

QUESTUS LIMITED
ACN 100 460 035
(Company)

**CONFLICTS OF INTEREST & RELATED PARTY TRANSACTION
POLICY**

TABLE OF CONTENTS

PART 1 - GENERAL	1
1. INTRODUCTION	1
2. DEFINITIONS	1
PART 2 - ARRANGEMENTS FOR MANAGING CONFLICTS OF INTEREST	3
1. APPLICATION OF THIS POLICY	3
2. WHAT IS A CONFLICT OF INTEREST?	3
2.1 Conflict of interest defined	3
2.2 Circumstances where a conflict of interest may arise	3
3. IMPLEMENTATION OF CONFLICTS MANAGEMENT ARRANGEMENTS	4
4. PRINCIPLES FOR MANAGING CONFLICTS OF INTEREST	4
4.1 General	4
4.2 Avoiding conflicts	4
4.3 Controlling conflicts	5
4.4 Disclosing conflicts	5
5. RESPONSIBILITIES AND PROCEDURES	6
5.1 Responsibility of staff and representatives	6
5.2 Responsibility of the Compliance Officer	6
5.3 Related Party Transactions	6
5.4 Best interest assessment	7
5.5 Report by the Compliance Officer	7
5.6 The role of the Audit, Compliance & Risk Management Committee and the board of QSS	8
5.7 Documentation	9
6. BREACH REPORTING	10
7. JOINT VENTURES	10
PART 3 - ARRANGEMENTS FOR MANAGING RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH PERSONS IN A POSITION OF INFLUENCE	11
1. ASSESSMENT	11
2. SECURITY HOLDER APPROVAL FOR TRANSACTIONS WITH PERSONS IN A POSITION OF INFLUENCE	11
3. EXCEPTIONS TO THE NEED FOR MEMBER APPROVAL OF A RELATED PARTY TRANSACTION	11
3.1 QFM Funds	11
3.2 Public companies	11
3.3 QFM Fund to QFM Fund transactions	12
3.4 Valuations	12
4. MEMBER APPROVAL FOR RELATED PARTY TRANSACTIONS	13
4.1 QFM Fund	13
4.2 Public Companies	13
4.3 QFM Fund to QFM Fund transactions	13
4.4 Process	13
PART 4 – QFM/QFM FUND INVESTMENT CHARTER	15
1. PREAMBLE	15
2. FIDUCIARY OBLIGATIONS	15

2.1	General.....	15
2.2	Directors Duties	16
2.3	Conflict of interest	16
2.4	Defence to breach of trust by conflict of interest	16
3.	QFM FUND INVESTMENTS	16
4.	ROLE OF THE BOARD	16
5.	ROLE OF THE AUDIT, COMPLIANCE & RISK MANAGEMENT COMMITTEE	16
6.	DELEGATION OF AUTHORITY	17
7.	PROCESS OF REVIEW AND RECOMMENDATION	17
	ANNEXURE A – AUDIT, COMPLIANCE & RISK MANAGEMENT COMMITTEE CHARTER	20
	ANNEXURE B – LEGAL AND REGULATORY BACKGROUND.....	26
	SCHEDULE	36

PART 1 - GENERAL

1. INTRODUCTION

QSS Group recognises the importance of identifying and managing conflicts of interest that may arise from time to time within the QSS Group. In particular, QSS Group recognises the importance of Related Party Transactions being entered into on arm's length terms or otherwise approved by unitholders in the relevant QFM Fund or shareholders in the relevant QSS Group company (as applicable).

Having an adequate policy for identifying and managing conflicts of interest is necessary to ensure that the QSS Group complies with its legal obligations and that the quality of QSS Group's financial services is not compromised.

The purpose of this QSS Group policy is:

- (a) to provide the QSS Group and its staff with an overview of the law and regulation of:
 - (i) conflicts of interest (Part 1 of Annexure B); and
 - (ii) Related party transactions, including, for ASX listed entities only, transaction with persons of influence (Part 2 of Annexure B),

so that the QSS Group and its staff can identify transactions that would be subject to this policy;

- (b) to specify the arrangements for managing conflicts of interest (Part 2); and
- (c) in addition to the arrangements set out in Part 2, to specify the additional arrangements for managing:
 - (i) in the case of ASX listed entities only, transactions with persons of influence; and
 - (ii) Related party transactions (Part 3).

2. DEFINITIONS

AFSL means Australian financial services licence.

Audit, Compliance & Risk Management Committee means the QFM Audit, Compliance & Risk Management Committee (as described in Annexure A of Part 4.

Client means a person to whom QFM provides financial services and includes unitholders in a QFM Fund.

Corporations Act means the Corporations Act 2001 (Cth) as amended from time to time.

Financial Benefit has the same meaning as in s.229 of the Corporations Act as summarised in section 3 of Part 2 of Annexure B.

QFM means Questus Funds Management Limited.

QFM Fund means a trust and/or managed investment scheme for which QFM acts as trustee and/or responsible entity and, where the context permits, means

- (a) QFM as trustee and/or responsible of the relevant managed investment scheme; or
- (b) a controlled entity of a QFM Fund.

QSS means Questus Limited.

QSS Group means QSS and its subsidiaries and where the context permits includes a QFM Fund.

Related Party has the meaning contained in s.228 of the Corporations Act (as summarised to the extent relevant to the QSS Group in section 2 of Part 2 of Annexure B) and for the purposes of this policy includes related parties within the extended meaning contained in section 2.2 of Part 2 of Annexure B.

Related Party Transaction means a transaction that is subject to Chapter 2E of the Corporations Act and for the purposes of this policy includes transactions within the extended meaning contained in section 2.2 of Part 2 of Annexure B.

Trust Deed means the trust deed that governs the operation of the of the relevant QFM Fund.

PART 2 - ARRANGEMENTS FOR MANAGING CONFLICTS OF INTEREST

1. APPLICATION OF THIS POLICY

Annexure B to this policy sets out the legal and regulatory background relating to conflicts of interest, related party transactions and transactions with persons of influence. Users of this policy are encouraged to read Annexure B prior to dealing with a conflict in accordance with the terms of this policy.

Part 1 of Annexure B sets out QFM's conflict of interest obligations. Notwithstanding that Part 1 of Annexure B only applies to QFM, the QSS Group has elected to treat all conflicts of interest that may arise in the QSS Group in accordance with Part 1 of this policy.

2. WHAT IS A CONFLICT OF INTEREST?

2.1 Conflict of interest defined

This policy adopts the ASIC Regulatory Guide 181 Licensing: Managing Conflicts of Interest (RG181) definition of a conflict of interest adapted to QSS Group's circumstances, being where some or all of the interests:

- (a) of Clients are inconsistent with, or diverge from, some or all of the interests of any entity in the QSS Group or their representatives;
- (b) of different Clients are inconsistent with each other or diverge from each other; and
- (c) of shareholders in QSS diverge from, some or all of the interests of a related party of QSS.

This includes actual, apparent and potential conflicts of interest.

2.2 Circumstances where a conflict of interest may arise

QSS Group acknowledges there is a possibility of a conflict of interest arising in various situations, including for example where:

- (a) QSS or a related party invests in, or transacts with a QFM Fund (e.g. provide a credit facility to a QFM Fund);
- (b) a QFM Fund invests in another QFM Fund;
- (c) a QFM Fund acquires property owned by another QFM Fund;
- (d) QFM or any its related parties enters into management or development arrangements that relate to a QFM Fund or to property owned by a QFM Fund; or
- (e) QFM or any of its related parties enters into an arrangement to provide services to a QFM Fund.

Of particular concern for Clients or shareholders in a QSS Group company is that financial reward can influence decision-making and overcome prudent investment management if any actual, apparent or potential conflict of interest is not properly managed.

