

WALSH & COMPANY INVESTMENTS LIMITED
ACN 152 367 649

Gearing and interest cover policy

Adopted : 31 December 2018

Date This Policy was adopted on 31 December 2018.

Company Walsh & Company Investments Limited (ACN 152 367 649) of Level 15, 100 Pacific highway, North Sydney, New South Wales. **(Walsh & Company)**

Introduction

- A. As the responsible entity of the Fort Street Real Estate Capital Fund IV (ARSN 623 196 298) **(Fund)**, Walsh & Company is required to comply with the Australian Securities and Investments Commission's *Regulatory Guide 46 Unlisted property schemes: Improving disclosure for retail investors (RG 46)* dated March 2012.
- B. RG 46 requires Walsh & Company to maintain and comply with a written valuation policy.
- C. This policy describes Walsh & Company's approach to valuations in relation to the Fund.
- D. The Fund will wholly own the Australian Property Opportunities Trust, an unregistered managed investment scheme which will directly or indirectly hold interests in real property **(Trust)**. Walsh & Company Investment Services Pty Limited **(Trustee)** will act as trustee of the Trust.
- E. This policy also describes the Trustee's approach to valuations in relation to the Trust and any of its controlled entities.
- F. The terms of this policy follow.

Purpose and scope

- (a) This policy applies to the Fund of which Walsh & Company is the responsible entity, the Trust and any controlled entity of the Trust (**Group**).
- (b) The purpose of this policy is to:
 - (i) Govern the level of gearing and interest cover of the Group at an individual credit facility level.
 - (ii) Convey to investors that Walsh & Company will monitor and manage the gearing and interest cover levels of individual credit facilities of the Fund in accordance with this policy.

Gearing ratio calculation

- (a) The Group's gearing ratio (on a consolidated basis) is calculated as follows:

$$\text{Gearing ratio} = \frac{\text{Total interest-bearing liabilities}}{\text{Total assets}}$$

- (b) The gearing ratio of an individual credit facility entered into by a Group member is calculated as follows:

$$\text{Gearing ratio} = \frac{\text{Total amount of the credit facility}}{\text{Assets secured by the credit facility}}$$

- (c) Walsh & Company will use the latest audited or reviewed financial statements to calculate the gearing ratio of the Group, except where it is aware of material changes to those statements.

Maximum gearing ratios

- (a) The target gearing ratio of the Group is between 40-50 percent but, in any case, must not exceed 60 percent.
- (b) The gearing ratio of each individual credit facility entered into by a Group member must not exceed 60 percent

Interest ratio calculation

- (a) The Group's interest cover ratio is calculated as follows:

$$\text{Interest cover ratio} = \frac{\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses}}{\text{Interest expense}}$$

Where—

EBITDA means consolidated earnings before interest, tax, depreciation and amortisation

- (b) Walsh & Company will calculate the interest cover ratio for each individual credit facility of the Group by using the formula above and substituting "interest expense" with the "interest expense of the individual credit facility".
- (c) Walsh & Company will use the latest audited or reviewed financial statements to calculate the interest cover ratio of the Group, except where it is aware of material changes to those statements.

Minimum interest cover ratio

- (a) The interest cover of the Group must be at least 1.5 times.
- (b) The interest cover of each individual credit facility entered into by a Group member must be at least 1.5 times.

Monitoring and management

- (a) Walsh & Company and the Trustee will calculate the gearing and interest cover ratio of each individual credit facility at least quarterly to ensure each credit facility complies with Walsh & Company's gearing and interest cover policy.
- (b) If the gearing or interest cover ratio of any individual credit facility does not comply with this gearing and interest cover policy then, within a reasonable period of time, Walsh & Company and the Trustee will take action to ensure the individual credit facility complies with this gearing and interest cover policy.

Contact

Any questions may be directed to Warwick Keneally as follows:

Phone: 1300 454 801

Postal address: Walsh & Company Investments Limited
Level 15
100 Pacific Highway
North Sydney NSW 2060

WALSH & COMPANY INVESTMENTS LIMITED
ACN 152 367 649

Valuation policy

Adopted : 31 December 2018

Date This Policy was adopted on 31 December 2018.

