

Conflicts Management Policy – Summary

The following is a summary of Australian Ethical's Conflicts Management Policy. A revised summary will be disclosed if any material amendments are made to the Policy within such time as required by the Relevant Law.

Background

The Conflicts Management Policy documents the arrangements in place for managing situations giving rise to relevant conflicts of interest and conflicts of duty for Australian Ethical Investment Ltd (AEI) and its wholly owned subsidiary, Australian Ethical Superannuation Pty Ltd (AES) as corporate entities, as well as Australian Ethical's Responsible Persons and employees.

The Policy also records Australian Ethical's approach to ensuring that it meets the requirements relating to conflicts management as set out in sections 52 and 52A of the *Superannuation Industry (Supervision) Act 1993*, section 912A of the *Corporations Act 2001*, *APRA Prudential Standard SPS 521 – Conflicts of Interest* and its accompanying Prudential Practice Guide and *ASIC Regulatory Guide 181 – Licensing: Managing Conflicts of Interest*.

Objective

The Policy is intended to ensure that where an actual, perceived or potential conflict arises which cannot be avoided:

- a. The duties to, and interests of, beneficiaries of the Australian Ethical Retail Superannuation Fund (the Super Fund), investors in the Australian Ethical Managed Investment Funds (Managed Funds) and AEI shareholders receive priority over any duties to, and interests of, other persons.
- b. The duties to beneficiaries, investors and shareholders are met despite the conflict.
- c. The interests of beneficiaries, investors and shareholders are not adversely affected by the conflict.

Identifying Relevant Conflicts

For the purposes of this Policy, a relevant conflict is defined as a relevant duty or a relevant interest that has the potential to stop Australian Ethical or any part thereof, or a Responsible Person or employee of Australian Ethical, from performing its/his/her duties by placing it/him/her in a position where it/him/her may deliberately or inadvertently prefer the interests of another person over those interests held by the Group's beneficiaries, investors and shareholders.

In addition, a relevant conflict may also be held by a person or a firm undertaking a material activity for, or otherwise advising, Australian Ethical or any part thereof, which could affect the nature or quality of the advice given or the services provided.

Relevant Duty

A relevant duty is a duty that Australian Ethical or an individual Responsible Person or employee may owe to a third party (for example, as a director or employee of that third party) that Australian Ethical considers to be relevant because it has the potential to have a material impact on the capacity of Australian Ethical or the individual to act in a manner that is consistent with the duties owed to beneficiaries, investors and shareholders.

Relevant Interest

A 'relevant interest' is any interest, gift, emolument or benefit, whether pecuniary or non-pecuniary, directly or indirectly held by Australian Ethical or an individual Responsible Person or employee of Australian Ethical that has been determined to be material because it has the potential to have a significant impact on Australian Ethical's or the individual's capacity to act in a manner that is consistent with the duties owed to beneficiaries, investors and shareholders.

Disclosure Obligations

In accordance with the Policy, AEI and AES as corporate entities, as well as Responsible Persons of Australian Ethical, must disclose the duties they owe to third parties, and the interests that they may receive in the course of the performance of their roles, for recording on the **Register of Relevant Interests** and the **Register of Relevant Duties**.

Relevant interests and relevant duties remain disclosed on the Registers until the entity or individual no longer receives/holds the interest or owes the duty, or is no longer employed by or provides services to Australian Ethical.

Responding to a Conflict

On becoming aware of a relevant conflict, its potential impact must be assessed with reference to its nature, its materiality, its timing and its effect.

In deciding upon and implementing a response to a relevant conflict, Australian Ethical will ensure that it is able to clearly demonstrate that the actions it has taken, or plans to take, in response to the identified conflict, are prudent and defensible.

In determining the appropriate response to a conflict, the overall context will always be to:

- a. Give priority to the duties and interests of beneficiaries, investors and shareholders over the duties and interests of other persons.
- b. Ensure that the duties to beneficiaries, investors and shareholders are met despite the conflict.
- c. Ensure that the interests of beneficiaries, investors and shareholders are not adversely affected by the conflict.

The alternative responses to a conflict that will be considered include (but may not be limited to, in any given circumstance).

- a. **Avoid the conflict** - the conflict is so acute or pervasive that it cannot be managed, or that the conflict is of a kind where the general law requires avoidance.
- b. **Prudently manage the conflict** – guidelines may be set in relation to materiality or personal authorisation to act.
- c. **Require disclosure of the conflict** – the conflict may need to be disclosed to the ACRCs, the Boards, to regulators (APRA and ASX), or to beneficiaries, investors or shareholders generally as appropriate.
- d. If the conflict arises for a Responsible Person or employee of Australian Ethical, **allocate another Responsible Person or employee to provide the service or conduct the activity**, and/or require the affected Responsible Person or employee to have no involvement in a matter linked to the conflict.
- e. **Take no action** – other than recording the conflict in the relevant Register/s because the conflict is determined to be immaterial.

Review of Policy

Australian Ethical's Conflicts Management Policy is reviewed annually, with a specific focus on the effectiveness of processes and controls put in place to identify and respond to actual and potential conflicts of relevant interests and duties, and the level of compliance with the conflicts management framework across the entirety of Australian Ethical's business operations.

On a triennial basis, the appropriateness, effectiveness and adequacy of Australian Ethical's conflicts management framework is subject to a comprehensive review by an appropriately qualified and experienced service provider who is operationally independent from those responsible for administering the framework.