of interest that currently exist, or are likely to arise in the future, are as follows:

Nature of conflict	Funds affected	When and how this would or could reasonably be expected to materially influence investment decisions in respect of the Scheme
Directors of the Trustee are recommended to the Trustee for appointment by different interest groups (Employers, Union) of the Scheme	All funds	Decisions made by affected directors may be influenced by the interest group that recommended their appointment, to the detriment of other interest groups of the Scheme.
Directors may be employed by Fonterra or a related company	All funds	Four of the seven directors are recommended for appointment by Fonterra or a participating employer company. Decisions made by affected directors may be influenced by Fonterra or participating employer company corporate strategies.

Nature of conflict	Funds affected	When and how this would or could reasonably be expected to materially influence investment decisions in respect of the Scheme
Directors of the Trustee may have a deliberative role for Fonterra or a participating employer related company	All funds	<p>Four of the seven directors are recommended for appointment by Fonterra or a participating employer company.</p> <p>Decisions made by affected directors may be influenced by Fonterra or participating employer company corporate strategies.</p>
Directors of the Trustee may be members of the Scheme from time to time	All funds	Decisions made by affected directors may be influenced by their personal interest in the Scheme.

The steps that have been taken, or will be taken, to manage the conflicts of interest are as follows:

- Notwithstanding the interests of the parties which have appointed or which employ them, all of the Trustee directors must act at all times honestly and in the members' best interests, treat members equitably and not use Scheme information either for improper advantage or to cause detriment to members. The Trustee must also, in exercising any power or performing any duty, exercise the care, diligence and skill that a prudent person engaged in that profession would exercise in those circumstances.
- The Scheme uses an administration manager and investment advisers who are independent of the participating employers, including Fonterra, and the members. The Trustee also has a Licensed Independent Trustee director, as required by the Financial Markets Conduct Act 2013 (FMC Act).
- Where the Trustee has entered, or enters, into any transaction providing for a related party benefit (as defined in the FMC Act) to be given:
 - that transaction must be in the members' best interest or on arm's length terms (or otherwise comply with the FMC Act related party transactions provisions); and
 - the Trustee, with the consent of the Licensed Independent Trustee director, must certify accordingly.
- If any particular conflicts of interest do arise in relation to the Scheme then the Trustee directors will identify and record those conflicts and take steps to manage them (as appropriate) on a case by case basis. Those steps might include (for example):
 - taking independent legal and other advice concerning the exercise of their duties and powers; and

- o having a Trustee director who is conflicted by reason of having a deliberative role for Fonterra (or a direct personal interest) in relation to a matter under consideration withdraw from the relevant discussions and decision-making process.