MANAGING CONFLICTS OF INTEREST

Key Information

Purpose:	This document sets out a policy to ensure that the Licensee has in place adequate arrangements for the management of conflicts of interest that may arise in the provision of financial services. This policy applies to the activities of the Licensee, as well as any activities of the representative of the Licensee. This document sets out: • Examples of when a conflict of interest may arise. • Processes for identifying conflicts of interest. • Processes for controlling and treating conflicts of interest. • Processes for avoiding or disclosing conflicts of interest. • Processes for monitoring and recording conflicts of interest.
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Document History

Version	Summary of Amendments	Author	Date	Pages
1	New document	Cowell Clarke	July 2016	8
2	Amended	Cowell Clarke	September 2017	10
3	Amended	Cowell Clarke – Duxton Capital	September 2019	10

Key References

ASIC Regulatory Guides	ASIC RG 181: Licensing: Managing conflicts of interest

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Corporations Act	*Corporations Act 2001* (Cth) s912A(1)(aa) [obligation to manage conflict of interests]
Other	Conflict of Interest Register

1. Overview

The policy for managing conflicts of interest (**Policy**) sets out the Licensee's policy for managing conflicts of interest in connection with its activities.

2. When does a conflict of interest arise?

A conflict of interest arises where some or all of the interests of people (clients) to whom a licensee (or its representative, if any) provides financial services are inconsistent with, or diverge from, some or all of the interests of the licensee or its representatives. This includes actual, apparent and perceived conflicts of interest.

Examples include situations where:

- the Licensee or any of its employees, directors or representatives have a conflict between providing advice which is in the best interests of the client and earning greater fees and income;
- the personal interests of the Licensee's employees, directors or representatives are inconsistent with or diverge to the obligations owed to the Licensee's clients;
- the Licensee or any of its employees, directors or representatives provides financial services in a manner that unfairly puts the interests of the Licensee or any of its employees, directors or representatives ahead of their clients;
- the Licensee or any of its employees, directors or representatives provides financial services in a way that unfairly puts the interests of one client ahead of the interests of other clients;
- an employee, representative or director of the Licensee has a material interest in an organisation which is a client or service provider of the Licensee;
- an employee, representative or director of the Licensee seeks, is offered or accepts a benefit (whether monetary or non-monetary) from an organisation who is a client; and
- there is a divergence between the interests of the Licensee's clients and the Licensee and its related entities. This could include 'related party transactions' where the Licensee enters into a transaction on behalf of a client with an entity related to the Licensee.

Related Parties to the Licensee include:

- An entity that controls Licensee;
- Directors of Licensee;
- Directors of an entity that controls Licensee;
- Entities with common directors;
- Spouses and de facto spouses, parents and children of the Licensee directors and directors of entities controlling the Licensee; and
- An entity controlled by the above unless the entity is also controlled by the Licensee.

It also includes any of the above that:

- Were related parties at any time within the previous 6 months;

- The Licensee believes or has reasonable grounds to believe it is likely to become a related party; and
- Are acting in concert with a related party.

Key considerations in the management of related party transaction are:

- Whether the transaction is on or at arm's length terms or are on terms less favourable to the related party than arm's length terms; and
- Client disclosure

Appendix 1 contains the details of the organisational conflicts impacting the Licensee, the assessed risk associated with these conflicts and the procedures in place to manage the conflict.

3. Nature of obligations with respect to conflicts of interest

The Licensee has arrangements in place for managing conflicts of interest to meet its obligations under:

- ASIC Regulatory Guide 181 Licensing: managing conflicts of interest;
- common law;
- the Licensee's AFSL; and
- section 912A(1)(aa) of the Corporations Act 2001 (Cth).

Section 912A(1)(aa) of the *Corporations Act 2001* (Cth) provides that the Licensee must have in place adequate arrangements for the management of conflicts of interest that may arise wholly, or partially, in relation to activities undertaken by it or its representatives in the provision of financial services.

ASIC Regulatory Guide 181 states that conflicts of interest are "circumstances where some or all of the interests of people (clients) to whom a licensee (or its representatives) provides financial services are inconsistent with, or diverge from, some or all of the interests of the licensee or its representatives. This includes actual, apparent and potential conflicts of interest".

4. Application of Policy

This Policy applies to any conflict that may arise from the Licensee's provision of the financial services authorised under its AFSL.

Although this Policy will not directly apply to the non-financial services provided by the Licensee, it will however apply to the extent of any revenues that are earned by the Licensee through the provision of those non-financial services.

5. Managing Conflicts of Interest

The Licensee manages conflicts of interest through:

- identifying conflicts of interest;
- internal controls and treatments;
- avoidance; and
- disclosure.

