

## **CONFLICT OF INTEREST**

### **Purpose**

To manage, monitor and record our conflicts of interest and those of our representatives.

For our obligations as an AFS Licensee, to ensure that we and our representatives give priority to clients' interests when providing advice over our own interests, or those of our representatives or a related party.

To identify what conflicted remuneration is, including gifts or other benefits, and to ensure neither our representatives nor we receive it.

To ensure that we do not undertake trading in securities or other assets which causes a conflict of interest.

### **PROCEDURES - THE REPORTING OFFICER MUST ENSURE THAT:**

- 1 Conflicts of interest are recorded in the Conflicts of Interest Register. This Register is maintained and distributed to all representatives annually.

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- 2 We do not pay any commission or other referral fees except to an AFSL holder or its representative or unless it is a permitted referral fee under the CA.

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- 3 Our representatives do not engage in trading on behalf of our clients for the purchase or disposal of securities or other assets for our clients or Funds which creates a conflict of interest.

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- 4 We disclose to clients any commission or referral fee paid by us.

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- 5 Gifts are recorded in the Gift Register.

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- 6 Any information that might reasonably be expected to have a material influence on the decision of a reasonable person, such as whether to invest in a Fund, is disclosed.

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### **What is a Conflict of Interest?**

The circumstance in which some or all our employees, or our representatives, interests are inconsistent with, or divergent from, some or all, of a client's interests.

This includes actual or potential conflicts of interest that arise for activities undertaken by us in the provision of financial services to our clients. Such conflicts can arise from within and outside the business.

Having adequate conflict of interest management arrangements in place helps ensure that the quality of the financial services that we provide is not significantly compromised by conflicts of interest and helps minimise the potential adverse impact of conflicts of interest on our clients and business.

### **Conflict of Interest Management**

Each of us is responsible for identifying, assessing, and treating any conflict of interest. All employees are required to bring to their manager's attention any suspected conflict of interest and gifts for their manager's consideration and referral to the CO. This does not mean that we

cannot provide services where a conflict may exist, but rather, we must effectively manage all conflicts of interest and consider our clients' interests first as set out below.

### **Conflict of Interest Identification**

This is the process of finding, recognising, and describing conflicts of interest. The identification process involves all of us.

The test is whether an individual (or organisation) could be influenced, or perceived to be influenced, by another interest in carrying out their duties and responsibilities.

Identification includes determining whether there is an actual, perceived, or potential conflict of interest. If there is doubt about the nature of the conflict of interest, guidance should be sought.

The law does not prevent AFS Licensees or their representatives recommending financial products in which they have a conflict of interest but, where there is a conflict, a representative must take great care to comply with their duties to the client and their other legal obligations including their obligations of disclosure.

### **Conflict Assessment**

Each actual or suspected conflict of interest must be assessed to determine its nature, the potential level of impact, what course of action should be taken and whether any further treatment of the conflict is required.

### **Conflict Treatment**

The following provides guidance on the courses of action to manage conflicts of interest by avoiding where necessary, or otherwise controlling and disclosing those conflicts.

Each conflict of interest is unique and should be considered on its own merits.

- **Avoidance** - certain types of conflicts of interest are prohibited by law and must be avoided (e.g., insider trading). If a conflict cannot be managed adequately by disclosing and controlling or is considered a significant risk to us or our clients, then it must be avoided.
- **Controlling** - ensuring that the existence of the conflict of interest not affect the quality of the financial service provided to a client. Controlling may include a combination of avoidance, disclosure or implementing further controls.
- **Disclosure** - requires disclosing to the client the existence and facts of the conflict of interest and, where applicable, obtaining their informed consent to continue. Disclosure must be effective and meaningful to the client, and it must aid informed decision making by them.

### **Recording Conflicts**

Once an actual, perceived, or potential conflict of interest has been identified it must be reported to the CO who will assess the conflict of interest and recommend an appropriate response to the situation.

Conflicts of interest will be recorded in the Conflict of Interest Register maintained by the CO. This register will contain information about the nature of the conflict of interest, treatment, and other relevant information.

## **Reporting**

Material new conflicts of interest must be reported to the CRMC, which in turn reports to the Board as soon as practicable after identification of the new conflict.

## **Ongoing Monitoring**

Conflicts of interest will be regularly reviewed by the CRMC to ensure effective control, treatment, and disclosure.

## **Disclosing related party transactions**

Any information surrounding transactions with related parties that might reasonably be expected to have a material influence on the decision of a reasonable person, as a wholesale client, whether to invest in a Fund must be set out in the Offer Document.