3. IMPLEMENTATION OF CONFLICTS MANAGEMENT ARRANGEMENTS

To ensure the arrangements for management of conflicts of interest set out in this policy are adequate, QSS Group will ensure that such arrangements are:

- (a) approved and endorsed by the executives and the board of directors of QSS and QFM;
- (b) designed according to the nature, scale and complexity of the QSS Group's business;
- (c) effectively implemented and accompanied by effective compliance monitoring systems designed to ensure the arrangements are followed and appropriate action is taken for non-compliance;
- (d) regularly reviewed (internally and by a third party as appropriate);
- (e) overseen by the Compliance Officer who will be responsible for their implementation, review and updating; and
- (f) where necessary, referred to the Audit, Compliance & Risk Management Committee or the QSS board (as applicable) for assessment and evaluation.

4. PRINCIPLES FOR MANAGING CONFLICTS OF INTEREST

4.1 General

Prior to managing a conflict of interest a determination must be made as to whether the conflict:

- (a) would be in the best interest of Clients and/or the relevant company in the QSS Group. Generally, for a conflict to be in the best interests of Clients or the relevant company in the QSS Group, it must be in their best financial interests; and
- (b) also gives rise to a Related Party Transaction (and/or a transaction with a person of influence) as additional considerations and procedures will need to be taken into account (see Part 2 of this policy) for the purposes of complying with the law and this policy.

Many conflicts of interest can be managed by a combination of internal controls and disclosures. However, some conflicts cannot be managed in this way. Where conflicts cannot be adequately managed through controls and disclosure, QSS Group must avoid the conflict. Accordingly, QSS Group will employ three principal mechanisms (as referred to in RG 181) to manage conflicts of interests:

- (c) avoiding conflicts of interest;
- (d) controlling conflicts of interest; and
- (e) disclosing conflicts of interest.

4.2 Avoiding conflicts

Entities in the QSS Group will seek to avoid those conflicts that are identified as:

- (a) not being in the best interests of Clients and/or the relevant company in the QSS Group (as applicable); or
- (b) having a serious potential impact on Clients, QSS Group's business, or shareholders in a QSS Group company.

4.3 Controlling conflicts

The QSS Group will ensure that it has appropriate controls in its conflicts management system to:

- (a) identify the conflicts of interest relevant to the QSS Group's business;
- (b) assess and evaluate those conflicts; and
- (c) decide upon, and implement, an appropriate response to those conflicts.

Those control systems may include any one or more of:

- (a) monitoring and assessment of transactions by staff and representatives and the Compliance Officer to identify potential conflicts of interest;
- (b) monitoring and review of transactions by the Compliance Officer for compliance with relevant obligations under the Corporations Act, QFM's AFSL and this policy (as applicable); and
- (c) where necessary, reference of any transaction which involves:
 - (i) a QFM Fund with the potential for conflict of interest to the Audit, Compliance & Risk Management Committee; or
 - (ii) a QSS Group company with the potential for conflict of interest to the QSS board,

for assessment, evaluation and sign off.

4.4 Disclosing conflicts

Generally, entities in the QSS Group will not manage a conflict of interest only by disclosure. To the extent practical all conflicts that are not avoided will be controlled and, if necessary, disclosed.

Entities in the QSS Group will ensure that this policy and the actions taken with regard to conflicts are transparent and available to shareholders in QSS and Clients (as set out below). The QSS Group will maintain registers of matters considered and determined under this policy (Conflicts of Interest Register). In particular the QSS Group will maintain:

- (a) a single register for all companies in the QSS Group (including QFM acting in its own right only) - to be made available to shareholders in QSS;
- (b) an individual register for each QFM Fund - to be made available to unitholders in the relevant QFM Fund; and
- (c) an individual register for each Client that is not a unitholder in a QFM Fund - to be made available to that Client.

In ASIC Regulatory Guide 76: Related party transactions (RG 76) ASIC notes that information about related party transactions would be information that members reasonably require to make informed decisions about whether to acquire securities or managed investment products and therefore should be included in disclosure documents.

QSS Group will generally take the same approach in respect of all arrangements giving rise to a conflict of interest.

Disclosure of arrangements giving rise to a conflict of interest allows understanding by prospective and existing Clients and/or shareholders in QSS (as applicable) of the effects of the arrangements giving rise to a conflict of interest and provides an opportunity to assess situations which could give rise to a conflict of interest.

Accordingly, in addition to maintaining the Conflict of Interest Registers, the relevant entities in the QSS Group will consider whether they should disclose arrangements that give rise to a conflict of interest which they have decided to proceed with having particular regard to their relevant PDS and continuous disclosure obligations (as applicable).

5. RESPONSIBILITIES AND PROCEDURES

5.1 Responsibility of staff and representatives

All staff members and representatives should be aware of this policy and the potential for harm to Client, shareholders in QSS and the QSS Group from conflicts of interest.

Any staff member or representative who becomes aware of a conflict or potential conflict should raise the matter with the Compliance Officer.

Once a conflict has been raised with the Compliance Officer, staff members or representatives are required to assist and co-operate with the Compliance Officer in complying with this policy.

5.2 Responsibility of the Compliance Officer

Once a conflict or potential conflict has been raised with the officer charged with administration of this policy (**Compliance Officer**) the Compliance Officer, in consultation with (and assistance from) the relevant staff members and/or representatives, will assess whether the conflict:

- (a) is also a Related Party Transaction (see section 5.3);
- (b) is in the best interests of the relevant Client and/or company in the QSS Group (see section 5.4); and
- (c) should be controlled, controlled and disclosed or avoided (see section 5.5).

5.3 Related Party Transactions

Once a conflict has been raised with the Compliance Officer, the Compliance Officer must determine whether the conflict is also a Related Party Transaction or a transaction with a person of influence (refer to Part 3 of this Policy). If the conflict:

- (a) is not a Related Party Transaction or a transaction with a person of influence, the Compliance Officer is only required to comply with the balance of Part 2 of this policy; or
- (b) is a Related Party Transaction and/or a transaction with a person of influence, the Compliance Officer is required to comply with the balance of Part 2, Part 3 and Part 4 of this policy.

5.4 Best interest assessment

The Compliance Officer's assessment of the conflict must include an assessment of whether the conflict is in the best financial interests of the relevant Clients and/or company in the QSS Group (as applicable). This assessment should have regard to:

- (a) whether the transaction has been/will be conducted in a manner consistent with the management, governance and objectives of the relevant QFM Fund, QSS Group company or mandate for a Client;
- (b) the appropriateness of the terms and conditions of the transaction, including whether:
 - (i) if both parties are members of the QSS Group, each party to the transaction should be appointing (or has appointed) a senior manager to represent each party's interests in negotiating the relevant terms and conditions;
 - (ii) the transaction has been, or will be, conducted to the extent possible on the basis that each party is an independent knowledgeable party; and
 - (iii) the terms and conditions are no more favourable than the terms and conditions that would be available to a nonrelated party transacting a similar transaction;
- (c) whether the consideration for the transaction represents market value, including whether independent advice on the consideration should be or has been obtained;
- (d) the rationale for the transaction given that there is a conflict of interest; and
- (e) the options open to the QSS Group parties in pursuing an alternative transaction with independent third parties,

together with all information relevant to the transaction.

Based on the Compliance Officer's assessment, the Compliance Officer may direct staff and representatives in relation to how the transaction giving rise to the conflict is to be conducted.

