
CONFLICTS-OF-INTEREST POLICY

1. INTRODUCTION

1.1. Background

Section 912A(1)(aa) of the Corporations Act 2001 requires all licensees to have adequate arrangements for management of conflicts of interest which arise in relation to the provision of financial services by the licensee.

ASIC Regulatory Guide 181 entitled 'Licensing: Managing conflicts of interest' explains ASIC's interpretation of subsection 912A(1)(aa) and its expectations of what adequate arrangements need to be implemented.

This document details how the Company manages conflicts of interest which addresses the conflicts management obligation, promotes consumer protection and maintains market integrity.

1.2. Scope

These procedures are to be followed in all areas and activities of the Company business where any of those activities relate to the provision of financial services by the Company and by any of its representatives.

2. WHAT IS A CONFLICT OF INTEREST?

A conflict of interest arises in circumstances where the interests of clients to whom the Company provides financial services are inconsistent with or diverge from the interests of the Company or its representatives. This includes actual, apparent and potential conflicts of interest.

3. CONFLICTS OF INTEREST MANAGEMENT PROCEDURES

Refer to **Annexure A** for a summary of the conflicts of interest management procedures.

3.1. Identifying conflicts

In identifying conflicts, the Company and its representatives need to consider the following questions:

- Are they providing financial services in a manner that unfairly puts the interests of the Company (or the representative) ahead of the clients?
- Are they providing financial services in a way that unfairly puts the interests of one client ahead of the interests of other clients?

- Are they using knowledge about their clients in a way that is likely to advance their own interests without sufficient disclosure to affected clients?

the Company needs to manage conflicts between the interests of various clients (existing or potential clients) as well as conflicts between its own interests and those of their clients.

When a potential conflict of interest is identified, the representative should inform the Director and COO.

Examples of potential conflicts are set out in **Annexure B**.

3.2. Conflict management

Conflicts can be managed by using the following three mechanisms:

- **Controlling** conflicts of interest - the Company will control conflicts using internal controls, reporting structures, monitoring and supervision.
- **Disclosing** conflicts of interest - depend on the circumstances of the conflict, it may be necessary to disclose the conflict of interest to the client. Disclosure alone will not be enough to manage a conflict of interest.
- **Avoiding** conflicts of interest - conflicts which are of a magnitude that if disclosure or another control is inadequate, will be avoided.

3.2.1. Controlling conflicts of interest

The Company utilises the following tools to control conflicts of interest:

- Policy/Procedures - the Company maintains policies and procedures to deal with certain identified conflicts.
- Internal structures/reporting lines - the Company' operating structure and reporting lines are designed to ensure that there is segregation of duties to facilitate independent decision making in relation to client matters which assists in management of conflicts of interest. Where functions should be conducted independently to prevent conflicts of interest, then the function will be outsourced.

3.2.2. Disclosing conflicts of interest

In dealings with its clients, the Company will adopt the position that transparency of interest is paramount and that it is better to err on over-disclosure rather under-disclosure so that the client is fully aware of the interests which the Company or their representative may have in relation to the service being provided.

The Company needs to ensure that clients are adequately informed about any conflicts of interest that may affect the provision of financial services to them. For a disclosure to be adequate, it should provide enough detail in a clear, concise and effective form to allow clients to make an informed decision about how the conflict may affect the service being provided to them.

3.2.3. Principles about disclosure

Disclosure about conflicts of interest should:

- a) be timely, prominent, specific and meaningful to the client;

- b) occur before or when the financial service is provided, but in any case at a time that allows the client reasonable time to assess its effect; and
- c) refer to the specific service to which the conflict relates;

Disclosure may be given in writing or orally (should be in the same form as the service provided) and should give consideration to:

- a) the level of financial sophistication of the client;
- b) the extent to which third persons are likely to rely, directly or indirectly, on the service (i.e. where advice is given to a wholesale client in circumstances where it is likely to be passed on to retail clients);
- c) how much the client already actually knows about the specific conflict; and
- d) the complexity of the service.

There may be situations where disclosing a particular conflict will be inappropriate, particularly if the information amounts to "inside information" under the insider trading provisions (s1042A of the Corporations Act 2001). In such a situation, the Company needs to consider whether the conflict can be adequately managed through other mechanisms. Otherwise, the conflict needs to be avoided.

