

CP4 – CONFLICT OF INTERESTS POLICY

Guidance	ASIC Regulatory Guide 3 (generally)
	ASIC Regulatory Guide 104 (generally)
	ASIC Regulatory Guide 181

1.1 Introduction

This policy covers the organisational and administrative arrangements for the identification and management of conflicts of interests with respect to financial services provided by Atchison Consultants (AC). It provides clients with a summary of policies and procedures that have been established.

AC is committed to providing high-quality, objective, and unbiased investment advice, business advice, analysis and research. Policies have been established which identify, consider and manage conflicts of interest to protect the integrity of relationships between clients and AC. Employee compliance with these policies is mandatory.

The primary responsibility for implementing adequate conflicts management arrangements and complying with other relevant obligations rests with AC as part of broader compliance with its Australian Financial Services Licence (AFSL). The purpose of this statement is to ensure **TAG** has a framework in place for identifying, managing and resolving situations where conflicts of interest arise, or might be perceived to arise.

Important information

The publication of this policy does not create any third-party rights or duties between AC and such third-parties that would not exist in the absence of such publication, and does not form part of any contract with any client or third-party.

1.2 Management of Conflicts of Interest

Broad definition

For the purposes of this policy, conflicts of interest are circumstances where some or all of the interests of people (clients) to whom a licensee (or its representative) 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.

Controlling conflicts of interest

The five key steps AC follow in controlling conflicts of interest are:

- (a) Identify the conflicts of interest;
- (b) Assess and evaluate the identified conflicts;
- (c) Decide upon, and implement, an appropriate response to those conflicts; and

- (d) Document the conflicts of interest.
- (e) Regular review

Identification of Conflicts

Senior management and compliance staff of AC have considered the potential conflicts of interest arising out of the provision of the current range of financial services. A review of conflicts of interest is conducted on a regular basis (at least yearly), while conflicts of interest arising from new clients and service provider relationships or new services are considered and assessed as they arise.

Additional mechanisms for identifying potential conflicts of interest include:

- Internal guidance and training regarding the identification of possible conflicts of interest before they arise.
- Identifying work conducted for clients, particularly business advice to investment management businesses, which may constitute a potential future conflict of interest;
- Procedures to ensure that conflicts are documented and reported.

Despite procedures and policies for the identification and management of potential conflicts, AC may not be aware of all such potential conflicts because it may not be familiar with all the interests of the recipients of advice or research and other clients.

While a standard practice for managing or controlling the conflict(s) of interest have been developed, each conflict of interest identified will be considered and assessed on a stand-alone basis, with the conflict and management action recorded in the Conflict of Interest Register.

Assessment of conflict of interest

Upon identification, conflicts of interest (whether actual, apparent or potential) will be assessed for materiality by the compliance officer and Managing Director.

The likely impact of the conflict of interest on the business, including reputation and its relationship with other clients and prospective clients will be assessed and graded as follows:

- Immaterial – the conflict of interest is unlikely to have any impact on existing and/or prospective clients and is unlikely to have any impact on how AC conducts its business or the reputation of AC.
- Material – the conflict of interest may materially impact on existing and/or prospective clients or may impact on how AC conducts its business or the reputation of AC were it not to be appropriately managed.
- Highly conflicted – the conflict of interest may have a substantial negative impact on existing and/or prospective clients or may substantially detract from how AC conducts its business or the reputation of AC even with significant conflict management procedures in place.

Management of conflicts of interest

Methods of controlling conflicts of interest may involve one or more of the following actions:

- No action required (where conflicts are judged to be immaterial);
- Disclose the conflict of interest to the relevant client(s). Disclosure may be on a one off basis or ongoing, as required;
- Allocate another consultant or analyst to provide the service to the particular client;
- Engage external review for research which may involve a related party;
- Seek legal advice as to whether the conflicts of interest are able to be mitigated through management; or
- Decline to provide services to the particular client.

Documentation of conflicts of interest

The details of the conflicts of interest, including affected parties, assessment of materiality and how the conflicts are to be managed, will be recorded in the Conflicts of Interest Register. This will assist a review of the suitability of the procedures used to manage the conflicts.

Regular review

This Conflict Of Interest Policy will be reviewed regularly (at least annually) to ensure it adequately considers and addresses any new business practices or services provided by AC and any related regulatory changes.

1.3 Investment Management Business Advice

A significant proportion of the current business involves the provision of advice to investment management (IM) businesses. Advice may include business strategy, investment strategy and fund structures, investment and risk management processes and systems and marketing and distribution strategies.

Potential conflicts of interest

There is potential for a conflict of interest to arise from an IM appointment recommendation where the IM is also a client. Conversely the appearance of a conflict may arise from AC taking on the asset consultant role for a client (e.g. an established superannuation fund) that is already invested in one or more of the funds/products offered by the IM client.

Management of conflict of interest

A twofold approach to management of such a conflict of interest will generally be adopted as follows:

- A documented manager search report; and
- Disclosure of the conflict of interest.