5.5 Report by the Compliance Officer

Once the Compliance Officer has completed the assessment referred to in 5.4 the Compliance Officer must complete the Conflict of Interest Register (or nominate relevant staff members to do so) and the Compliance Officer must prepare a report on the transaction. The report must include:

- (a) the Compliance Officer's assessment as to whether or not the transaction is in the best interests of the Clients and/or relevant company in the QSS Group (as applicable);
- (b) whether the transaction is a Related Party Transaction and/or a transaction with a person in a position of influence. If the transaction is a Related Party Transaction, the report should note which party is subject to Part 3 of this policy. If the Compliance Officer has determined that a party can rely on the arm's length exception, the Compliance Officer must include the reasons for coming to this conclusion;
- (c) whether the conflict should be:
 - (i) avoided (refer to 4.2 above);
 - (ii) controlled (refer to 4.3 above), including how it should be controlled; or
 - (iii) controlled (refer to 4.3 above) and disclosed (refer to 4.4 above), including how it should be controlled and disclosed.

If the Compliance Officer forms the view that:

- (d) there is potential for substantial harm to Clients or shareholders in the QSS Group as a result of the conflict; or
- (e) the conflict also gives rise to a Related Party Transaction or transaction with a person in a position of influence,

the Compliance Officer must refer the matter:

- (f) in the case of a conflict in respect of a QFM Fund, to the Audit, Compliance & Risk Management Committee for assessment and management; and/or
- (g) in the case of a conflict in respect of any other entity in the QSS Group (including QFM in its own right), to the board of QSS.

If the conflict is referred by the Compliance Officer to the Audit, Compliance & Risk Management Committee or the board of QSS, the relevant parties must not proceed with the transaction until the Audit, Compliance & Risk Management Committee and/or the QSS Board has/have made an assessment of the conflict in accordance with section 5.6 below.

If the conflict is not referred by the Compliance Officer to the QFM Audit, Compliance & Risk Management Committee or the QSS Board, staff and representatives of the relevant QSS Group entities must conduct the transaction in accordance with the Compliance Officer's report.

5.6 The role of the Audit, Compliance & Risk Management Committee and the board of QSS

Upon reference of a conflict or potential conflict to the Audit, Compliance & Risk Management Committee or the board of QSS, they must:

- (a) assess the report prepared by the Compliance Officer;
- (b) determine whether the transaction is in the best interests of Clients and/or the relevant company in the QSS Group;

- (c) assess the conflict or potential conflict of interest in light of its potential to harm the interests of Clients and/or the relevant company in the QSS Group;
- (d) determine whether the conflict, in light of its assessment, should be controlled, controlled and disclosed or avoided (including how it is to be controlled and/or disclosed);
- (e) if it is a Related Party Transaction, determine whether:
 - (i) any of the exceptions to the requirement to obtain member approval may be relied on; or
 - (ii) member approval is required,
 in respect of each party that is subject to Part 3 of this policy;
- (f) if the transaction is to be controlled, ensure there are appropriate systems in place to manage the conflict so that it does not harm the interests of Clients or the relevant company in the QSS Group;
- (g) if to be avoided, give direction to the Compliance Officer or relevant fund manager to desist from the transaction which causes the conflict;
- (h) if to be disclosed, ensure a full, frank and timely disclosure is made to Clients and/or the shareholders in the relevant QSS Group about the conflict and its potential consequences; and
- (i) ensure a full minute of its determination and any other relevant information is kept on the Conflicts Register.

It is the responsibility of the Audit, Compliance & Risk Management Committee and the board of QSS (as applicable) to ensure the decisions made regarding conflicts that have been referred to it are based on appropriate information but it is the responsibility of senior management and the Compliance Officer to ensure the process is followed in relation to all conflicts or potential conflicts.

5.7 Documentation

Each entity in the QSS Group will ensure that it keeps records showing what it has done to comply with this policy including the following (as applicable):

- (a) Part 4, comprising the QFM/QFM Fund Investment Charter and the Audit, Compliance & Risk Management Committee Charter;
- (b) Conflicts of Interest Register.
- (c) The report that is required to be prepared by the Compliance Officer pursuant to section 5.5.
- (d) Minutes of meetings of the Audit, Compliance & Risk Management Committee or QSS board at which the arrangement giving rise to a conflict of interests are reported and signed off.
- (e) Any third party advice (e.g. legal, valuation etc.) obtained in respect of the arrangement giving rise to the conflict of interest.
- (f) The contract or other documents giving effect to the arrangement giving rise to the conflict of interest.

- (g) Copies of documents given to Clients or shareholders disclosing determinations regarding the arrangement giving rise to a conflict of interests under this policy.
- (h) Minutes of any meetings of unitholder or shareholders at which approval is sought in relation to the arrangement giving rise to a conflict of interests.

A copy of the documents referred to above (other than the Conflicts of Interest Register) will be kept with the Conflicts of Interest Register which will include as a minimum the information included in the Schedule.

6. BREACH REPORTING

In the case of QFM and conflicts relating to Clients, the Audit, Compliance & Risk Management Committee will procure that:

- (a) any breach of this policy is noted on the compliance breach register;
- (b) the activity which caused the breach is reviewed and any steps necessary to ensure compliance with this policy in the future are taken;
- (c) in cases of significant breaches or likely breaches, ASIC is notified in accordance with section 912D(1) of the Corporations Act; and
- (d) in cases of breaches relating to a registered QFM Fund that has had, or is likely to have, a materially adverse effect on the interests of unitholders, ASIC is notified in accordance with section 601FC(1)(l) of the Corporations Act.

In all other cases the Compliance Officer will ensure that

- (e) any breach of this policy is noted on the compliance breach register and reported to the board of QSS to determine how the breach should be dealt with; and
- (f) the activity which caused the breach is reviewed and any steps necessary to ensure compliance with this policy in the future are taken.

7. JOINT VENTURES

If an entity in the QSS Group has entered into a joint venture with a third party and a conflict of interest arises, to the extent possible, the conflict of interest will be dealt with under this policy. Where the conflict of interest involves:

- (a) a joint venture entity, the conflict will be referred to the board of the joint venture entity;
- (b) an entity in the QSS Group, the conflict will be referred to the QSS board; and
- (c) a QFM Fund, the conflict will be referred to the Audit, Compliance & Risk Management Committee.

PART 3 - ARRANGEMENTS FOR MANAGING RELATED PARTY TRANSACTIONS AND TRANSACTIONS WITH PERSONS IN A POSITION OF INFLUENCE

1. ASSESSMENT

If an arrangement gives rise to a conflict, it must also be assessed by the Compliance Officer to determine whether it is also:

- (a) in the case of a listed entity only, a transaction with a person in a position of influence having regard to the requirements set out in section 5 of Part 2 of Annexure B; and/or
- (b) a Related Party Transaction having regard to sections 1-3 of Part 2 of Annexure B.

2. SECURITY HOLDER APPROVAL FOR TRANSACTIONS WITH PERSONS IN A POSITION OF INFLUENCE

If the Compliance Officer determines that the arrangement giving rise to the conflict is also a transaction with a person in a position of influence, then in addition to the procedures set out in section 5 of Part 2 of Annexure B, the listed entity will need to obtain security holder approval. The notice for the meeting in which security holder approval will be obtained must comply with the requirements of Chapter 10 of the ASX Listing Rules (and may also need to comply with the Chapter 2E meeting requirements if it is also a related party transaction - see section 4).

3. EXCEPTIONS TO THE NEED FOR MEMBER APPROVAL OF A RELATED PARTY TRANSACTION**3.1 QFM Funds**

- (a) For a Related Party Transaction which involves only one QFM Fund, in addition to the procedures set out in section 5 of Part 2 of Annexure B, the Compliance Officer must (in undertaking the assessment required by section 5.4 of Part 2) determine whether any of the exceptions to the requirement to obtain unitholder approval referred to in section 5 of Part 2 of Annexure B apply (other than the arm's length exception).
- (b) If the Compliance Officer determines that none of the exceptions contained in section 5 of Part 2 of Annexure B apply (other than potentially the arm's length exception), the Compliance Officer must ensure that either:
 - (i) the transaction is conducted on arm's length terms having regard to the factors referred to in section 8 of Part 2 of Annexure B (including obtaining, if necessary, independent valuation advice on the transaction - see section 3.4 below); or
 - (ii) the Compliance Officer recommends to the Audit, Compliance & Risk Management Committee that unitholder approval of the Related Party Transaction is obtained (see section 4).

