

CONFLICT OF INTEREST AND RELATED PARTIES POLICY

1. An overview

MacarthurCook Limited and its related entities (collectively “**MacarthurCook**”), recognises the importance of identifying and managing conflicts of interest that may arise from time to time within its operations. Having an adequate strategy for managing conflicts of interest is necessary to ensure that MacarthurCook complies with its legal obligations, and ensure that the quality of its financial services is not compromised or diminished by conflicts of interest.

2. What are conflicts of interest, and what do they mean to MacarthurCook?

Conflicts of interest are circumstances where the interests of two or more parties involved in a matter conflict, or where one party has a number of competing interests or duties. .

For MacarthurCook, conflicts of interest can arise in a number of facets of its business. They can relate to the costs that are charged to investors, or dealings with others including related parties. Conflicts can arise between the interests of MacarthurCook corporate entities, investors in MacarthurCook funds and the interests of individual directors or employees.

3. What does the law require in relation to conflicts of interest?

The existence of a conflict of interest in relation to MacarthurCook’s activities does not necessarily mean that that particular activity may not occur. While in some instances the only way in which a conflict can be managed appropriately is for the circumstances giving rise to it to be avoided completely, in other situations it will be possible to manage the conflict in such a way that the interests of all parties can be appropriately addressed.

The Corporations Act contains specific legal requirements in relation to the management of conflicts of interest that arise for those companies that hold Australian Financial Services Licences (**AFSL**). Section 4 of this policy sets out the policies for management of conflicts of interest overall, including for the purposes of satisfying AFSL obligations.

The Corporations Act and ASX Listing Rules contain specific legal requirements in relation to related party transactions. Section 5 of this policy sets out the requirements in relation to, and management policies for, dealing with related party transactions.

4. Managing Conflicts of Interest as the holder of an AFSL

The *Corporations Act 2001* requires all licensees of financial services in Australia to have “...adequate arrangements for the management of conflicts of interest that may arise wholly, or partially, in relation to the provision of financial services by the licensee ... as part of the financial services business of the licensee.”¹

¹ See section 912A(1)(aa) of the *Corporations Act* which became effective on 1 January 2005.

MacarthurCook has adopted the following 3-point system for managing conflicts:

- (a) *controlling* conflicts of interest;
- (b) *avoiding* conflicts of interest; and
- (c) *disclosing* conflicts of interest.

Simply disclosing conflicts of interest is not sufficient – it is imperative that all conflicts including potential conflicts, are identified, controlled and, where possible, avoided, before disclosure even becomes an issue.

The steps in MacarthurCook’s system of conflicts management are set out below.

4.1 Controlling conflicts of interest

The strategy for controlling conflicts of interest involves:

- (i) identifying the conflicts specific to MacarthurCook;
- (ii) assessing and evaluating those conflicts; and
- (iii) formulating and implementing an appropriate response to the conflicts.

It is important for directors and staff of MacarthurCook to be aware of the potential for conflicts, and to recognise particular individual conflicts as they arise. Identification of conflicts is not always easy. Some conflicts may arise when people are performing multiple roles (for example, acting on behalf of MacarthurCook as a corporate entity or a fund), and this policy will obviously apply.

Other conflicts are less obvious. Conflicts may be actual or perceived, and there may be circumstances where, even if a matter is not actually a conflict, it may give rise to a perception of a conflict that still requires appropriate management.

All staff involved in any area MacarthurCook’s business should immediately raise **every** matter that they think is, or might potentially be, a conflict, with their manager, the Compliance Manager, Head of Legal & Compliance, Chief Financial Officer, Chief Executive Officer or Managing Director. Where necessary, external advice will be sought to help determine whether a matter is a conflict.

To enable better conflicts management, a Conflicts Register has been established. The Register is maintained by the Compliance Manager, who is responsible for recording all instances in which a conflict, or potential conflict, has been reported by someone within MacarthurCook. The Compliance Manager must then report all recorded conflicts to the Board on a quarterly basis, together with the steps that were taken to manage the conflict.

4.2 Avoiding conflicts of interest

There are some circumstances in which it is not possible for a conflict to be appropriately managed to ensure that the interests of all parties are addressed appropriately and the quality and integrity of MacarthurCook’s business is not impinged. In these circumstances, the conflict **must** be avoided.

A decision to avoid a conflict in this way will be made by the Managing Director or Chief Executive Officer after a full review of the circumstances, legal or other advice on the matter, the potential consequences of both continuing and discontinuing the matter and the options available for management of the conflict.

4.3 Disclosing conflicts of interest

While disclosure *alone* is not a sufficient way to manage conflicts of interest, it does form an integral part of managing the process. “*Disclosure*”, in this sense, means providing enough detail in a clear, concise and effective form to allow investors to make an informed decision about how the conflict may affect the service being provided to them.

Disclosure of conflicts is another way in which MacarthurCook aims to provide clarity and transparency in all of its dealings.

Where a conflict (not being a conflict to be avoided) is identified, and it is decided that disclosure is the most appropriate course of action, that disclosure should:

- (a) be timely, prominent, specific and meaningful;
- (b) occur before or when the relevant event affected by the conflict is to occur, but in any case at a time that allows the recipient of the disclosure reasonable time to assess the effect of the conflict; and
- (c) refer to the event to which the conflict relates.

5. Related Party Transactions

5.1 Conflicts of interest arising from related party transactions

Where a transaction or matter concerns related parties it can be hard to ensure that the interests of all parties are considered objectively and fairly, and that regard is had to the interests of underlying parties.

For this reason, the Corporations Act and the ASX Listing Rules contain detailed provisions in relation to “*related party*” transactions”. Most importantly, the law prohibits a public company from giving a financial benefit to a related party except in accordance with requirements set out in the Corporations Act. MacarthurCook Limited and its Australian subsidiaries are all public companies to which these provisions apply.