Company Walsh & Company Investments Limited (ACN 152 367 649) of Level 15, 100 Pacific highway, North Sydney, New South Wales. **(Walsh & Company)**

Introduction

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- C. This policy describes Walsh & Company's approach to valuations in relation to the Fund.
- D. The Fund will wholly own the Australian Property Opportunities Trust, an unregistered managed investment scheme which will directly or indirectly hold interests in real property **(Trust)**. Walsh & Company Asset Management Pty Limited **(Trustee)** will act as trustee of the Trust.
- E. This policy also describes the Trustee's approach to valuations in relation to the Trust and any of its controlled entities.
- F. The terms of this policy follow.

1. Purpose and scope

- (a) This policy applies to the Fund, the Trust and any controlled entity of the Trust (**Group**).
- (b) The purpose of this policy is—
 - (i) to ensure that valuations of the Group's real property assets are conducted in a timely manner, by a suitably qualified expert, and
 - (ii) to allow investors and potential investors of the Fund and the Trust to better assess the reliability of valuations undertaken and the valuation practices of Walsh & Company and the Trustee.

2. Valuers

- (a) When obtaining a valuation of a real property asset of a Group member, Walsh & Company or the Trustee will use valuers that are independent and registered or licensed in the relevant jurisdiction in which the property is located (where a registration or licensing regime exists), or are otherwise a member of an appropriate professional body in that jurisdiction.
- (b) In relation to each real property asset, Walsh & Company and the Trustee will rotate between different valuers every three years and each valuer will not conduct more than two consecutive valuations.

3. Valuation policy

3.1 Valuation timing

For each real property asset of a Group member, Walsh & Company or the Trustee (as applicable) will obtain an independent valuation—

- (a) before the property is purchased by the Fund—
 - (i) for a development property, on an 'as is' and 'as if complete' basis, and
 - (ii) for all other property, on an 'as is' basis
- (b) at least once every three years, and
- (c) within two months after the directors of Walsh & Company or the Trustee (as applicable) form the view that there is a likelihood that there has been a material change in the value of the real property.

3.2 'As if complete' valuations

Where Walsh & Company or the Trustee discloses a valuation of a real property asset of the Group to retail clients (as that term is defined in the *Corporations Act 2001*) on an 'as if complete' basis, it will also—

disclose the risks associated with 'as if complete' valuations, and

disclose the 'as is' basis of the valuation.

Conflicts of interest

If any conflict of interest arises in relation to a valuation, then Walsh & Company and the Trustee will follow the processes and procedures in its conflicts of interest and related party policy.

Contact

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100 Pacific Highway
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WALSH & COMPANY INVESTMENTS LIMITED
ACN 152 367 649

Conflicts of interest and related party transactions policy

Adopted : 31 December 2018

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1. Purpose

The purpose of this policy is to provide a framework for identifying, managing and resolving situations where conflicts of interest and related party transactions arise, or might be perceived to arise in relation to the Group in accordance with ASIC policy and the relevant provisions of the Act.

The Trustee has delegated its duties in relation to conflicts of interest and related party transactions to Walsh & Company in its capacity as responsible entity of the Fund, except in relation to any potential or actual conflicts of interest or related party transactions between the Trustee and Walsh & Company. As such, all issues in relation to conflicts of interest and related party transactions of the Fund, the Trust and each of its controlled entities (except in relation to any potential or actual conflicts of interest or related party transactions between the Trustee and Walsh & Company) will be dealt with by Walsh & Company in its capacity as responsible entity of the Fund.

2. Persons responsible

2.1 *Primary responsibility*

The person with primary responsibility for performance of the duties under this policy is the Compliance Officer. Where the Compliance Officer is not able to act, the Head of Finance and Operations (HoF&O) may carry out the duties under this policy from time to time.

2.2 *If persons responsible are conflicted*

If a transaction involves the Compliance Officer, then the HoF&O must replace the Compliance Officer in relation to the duties under this policy.