3.2 Public companies

- (a) For a Related Party Transaction which involves a public company in the QSS Group, in addition to the procedures set out in section 5 of Part 2, the Compliance Officer must (in undertaking the assessment required by

section 5.4 of Part 2) determine whether any of the exceptions to the requirement to obtain shareholder approval referred to in section 5 of Part 2 of Annexure B apply (other than the arm's length exception).

- (b) If the Compliance Officer determines that none of the exceptions (other than potentially the arm's length exception) contained in section 5 of Part 2 of Annexure B apply, the Compliance Officer must ensure that either:
 - (i) the transaction is conducted on arm's length terms having regard to the factors referred to in section 8 of Part 2 of Annexure B (including obtaining, if necessary, independent valuation advice on the transaction - see section 3.4 below); or
 - (ii) the Compliance Officer recommend to the board of QSS that shareholder approval of the Related Party Transaction is obtained (see section 4).

3.3 QFM Fund to QFM Fund transactions

- (a) For a Related Party Transaction which involves two or more QFM Funds, in addition to the procedures set out in section 5 of Part 2, the Compliance Officer must (in undertaking the assessment required by section 5.4 of Part 2) determine whether any of the exceptions to the requirement to obtain unitholder referred to in section 5 of Part 2 of Annexure B apply (other than the arm's length exception), as though the QFM Funds were related parties.
- (b) If the Compliance Officer determines that none of the exceptions contained in section 5 of Part 2 of Annexure B apply (other than potentially the arm's length exception), the Compliance Officer must ensure that either:
 - (i) the transaction is conducted on arm's length terms having regard to the factors referred to in section 8 of Part 2 of Annexure B (including obtaining, if necessary, independent valuation advice on the transaction - see section 3.4 below); or
 - (ii) the Compliance Officer recommends to the Audit, Compliance & Risk Management Committee that unitholder approval of the Related Party Transaction is obtained (see section 4).

3.4 Valuations

Where a Related Party Transaction is considered material a valuation of the asset or service will be commissioned from an independent valuer (unless there is a predetermined valuation mechanism e.g. in a constitution). The parties to the Related Party Transaction must agree on the brief to be provided to the independent valuer and if agreement cannot be reached then each party must appoint its own independent valuer. Any independent advice obtained in respect of the Related Party Transaction to ensure it is on 'arm's length' terms will include (as applicable):

- (a) the contractual terms to ensure they are reasonable commercial terms;
- (b) details of the property proposed to be purchased or managed or services provided by related parties;
- (c) basis of valuation and principal assumptions;

- (d) all relevant mandate terms and conditions; and
- (e) any fees and expenses payable

4. MEMBER APPROVAL FOR RELATED PARTY TRANSACTIONS

4.1 QFM Fund

For a Related Party Transaction involving only one QFM Fund, if:

- (a) the Audit, Compliance & Risk Management Committee is not persuaded that the arm's length exception applies, rather than it being merely arguable that it applies; and
- (b) if after taking into account all the factors referred to in section 8 of Part 2 of Annexure B and any other relevant factors, it is not clear that the Related Party Transaction falls within the arm's length exception,

then unitholder approval must be sought.

4.2 Public Companies

For a Related Party Transaction involving a public company in the QSS Group, if:

- (a) directors of QSS are not persuaded that the arm's length exception applies, rather than it being merely arguable that it applies; and
- (b) if after taking into account all the factors referred to in section 8 of Part 2 of Annexure B and any other relevant factors, it is not clear that the Related Party Transaction falls within the arm's length exception,

then shareholder approval of the relevant QSS Group company must be sought.

4.3 QFM Fund to QFM Fund transactions

For a Related Party Transaction which involves two or more QFM Funds, if:

- (a) the Audit, Compliance & Risk Management Committee is not persuaded that the arm's length exception applies for both QFM Funds, rather than it being merely arguable that it applies; and
- (b) if after taking into account all the factors referred to in section 8 of Part 2 of Annexure B and any other relevant factors, it is not clear that the Related Party Transaction falls within the arm's length exception for both QFM Funds,

then unitholder approval must be sought for both Funds.

If based on the above, the Audit, Compliance & Risk Management Committee is satisfied that the arm's length exception applies for one QFM Fund but not the other, unitholder approval must be sought for the QFM Fund that the Audit, Compliance & Risk Management Committee was not satisfied that the arm's length exception applied to.

4.4 Process

RG 76 includes a description of the approval process, including a table which sets out the content requirements for a notice of meeting and explanatory material. Readers of this policy should refer to the process and requirements

referred to in RG 76 once it has been determined that a Related Party Transaction is to be put to unitholders and/or shareholders.

QFM Fund to QFM Fund transactions for which QFM will obtain unitholder approval do not need to comply with the processes described in RG 76, however to the extent relevant QFM will comply with that process.

PART 4 – QFM/QFM FUND INVESTMENT CHARTER

1. PREAMBLE

In carrying out the responsibilities and powers set out in this charter (**Charter**), the board of directors of QFM as trustee for the QFM Fund (**Board**) recognises that it is bound by the:

- (a) the terms of the Trust Deed (as defined in the Related Party Transactions and Conflicts of Interest Policy); and
- (b) the fiduciary obligations imposed upon the Board under the Corporations Act and the Common Law.

This Charter sets out:

- (c) the legal obligations (both Common Law and statutory) imposed upon QFM as trustee for the QFM Fund and the Board in respect of the QFM Fund and the unitholders of the QFM Fund (**Scheme Members**) and the application of funds invested by those Scheme Members (**Scheme Funds**);
- (d) the purpose of the QFM Fund;
- (e) the role of the Board in administering the QFM Fund;
- (f) the role of the QFM Fund Audit, Compliance & Risk Management Committee (**Audit, Compliance & Risk Management Committee**) in administration of the QFM Fund; and
- (g) the process pursuant to which the Board and the Audit, Compliance & Risk Management Committee will undertake to best invest the funds for the benefit of Scheme Members.

2. FIDUCIARY OBLIGATIONS

2.1 General

Under Common Law principles relating to fiduciary relationships, QFM as trustee for the QFM Fund (and its directors) will be bound, in the execution of its duties, not to:

- (a) enter into engagements which have, or may have, interests conflicting, or which possibly may conflict, with the interests of those the Scheme Members; and
- (b) profit from a fiduciary position, except with the informed consent of the scheme members.

As such, QFM as trustee for the QFM Fund is subject to the duties and disabilities of a fiduciary. In particular, it is prohibited by the general law from putting itself in a position where its duty to the Scheme Members and its personal interests, or duties to another person, may conflict. Transactions or dealings in which the responsible entity is interested create such a conflict.

2.2 Directors Duties

Pursuant to the Corporations Act, each of the directors of QFM are subject to statutory obligations to act in the best interests of QFM. QFM directors also have common law fiduciary duties to act in the best interests of QFM.

2.3 Conflict of interest

The Board is aware that there is a real and sensible risk that the investment of Scheme Funds may be open to actual or perceived conflicts of interest and potential breaches of Common Law and statutory fiduciary duties.

Accordingly, the Board has resolved to implement a process of review for the proposed investment of Scheme Funds via the oversight of investment proposals by the Audit, Compliance & Risk Management Committee.

2.4 Defence to breach of trust by conflict of interest

A breach of trust can occur when a trustee breaches their Common Law fiduciary obligations to not put themselves in a position whereby their duties to a beneficiary are in conflict with an interest with, or duty to, a third party.

