



**Plenary**  
Funds Management

# **Conflicts of Interest Policy**

## Document Details

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## 2. Introduction

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### Purpose

Plenary Funds Management Pty Ltd (“**PFM**”) has robust arrangements in place for the management of conflicts of interest.

As an Australian Financial Services licensee (“**AFS licensee**”), PFM must comply with the obligation to manage conflicts of interest under s912A(1)(aa) of the *Corporations Act 2001* (Cth).

Having adequate conflicts management arrangements also enables PFM to comply with other obligations, including the obligation to operate efficiently, honestly, and fairly; meet fiduciary obligations to clients; and maintain a reputation for integrity.

This Conflicts of Interest Policy should be read in conjunction with the following related policies:

- PFM Code of Conduct
- PFM Gifts and Entertainment Policy
- PFM Personal Trading Policy

### Definitions

| Term                         | Definition  |
|------------------------------|---|
| <b>Conflicts of Interest</b> | means circumstances where some or all of the interests of one or more clients or stakeholders (including PFM or PFM Staff) are inconsistent with, or diverge from, some or all of the interests of another client(s) or stakeholder(s). This includes actual, apparent and potential conflicts of interest.   |
| <b>PFM</b>                   | means Plenary Funds Management Pty Ltd  |
| <b>PFM Staff</b>             | means <ul style="list-style-type: none"> <li>• Employees or contractors directly engaged by any entity within PFM;</li> <li>• Directors or officers appointed to any entity within PFM; and</li> <li>• Any other personnel who perform work for the benefit of PFM or have access to PFM systems including temporary agency staff, external contractors, or service providers.</li> </ul> |
| <b>Senior Manager</b>        | means any individual who directs and controls the organisation at the highest level. It includes the CEO and the direct reports of the CEO.   |
| <b>Responsible Managers</b>  | means those individuals appointed as Responsible Managers under PFM’s Australian Financial Services Licence.  |

## 3. About Conflicts of Interest

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### Definition

Conflicts of interest are circumstances where some or all of the interests of one or more clients or stakeholders (including PFM or PFM Staff) are inconsistent with, or diverge from, some or all of the interests of another client(s) or stakeholder(s).

This includes actual, apparent and potential conflicts of interest. Such conflicts of interest can be held personally, at the corporate level, or may be between competing business interests (e.g., where one of more funds / separately managed accounts have diverging interests).

These categories of conflicts of interest are further detailed below:

- ❑ **Personal:** where a person is in a position to be influenced, or appears to be influenced, by their private or other interests.
  - Interest – financial and non-financial interest
  - Personal – employees own interests and interests of their related parties
- ❑ **Corporate:** PFM's interests diverge from the interests of its clients and other corporate stakeholders
  - Examples where it may arise include:
    - Conflicts between PFM and its clients
    - Conflicts between PFM and its related entities
    - Conflicts between PFM and its third-party suppliers
    - Conflicts between PFM representatives and its third-party suppliers
    - Conflicts between PFM representatives and its clients
    - Conflicts between any member of the Board; senior management; representatives and PFM.
- ❑ **Competing Business Interests:** Where the interests of PFM's clients are inconsistent with each other such that PFM acting for a particular client may adversely affect another client's interests
  - Examples where it may arise include:
    - Conflicts between clients when allocating investment opportunities
    - Conflicts between clients where there is a shared holding in the asset but differing views on how the asset should be managed

### Who can have a conflict of interest with a client?

PFM have identified the following persons may have a conflict of interest with PFM's clients:

- ❑ Directors
- ❑ Officers, Senior Managers and Responsible Managers
- ❑ Representatives (e.g., employees, contractors)
- ❑ Authorised Representatives
- ❑ Outsourced service providers

- ❑ Other PFM clients including funds and separately managed account (“SMA”) clients

## **Implementation of conflicts management arrangement**

PFM is committed to ensuring that the quality of financial services provided is not compromised by conflicts of interest which may arise. PFM has implemented procedures to enable:

- ❑ identification and assessment of materiality of conflicts of interest.
- ❑ management through appropriate controls, avoidance, and/or disclosure; and
- ❑ monitoring, reporting, review, and record-keeping of conflicts of interest which may arise in the provision of financial services.

These procedures are further supported by dedicated related party management procedures and procedures for the management of competing client interests. This includes information barrier protocols.

PFM’s conflicts management arrangements form part of the overall risk management system and compliance system.

