

# Aspiring Asset Management Limited – Conflicts of Interest / Related Party Transactions Policy ('Policy')

Dated: 17 September 2015

## 1 Introduction

- 1.1 This is a Board approved policy adopted for Aspiring Asset Management Limited (the '**Manager**', '**us**' or '**we**') to identify and deal with:
  - a conflicts of interest that may arise in our business; and
  - b transactions involving related party benefits.
- 1.2 This Policy sets out how we endeavour to identify and deal with conflicts of interest and potential related party transactions appropriately and in the most effective and efficient way possible, ensuring that the conflict is resolved in a way that is fair to investors.
- 1.3 In addition to general obligations applying at law, this Policy has been prepared in the context of the Financial Markets Conduct Act 2013 ('**FMC Act**') and the Financial Markets Conduct Regulations 2014.
- 1.4 In particular, this Policy has regard to:
  - a The duties applying to the Manager under section 143 of the FMC Act to:
    - i act honestly in acting as a manager;
    - ii in exercising any powers or performing any duties as a manager act in the best interests of investors in the Aspiring Fund (the '**Fund**') and treat those investors equitably; and
    - iii not make use of information acquired through being the manager in order to gain an improper advantage for itself or any other person or cause detriment to the Fund.
  - b The duties applying to directors and senior managers of the Manager under section 145 of the FMC Act (which the Manager applies to all staff members) not to make:
    - i use of information acquired through the relevant position in order to gain an improper advantage for himself or herself or any other person or cause detriment to the Fund; or
    - ii improper use of their position to gain, directly or indirectly, an advantage for himself or herself or any other person or to cause detriment to investors in the Fund.
  - c The restrictions applying to related party transactions under sections 173 to 175 of the FMC Act.
- 1.5 As the Manager is ultimately responsible to investors in the Fund as a whole, in this Policy unless the context requires otherwise, references to the 'Fund' include references to the investors in the Fund as a whole.

- 1.6 The Board are responsible for maintaining the Policy and ensuring it remains relevant and up to date. The Board will review the Policy annually and agree on any amendments to the Policy.
- 1.7 Our Ethics Policy is also relevant to the content of this Policy.

## **Part A: Conflicts of Interest**

### **1 Purpose**

- 1.1 The purpose of this part of the Policy is to provide a framework that ensures that effective processes and procedures are in place to:
- a identify conflicts of interest that may give rise to a material risk of damage to the Fund, or those looking to invest in the Fund;
  - b provide for the effective disclosure of identified conflicts of interest;
  - c provide a process for resolving any conflicts of interest, including having appropriate restrictions in place; and
  - d ensure that appropriate processes are in place for managing any potential conflicts of interest.
- 1.2 Below we set out how each of the above purposes is achieved within our organisation.

### **2 Identifying conflicts of interest**

*What is a 'conflict of interest'?*

- 2.1 Broadly speaking, a 'conflict of interest' is a situation where a person has a personal interest or divided loyalties in a matter that is the subject of a decision or duty of that person.
- 2.2 In the context of investment decisions made in respect of the Fund, it means a financial or any other interest, a relationship, or any other association of any of the following persons that would, or could reasonably be expected to, materially influence the investment decisions in relation to the Fund:
- a the Manager, its directors, and its senior managers;
  - b any employee of the Manager who has a significant impact on the investment decisions that are made in respect of the Fund; and
  - c an associated person, as defined in the FMC Act, of the Manager (or a director or senior manager of that associated person).
- 2.3 Conflicts of interest may arise between:
- a investors in the Fund;
  - b staff members, senior managers, and directors (each an '**Employee**') and the Fund; and
  - c the Manager and the Fund.
- 2.4 We understand that conflicts can arise at any time and that we need to be alert to the possibility that a conflict may arise. This means providing a clear understanding as to who is

required to disclose a conflict of interest, and how conflicts of interest may be identified and assessed.