QFM may be subject to actions for breach of trust upon the basis that Scheme Funds may be invested in circumstances where conflicts of interests exist.

In the event that a conflict of interest exists between:

- (a) QFM's (as trustee for the QFM Fund (including the Board)) obligations to the Scheme Members; and
- (b) the Board's interests in QSS,

the issue of conflict may be resolved by the fact that QFM, via the relevant investment disclosure documents, has sufficiently disclosed the existence and nature of a conflict of interest related to a proposed investment of Scheme Funds, thereby obtaining the consent of the Scheme Members.

That is, following the disclosure of the existence and nature of the conflict by QFM, the Scheme Member signing the application form attached to the relevant disclosure document represents to QFM that they have consented to the breach of trust, on the basis that it has been disclosed.

3. QFM FUND INVESTMENTS

In accordance with the terms of the Trust Deed, the Board, on behalf of the QFM Fund, has been charged with investing Scheme Funds on behalf of Scheme Members. The Board may apply funds to a range of investments deemed appropriate for the QFM Fund, including investments through the provision of loans to fund residential property developments, corporate debt facilities and other investments deemed appropriate by the Board.

4. ROLE OF THE BOARD

The role of the Board, as officers of QFM as trustee for the QFM Fund, is to administer the QFM Fund in accordance with the Trust Deed, the Corporations Act and its Fiduciary Obligations, for the purposes of applying Scheme Funds in a manner set out in section 3 (above) on behalf of the Scheme Members.

5. ROLE OF THE AUDIT, COMPLIANCE & RISK MANAGEMENT COMMITTEE

The role of the Audit, Compliance & Risk Management Committee, as a delegate of the Board, and in accordance with the terms of the Audit, Compliance & Risk Management Committee Charter set out in Annexure A, is to review potential conflicted transaction and make appropriate recommendations to the Board of QFM.

For the avoidance of doubt, and in accordance with the terms of the Audit, Compliance & Risk Management Committee Charter, the Audit, Compliance & Risk Management Committee will not be required to review and, if warranted, sanction the terms of any Miscellaneous Investment for the purposes of section Error! Reference source not found. of this Charter.

6. DELEGATION OF AUTHORITY

Pursuant to section 198D of the Corporations Act, subject to the provisions of a company's constitution, a director of a company may delegate any of their powers to:

- (a) a committee of directors; or
- (b) a director; or
- (c) an employee of the company; or
- (d) any other person.

Pursuant to article 99 of QFM's constitution, the directors may delegate their power only to a committee consisting of directors of QFM.

Accordingly, and on the basis that the powers of the Board may not be delegated to persons other than directors, any Recommendations (as defined in section 7(c) below) made by the Audit, Compliance & Risk Management Committee are not binding upon the Board.

However, in view of the previously stated real and sensible risks that the investment of Scheme Funds may be open to actual or perceived conflicts of interest and potential breaches of Common Law and statutory fiduciary duties, the Board, in the interests of prudent corporate governance, should not depart from a Recommendation (as defined in section 77(c) (below)) in the absence of manifest error.

7. PROCESS OF REVIEW AND RECOMMENDATION

In determining the best manner in which to invest Scheme Funds, the Board of QFM as trustee for the QFM Fund and the Audit, Compliance & Risk Management Committee will undertake the following process:

- (a) If a decision is made to refer a proposed QFM Fund investment (as set out in Section 3) (**Investment Opportunity**) to the Audit, Compliance & Risk Management Committee in accordance with Section 5.5(f) of the Conflicts of Interest and Related Party Transaction Policy, the Compliance Officer will approach the Audit, Compliance & Risk Management Committee chairman to convene the Audit, Compliance & Risk Management Committee for the purposes of assessing the Investment Opportunity.
- (b) Once convened, the Audit, Compliance & Risk Management Committee will perform its role as set out in Section 2.3 and 2.4 of the Audit, Compliance & Risk Management Committee Charter.

- (c) Following assessment of the Investment Opportunity, the Audit, Compliance & Risk Management Committee will make a proposal to the Board of QFM as trustee for the QFM Fund detailing the basis upon which the Board of QFM as trustee for the QFM Fund should or should not proceed with the Investment Opportunity (**Recommendation**).
- (d) Following consideration by the Board of QFM as trustee for the QFM Fund of the Recommendation, the Board of QFM as trustee for the QFM Fund may elect to:
- (i) proceed with the Investment Opportunity; or
 - (ii) proceed with the Investment Opportunity subject to certain conditions; or
 - (iii) reject the Investment Opportunity; or
 - (iv) seek further guidance from the Audit, Compliance & Risk Management Committee in respect of the Investment Opportunity for the purposes of either section 7(d)(i) or section 7(d)(ii).
- (e) In the event that the Board of QFM as trustee for the QFM Fund decides to proceed with the Investment Opportunity, the Board of QFM as trustee for the QFM Fund will resolve to undertake the Investment Opportunity and enact the process in accordance with its standard operating procedures.
- (f) In the event QFM as trustee for the QFM Fund proceeds with an Investment Opportunity, the Audit, Compliance & Risk Management Committee must monitor:
- (i) the compliance with the terms of any and all Scheme Loans by both:
 - (A) QFM as trustee for the QFM Fund; and
 - (B) any special purpose vehicle borrowing from QFM Fund; and
 - (ii) the compliance with the terms of any and all Corporate Debt by both:
 - (A) QFM as trustee for the QFM Fund; and
 - (B) QSS, or other related entity (as defined within the Corporations Act) as borrower,
- throughout the life of the Investment Opportunity (**Ongoing Review**).
- (g) Any Recommendation made by the Audit, Compliance & Risk Management Committee is advisory only and the Board of QFM as trustee for the QFM Fund is not bound to act in accordance with any such Recommendation. However, in view of the previously stated real and sensible risks that the investment of Scheme Funds may be open to actual or perceived conflicts of interest and potential breaches of Common Law and statutory fiduciary duties, the Board, in the interests of prudent corporate governance, should not depart from a

Recommendation (as defined in section 7(c) (above)) in the absence of manifest error.

ANNEXURE A – AUDIT, COMPLIANCE & RISK MANAGEMENT COMMITTEE CHARTER

1. DELEGATION OF AUTHORITY FROM QFM BOARD

The Board of QFM as trustee for the QFM Fund has determined that, for the purposes of independence and transparency in the investment of Scheme Funds, determination and recommendation of Scheme Loan and Corporate Debt facilities should be made by a dedicated Audit, Compliance & Risk Management Committee (**Audit, Compliance & Risk Management Committee**).

2. THE AUDIT, COMPLIANCE & RISK MANAGEMENT COMMITTEE

2.1 Mandate

The Audit, Compliance & Risk Management Committee has been created for the purposes of reviewing and supervising the Scheme Loans and Corporate Debt (as defined in the QFM/QFM Fund Investment Charter) that may be from time to time issued by QFM Fund for the purpose of investing Scheme Funds. The Audit, Compliance & Risk Management Committee has been empowered to assess, sanction and provide recommendations in respect of any and all Scheme Loan and/or Corporate Debt proposed to be issued by QFM as trustee for the QFM Fund.

2.2 Authority

The Board has empowered the Audit, Compliance & Risk Management Committee to sanction and supervise investments of Scheme Funds made in accordance with sections 4.1 and 4.2 of the QFM/QFM Fund Investment Charter.