A manager search will be conducted prior to recommendation of any investment manager to be appointed. The search will be documented and detail the processes undertaken in the search, including the initial universe considered and investment screens used. An IM will only be recommended where the investment

strategy of the IM's product/fund matches that required by the client and the IM is equivalent to or better than a non-related party or a non-client IM.

Initial disclosure of the conflict of interest will be provided with the manager search report (which may include a specific IM recommendation or a recommended short-list). Ongoing disclosure will be provided in regular reporting to the investor client. Disclosure will include a description of the work performed for the IM, the date the work was performed and AC's opinion on the materiality of the conflict(s) of interest. Disclosure will be provided in a timely manner to allow the investor client adequate time to consider the conflict(s) of interest prior to adopting or rejecting the recommendation of the IM.

1.4 Related Parties

From time to time directors and senior management of AC may have material holdings in external financial services businesses or be employed by or related to an external financial services business.

Where a related party is recommended to provide services to a client of AC, disclosure of the conflict, or perception of conflict of interest, will be made to the client.

Related party conflicts of interest will be recorded in the Conflicts of Interest Register.

1.5 Relationships with External Financial Service Providers

In the course of normal business, AC has developed commercial relationships with external financial service providers. From time to time a client or prospective client may notify AC of their requirements for that particular financial service and AC may provide an informal reference to the external service provider with whom AC has an existing commercial relationship.

Disclosure of the relationship will be made along with any informal reference and will generally be sufficient in terms of any conflicts of interest management requirements. The client will be advised to conduct sufficient due diligence of any service provider prior to appointment.

Where AC is engaged and remunerated to find and recommend an external service provider, disclosure of any existing relationship will be made in the report to the client.

1.6 Secondary Market Transactions

A further segment of AC's business involves the arrangement of secondary market transactions. The transactions tend to be in units of an unlisted managed investment scheme or fund. AC works as a facilitator of such transactions, generally in finding buyers or sellers of a tranche of units in a managed fund.

AC is generally remunerated for its role as facilitator by charging a fee based on the size of a completed deal.

The basis of any such transaction is that it takes place based on a knowledgeable, willing, and unpressured buyer purchasing from a knowledgeable, willing, and unpressured seller. Due to circumstances within the underlying fund, such as a requirement for liquidity, there may be a discount (or premium) offered or paid for the units. The discount or premium will be known to both parties and consented to prior to transaction.

AC will not seek to increase or reduce the price for the transaction in order to increase the fee earned. Where AC provides advice on the transaction price to the buyer or seller, the other party will be informed of the potential conflict. In such cases, the conflict will be recorded in the Conflicts of Interest Register.

1.7 Internal structures

During the course of everyday business, AC may encounter market sensitive information through discussions and correspondence with clients and/or external financial services providers. Personal trading guidelines and confidentiality requirements have been developed and are outlined below. Where a director or employee is found to have breached these guidelines and requirements, the compliance officer and managing director will be notified and the matter will be investigated, with the potential for referral to ASIC or other authorities if required. All directors and employees will be required to read and sign-off on a compliance pack, which includes this conflict of interest policy, on an annual basis.

Personal Trading Rules

AC has taken guidance from the 'IFSA Guidance Note No. 7: Personal Trading' in developing principles and guidelines for its trading rules.

The underlying philosophy is directors and employees of AC should avoid situations in which any private interest would or could conflict with the duty to provide the highest standard of service to clients.

AC has adopted rules with respect to personal trading based on the following principles and guidelines. These principles and guidelines apply to directors and employees of AC.

They should:

- place the interests of clients first at all times;
- avoid and be seen to avoid, actual or potential conflict between personal interest and duty to clients and/or to AC;
- not derive any personal advantage from information which is not generally available and which has been obtained by reason of, or in the course of, their employment;
- ensure that personal trading does not adversely impact on the individual's ability to perform normal duties

Confidentiality

Directors and employees must at all times observe the requirements to keep confidential any information obtained in the course of their duties with AC which is "confidential information".

Confidentiality agreements extend to directors and all employees. Particular care is taken to ensure the confidentiality or non-disclosure agreement does not preclude the disclosure of information to clients.

1.8 Research and Rating Reports

AC is remunerated by the investor client who has requested a rating of a specific investment product or by an IM who wishes to be rated by an external researcher in order to be included on an investment platform or to use to promote the product.

Conflicts of interests associated with this activity will be managed by disclosure of this conflict of interest, including an analyst certification and description of how AC has been remunerated.

Supervision and Remuneration of AC Analysts

Compensation of AC analysts is structured to avoid any incentive inconsistent with the provision of impartial research. As such, compensation of research analysts is determined exclusively by AC management and is not linked to specific transactions or recommendations.

AC analyst compensation is based on established criteria that include the quality and accuracy of the analyst's research and analysis.

All AC reports must carry a certification that the views expressed accurately reflect the views about any and all of the subject issuer(s) or securities and that no part of analyst compensation was, is or will be directly or indirectly related to the specific recommendation(s) or view(s) in that report.