2.3 *Compliance monitoring*

The Compliance Officer will monitor compliance with this policy, review the conflicts of interest and related party records, and report any breach of this policy in accordance with the breach reporting procedures of Walsh & Company.

3. What is a conflict of interest?

A conflict of interest will arise in circumstances where the interests of a client to whom Financial Services are provided are inconsistent with, or diverge from, some or all of the interests of Walsh & Company, the Trustee or its representatives (as the case may be). A conflict of interest may be actual, apparent or potential.

4. Identification and notification of conflicts of interest

4.1 Identification

- (a) Any Representative who becomes aware of an actual or potential conflict of interest (including a related party conflict) must immediately notify the Compliance Officer in accordance with paragraph 4.2.
- (b) Walsh & Company has identified specific conflicts of interest in relation to the Group. The specific conflicts and how Walsh & Company will manage them are set out in Schedule 2—Conflicts guide. Any additional conflicts of interest identified will be dealt with in accordance with this policy.

4.2 Conflicts of Interest Notices and Register

- (a) A Conflict of Interest Notice must be completed immediately by a person who becomes aware of an actual or potential conflict in connection with the Group and must be provided to the Compliance Officer. A sample notice is contained in Schedule 3—Conflict of Interest Notice.
- (b) The Compliance Officer must compile the Conflict of Interest Notices to form the Conflicts of Interest Register.
- (c) The Compliance Officer will, at least quarterly, review the Conflicts of Interest Register and provide a report to the Compliance Committee in accordance with clause 7.1 about the status of conflicts entered in the register.

4.3 Evaluation of a conflict of interest

Identified conflicts of interest will be evaluated and assessed as follows:

(a) Minor conflicts

These are conflicts which arise as a result of a conflict involving Walsh & Company or the Trustee and a related party, Representative or associate of a Representative, which do not result (or do not have the potential to result) in a material effect on the parties.

Minor conflicts are those which are relatively easy to resolve by controlling/managing or disclosing the conflict.

(b) Material conflicts

These are conflicts which have the potential to have a material effect on the interests of the parties involved or on Investors, whether or not they are capable of being rectified, and whether or not the conflict has occurred. For example, a material conflict may result from a transaction between Walsh & Company acting in its own capacity and Walsh & Company acting in its capacity as responsible entity of the Fund. On both sides of this transaction, Walsh & Company must act in the interests of Investors and shareholders of Walsh & Company while ensuring the best interests of Investors are preferred.

Where possible, these conflicts should be resolved in accordance with the Chapter 2E of the Act. Alternatively, Walsh & Company must use this policy to determine whether these conflicts can be adequately resolved.

4.4 Material conflicts of interest

Whether a conflict of interest is material will depend upon the particular circumstances.

For example, a conflict of interest which has a low monetary value but which may have a significant effect on the operation of the Fund or the company may be material.

Walsh & Company considers the following may indicate there is a material conflict of interest:

- (a) The monetary value of the conflict is expected to be equal to or greater than ten percent of the assets of the company, the Fund or the Group. This may not be an appropriate indicator where the assets of the company, Fund or Group are minimal and regard may be had to the absolute monetary value of the conflict.
- (b) Walsh & Company would be required to disclose the transaction to members of the Fund or the company under its continuous disclosure policy, pursuant to the Act or in accordance with ASIC requirements.
- (c) The conflict relates to a matter on which members may rely significantly, either directly or indirectly.
- (d) The conflict relates to provision of legal, accounting, audit or other professional services by a related party, Representative or associate of a Representative.

- (e) As a result of the conflict of interest, a director of Walsh & Company, a director of the Trustee, a related party, Representative or associate of a Representative will have its interests preferred over those of an Investor or the company.

5. Process to resolve conflicts of interest

5.1 General information

- (a) If a potential or actual conflict of interest has been identified as set out in paragraph 4.1, then the Compliance Officer will attempt to resolve the conflict.
- (b) The Compliance Officer may meet with any of the affected parties about the conflict of interest as part of the process taken to resolve the conflict.
- (c) Resolution of the conflict of interest may involve one or a combination of the following actions:
 - (i) Controlling the conflict of interest (see paragraph 5.2).
 - (ii) Disclosing the conflict of interest (see paragraph 5.3).
 - (iii) Avoiding the conflict of interest (see paragraph 5.4).
- (d) If the Compliance Officer cannot resolve the conflict, then it must be reported to the HoF&O.