2.3 Role

For the purposes of fulfilling its role the Audit, Compliance & Risk Management Committee must:

- (a) assess the report prepared by the Compliance Officer (as defined in section 5.2 of the Related Party Transactions and Conflicts of Interest Policy);
- (b) determine whether the transaction is in the best interests of Clients (as defined in the Related Party Transactions and Conflicts of Interest Policy) and/or the relevant company in the QSS Group (as defined in the Related Party Transactions and Conflicts of Interest Policy);
- (c) assess the conflict or potential conflict of interest in light of its potential to harm the interests of Clients and/or the relevant company in the QSS Group;
- (d) determine whether the conflict, in light of its assessment, should be controlled, controlled and disclosed or avoided (including how it is to be controlled and/or disclosed);
- (e) if it is a Related Party Transaction (as defined in the Related Party Transactions and Conflicts of Interest Policy), determine whether:
 - (i) any of the exceptions to the requirement to obtain member approval may be relied on; or

- (ii) member approval is required,

in respect of each party that is subject to Part 3 of the Conflicts of Interest and Related Party Transaction Policy;

- (f) if the transaction is to be controlled, ensure there are appropriate systems in place to manage the conflict so that it does not harm the interests of Clients or the relevant company in the QSS Group;
- (g) if to be avoided, give direction to the Compliance Officer or relevant fund manager to desist from the transaction which causes the conflict;
- (h) if to be disclosed, ensure a full, frank and timely disclosure is made to Clients and/or the shareholders in the relevant QSS Group about the conflict and its potential consequences; and
- (i) ensure a full minute of its determination and any other relevant information is kept on the Conflicts Register (as set out in section 5.6 of the Related Party Transactions and Conflicts of Interest Policy).

It is the responsibility of the Audit, Compliance & Risk Management Committee to ensure the decisions made regarding conflicts that have been referred to it are based on appropriate information but it is the responsibility of senior management and the Compliance Officer to ensure the process is followed in relation to all conflicts or potential conflicts.

2.4 Role in respect of the QFM Fund

In the case of a QFM Fund, the Audit, Compliance & Risk Management Committee will be appointed to consider any proposals from the Board of QFM as trustee for the QFM Fund in respect of related party investment proposals, which could include Scheme Loans and/or QSS Corporate Debt (**Investment Proposals**).

Following assessment of each Investment Proposal in accordance with Section 2.3, the Audit, Compliance & Risk Management Committee will be required to make a Recommendation (as defined in QFM/QFM Fund Investment Charter);

In the event QFM as trustee for the QFM Fund proceeds with an Investment Opportunity (as defined in QFM/QFM Fund Investment Charter), the Audit, Compliance & Risk Management Committee must undertake the Ongoing Review process (as defined in QFM/QFM Fund Investment Charter).

2.5 Obligations on Audit, Compliance & Risk Management Committee Members

A member of the Audit, Compliance & Risk Management Committee (**Committee Member**) must:

- (a) at all times, in the execution of its duties, ensure that in the review of Investment Opportunities (as defined in QFM/QFM Fund Investment Charter) and the provision of Recommendations (as defined in QFM/QFM Fund Investment Charter), the interests of the Scheme Members (as defined in QFM/QFM Fund Investment Charter) are treated as paramount;
- (b) act honestly; and
- (c) exercise the degree of care and diligence that a reasonable person would exercise if they were in the member's position; and

- (d) not make use of information acquired through being a member of the committee in order to:
 - (i) gain an improper advantage for the member or another person; or
 - (ii) cause detriment to the members of the scheme; and
- (e) not make improper use of their position as a member of the committee to gain, directly or indirectly, an advantage for themselves or for any other person or to cause detriment to the members of the scheme.

Committee Members are expected to bring their independent views and judgement to the Audit, Compliance & Risk Management Committee and must declare immediately to the chairman of the Audit, Compliance & Risk Management Committee (**Chairman**) any potential or active conflicts of interest. Committee Members must declare immediately to the Audit, Compliance & Risk Management Committee, and the Audit, Compliance & Risk Management Committee will determine whether to declare any loss of independence.

In the event that a Committee Member becomes restricted from acting upon the basis of section 4.7, the Committee Member must notify the Chairman immediately.

3. PROCEEDINGS OF AUDIT, COMPLIANCE & RISK MANAGEMENT COMMITTEE

3.1 Proceedings

The Audit, Compliance & Risk Management Committee may regulate its proceedings as it thinks appropriate.

3.2 Minutes and records

The committee must keep:

- (a) minutes of its meeting; and
- (b) records of its reports and recommendations.

4. COMPOSITION OF THE AUDIT, COMPLIANCE & RISK MANAGEMENT COMMITTEE

4.1 Number of Committee Members

The Audit, Compliance & Risk Management Committee must have at least **3** members, none of which may be a related party or employee of a member of the QSS Group (as defined in the Related Party Transactions and Conflicts of Interest Policy).

4.2 Experience requirements for Audit, Compliance & Risk Management Committee

The Audit, Compliance & Risk Management Committee should comprise Committee Members with a mix of qualifications, experience and expertise related to managed investment schemes and residential property investment which will assist the Board in investing Scheme Funds.

4.3 Nomination

A non-executive director of QFM as trustee for the QFM Fund will nominate proposed Audit, Compliance & Risk Management Committee members.

4.4 Board Approval

The Board of QFM as trustee for the QFM Fund will, following nomination, approve the members of the Audit, Compliance & Risk Management Committee.

4.5 Committee Members engaged as consultants

Each Committee Member will be engaged as a consultant of QSS and will be bound by terms that are standard for a similar consultancy arrangement.

4.6 Term of appointment

The tenure of each member of the Audit, Compliance & Risk Management Committee will, in accordance with the terms of their respective consultancy agreements, be reviewed every 12 months by the QSS board and, subject to the discretion of the QSS board, may be appointed for a further 12 months.

4.7 Restrictions on Nomination

Committee Members will be excluded from membership of the Audit, Compliance & Risk Management Committee on the basis that they are any or all of the following:

- (a) a related party (within the meaning of section 228 of the Corporations Act) of QSS or QFM;
- (b) have an equity interest in QSS or QFM;
- (c) have a pecuniary interest in QSS or QFM (other than that of being a Committee Member).

4.8 Disclosure of interests

- (a) Disclosure

A Committee Member must disclose to the Audit, Compliance & Risk Management Committee a direct or indirect equity or pecuniary interest that they have in a matter being considered, or about to be considered, by the Audit, Compliance & Risk Management Committee if their interest could conflict with the proper performance of their duties in relation to the consideration of the matter.

- (b) Time for disclosure

A disclosure under Section 4.8(a) must occur at the first meeting of the Audit, Compliance & Risk Management Committee after the relevant facts have come to the Committee Member's knowledge and must be recorded in the minutes of the meeting.

4.9 Removal of Committee Members

In addition to termination and breach provisions contained within their respective consultancy agreements, a Committee Member may be removed if the Board deems the Committee Member to have been guilty of any gross misconduct or wilful neglect in the discharge of their duties.

5. THE ROLE OF THE CHAIRMAN

- (a) The Chairman of the Audit, Compliance & Risk Management Committee shall be appointed by the Board of QFM as trustee for the QFM Fund.
- (b) The Chairman is responsible for the leadership of the Audit, Compliance & Risk Management Committee, ensuring it is effective, setting the agenda of the Audit, Compliance & Risk Management Committee, conducting the Audit, Compliance & Risk Management Committee meetings and liaising with the Board of QFM as trustee for the QFM Fund on matters within the Audit, Compliance & Risk Management Committee's authority.
- (c) The Chairman should facilitate the effective contribution of all Committee Members and promote constructive and respectful relations between the Committee Members and the Board of QFM as trustee for the QFM Fund.

6. DECISIONS OF THE AUDIT, COMPLIANCE & RISK MANAGEMENT COMMITTEE

Decisions of the Audit, Compliance & Risk Management Committee as to whether to make a Recommendation will be required to be made by a simple majority in favour of each Investment Opportunity.