## **Quality of service**

PFM’s approach to conflicts management ensures that the quality of financial services provided is not materially compromised by conflicts of interest. The objective is to ensure clients are treated fairly, honestly, and efficiently.

As part of the risk analysis for conflicts of interest PFM considers:

- ❑ Do we unfairly put our interests ahead of the client’s interests?
- ❑ Do we unfairly put one client’s interests ahead of other client’s interests?
- ❑ Do we use knowledge about our client to advance our own interests without disclosure to relevant clients?
- ❑ Do our dealing practices affect the management of conflicts?
- ❑ What are the tests of effective conflicts management?

By identifying conflicts of interest and implementing conflicts management arrangements, PFM ensures that clients can confidently make informed decisions.

## 4. Identification of Conflicts of Interest

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### Identifying conflicts of interest

PFM conducts an annual risk review that includes an assessment of conflicts of interests that is consistent with *AS ISO 31000:2018 Risk Management - Guidelines* as part of the overall risk management system.

The Compliance Manager will conduct an analysis of possible conflict of interest scenarios and will update the review at least annually. This analysis includes a description of potential or actual conflicts of interest identified, the mechanisms used to manage such conflicts, and the monitoring process assigned thereto.

The Compliance Manager will identify possible conflicts of interest scenarios through such mechanisms as:

- day-to-day engagement with PFM Staff
- interviews with PFM staff at other opportunities such as recruitment, induction, and during semi-annual performance reviews.
- external research reports, ASIC website and other sources that provide risk management content and report actions taken against conflicts of interest.
- interaction with PFM Staff during the administration of compliance policies and procedures (including disciplinary actions for non-compliance); and
- compliance monitoring and reviews.

The Compliance Manager will assess and evaluate the conflict of interest and determines the appropriate mechanism to manage the conflict of interest.

### Guidance to PFM Staff

You may have a conflict of interest at work if your personal interests, are inconsistent with, or differ to the interests of PFM and/or PFM's clients and may influence the way you decide to deal with PFM or PFM's clients.

All PFM Staff must record all actual, potential, or apparent conflicts of interest in PFM's Register of Interests. The Compliance Manager will assess the disclosed conflict of interest for materiality and determine whether any further action is required or where the disclosed conflict of interest is deemed material, the controls implemented to manage the material conflict of interest.

Material Conflicts of Interest are recorded in the Material Conflicts of Interest Register by the Compliance Manager. All PFM Staff must implement the controls documented in the Material Conflicts of Interest Register. PFM Staff should consider the impact of an actual or perceived conflict of interest on their ability to perform their role with integrity, due care, skill, and due diligence.

In ascertaining whether there is a potential conflict of interest it is important to consider if there is a risk or perception that:

- You may utilise your knowledge/capacity in a way that will advance your own interests unfairly ahead of PFM or its clients?
- You may unfairly advance PFM's interests ahead of its clients?
- You may put the interests of one client ahead of other clients?

Examples of conflicts of interest:

- Where the remuneration PFM Staff may receive after recommending a fund may influence the advice given to clients
- Receipt of a gift or entertainment in return for conducting business with a particular provider
- Entering into a contract where you have a personal interest
- Acting in more than one capacity in respect of the same transaction / fund
- Entering into a transaction with another PFM related party
- Investing in assets in which Plenary entities have an interest
- An asset being sold between different funds or SMAs
- Holding an office, shareholding, or other financial interest in a supplier, vendor, or partner of PFM.
- Accepting gifts or entertainment from a supplier, vendor, or partner of PFM.

All PFM Staff are required to disclose details of any:

- Actual conflicts of interest by which you are affected; and
- Possible conflicts of interest by which you could be affected in performing duties for PFM.

to the Compliance Manager.



## 5. Assessing conflicts of interest

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### Assessment process

In determining the appropriate action to take where a conflict of interest arises the appropriate action / control should be determined by a party not significantly affected by the conflict themselves.

The Compliance Manager assesses and documents the identified conflicts of interest in the Material Conflicts of Interest Register. The Compliance Manager is responsible for:

- determining the materiality of conflicts
- creating, maintaining, and reviewing the Register of Interests and Material Conflicts of Interest Register; and
- reporting to the PFM Board of Directors

### Evaluating conflicts of interest

The Compliance Manager evaluates the conflict of interest and determines what actions / controls are appropriate for managing the conflict of interest and the monitoring procedures.

The assessment and evaluation are documented in the Material Conflicts of Interest Register.