5.2 Controlling conflicts of interest

Depending on the circumstances and the nature of any given conflict, the following methods may be considered appropriate ways of controlling or managing the conflict:

- (a) Disclose the conflict of interest to the relevant party (in the manner as set out in clause 5.3).
- (b) Allocate another Representative to provide the Financial Service to the particular Investor.
- (c) Initiate internal or external disciplinary action where warranted (e.g., refer the matter to a professional body or regulator).

- (d) Any other action the Compliance Officer or the HoF&O considers appropriate in the circumstances to control the conflict based on the facts and circumstances at the time.
- (e) Obtain approval for related party transactions or disclose related party transactions, for example in the Product Disclosure Statement. Where the conflict of interest is a related party transaction then the Board will consider whether disclosure to Investors or Investor approval is required in accordance with clause 6 (see Schedule 5— Related parties , for an analysis of which parties are considered a "related party").

5.3 Disclosure of conflicts of interest

- (a) Initial factors to consider
 - (i) Walsh & Company will consider whether disclosure is an adequate mechanism to resolve a conflict of interest and whether it is appropriate in the circumstances. For example, if disclosure is likely to confuse an Investor, then it may not be an appropriate mechanism to resolve the conflict.
 - (ii) Walsh & Company will consider the following factors in assessing whether disclosure of a conflict of interest should be provided to the affected Investor:
 - A. The financial sophistication of the Investor, such as whether the Investor is a retail or wholesale client.
 - B. The extent to which third persons are likely to rely, directly or indirectly, on the service (e.g., where advice is given to a wholesale client in circumstances where it is likely to be passed on to retail clients).
 - C. The extent of the Investor's knowledge of the specific conflict.
 - D. The complexity of the Financial Service and the conflict.
 - E. The nature of the Financial Service being provided to the Investor.
 - F. Only material conflicts of interest are required to be disclosed to Investors, to ensure Investor's are not overwhelmed with unnecessary and voluminous disclosure for minor issues.

- (iii) In all cases, Walsh & Company will determine the appropriate form and level of disclosure according to the facts and circumstances at the time.

- (b) Requirements for Financial Services related disclosure
 - (i) Only material conflicts of interest are required to be disclosed to an Investor where the conflict relates to or affects the provision of a Financial Service to the Investor. This is to ensure Investors are not overwhelmed with unnecessary and voluminous disclosure for minor issues.

 - (ii) Where the conflict relates to the provision of a Financial Service to an Investor, then the disclosure must satisfy the following requirements:
 - A. Disclosure of a conflict must occur before or at the time the Financial Service is provided, but in any case at a time that allows the Investor a reasonable time to assess its effect.

 - B. The disclosure must be drawn to the attention of the Investor so the Investor can decide whether to rely on any Financial Product Advice. The Investor may consider the conflict of interest is not sufficiently significant to compromise the Financial Product Advice or other Financial Service being provided.

 - C. The disclosure must be specific and clear enough for the Investor to understand the nature of the conflict and its potential impact on the Financial Service they are being offered.

 - D. Where possible, generic disclosures will be avoided to satisfy the conflict management obligation and must refer to the specific Financial Service to which the conflict relates.

 - (iii) Disclosure of conflicts of interest may be given in writing or orally, subject to the disclosure requirements contained in the Act¹.

 - (iv) Generally, disclosure of conflicts of interest will be provided in the same form the conflicted Financial Service was provided, e.g., where the Financial Service provided is advice and it is provided in

¹ For example, Part 7.7 and Chapter 6CA of the Act.

writing, then the disclosure of the conflict of interest will also be provided in writing.

- (c) When conflicts of interest may not be disclosed
 - (i) In some situations, disclosure of a conflict of interest will be inappropriate, e.g., a situation in which disclosure of a conflict of interest may amount to infringement of the insider trading provisions of the Act.
 - (ii) If such a situation arises, then the Compliance Officer is required to report the conflict of interest to the Board to assess whether any disclosures can be given which will adequately manage the conflict of interest. If necessary, the Board may resolve to avoid the conflict by declining to provide the affected Financial Service.