MacarthurCook is committed to ensuring that it has a culture of openness and transparency in all of its dealings, and that all staff understand their obligations when it comes to *related party* dealings.

5.2 What is a related party?

There are various types and permutations of *related parties* under the Corporations Act. Essentially:

- (a) an entity that controls a public company is a related party of that company. For example, this means that MacarthurCook Limited is a related party of MacarthurCook Fund Management Limited;

- (b) the following are related parties of a public company:
- (i) directors;
 - (ii) directors of any entity that controls the public company;
 - (iii) spouses and de facto spouses of the persons in (i) and (ii); and
 - (iv) the parents and children of the persons in (i), (ii) and (iii).

At a particular time, an entity may also be a related party of a public company, such as MacarthurCook, if that entity:

- (a) was a related party of the company at any time within the previous 6 months; or
- (b) the entity believes or has reasonable grounds to believe that it is likely to become a related party of the company at any time in the future.

Importantly the related party transaction provisions also apply to registered schemes where the responsible entities of those schemes are related.² This means that each of the MacarthurCook Funds are related to each other for the purposes of the Corporations Act.

5.3 What is a financial benefit?

In determining what constitutes a *financial benefit*, consideration must be had to:

- (a) the benefits being given, even if civil or criminal penalties may be involved; and
- (b) the economic and commercial substance of the conduct giving rise to the transaction.

The following are examples of giving a financial benefit to a related party:

- giving or providing finance or property to the related party;
- buying an asset from, or selling an asset to, the related party;
- leasing an asset to or from the related party;
- supplying services to, or receiving services from, the related party;
- issuing securities or granting an option to the related party; and
- taking up or releasing an obligation of the related party.

5.4 ASX Listing Rules

In addition to the Corporations Act requirements for related party transactions, MacarthurCook must also comply with ASX Listing Rules on transactions with persons in a *position of influence*.

Under Listing Rule 10.1, but subject to certain exceptions, MacarthurCook must ensure that neither it, nor any of its “child entities”, acquires a substantial asset from, or disposes of a

² Section 601LA of the Corporations Act.

substantial asset to, any of the following persons without the approval of the holders of the relevant securities or without the grant of a waiver by the ASX:

- (a) a related party (as defined in the Corporations Act – see part 5.2 above);
- (b) a subsidiary;
- (c) a substantial holder, if the person and their associates have a relevant interest, or had a relevant interest in the preceding 6 months, in at least 10% of the total votes attached to the stapled securities;
- (d) an associate of a person referred to in paragraphs (a) to (c) above; and
- (e) a person whose relationship to the entity or a person referred to in paragraphs (a) to (d) above is such that, in ASX's opinion, the transaction should be approved by security holders.

An asset is 'substantial' if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX.

Rule 10.1 does not apply to:

- (a) a transaction between the entity and a wholly owned subsidiary;
- (b) a transaction between wholly owned subsidiaries of the entity;
- (c) an issue of securities by the entity for cash;
- (d) in the case of a trust, a transaction involving a substantial asset that was not beneficially held for the trust before the transaction and is not beneficially held for the trust after the transaction; or
- (e) a transaction between the entity and a person who is a related party by reason only because the person believes, or has reasonable grounds to believe, that the person is likely to become a related party.

5.5 Procedure for dealing with Related Party Transactions

If a MacarthurCook entity proposes to enter into a transaction which may be a "related party transaction" or come within the ASX Listing Rules requirements, the following procedure applies:

- (a) The manager or executive proposing the transaction must:
 - discuss the matter in detail with the Head of Legal & Compliance, Chief Financial Officer and Chief Executive Officer and / or Managing Director;
 - obtain legal and other advice as necessary on the requirements for proper management of the matter; and
 - prepare a detailed report on the proposed transactions for the Managing Director and Board, including the reasons for it, advantages and disadvantages for all affected parties, financial analysis, recommendations for appropriate management of conflicts of interest and recommendations for compliance with legal requirements.

- (b) The Board will then consider the information provided in order to determine whether and how to proceed with the proposed transaction, taking account of all relevant legal and other advice.
- (c) If the Board determines that the proposed transaction may be carried out without reference to the related party requirements of the Corporations Act and relevant ASX Listing Rules, it may be conducted in the normal manner (including having regard to requirements in relation to the management of conflicts of interest as set out in this policy) .
- (d) If the Board determines that the proposed transaction is to proceed, but requires compliance with Corporations Act and ASX Listing Rules requirements, Head of Legal and Compliance will be responsible for ensuring that all relevant requirements are met. This may include calling a meeting of members to approve the related party transaction in accordance with all applicable laws, rules and the constitution of the relevant entity/scheme.

Any questions on whether a matter constitutes a related party transaction or on the relevance or application of the Corporations Act or ASX Listing Rule requirements should be referred to the Head of Legal and Compliance.

6. How this Policy is managed and maintained

This Policy forms part of the MacarthurCook Policy Manual.

The Compliance Manager will, on an annual basis, review this Policy after consultation with the Head of Legal and Compliance. Any deficiencies or improvements in the Policy will be prepared by the Compliance Manager and given to the Managing Director and the MacarthurCook Limited Board for approval and implementation.

The Compliance Manager will also be responsible for random audits of each business unit to ensure adherence to this Policy. Any instances of non-compliance will be referred to the Managing Director (and, where appropriate, the Board) for sanction.

MacarthurCook will retain for at least seven years, records of:

- (a) conflicts identified and action taken;
- (b) any reports given to MacarthurCook's shareholders, directors or senior management about conflict of interest matters; and
- (c) copies of written conflict of interest disclosures given to clients or the general public.