*Who is obliged to disclose a conflict of interest?*

- 2.5 All Employees are required to identify potential and actual conflicts of interests and disclose any identified conflict of interest to a Board Member.
- 2.6 We operate our business on the principle that in order to identify a conflict of interest, all Employees should understand the importance of focusing on any overlap between two interests. Employees also understand that disclosing even a potential conflict of interest is the best approach and all Employees are encouraged to err on the side of openness.

*Identifying a conflict of interest*

- 2.7 In order to identify a conflict of interest, we will consider all the factual circumstances surrounding a given relationship and take into account:
  - a the likelihood of the Manager or an Employee making a financial gain at the expense of the Fund;
  - b where the Manager or an Employee has an interest in the outcome of a service provided to the Fund or of a transaction carried out on behalf of the Fund, which is distinct from the Fund's interest in that outcome; and
  - c any interest the Manager may have in assets of the Fund or the valuation of those assets.
- 2.8 The above will be assessed in relation to selecting particular investments, as well as where staff are trading underlying products or instruments our Fund has an interest in, or where staff trade on their own account.
- 2.9 The above may also be assessed in relation to valuing assets, if the Manager decides to invest in securities in the future that require the Manager to make valuations that present the potential for conflict e.g. where an asset is valued by the Manager but the Manager has an interest in that valuation.
- 2.10 In order to enable us to identify potential conflicts of interest, any potential business for the Manager, and any specific transaction, is to be disclosed to the fullest extent possible.
- 2.11 Each Employee is asked to turn their mind to each potential piece of business and to whether a conflict of interest may arise from accepting that business or undertaking a particular transaction. This is detailed further in section 5 ('Managing potential conflicts of interest').

### **3 Disclosing conflicts of interest**

- 3.1 In the event that an Employee considers there is a conflict of interest or potential conflict of interest the Employee is required to disclose that conflict of interest.
- 3.2 Each Employee is required to individually understand that if they identify a conflict of interest, they must disclose that conflict to a Board member.
- 3.3 The seriousness of the conflict or potential conflict will be assessed by the appropriate person for a given identified conflict to determine the next steps for managing that conflict.

## **4 Resolving conflicts of interest**

- 4.1 If a conflict of interest is identified by an Employee and confirmed as a legitimate conflict or potential conflict by the appropriate person the conflict was disclosed to, we have processes to resolve the conflict.
- 4.2 The process to resolve or extinguish the conflict will largely depend on the conflicted parties or transaction and the options for dealing with the conflict may include:
- a if it is deemed necessary within the organisation, an Employee may be asked to step aside from working on a specific transaction or participating in the management of a potential conflict of interest;
  - b we may not be able to undertake a particular transaction; or
  - c an Employee may have to withdraw from discussing a particular issue at a meeting (particularly in the case of a conflicted Board member).
- 4.3 We understand that if circumstances change, a decision about whether there is a conflict of interest, or how to manage it, may need to be reviewed. If necessary, the decision as to what action should be taken will be referred to the Board.
- 4.4 A director of the Manager who has a continuing conflict of interest of a material nature that cannot be satisfactorily resolved after appropriate consultation should consider resignation as a director, in particular where the material continuing conflict of interest prejudices his or her ability to contribute to the affairs of the Board and to the management of the Fund to the same extent as the other directors.

## **5 Managing potential conflicts of interest**

- 5.1 We also have procedures in place to manage potential conflicts of interest, in order to best mitigate any chance of a conflict arising. Any conflicts that do arise are managed in the most appropriate way for the particular conflict and the conflicting parties.
- 5.2 We manage potential conflicts in the following ways:
- a We require all relevant information is to be recorded and maintained in order to have adequate records to be able to identify any conflict.
  - b All Employees are required to minimise the possibility of a conflict of interest in their involvement with the Manager, including by restricting their involvement in businesses that could lead to a conflict of interest.
  - c We have appropriate controls in place to identify and manage cross-board memberships and outside business interests of Employees.
  - d There is a periodic review of the adequacy of our systems and controls.
  - e In addition to 'insider trading' restrictions that apply under the FMC Act, Employees who hold material information about Fund assets are restricted from undertaking certain trades, and require pre-approval before undertaking certain trades outside what that Employee is already approved to undertake. This ensures that appropriate separation of trading decisions is maintained within the organisation.