3.2.4. Avoiding conflicts of interest

There may be instances where the magnitude of the conflict of interest is such that it cannot be adequately managed and must be avoided. The Company and its representatives are responsible for their own conduct and as far as possible, avoid placing themselves in a position where there is a material conflict between their own interests and those of their clients. Representatives are expected to exercise common sense and seek guidance from the Chief Operating Officer about any conflict of interest which they think may be material and needs to be avoided.

3.3. Assessing and evaluating conflicts

Generally, in assessing a conflict and how it ought to be managed (controlled, disclosed or avoided), consideration is to be given to:

- a) whether the conflict is material, i.e. to what extent do the interests of the Company and the client diverge?
- b) whether the conflict can be appropriately dealt with by a control - i.e. can the service be provided with integrity?
- c) if the conflict is controlled by disclosure, is this sufficient to enable the client to make an informed decision about the effect of the conflict?
- d) What course of action is in the best interests of the client?

4. MONITORING AND OVERSIGHT

The COO is responsible for:

- assisting the business in assessing conflicts and recording identified conflicts (refer to **Annexure C** for the Conflicts of Interest register template);
- providing advice to the business about conflicts, including how they should be managed;

- reporting to the Board on conflicts of interest matters;
- monitoring compliance with this Policy; and
- ensuring that information relating to the identified conflicts, including client disclosures are kept for at least 7 years.

5. DIRECTORS AND OFFICERS PERSONAL INTEREST

5.1. Legislative reference

"A director or other officer¹ of a corporation must exercise their powers and discharge their duties:

- a) in good faith in the best interests of the corporation; and
- b) for a proper purpose". (Section 181 of the Corporations Act)²

To reinforce s181, the Corporations Act:

- Requires directors to disclose material personal interests to other directors [s191];
- Regulates voting by directors regarding material personal interests [s195]; and
- Establishes additional obligations on directors and officers that supplement their duty to avoid conflicts of interest including:
 - Prohibiting directors and officers from improperly using their position[s182]
 - Prohibiting directors and officers from improperly using inside information [s183]
 - Creating a criminal offence if a director or officer uses their position dishonestly or recklessly in such a way that they, or someone else, may gain an advantage or that detriment may be caused to the company [s184].

5.2. Notification of Material Personal Interest

Under subsection 191(1) of the Corporations Act, a director who has a material personal interest in a matter that relates to the affairs of the Company, must give the other directors notice of the interest.

While there is no legal definition of a material personal interest, in general terms, the Company considers that a matter may be material where the personal interests of a director could

¹Officer of a corporation includes:

- a director or secretary of the corporation; or
- A person who makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of the corporation; or
- who has the capacity to affect significantly the corporation's financial standing; or
- in accordance with whose instructions or wishes the directors of the corporation are accustomed to act (excluding advice given by the person in the proper performance of functions attaching to the person's professional capacity or their business relationship with the directors or the corporation).

² s187 of the Corporations Act states that a director of a corporation that is a wholly-owned subsidiary of a body corporate, is taken to act in good faith in the best interests of the subsidiary if:

- (a) the constitution of the subsidiary expressly authorises the director to act in the best interests of the holding company; and
- (b) the director acts in good faith in the best interests of the holding company; and
- (c) the subsidiary is not insolvent at the time the director acts and does not become insolvent because of the director's act.

interfere with, or could reasonably be perceived to interfere with, the exercise of a director's unfettered and independent judgment. As stated in ASIC RG 76.34,

"In interpreting the phrase, 'material personal interest', and in considering whether the prohibition applies, companies should bear in mind that a purpose of the prohibition is to minimise risks or harm to the company arising from conflicts of interest."

Once a director is aware of their material personal interest in a matter, notice must be given at the Board meeting as soon as practicable. Where notice is provided to a board meeting it should be delivered to the Company Secretary prior to the Board meeting so that it may be included in board papers and the other directors can be made aware of the circumstances surrounding a director's or officer's interests.

The disclosure must specify the nature and extent of the interest and its relation to the affairs of the Company.

Where a director has provided written notice of a material personal interest, the nature of the interest shall be entered into the Director's Conflicts of Interest Register.

5.3. Conduct of Board Meetings

Under s195(1) of the Corporations Act, a director of a public company who has a material personal interest in a matter that is being considered at a directors' meeting must not:

- a) be present while the matter is being considered at the meeting; or
- b) vote on the matter.