6. **Identifying conflicts of interest**

On adoption of this Policy, the Responsible Managers, Compliance Officer and directors of the Licensee have reviewed and considered the actual, apparent and potential conflicts of interest between the Licensee, its directors, representatives and clients. These conflicts are set out in the conflict of interest register (**Register and/or in Appendix 1**).

The directors of the Licensee will regularly review the Licensee's actual, apparent and potential conflicts of interest in light of the Licensee's operations. In addition to any other areas, the directors of the Licensee will review:

- any change to the nature, scale or complexity of the Licensee's business;
- its general business structure, particularly any structure or service which has been removed, introduced or that has materially changed since the last review;
- any benefit provided to any employee, director or representative of the Licensee (or the Licensee itself), which could amount to or be perceived to amount to a conflict of interest.

The Compliance Officer will update the Register if an update is required or recommended as a result of the directors' review. All of the Licensee's employees, directors and representatives must be given notice of any change to the Register. If a change to the Register is significant, the Licensee's employees, directors and representatives should be provided with additional training on the effect of the change. The Compliance Officer will be responsible for facilitating such training.

Where a new conflict of interest arises after an assessment in accordance with section 11, the Compliance Officer will:

- place that conflict of interest on the agenda for the next Board meeting; and
- prepare a report to the directors of the Licensee which sets out the implications of the conflict on the Licensee's current practices and policies and the proposed recommendation for treating the conflict.

On adoption of this Policy, all directors and representatives of the Licensee must provide the Licensee with a declaration which sets out:

- interests in shares or securities that they hold;
- directorships of any company; and
- any outside business interests,

(**Declaration**).

The directors and representatives must promptly notify the Compliance Officer of any change to the contents of their Declaration.

The Compliance Officer will be responsible for updating the Register in light of the Declarations.

All employees and representatives of the Licensee will receive initial and ongoing training on this Policy and will be made aware of, and have access to, the Register. All employees have a positive obligation to promptly report any potential conflict to the Compliance Officer.

If considered appropriate, the Compliance Officer will provide a survey to a select group of personnel within the Licensee's organisation which asks them to identify any actual, apparent or potential conflicts of interest within the organisation. These surveys will be conducted on an anonymous basis. If required, the Compliance Officer will be responsible for updating the Register in light of the results of the surveys.

7. Internal controls

The Licensee controls conflicts of interest through:

- assessing the identified conflicts (above); and
- implementing treatment and ongoing monitoring.

The Compliance Officer in conjunction with the Responsible Managers will assess each conflict of interest on a case-by-case basis, having regard to the circumstances of the particular conflict and the severity of the consequences on the financial services the Licensee provides if the conflict is not or cannot be adequately managed.

The Compliance Officer in conjunction with the Responsible Managers will also assess the relevant treatment option for each conflict. Treatment options may include avoidance or disclosure, depending on the particular circumstances of the conflict.

8. Avoidance

While some conflicts can be managed through a combination of internal controls and disclosure to clients, others can only be managed by avoiding the circumstance that leads to the conflict.

The Compliance Officer in conjunction with the Responsible Managers must identify those conflicts of interest that have such serious impact on the Licensee or its clients that the only way to adequately manage those conflicts will be to avoid them. In considering whether to avoid a conflict, the Compliance Officer in conjunction with the Responsible Managers will assess the impact that the conflict will have if the circumstance arising in the conflict is not avoided.

Avoiding a conflict may involve not supplying a product to a particular client or not supplying it under particular circumstances.

9. Disclosure

Disclosure seeks to control a conflict of interest through the disclosure of relevant information which allows the client to make a fully informed decision about the conflict at hand, and whether the client wishes to engage the Licensee in light of that conflict.

If disclosure is identified as the appropriate treatment option, the conflict must be disclosed by the Compliance Officer or a Responsible Manager to the relevant party in a clear, concise and effective form to allow the client to make an informed decision about how the conflict affects the services being provided to them.

The disclosure must be timely, prominent, specific and meaningful to the client, and refer to the specific service to which the conflict relates. It must also outline the extent of the conflict. The disclosure must be provided to the client before the financial service is provided.

10. Treatment

As set out in section 7, the Compliance Officer in conjunction with the Responsible Managers will assess each conflict. After its assessment, the Compliance Officer in conjunction with the Responsible Managers will provide the Board with a report of its assessment of the conflict and a recommendation on the most appropriate manner to treat and monitor the conflict.

On assessing the conflict and determining the most appropriate treatment option:

- the Compliance Officer will make a recommendation to the Board in accordance with section 6; and
- upon the Board's review of the recommendation that the Compliance Officer has provided, will implement the treatment plan determined by the Board and, if required, will update the Register accordingly.

11. **Monitoring**

The Compliance Officer will monitor compliance with this Policy from time to time and at least on a yearly basis.