- f All assets are valued in accordance with the trust deed for the Fund. The trust deed requires independent valuations to be used (for example, the closing price of listed securities or the valuation given to the security by the relevant issuer), and requires the Company to consult with the trustee of the Fund before using an alternative valuation.

## Part B: Related Party Transactions

### 1 Purpose

- 1.1 The purpose of this part of the Policy is to provide a framework that ensures that effective processes and procedures are in place to identify and manage related party transactions in accordance with the FMC Act.
- 1.2 Below we set out how each of the above purposes is achieved within our organisation.

### 2 What is a 'Related Party Benefit'?

- 2.1 A '**Related Party Benefit**', in relation to the Fund, is a benefit that is given:
  - a either out of Fund property or creates an exposure to loss for Fund property; and
  - b to, or received by, a Related Party of the Fund; but
  - c does not include fees or expenses that are paid or reimbursed to the Manager in accordance with the FMC Act or the Fund's trust deed.
- 2.2 A '**Related Party**' of the Fund is:
  - a any of the following persons (a '**scheme-connected person**'):
    - i the Manager
    - ii MMC Limited, the administration manager for the Fund, or other person to whom we have contracted out some or all of our functions as a manager
  - b an associated person of a scheme-connected person
  - c any person who was a Related Party of the Fund under paragraph a above at any time within the previous 6 months
  - d a person who believes or has reasonable grounds to believe that they are likely to become a Related Party of the Fund under paragraph a above at any time within the next 12 months.
- 2.3 Under the FMC Act, no scheme-connected person is permitted to enter into a transaction that provides for a Related Party Benefit to be given unless (a '**Permitted Related Party Benefit**'):
  - a the Manager notifies the supervisor of the Fund of the transaction or transactions, including the Related Party Benefits given under the transaction or transactions, and the key terms of the transaction or transactions, and either of the following applies:
    - i the Manager obtains the supervisor's consent to the transaction or transactions, and the supervisor certifies that:
      - A the supervisor considers that the transaction or transactions are in the best interests of investors in the Fund; or
      - B the transaction or transactions are approved by, or contingent on approval by, a special resolution of the class of investors in the Fund affected, or potentially affected, by the transaction or transactions.

- ii section 174 of the FMC Act applies to the transaction or transactions or all Related Party Benefits to be given and the Manager certifies to that effect.
- 2.4 The certificate set out in Appendix A (**'Certificate'**) lists the permitted Related Party Benefits under section 174 of the FMC Act as at the date of this Policy.