The directors' meeting referred to above includes any procedure by which the Board or the directors resolve any matter, e.g. circular resolutions and audit committees. If there are not enough directors to form a quorum for a directors' meeting because of subsection 195(1), one or more of the directors (including those who have a material personal interest in that matter) may call a general meeting and the general meeting may pass a resolution to deal with the matter.

Any restrictions on directors voting contained in a company's constitution are in addition to the restrictions in s195. It is therefore possible that a meeting will lack a quorum because of the combined effect of a director, or a number of directors, having a material personal interest under s195, and a restriction in the company's constitution.

Subsection 195(1) does not apply, i.e. the director who has a material personal interest may be present and vote if:

1. directors who do not have a material personal interest in the matter have passed a resolution that:
 - i. identifies the director, the nature and extent of the director's interest in the matter and its relation to the affairs of the company; and
 - ii. states that those directors are satisfied that the interest should not disqualify the director from voting or being present; or
2. if the director is so entitled under a declaration or order made by ASIC under section 196.

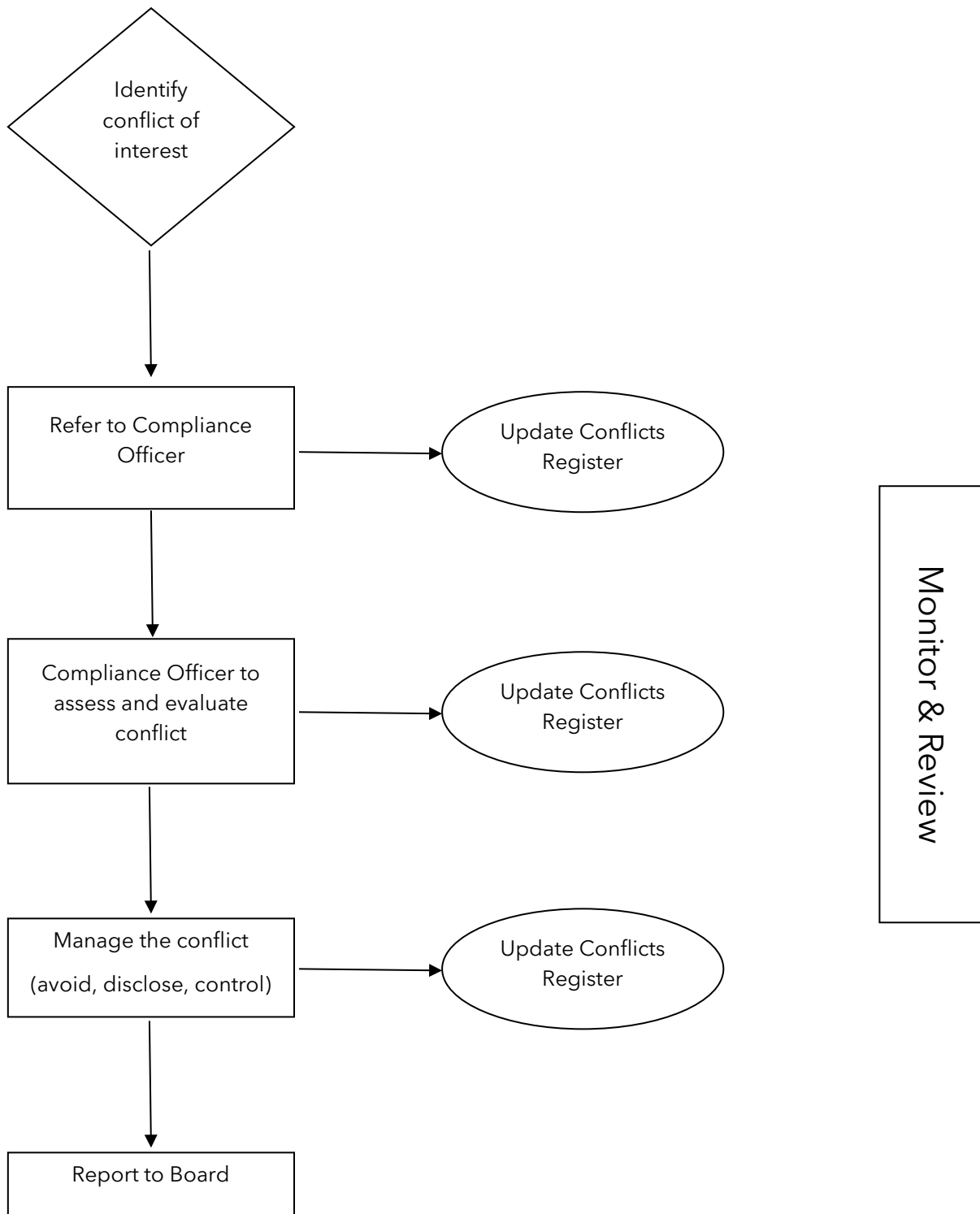
5.4. Exemptions from giving a disclosure notice (s191(2) of Corporations Act)