## **Conflicted Remuneration**

We may not pay commissions, referral fees or other fees to non-AFSL Licensed entities or representatives as they must be licensed to provide financial advice, with the few exceptions set out below.

A recommendation or statement of opinion will constitute financial product advice if it is intended to influence a person in making a decision on a financial product, or it could reasonably be regarded as having such an influence.

According to ASIC policy, even in situations where neither a recommendation nor opinion is given, the circumstances surrounding the communication of purely factual information may amount to financial product advice if it can be construed as influencing a person to buy a particular product.

For financial planners which hold an AFSL, or which are representatives under an AFSL, we can pay them commissions and referral fees on the basis set out below.

## **Fees paid to financial planners**

The CA prohibits AFS Licensees (including their representatives) from accepting or paying conflicted remuneration for the provision of financial services to retail clients. Conflicted remuneration is any benefit given to AFS licensees who provide financial product advice to retail clients that, because of the nature of the benefit or the circumstances in which it is given, could reasonably be expected to influence the choice of financial product recommended to retail clients, or the financial product advice given to retail clients by the AFS Licensee or representative.

A benefit is presumed to be conflicted if it is volume based, so that for products no on-going trail commission may be paid by us from our fee. A benefit is not conflicted remuneration if it only influences advice provided to wholesale clients.

However, advisers may charge the client and the client may agree to a asset based fee (except where the investment uses borrowed funds). To do so, the financial planner should have the client sign a specific direction to the Fund administrator for these fees to be paid by the client from their investment account to the financial planner.

Generally, commissions must be disclosed due to secret commission laws in most Australian states and territories.

## **Referral/upfront fees**

Referral or upfront fees are typically deducted from the application money of an investor prior to investment in a Fund.

Referral fees for investment by clients may be paid to financial planners who are properly licensed, noting that due to the conflicted remuneration provisions referred to above, in practice they are unlikely to reflect this as an investment fee directly payable to them from the investment amount.

A referral to a financial services provider can only be made by a non-Licensee where they, in writing:

- Provide a service that consists only of informing another person that a financial services licensee can provide a particular financial service or type of service, and giving that person the financial services licensee contact details; and
- When so informing, the person discloses any commission or other benefit he/she receives for the referral.

If, however, a person is in the business of seeking out prospective investors to refer to a Licensee or has been engaged by a Licensee to promote our services, that person is not making a mere referral.

In these circumstances that person would either be conducting their own investment advice business for which they would need an AFSL or is acting as a representative of a Licensee for which they would need to be duly authorised.

For example, an accountant may refer their client to a Licensee for advisory services only by introducing his or her client to the Licensee. Only the contact details of the Licensee may be provided to the client, and the Licensee must not be informed of the contact details of the client. The onus to contact the Licensee then rests with the client.

We may pay a referral fee for overseas referrals in the following alternative situations:

- Investor not in Australia - referrer arranges for a person they reasonably believe is also not in Australia to be issued a product by an AFSL Licensee
- Investor in Australia - the referrer arranges for a person who is in Australia to receive services, but we arrange for the referrer to provide the service to the person.

## **Gifts and other benefits**

Gifts include entertainment (including the estimated value of any drinks/food, tickets to a sporting event or hospitality such as the opportunity to stay at someone's holiday house etc), where a representative (including accompanying partners, family members or friends) may benefit on behalf of a service provider or past service provider. Gifts relate to gift-giving as well as gift-receiving.

Gifts must be reported to the CO for assessment and authorisation in accordance with the Gift Policy and recorded in the Gift Register maintained by the CO. This Register will contain information about the nature of the gift, treatment, and other relevant information.

Gifts will be regularly reviewed by the CRMC to ensure effective control, treatment, and disclosure.

## **Anti-bribery and corruption**

We have a zero-tolerance policy towards bribery, corruption and facilitation payments. Amongst the key principles of the policy, it should be noted that:

- We have zero appetite towards bribery, corruption and facilitation payments
- The giving, receiving, offering, promising, requesting or authorising of a bribe is expressly prohibited
- All business activities must be transparent, sufficiently documented and above suspicion
- If we have any concerns that we will raise them with the CO or the Board (as appropriate).

The Policy principles extend to all employees, Directors, temporary staff, contractors, suppliers, service providers, agents and other third parties acting for or on our behalf.

## **Soft-dollar commissions**

Soft-dollar commissions are a portion of brokerage that is refunded by stockbrokers to the funds managed by fund managers.

Pella's policy is to receive soft dollar commissions, which will not influence any advice or services provided to our clients and are used for the benefit of the fund's managed by Pella.