The Compliance Manager maintains the Material Conflicts of Interest Register, which for each disclosure, records a description of the nature of the conflict identified and the actions taken to manage the conflict. The Compliance Manager undertakes a periodic review of the Material Conflicts of Interest Register to assess the adequacy of conflicts management arrangements.

## 6. Managing conflicts of interest

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### Controlling conflicts of interest

PFM uses internal controls as part of the management of conflicts of interest. Internal controls on their own may not be adequate to manage a specific conflict of interest. Material conflicts of interest must also be disclosed or if significant, avoided.

PFM has implemented the following internal controls for controlling conflicts of interest:

- duties are segregated to the extent possible
- informational barriers are in place to impede access to information between functions with a conflict of interest
- conflict of interest management policy and procedures are communicated to staff on induction and regularly through workshops.
- Gifts & Entertainment Policy is implemented
- Staff Trading Policy is implemented
- PFM is prohibited from giving financial benefits to related parties without appropriate client approval.
- Investment Allocation Policy is implemented
- procedures for ensuring separate representation between funds or client accounts
- remuneration practices are documented and monitored for influence on inappropriate behaviour; and
- disciplinary procedures are in place and employees are advised that non-compliance with conflicts management arrangements may lead to actions that include dismissal and external actions by regulators.

### Avoiding conflicts of interest

PFM and PFM Staff must avoid situations where there is a material conflict of interest that is so significant that disclosure or management is inadequate to address the conflict of interest.

PFM conflicts management arrangements endeavour to support the identification of those conflicts of interest that must be avoided i.e., those where disclosure and internal controls are inadequate.

Where conflicts of interest arise for an individual representative/client relationship, that representative is prevented from advising that client and another representative is assigned to manage the client.

Where conflicts of interest arise for a financial product or service and an individual client, the provision of that service or product may be denied to the client.

For the avoidance of doubt, PFM will not invest in an entity on behalf of its managed funds or SMA clients where the principal business of that entity is in direct competition with the principal business of an existing investment managed by PFM for another fund or client.

## Disclosing conflicts of interest

PFM discloses material conflicts of interest to its clients, where appropriate. In situations where disclosure would involve the disclosure of commercially sensitive information, information subject to a confidentiality agreement, or inside information, PFM must avoid the conflict of interest rather than rely on disclosure.

For PFM clients to consider the potential impact conflicts of interest may have on their investment decisions, PFM discloses all material conflicts of interest:

- ❑ in a timely, prominent, and specific manner
- ❑ before the provision of financial product advice and, in any case, at a time that allows the client reasonable time to assess the impact of such conflict; and
- ❑ with reference to the specific service to which the conflict relates.

PFM considers the nature of the conflict of interest, the financial service provided and the client in deciding what type of disclosure is appropriate. More extensive disclosure may be appropriate for complex products and situations.

## 7. Related Party Dealings

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### Overview

Dealings between related parties need to be managed in order to safeguard the independence of each party and ensure matters are resolved in a fair, honest, and transparent manner.

Related party dealings can arise between funds or SMAs managed by PFM, or between PFM (including any of the funds or SMAs it manages) and Plenary Group Holdings Pty Ltd (“**Plenary**”) or associated entities of Plenary.

In the course of business all manner of transactions arise between parties. Where these parties are unrelated (i.e. third parties), there is typically opposing interests and therefore a competitive dynamic to the interaction, with each party seeking a deal most beneficial to their interests. In contrast, dealings between related parties may not have the same level of competing interest and there may be scenarios where the representatives of the related parties stand to benefit by colluding, where one related party could benefit to the detriment of the other, representatives may personally benefit or the representatives are the same for both parties.

PFM recognises that related party dealings can present perceived, potential and actual conflicts of interests and may give rise to concerns that the related party representative is not acting in the best interests of the entity whom they are acting on behalf of. As such, it is important to establish a framework for ensuring that all decisions are made in the best interests of the party whom they are made on behalf of while ensuring compliance with legal and regulatory obligations.

### Key principles

In order to manage actual, potential and perceived conflicts of interest which arise through related party dealings, the following principles must be adhered to:

- In the event that a related party transaction is identified the parties must be separated and clearly defined independent representation must be established
- Conduct all dealings between the related parties in an open, transparent and fully documented manner, with clear identification of interests, including potential conflicts (e.g. where representatives acting on behalf of related parties share in the same remuneration incentive structure)
- All related party transactions are to be conducted on an “arm’s length” basis

### Identification of Related Party Dealings

Related party dealings are identified on an ongoing basis by giving consideration to the participants in a transaction when the transaction arises as well as the representatives acting on behalf of the participants. Where a participant is a related entity of the other participant, per the definition of related entity in s9 *Corporations Act 2001* (Cth), it will prima facie constitute a related party transaction.