7. THE AUDIT, COMPLIANCE & RISK MANAGEMENT COMMITTEE'S RELATIONSHIP WITH THE BOARD

The Audit, Compliance & Risk Management Committee is not a delegate of the Board of QFM as trustee for the QFM Fund and, accordingly, the decisions of the Audit, Compliance & Risk Management Committee in relation to the investment of Scheme Funds are only advisory in their nature and not binding on the Board of QFM as trustee for the QFM Fund.

8. FUNDING OF AUDIT, COMPLIANCE & RISK MANAGEMENT COMMITTEE

The Audit, Compliance & Risk Management Committee will be funded and resourced by QFM.

9. MEETING OF AUDIT, COMPLIANCE & RISK MANAGEMENT COMMITTEE

The Audit, Compliance & Risk Management Committee will meet on a quarterly basis, and otherwise on an as needs basis, in order to fulfil its responsibilities in accordance with section 2.3.

10. CONFLICT OF INTEREST

Potential for conflict of interest arises when it is likely that an Audit, Compliance & Risk Management Committee Member could be influenced, or it could be perceived that they are influenced by a personal interest when carrying out

their duties. Conflicts of interest that lead to biased decision making may constitute conflicted conduct.

- (a) Some situations that may give rise to a conflict of interest include situations where there are:
 - (i) financial interests in a matter the Company deals with a Committee Member or a Committee Member is aware that their friends or relatives have a financial interest in the matter;
 - (ii) directorships/management of outside organisations;
 - (iii) membership of boards of outside organisations;
 - (iv) personal relationships with people QFM is dealing with which go beyond the level of a professional working relationship;
 - (v) secondary employment, business, commercial, or other activities outside of the role of Committee Member which impacts on the duties and obligations of the Committee Member;
 - (vi) access to information that can be used for personal gain; and
 - (vii) offer of an inducement.
- (b) Individual Committee Members may often be the only people aware of the potential for conflict. Accordingly, it is the responsibility of the interested Committee Member to avoid any conflict from arising that could compromise their ability to perform your duties impartially.
- (c) Committee Members must not submit or accept any bribe, or other improper inducement.

Part 1 Conflicts of Interest**1. General law relating to QFM**

- (a) QFM as trustee and/or responsible entity of a QFM Fund must comply with the general law duties to:
 - (i) act in the best interests of beneficiaries of a QFM Fund, present and future;
 - (ii) consider the beneficiaries of a QFM Fund interests overall, including their best financial interests; and
 - (iii) to act honestly and to exercise care, diligence and skill.

This means that QFM must put the interests of beneficiaries of a QFM Fund ahead of its own interests and must, wherever possible, avoid placing itself in a position where it may be tempted to prefer its own interests or the interests of someone other than beneficiaries in the QFM Fund.

- (b) Under the general law, a trustee is prohibited from profiting from the trust. Accordingly QFM cannot put itself in a position where its interest and duty conflict or, if conflict is unavoidable, is required to resolve the conflict in favour of the duty and cannot, except by special arrangement, make or profit out of its position.
- (c) This duty not to profit from the trust can be overridden by a provision in the trust instrument specifically authorising the trustee to be remunerated for acting as trustee, provided this is adequately disclosed. In addition, QFM is permitted to be reimbursed for any expenses properly incurred.
- (d) Where QFM acts as an investment manager for a third party, APN will generally be acting as a fiduciary. Where QFM acts as a fiduciary it will have a similar obligation to avoid conflicts of interest and must put the interests of the third party ahead of its own interests.

2. Registered scheme provisions of the Corporations Act

QFM, as responsible entity of a registered QFM Fund, must comply with section 601FC of the Corporations Act. In particular, QFM must act in the best interests of members in a registered QFM Fund and, if there is a conflict between the members interests and its own interests, give priority to the members interests.

Each officer (which includes all directors) of QFM must comply with the duties of officers of responsible entities which are set out in section 601FD. In particular, officers must comply with the following duties:

- (a) the duty to act in the best interests of members in a registered QFM Fund and, if there is a conflict between the members' interests and the interests of QFM, give priority to the members' interests;
- (b) the duty not to make use of information acquired through being a director of QFM in order to gain an improper advantage for themselves or another or cause detriment to members in a registered QFM Fund; and

- (c) the duty not to make improper use of their position as a director to gain, directly or indirectly, an advantage for themselves or for any other person or to cause detriment to members in a registered QFM Fund.

Importantly, if any of the section 601 FD duties conflict with any other directors' duties, the 601 FD duty will prevail.

3. Australian financial services licensing provisions of the Corporations Act

As the holder of an AFSL, QFM is required under section 912A(1)(aa) of the Corporations Act to have in place adequate arrangements for the management of conflicts of interest that may arise wholly or partially in relation to the provision of financial services by QFM, or its representatives, to its Clients.

QFM is responsible for ensuring that it complies, on an ongoing basis, with its obligations as a licensee (and for taking reasonable steps to ensure that its representatives comply with the financial services laws). The primary responsibility for implementing adequate conflicts management arrangements and complying with other relevant obligations (including ensuring financial services provided by QFM or its representatives are provided efficiently, honestly and fairly) rests with QFM.

4. Other obligations

In ASIC Regulatory Guide 181 Licensing: Managing Conflicts of Interest (RG181) ASIC notes that other licensee obligations also deal with or relate to conduct potentially affected by conflicts of interest, including:

- (a) the obligation to do all things necessary to ensure that their financial services are provided efficiently, honestly and fairly (s912A(1)(a));
- (b) the obligation to have adequate risk management systems (s912A(1)(h));
- (c) the obligation to comply with financial services laws and to take reasonable steps to ensure their representatives do likewise (s912A(1)(c) and (ca));
- (d) the obligation to have adequate compliance arrangements (reg 7.6.03(g) and Pro Forma [PF 209]);
- (e) the licensee's (and their authorised representatives') obligation to disclose benefits and relationships in a financial services guide before providing financial services to retail clients (s941A and 941B); and
- (f) a range of prohibitions, including those for misleading or deceptive conduct in the provision of financial services, dishonest conduct, unconscionable conduct and insider trading.

Part 2 Related Party Transactions

1. General

Chapter 2E of the Corporations Act deals with related party transactions. These provisions apply to public companies and are applied to registered schemes by virtue of section 601 LA of the Corporations Act.

The related party transaction provisions of the Corporations Act provide that:

- (a) QFM as the responsible entity of a registered QFM Fund must not give a Financial Benefit to itself or a related party without the approval of the unitholders in the registered QFM Fund; and
- (b) public companies in the QSS Group must not give a Financial Benefit to a related party without the approval of the shareholders in the public company in the QSS Group,

unless the giving of that benefit falls into one of the exceptions listed in the Corporations Act (listed in section 5 below to the extent relevant).

ASIC *Regulatory Guide 76: Related party transactions (RG 76)* sets out ASIC's policy on the related party transaction provisions of the Corporations Act.

All Related Party Transactions give rise to an actual or apparent conflict of interest.

2. Who is a Related Party?

2.1 Corporations Act

Section 228 of the Corporations Act defines a related party for the purposes of Chapter 2E of the Corporations Act. The table below describes the people and entities that would be a related party of an entity in the QSS Group.

Entity	Related Parties
Public companies in the QSS Group	<ul style="list-style-type: none">• An entity that controls the public company.• A director of an entity that controls the public company and their spouses, parents and children.• A director of the public company and their spouses, parents and children.• Entities controlled by:<ul style="list-style-type: none">(a) A director of:<ul style="list-style-type: none">(i) The public company' or(ii) An entity that controls the public company;(b) A spouse, parent or child of a director referred to in the bullet point above.• A person that was a related party of the public company in the preceding 6 months.• A person that the public company has reasonable grounds to believe will become a related party in the future.• A person that acts in concert with a related party of the public company on the understanding that the related party will receive a Financial Benefit if the

Entity	Related Parties
	public company gives the person a Financial Benefit.
QFM as responsible entity of a registered QFM Fund	<ul style="list-style-type: none"> • An entity that controls QFM (i.e. QSS). • A director of QSS and their spouses, parents and children. • A director of QFM and their spouses, parents and children Entities controlled by: <ul style="list-style-type: none"> (a) a director of: <ul style="list-style-type: none"> (i) QFM; or (ii) QSS; (b) a spouse, parent or child of a director referred to in the bullet point above • A person that was a related party of QFM in the preceding 6 months. • A person that QFM has reasonable grounds to believe will become a related party in the future. • A person that acts in concert with a related party of QFM on the understanding that the related party will receive a Financial Benefit if QFM gives the person a Financial Benefit.