5.4 Avoiding conflicts of interest

- (a) Where attempts to control a conflict are ineffective and disclosure is considered to be inadequate, then Walsh & Company and its related parties will avoid the conflict by declining to provide the Financial Service to the particular Investor or party, which may involve 'walking away' from a transaction.
- (b) The decision to avoid a conflict of interest can only be made by the Board.

6. Related party transactions

Where a related party transaction occurs, Walsh & Company must deal with it in accordance with paragraph 6.1, or be satisfied that it falls within an exception set out in paragraph 6.2 of this policy.

6.1 Member approval of related party transactions

- (a) The Board may manage any conflict arising from a related party transaction by seeking approval of the members of the relevant parties involved (i.e., company or a Group entity).
- (b) The circumstances where the Board will consider putting the terms of a related party transaction to members or the relevant party may include the following:
 - (i) Where the overriding aim of the transaction is in the best interests of the members of the company or the Group.

- (ii) Where the transaction may not be at arm's length but the terms are generally consistent with similar transactions with third parties.
- (iii) Where the transaction is conducted in accordance with the constitution of the Fund, the Trust or the company, or the Act or any other applicable policy.
- (iv) Any other circumstances where the Board sees fit. *For example, where the Board has received two market quotes for provision of a service by independent third parties or has received an independent expert's advice as to the reasonableness of a transaction prior to the Board determining to enter into the related party transaction. Another example is where the related party transaction is disclosed in a Product Disclosure Statement.*

6.2 When member approval is not required

- (a) The Act provides a number of statutory exceptions for related party transactions where member approval is not required, as follows:
 - (i) Transactions are on arm's length terms or are on terms that are less favourable than arm's length.
 - (ii) If the benefit is a payment of expenses incurred or to be incurred, or reimbursement for expenses incurred, by a related party in performing duties as an officer or employee of Walsh & Company (or a related entity) and the benefit is reasonable in the circumstances.
 - (iii) Payment of remuneration to officers or employees of Walsh & Company (or a related entity) which is reasonable in the circumstances.
 - (iv) Payment of indemnities, exemptions and insurance premiums and payment for legal costs for officers of Walsh & Company in respect of their position as an officer of Walsh & Company and the payment is reasonable in the circumstances.
 - (v) Benefits given to related parties in their capacity as members of a public company (e.g., Walsh & Company) or the Fund provided that the benefit does not discriminate unfairly against the other members of the public company or the Fund.

- (vi) Financial benefits given under a court order.
 - (vii) Transactions carried out pursuant to an existing agreement which has been approved in accordance with the Act and this policy.
- (b) The Compliance Officer or HoF&O may determine that a transaction fits within one of the exemptions above, as approved by the Board where appropriate.
- (c) Where the Board resolves that member approval is not required because the transaction fits into one of the exemptions above, then the Board will ensure its considerations and resolutions are accurately minuted.

7. Reporting and review processes

7.1 Conflicts of Interest Register

The Compliance Officer must provide a report to the Compliance Committee each quarter detailing the following:

- (a) Any new conflicts of interest and related party transactions which have arisen during the past quarter.
- (b) Details of the status of unresolved conflicts of interest, including related party transactions.
- (c) How conflicts of interest and related party transactions have been resolved.

7.2 Conflicts of interest procedures

The Compliance Officer must—

- (a) review the Conflicts of Interest Register at least quarterly
- (b) carry out an annual review of the conflicts of interest procedures to ensure this policy continues to comply with ASIC policy and the Act
- (c) provide a report to the Board outlining any recommendations or issues associated with the procedures, and

- (d) provide a report to the Board outlining any non-compliance with this policy.