A director does not need to give notice of a material personal interest if:

- The interest arises because the director is a member of the company and the interest is held in common with other directors; or
- The interest arises in relation to a director's remuneration as a director of the company; or
- The interest relates to a contract the company is proposing to enter into that is subject to members' consent and will not obligate the company if not approved by members; or
- The interest arises merely because the director is a guarantor or has given an indemnity or security for a loan to the company; or
- The interest arises merely because the director has a right of subrogation in relation to the guarantee or indemnity; or
- The interest relates to a contract insuring the director against liabilities the director incurs as an officer of the company (but only if the contract does not make the company or a related body corporate, the insurer); or
- The interest relates to any payment by the company or a related body corporate in respect of an indemnity permitted under s199A of the Corporations Act or any contract relating to such an indemnity; or
- The interest is in a contract or proposed contract with a related body corporate and arises merely because the director is a director of the body corporate; or
- The director has given a standing notice in accordance with s192 of the Corporations Act of the nature and extent of the interest and the notice is still effective in relation to the interest; or
- The director has already given notice of the nature and extent of the interest and its relation to the affairs of the company and all the following are satisfied:
 - in the event a new director has joined the board notice has been given to the new director; and
 - the nature or extent of the interest has not materially increased above that disclosed in the notice.
- The company is a proprietary company, and the other directors are aware of the nature and extent of the interest and its relation to the affairs of the company.

ANNEXURE A

Conflicts of interest Management Process



ANNEXURE B

Potential Conflicts of Interest

Conflict	Description	Arrangements for managing conflict(s)	Procedures for monitoring conflicts management arrangements
Personal investment by Pella employees	<p>the Company or its associates owns securities in which the Company invests for clients. Capacity for the Company' to prefer its interests by:</p> <ul style="list-style-type: none"> maintaining, acquiring or disposing of securities in a client portfolio. front running a client investment by filling the Company or associated demand in priority. 	<p><u>the Company Employee Trading Policy</u></p> <p>This policy requires:</p> <ul style="list-style-type: none"> Employees are forbidden to invest in listed equities on a personal basis; Employees may invest in funds managed outside of the Company or in unlisted assets; reporting to Compliance department of all transactions requests and approving officer's approval; 20 day holding period for each investment to limit conflict opportunities; associates of employees to also meet the requirements. 	<ul style="list-style-type: none"> Induction training for all new staff on Employee Trading Policy. Annual refresher policies training required to be completed by all staff. Regular monitoring of Employee Trading Policy by COO. Annual review of policies by COO and Director. Reporting and management of incidents in accordance with the Company Compliance Incident and Breach Reporting Policy, including reporting incidents to the Board and if appropriate, regulators.