Monitoring compliance may include random audits of client files to ensure this Policy is complied with. It may also include the engagement of an external consultant or auditor to undertake an assessment of the Licensee's policies and procedures in this regard.

If the Compliance Officer identifies a breach of this Policy:

- the Compliance Officer will promptly provide the Board with a report on the breach, and include particulars of:
  - o the conflict of interest that led to the breach and the extent of the breach;
  - o any recommended actions to rectify the breach;
  - o whether any policies or the Register need to be updated in light of the breach;
- the Board will determine:
  - o the recommended actions that are required to rectify the breach, including those that are proposed by the Compliance Officer in section 11 ; and
  - o whether the breach needs to be escalated further, including whether ASIC notification of the breach is required.

12. **Record keeping**

The Compliance Officer will keep records of its conflicts management arrangements for seven years. These include records of:

- any reports on conflicts of interest given to the Board;
- each Declaration;
- any reports of breaches of the conflicts management arrangements;
- copies of written conflicts of interest disclosures given to clients; and
- the Register at each point in time.

Appendix 1 – Table of Organisational Conflicts

Description of Possible Conflict	Possible Perceived Behaviour Arising from the Conflict	Overall Risk	Explanation of Risk Assessment	Management and Control Measures
Licensee Clients vs Licensee Representatives / Employees (Personal Conflicts)				
Outside Business Interests	Employees serving as an officer or director of an outside entity (eg charity) may create conflicts eg steering investment into **Licensee** funds	Low	**Licensee** only deals with “Professional”, “Wholesale” and “Sophisticated” investors. Furthermore a register of Directorships is maintained by Compliance to assist in the monitoring of any conflicts of interest. All outside directorships must be pre-approved by the responsible Manager and the CEO.	CPP: Code of Conduct requires outside business interests to be precleared
Personal holdings in **Licensee**	In appropriate advice may be given in order to increase **Licensee** income and therefore shareholder return	Low	There are 3 executive directors in the Duxton Group, the Group chairman, the CIO and the CEO. All have been briefed on relevant restrictions in relation to providing advice. Furthermore the Licensee limits investors to “Professional”; “Wholesale” and “Sophisticated”	
Remuneration arrangements	Remuneration structured in a manner that may encourage inappropriate advice	Moderate	Staff are remunerated on salary basis with bonus linked to both personal and company performance. Part of the assessment of performance is based on employees attitude and	Group Remuneration Structure

Description of Possible Conflict	Possible Perceived Behaviour Arising from the Conflict	Overall Risk	Explanation of Risk Assessment	Management and Control Measures
			compliance with all of the Groups policies. Furthermore generally at least 2 representatives are present when presenting to Clients. This reduces the likelihood that one employee may act inappropriately	
Licensees Clients vs Licensee Itself				
Advice provided	In appropriate advice may be given in order to increase Licensees income	Moderate	Licensee does not deal with retail clients and does not provide Personal Financial Advice. Staff are trained in relation to these issues and are briefed on relevant CPPs. Furthermore typically at least 2 Licensee staff will be present as any investor briefings or presentations to reduce the potential for inappropriate level of “Advice” to be provided.	
Fee arrangements	Fees paid to the Licensee structured in a manner that may encourage inappropriate advice	Low	Licensee only deals with “Professional”, “Wholesale” and “Sophisticated” Investors. Fees for Investment Mandates are negotiated directly with Clients who have the ability to set fee structure. Fees for Funds are generally signed	CPP : Managing Conflicts of Interest

Description of Possible Conflict	Possible Perceived Behaviour Arising from the Conflict	Overall Risk	Explanation of Risk Assessment	Management and Control Measures
			off by a separate Board of Directors or Trustee as the case maybe. All staff are required to comply with Group policies which include behaviour in relation to Conflicts of Interest and Advice.	
Licensee's Clients vs Other Duxton Group Clients				
Selective Disclosure	Timing and extent of information provided to clients differs between clients and gives some clients an advantage over others in relation to decisions regarding Duxton Group products	Moderate	Staff undertake Compliance training in relation to various aspects of Insider Trading, Market Manipulation; Misleading and Deceptive Conduct etc	CPP : Anti Fraud Policy (Group) CPP : Managing Conflict of Interest (Group)
Selective Allocation of Deals	One or more clients are favoured over other clients in relation to access to stock allocations or PE transactions.	Moderate	Client orders are allocated based on available capital for investment. Furthermore PE transactions are also reviewed and approved by a separate Investment Committee in addition to the Fund Manager. In some mandates the client also has veto over transactions or the Client is aware of Duxton groups other mandates and that opportunities may be allocated equally between Duxton Group clients.	CPP : Managing Conflict of Interest (Group) CPP : Funds Management Process (Group)