8. Documents and record keeping

8.1 Documents to be kept

- (a) Walsh & Company must keep records documenting what it has done to monitor compliance with this policy. The Conflicts of Interest Register is the primary record of the management of conflicts of interest.
- (b) Walsh & Company will keep copies of the following records for at least seven years:
 - (i) The Conflicts of Interest Register (which is comprised of all completed Conflicts of Interest Notices).
 - (ii) Compliance Committee and Board reports and minutes relating to conflicts of interest.
 - (iii) Client files.
 - (iv) Written conflicts of interest disclosures given to Investors or to the public as a whole.
 - (v) File notes of any oral conflicts of interest disclosures made to Investors or to the public as a whole.
 - (vi) Records of any gifts received which are valued at more than \$500.
- (c) Documents and records may be kept electronically where appropriate.

8.2 Reporting lines

A copy of the reporting lines for management of conflicts of interest and related party transactions is attached at Schedule 4—Organisational structure chart.

Schedule 1—Dictionary

Act	Corporations Act 2001 (Commonwealth) for the time being in force together with the regulations.
ASIC	Australian Securities and Investments Commission.
Board	Board of directors of Walsh & Company.
HoF&O	The Head of Finance & Operations, as appointed by Walsh & Company from time to time.
Compliance Officer	The compliance officer as appointed by Walsh & Company from time to time.
Conflict of Interest Notice	The notice for recording conflicts of interests, as set out in Schedule 3—Conflict of Interest Notice.
Conflict of Interest Register	The register which is created from compiling completed Conflict of Interest Notices.
Financial Product Advice	Has the meaning set out in section 766B of the Act.
Financial Service	Has the meaning set out in section 766A of the Act.
Fund	The Fort Street Real Estate Capital Fund IV (ARSN 623 196 298) of which Walsh & Company is the responsible entity.
Group	The Fund, the Trust and each of its controlled entities.
Investor	A holder of units in the Fund.
Representatives	Employees, managers or directors of Walsh & Company and, if applicable, any authorised representative.
Trust	The Fort Street Real Estate Capital Trust IV, an unregistered management investment scheme in which the Fund will invest.
Trustee	Walsh & Company Asset Management Pty Limited (ACN 159 902 708) in its capacity as trustee of the Trust.
Walsh & Company	Walsh & Company Investments Limited (ACN 152 367 649).

Schedule 2—Conflicts guide

This is an assessment of specific conflicts of interest.

Potential conflict	Assessment	Response
Remuneration to Representatives, e.g., commission, 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 licensee • 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>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/unit holdings	<p>Conflict between personal interest in making profit as shareholder/unitholder 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>

Schedule 3—Conflict of Interest Notice

This is an example only of the Conflict of Interest Notice referred to in section 4.2(a):

Conflict of Interest Notice

Licensee: Walsh & Company Limited (AFS licence no. 410433)

Details of representative: *#[name of Representative who is reporting the conflict]*

Details of conflict

Actual or potential conflict: Actual / Potential conflict

Nature of the conflict: *#[details of the conflict]*

Likely duration of the conflict: *#[duration]*

Related party transaction details *#[include a summary of the relationship between the parties]*

The nature of any financial arrangements: *#[details of any financial arrangements the subject of the conflict including an estimate of the total amount of money received or to be received]*
#[see Schedule 5 for a discussion of what constitutes a financial benefit]