At times it may be more challenging to identify whether the participants are related parties. In such cases, regard must be had for the relationship between the parties, prior dealings, and their representatives.

Examples of related party dealings include:

- ❑ Asset sell-down between related entities of Plenary (e.g. Plenary selling an asset to a PFM fund or client)
- ❑ Related entities of Plenary tendering for a financial advisory mandate as part of a refinance, acquisition or divestment for PFM's funds and clients
- ❑ Related entities of Plenary tendering for ongoing service provision to PFM's funds, clients or underlying assets.
- ❑ Transactions involving competing client interests (e.g. sell-down between funds)

## **Managing Related Party Dealings**

Where a related party transaction is identified it is important that appropriate steps are taken to ensure all dealings are in the best interests of the parties whom they are on behalf of. These steps are as follows:

- 1) Prior to any further dealings, each party must establish a separate, independent team to represent their interest. Each team should be predominately aligned with the interests of the party whom they are acting on behalf of (noting that shared organisational structures such as remuneration may create an inherent conflict)
- 2) All parties (including the teams acting on their behalf) are expected to declare any actual, potential or perceived conflicts of interest in relation to the transaction. These are to be documented by the Compliance Manager in accordance with this policy.
- 3) Where a conflict exists, a director or representative will be expected to declare and abstain from participating in consideration of and/or voting in relation to that transaction
- 4) Information barriers should be established to ensure both information integrity and to ensure that competing parties do not leverage knowledge about another competing party for their own gain
- 5) A conflicts memorandum is to be developed, outlining the information described in 1) to 4), together with any other relevant matter related to the transaction. Individuals will be required to sign off that they have read and understood the conflict memorandum when the transaction commences and will also be required to sign off at the end of the transaction that they have followed the conflicts memorandum in line with this policy.
- 6) Where the participating entities are funds and SMAs, the Investor Advisory Group(s) and SMAs are to give consideration to the robustness of the measures in place to manage conflicts. Ultimately, the consent of these parties is required to pursue the opportunity any further.

For the avoidance of doubt, these steps should be adhered to irrespective of whether the parties involved are Plenary related entities or competing funds / clients of PFM.

## **“Arms Length”**

In addition to managing the related party transaction in accordance with the procedures above, it must also be established that the transactions are at “arm’s length”. Typically, a transaction will be deemed to be on “arm’s length” terms where a financial benefit is given on terms that would be reasonable in circumstances where the parties are dealing at “arm's length”, or on terms that are less favourable to the related party. In order to support this assessment, the following are factors when determining whether a transaction is at “arm’s length”:

- 1) How do the terms of the overall transaction compare with those of any comparable transactions on an “arm's length” basis?
- 2) Are there any other options available? For example, has a tender process occurred?
- 3) Has any expert advice been received (including any professional or expert advice from appropriately qualified advisers)?
- 4) Are the terms of the proposed transaction fair and on the same basis that would apply if the transaction did not involve a related party?
- 5) Are the terms of the proposed transaction on terms that are less favourable to the related party than “arm's length”?
- 6) Are there broader business reasons for the proposed transaction?
- 7) Will the proposed transaction impair the independence of the representatives?
- 8) What are the implications for each entity’s financial position and performance?
- 9) What is the nature and content of the deal process?

Ultimately, “arm's length” terms and conditions will be determined having regard to ASIC Regulatory Guide 76 'Related party transactions.

## 8. Implementation

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The PFM Board of Directors is responsible for ensuring adequate resources are available to effectively implement the conflicts management arrangements. The PFM Board of Directors has designated the Compliance Manager and Responsible Managers as the persons responsible for the implementation, review and updating of the conflicts of interest management arrangements.

The effectiveness of the implementation of the conflicts of interest management arrangements are reviewed internally by the Compliance Manager. The findings of these reviews are reported to the Board of Directors.

The Compliance Manager has responsibility for monitoring conflict management arrangements. The Compliance Manager documents conflict management arrangements and maintains compliance-monitoring records.

### **Conflicted Compliance Manager**

In the event that a conflict relates to the Compliance Manager they will be restrained from performing their usual role of identifying, monitoring and managing the conflict of interest. In such circumstances, these responsibilities will fall to a Responsible Manager (provided the given Responsible Manager is not themselves conflicted).