Conflict	Description	Arrangements for managing conflict(s)	Procedures for monitoring conflicts management arrangements
Issuer relationships	<p>the Company receives an incentive from an issuer seeking support for their company. For example:</p> <ul style="list-style-type: none"> • sub-underwriting arrangements • soft dollar benefits. 	<p><u>the Company Brokerage Allocations Policy</u></p> <p>This policy sets out what benefits (if any) the Company will allow and how the Company will record and manage the benefits.</p> <p>The Company will not hold proprietary positions and accordingly does not propose to underwrite security issues other than in its capacity as agent for a client or manager of a scheme. In such an instance the scheme or managed portfolio would take the underwriting risk and benefit.</p>	<ul style="list-style-type: none"> • All members of the investment team that execute trades are required to complete policies training on the Brokerage Allocation Policy on an annual basis. Regular monitoring of Brokerage Allocation Policy by COO. • Annual review of policies by COO and Director. • Reporting and management of incidents in accordance with the Company Compliance Incident and Breach Reporting Policy.
Broker relationships & Allocation priority	<p>the Company receives benefits from a broker seeking, or in return for, execution business from the Company. For example:</p> <ul style="list-style-type: none"> • Soft dollar benefits • Excessive/improper gifts or entertainment 	<p><u>The Company Brokerage Allocations Policy</u></p> <p>This policy sets out how the Company will allocate execution business to brokers and the criteria that apply.</p> <p><u>The Company Gift & Entertainment Policy</u></p>	<ul style="list-style-type: none"> • All members of the investment team that execute trades are required to complete policies training on the Brokerage Allocation Policy on an annual basis. Regular monitoring of policy by COO. • Annual review of policies by COO and the Director.

Conflict	Description	Arrangements for managing conflict(s)	Procedures for monitoring conflicts management arrangements
	<p>The relationship results in the Company using a broker for execution services and not receiving best execution.</p> <p>The Company allocates securities transactions between clients and as between clients and the Company/associates such that a client or an associate may receive a priority allocation.</p>	<p>This policy specifies measures to manage the receipt and provision of material gifts or entertainment between staff members and clients or service providers.</p>	<ul style="list-style-type: none"> • Reporting and management of incidents in accordance with the Company Compliance Incident and Breach Reporting Policy.
Related parties	<p>the Company participates in transactions with related parties e.g. the PFM.</p>	<p><u>the Company Related Party Transaction Policy</u></p> <p>This policy outlines the circumstances where a related party transaction is deemed to occur under the Corporations Act and specifies the procedures that need to be followed, including obtaining member approval.</p>	<ul style="list-style-type: none"> • All staff are required to complete training on the Related Party Transaction Policy on an annual basis. • Regular monitoring of Related Party Transaction Policy by Compliance Committee. • Annual review of policies by COO and the Director.
Related party service provision	<p>the Company procures services from a related party (e.g. the PFM) at greater than market rates.</p>	<p><u>the Company Related Party Transaction Policy</u></p> <p>This policy also specifies the factors to determine whether a transaction</p>	<ul style="list-style-type: none"> • All staff are required to complete training on the Related Party Transaction Policy on an annual basis.

Conflict	Description	Arrangements for managing conflict(s)	Procedures for monitoring conflicts management arrangements
		was conducted on arm's length terms and if not, the need to obtain member approval.	<ul style="list-style-type: none"> • Regular monitoring of Related Party Transaction Policy by Compliance. • Annual review of policies by COO and the Director.
Allocation priority	the Company allocates securities transactions between clients and as between clients and the Company / associates such that a client or an associate may receive a priority allocation.	<p><u>the Company Trading Policy</u></p> <p>Where multiple funds or mandates are trading on the same day on the same basis for the same security, orders should be aggregated before trading is conducted such that all orders are treated equally.</p> <p>At the end of the day the trades will then be allocated on a pro-rata basis (based on initial order size) across all funds so that all funds achieve the same realised execution price. This pro-rata process will also apply for off-market trading such as for IPOs and placements in absence of security entitlements. Where pro-rata allocation is uneconomical, allocation will be decided by the Company CIO.</p>	<ul style="list-style-type: none"> • All members of the investment team that execute trades are required to complete training on the Trading Policy on an annual basis • Reporting and management of incidents in accordance with the Company Compliance Incident and Breach Reporting Policy.

Conflict	Description	Arrangements for managing conflict(s)	Procedures for monitoring conflicts management arrangements
Crossing the 'wall' (information barriers)	the Company received inside information that is not publicly available and deals or acts on it breaching Insider Trading prohibitions.	<p><u>the Company Expert Network Policy.</u></p> <p>This policy ensures that the Company in its use of expert networks is operating within insider trading laws.</p>	<p>All expert network calls require pre-approval from Jordan Cvetanovski. In his absence Steven Glass.</p> <p>If necessary relevant issuers will be added to the restricted list to ensure appropriate monitoring of future trading.</p>

ANNEXURE C

Conflicts of Interest Register Template

Date conflict identified	Conflicted parties	Nature of conflict	Date conflict reported to compliance manager	Action taken