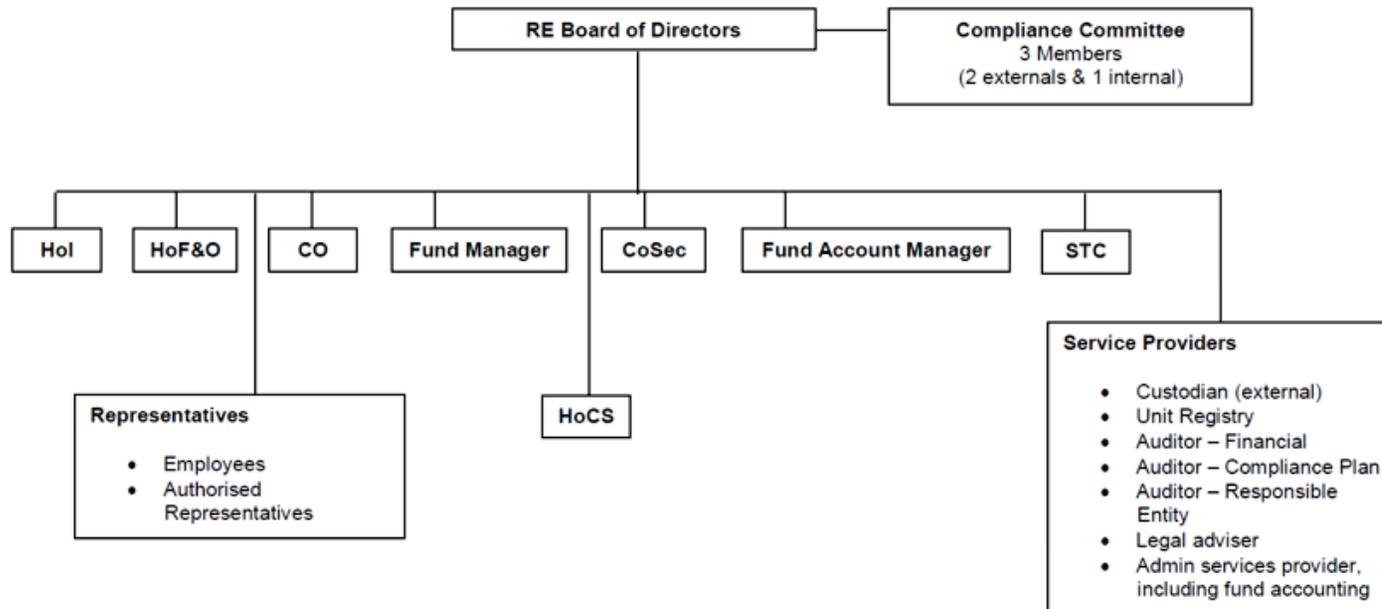
Terms of transaction: *#[confirm whether the transaction the subject of the conflict was made on arm's length terms, or any exceptions set out in section 6.2 of the Conflicts of Interest and Related Party Transactions policy.]*

Any other relevant information:

Signed:

Date:

Schedule 4—Organisational structure chart



Schedule 5—Related parties

1. Related parties

The entities that will be considered related parties of Walsh & Company are as follows:

- (a) An entity that controls Walsh & Company—an entity includes an individual.
- (b) A director of Walsh & Company, directors of an entity that controls Walsh & Company, their spouses, de facto spouses, parents and children.
- (c) Entities controlled by a related party referred to in item (a) and (b).
- (d) An unrelated party who acts in concert with one of the related parties mentioned above on the understanding that the related party will receive a financial benefit if Walsh & Company gives the unrelated party a financial benefit (i.e., a substitute entity to receive the financial benefit on behalf of a related party).

2. Past or future related parties

Additionally, an entity will be considered to be a related party of Walsh & Company if it does not currently fall into one of the categories listed above, but—

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

3. The meaning of control

An entity is controlled by another entity if the first entity has the capacity to determine the outcome of decisions about the second entity's financial and operating procedures. The practical influence is of importance.

There are two exceptions to the control test:

- (c) The first entity will not control a second entity merely because the first entity and a third entity jointly have the capacity to determine the outcome of decisions about the second entity's financial and operating policies.

- (d) Where the first entity has the capacity to influence the second entity's financial and operating policy decisions but is under a legal obligation to exercise that capacity for the benefit of someone other than the first entity's members then the first entity will not be taken to control the second entity.

4. Financial benefits

What constitutes a financial benefit is extremely broad and the courts will look at the economic and commercial substance of conduct rather than its legal form. A financial benefit can be given "indirectly" (for example, through one or more interposed entities). A financial benefit can also be given by making an informal agreement, oral agreement, or an agreement that has no binding force, or if the benefit confers some form of financial advantage other than the payment of money.

Examples of giving a financial benefit to a related party include—

- (e) giving or providing the related party with finance or assets
- (f) buying an asset from or selling an asset to the related party
- (g) supplying services to or receiving services from the related party
- (h) issuing securities or granting an option to the related party, and
- (i) taking up or releasing an obligation of the related party.