### **3 Process for identifying and managing Related Party Benefits**

- 3.1 We will follow the following process for identifying Related Party Benefits:
  - a At the time a transaction or series of transactions is contemplated, one of the Directors (**'First Reviewer'**) will review the benefits to be provided under the transaction(s) to establish whether both of the following apply:
    - i The benefit is given out of Fund property or creates an exposure to loss for Fund property.
    - ii The benefit is given to, or received by, a Related Party of the Fund.
  - b If the First Reviewer believes the above criteria apply, they will check the Manager's records to establish whether there is an existing Certificate that applies (whether specifically or in general terms) to the transaction or transactions.
  - c If no such Certificate is found, the First Reviewer will confirm their view with a director of the Manager that is not interested in the relevant transaction (**'Second Reviewer'**) that the relevant transaction does provide a Related Party Benefit.
  - d The First Reviewer will then discuss with the Second Reviewer whether the identified benefit may be a Permitted Related Party Benefit.
  - e If:
    - i the First and Second Reviewers agree that it is not a Permitted Related Party Benefit, the relevant transaction(s) will not occur and the remaining members of the Board will be notified of that determination and provided with all information on which that determination was based
    - ii the First and Second Reviewers agree that it may be a Permitted Related Party Benefit, they will provide the remaining members of the Board with a recommendation as to whether section 174 of the FMC Act or supervisor consent should be relied on in the circumstances and the following steps will be followed.
  - f In that case, the Fund's supervisor will be notified of the transaction or transactions, including the Related Party Benefits given under the transaction or transactions, and the key terms of the transaction or transactions.
  - g Depending on the Board's decision, either:
    - i the supervisor will be approached in relation to giving its consent to the transaction(s); or
    - ii a Certificate will be prepared and signed by a member of the Board.
  - h The Manager will comply with its obligations to provide quarterly reports to the supervisor in relation to all Certificates given in the relevant quarter.

- 3.2 All Employees will provide all reasonable assistance, including providing information, in order to enable a determination to be made as to whether a Related Party Benefit or Permitted Related Party Benefit is to be given.
- 3.3 All records in relation to this process will be kept in accordance with the FMC Act.



## Appendix A – Form of Certificate

### Certificate pursuant to sections 173 to 175 of the Financial Markets Conduct Act 2013 ('Act')

Aspiring Asset Management Limited ('Manager')

I, **[full name of individual completing form]**, certify on behalf of the Manager (as the manager of the Aspiring Fund ('Fund')) that:

- 1 The Manager proposes to enter into the following transaction[s] ('**Transaction[s]**'):
  - a **[Describe transaction]**
- 2 The Transaction[s] provides for the following related party benefit[s] (as defined in the Act) to be given ('**Benefit[s]**'):
  - a **[DN: If the monetary value of the related party benefit or benefits to which the certificate relates can be quantified, state the nature and monetary value of that benefit or those benefits. Otherwise, state the nature and extent of that benefit or those benefits.]**
- 3 Pursuant to section 173(2) of the Act:
  - a the Manager has notified the supervisor of the Fund of the Transaction[s], including the Benefits[s], and the key terms of the Transaction(s); and
  - b section 174 of the Act applies to the Transaction[s] and the Benefit[s] on the following grounds: **[DN: Delete all that are not applicable]**
    - i The Benefit[s] [is]/[are] given on terms that [would be reasonable in the circumstances if the parties were connected or related only by the Transaction[s] in question, each acting independently, and each acting in its own best interests]/[are less favourable to the related party than those that would be reasonable in the circumstances if the parties were connected or related only by the Transaction[s] in question, each acting independently, and each acting in its own best interests].
    - ii The Transaction[s] [is]/[are] an acquisition or a disposal of [a managed investment product in another registered scheme (as defined in the Act)] **OR** [an interest in a registered scheme (within the meaning of section 9 of the Corporations Act 2001 (Aust))].
    - iii The Transaction[s] [is]/[are] investments made in the ordinary course of business in products referred to in clause 21(a) to (c) of Schedule 1 of the Act.
    - iv The Transaction[s] [is]/[are] investments in Government securities as set out in regulation 102 of the Financial Markets Conduct Regulations 2014.
    - v The Transaction[s] [is a]/[are] transaction[s] to acquire first property as set out in regulation 103 of the Financial Markets Conduct Regulations 2014.

- vi The Transaction[s] [is a]/[are] listed manager transaction[s] as set out in regulation 103 of the Financial Markets Conduct Regulations 2014.

4 Reasonable evidence supporting the following is **attached** to this certificate: **[DN: Alternatively this information may be set out in the body of the certificate.]**

- a the statement under paragraph 2; and
- b the stated basis for relying on the relevant ground[s] in section 173 of the Act and section 174 of the Act, as set out in paragraph 3.

Signature of **[authorised person]**:

Date of signing:

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