Avoiding Inappropriate Influences

Non-research personnel must never attempt to influence a research analyst's rating or opinion or any other contents of a research publication.

Neither AC nor any non-AC personnel may offer or accept any inducement to produce favourable research or a specific rating or price target.

AC analysts do not provide draft, written research or models to a client prior to publication, except as expressly permitted by a compliance officer or the managing director solely for the purpose for fact checking.

Means and Timing of Publication

Research is required to be distributed only through controlled channels. Research must not be disseminated internally to non-research personnel in advance of distribution to clients or to any agreed third-party distribution network.

Except as described above in the context of fact checking, AC analysts or other employees may not communicate the substance of any research prior to publication either internally (other than to the necessary AC personnel) or outside AC.

Disclosures

AC analysts must provide required company or product specific disclosures in connection with all public appearances and/or when communicating with the media.

All research publications must contain required general and company-specific disclosures. Where it is disclosed on a research report that AC or its affiliates beneficially owns a specified percentage of any class of equity securities of an issuer, this position will reflect information available as of the prior business day to the date of publishing.

1.9 Gifts and Hospitality

It is recognised staff may be given gifts and hospitality by clients or external financial services providers or by those who may be seeking to do business with AC or its clients. Similarly, there will be occasions when it will be appropriate for AC staff to provide gifts and/or hospitality.

In respect of gifts and hospitality from others, the following principles apply:

- Gifts and hospitality should not be sought or encouraged;
- Providers of gifts should be told that their gifts will be shared by AC staff and/or a charity;
- Cash is not permitted under any circumstances.
- Travel costs may be paid for by third parties; however offers to cover these costs will only be accepted when the travel is for legitimate company business. If this is the case, the costs will not be considered a gift and therefore not be required to be recorded in the Gifts and Hospitality Register.
- Tickets to sporting events, shows or rounds of golf are considered gifts unless both the recipient and the person giving the tickets (or paying for golf), attend the event.
- Entertainment received must not be lavish or excessive so as to appear to unduly influence the judgement of the recipient, or otherwise appear improper.

With specific regard to an invitation to attend an event, staff should consider on a case-by-case basis whether it is appropriate to accept or decline the offer based on:

- Relevance of event content and/or networking opportunity
- Length of event duration
- Whether the event is during or outside core working hours

It is required that staff discuss and seek approval from their supervisor to attend such events.

In respect of gifts and hospitality given to others by AC staff, the following principles apply:

- There must be very good reason for AC staff to give gifts and hospitality, i.e. it is the exception not the rule;
- Cash is not permitted under any circumstances.
- It is unacceptable for gifts and hospitality to be given to secure an advantage for AC which is not otherwise attainable in the ordinary course of business, i.e. bribes, inducements, business preferment's etc. are not acceptable;

- Entertainment provided must not be lavish or excessive so as to appear to unduly influence the judgement of the recipient, or otherwise appear improper.

All gifts received or given by AC directors or employees, greater than \$100 in value, will be recorded in the Gifts and Hospitality Register.

Schedule 1—Specific conflicts of interest

This is an assessment of specific conflicts of interest.

Potential conflict	Assessment	Response
Remuneration to representatives, e.g., commissions, bonuses.	<p>Risk clients will receive inappropriate advice or be recommended inappropriate financial products from a representative to—</p> <ul style="list-style-type: none"> • receive commission from TAG • attain higher sales target to secure higher commission where commission is staggered and tied to sales targets, or • secure bonuses linked to sales performance. 	<p>Insert does not intend to pay commissions to financial planners.</p> <p>Ensure details of remuneration arrangements are adequately disclosed and explained to clients in disclosure documents.</p> <p>Amend remuneration policy to be linked with quality and suitability of advice so it is not just dependant on the amount of client funds invested. Consider fee for service arrangements.</p> <p>Compliance procedures (including training) to ensure “appropriateness” and “suitability” of advice.</p> <p>Compliance monitoring and supervision to ensure procedures followed by representatives.</p> <p>Audit client files to determine quality of advice provided.</p> <p>Issue warnings to representatives who provide inaccurate or poor advice to clients.</p>
Conflicting interests, associations and relationships of representatives	<p>Risk of compromised advice where representative providing advice also holds interests in financial products being recommended.</p>	<p>Disclosure of any relevant conflicts in disclosure documents.</p> <p>Ensure representatives are prevented from trading in financial products the subject of the advice provided to clients for a designated period of time.</p> <p>Compliance procedures (including training) to ensure “appropriateness” and “suitability” of advice.</p> <p>Compliance monitoring and supervision to ensure procedures followed by representatives.</p>
Director shareholdings	<p>Conflict between personal interest in making profit as shareholder and obligations as Director</p>	<p>Remove conflicted Director from any vote involving a matter in which the Director has a conflict, e.g., has an interest in, and depending on the size of the interest (materiality threshold).</p> <p>Disclosure in disclosure documents.</p>