2.2 Extended meaning for purposes of this policy

Notwithstanding that the above table is based on the s.228 definition of a related party, for the purposes of this policy all transactions between:

- (a) QFM in its capacity a trustee and/or responsible entity of two or more QFM Funds (or the controlled entities of such funds); or
- (b) a QSS Group company and a QFM Fund,

will be treated as a Related Party Transaction.

3. What is a Financial Benefit?

The definition of Financial Benefit is broad. Examples of "giving a Financial Benefit" to a related party include the following:

- (a) giving or providing the related party finance or property;
- (b) buying an asset from or selling an asset to the related party;
- (c) leasing an asset from or to the related party;
- (d) supplying services to or receiving services from the related party;
- (e) issuing securities or granting an option to the related party; and
- (f) taking up or releasing an obligation of the related party.

A Financial Benefit includes giving a financial benefit indirectly through an interposed entity, making an informal, oral or non binding agreement to give the benefit, and giving a benefit that does not involve paying money.

In deciding whether a Financial Benefit is given:

- (a) the economic and commercial substance of the transaction should prevail over its legal form; and
- (b) any consideration that is or may be given for the benefit must be disregarded, even if the consideration is adequate.

4. Best interests

In RG 76 ASIC notes that, as required by the law, it must first be determined that a related party transaction is in the best interests of unitholders in the registered QFM Fund or the relevant QSS Group company and then consider whether it is necessary to obtain unitholder or shareholder approval (as applicable). An QSS Group entity should not proceed with a Related Party Transaction which is not in the best interests of the unitholders in the QFM Fund or the relevant QSS Group company (as applicable).

5. When is member approval not required?

The following related party transactions do not require member approval under the Corporations Act:

- (a) if the terms would be reasonable 'in the circumstances' (see section 7 below) if the parties were dealing 'at arms length' (see section 6 below) or the terms are less favourable to the related party than 'arm's length' terms;
- (b) 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 within an entity in the QSS Group and the benefit is reasonable in the circumstances;
- (c) if the benefit is remuneration to the related party in performing duties as an officer or employee within an entity in the QSS Group and the benefit is reasonable in the circumstances;
- (d) if the benefit is given to the related party in their capacity as an officer of an entity in the QSS Group and the benefit is an indemnity, exemption or insurance premium in respect of a liability incurred as an officer of the public company or entity that is reasonable in the circumstances;
- (e) if the benefit is given to the related party in their capacity as an officer of an entity in the QSS Group and the benefit is the making of a payment in respect of legal costs incurred by the officer in defending an action for a liability incurred as officer of the public company or entity that is reasonable in the circumstances;
- (f) if the benefit is given to the related party as a member of an entity in the QSS Group, and giving the benefit does not discriminate unfairly against the other members of the entity in the QSS Group;
- (g) if the benefit is given as an amount of money for a director of a public company or their spouse or de facto spouse if the amount does not exceed \$2,000 (this does not apply to QFM as a responsible entity of a QFM Fund that is a registered scheme); or
- (h) if the benefit is given to a related body corporate of a closely-held subsidiary of the body or by the subsidiary to an entity it controls (this

does not apply to QFM as a responsible entity of a QFM Fund that is a registered scheme).

6. When are parties dealing at 'arm's length'?

The Corporations Act does not define 'arm's length'. RG 76 provides useful guidance on the meaning of 'arm's length' terms based on case law, including that:

- (a) the meaning of 'arm's length' suggests that this phrase refers to a relationship between parties where neither bears the other any special duty or obligation, they are unrelated, uninfluenced and each acts in its own interests;
- (b) in determining the objective standards that would characterise arm's length terms, the courts will consider the transaction terms that would result if:
 - (i) the parties to the transaction were unrelated in any way (e.g. financially, or through ties of family, affection or dependence);
 - (ii) the parties were free from any undue influence, control or pressure;
 - (iii) through its relevant decision-makers, each party was sufficiently knowledgeable about the circumstances of the transaction, sufficiently experienced in business and sufficiently well advised to be able to form a sound judgement as to what was in its interests; and
 - (iv) each party was concerned only to achieve the best available commercial result for itself in all the circumstances;
- (c) in deciding whether the exception applies, the terms on which the Financial Benefit is given should be compared to the objective range of possible terms that these unrelated, uninfluenced and self-interested parties would reasonably arrive at in the circumstances; and
- (d) in determining the outcomes that hypothetical unrelated parties would reasonably achieve, the following points should also be considered:
 - (i) commercial prudence should be applied and expert guidance may be required in considering the terms of the related party transaction and ascertaining common market practice; and
 - (ii) if the terms of the Financial Benefit are extraordinary or excessively generous, or do not include safeguards to manage conflicts of interest, it is less likely that the terms can be considered 'reasonable' and so may not be arm's length terms for the purposes of s210.

7. What does 'in the circumstances' mean?

For a related party transaction to be on 'arm's length' terms, its terms must be reasonable 'in the circumstances' if the entities were dealing at 'arm's length'. RG 76 provides that the 'circumstances' could include, but are not limited to:

- (a) whether there are alternative transactions open to the entity that are not with related parties (e.g. whether a related party is the only supplier of a certain component or suitable premises);
- (b) prevailing economic conditions and their impact on the parties and their relevant industries; and
- (c) any special value to the transaction (e.g. synergies available to the related party, other than those arising because it is a related party, that may not be available to other purchasers).

When considering the circumstances in which the hypothetical unrelated parties would be transacting, ASIC considers that, generally, all circumstances of the related party transaction that have a bearing on determining the terms are relevant, except for the fact of their relationship.

8. Factors to consider when applying the arm's length transaction exception

RG 76 provides that, at a minimum, public companies and responsible entities should take into account all of the following factors when deciding whether to seek member approval or whether the arm's length terms exception applies:

- (a) how the terms of the overall related party transaction compare with those of any comparable transactions between parties dealing on an arm's length basis in similar circumstances;
- (b) the nature and content of the bargaining process, including whether the entity followed robust protocols to ensure that conflicts of interest were appropriately managed in negotiating and structuring the related party transaction;
- (c) the impact of the related party transaction on the company or registered scheme (e.g. the impact of dealing on those terms on the financial position and performance of the company) and non-associated members;
- (d) any other options that may be available to the entity; and
- (e) expert advice received by the entity on the related party transaction (if any).

RG 76 includes a detailed discussion of each of the above factors which should be taken into account when considering a related party transaction. Readers of this policy should refer to that discussion when considering a Related Party Transaction.

9. Reliance on the arm's length exception

In RG 76 ASIC notes that when there are potential conflicts of interest, directors have a heightened obligation to ensure that the necessary corporate approvals are obtained. Accordingly, ASIC notes that;

- (a) directors should only rely on the arm's length exception when they are persuaded that the exception does apply, rather than it being merely arguable that it applies; and
- (b) if after taking into account all the factors referred to in section 0 above and any other relevant factors, it is not clear that the related party

transaction falls within the arm's length exception, member approval should be sought.

10. ASX Listing Rules

In addition to the Corporations Act requirements for related party transactions, listed entities (such as QSS) must also comply with ASX Listing Rule 10.1: Transactions with Persons in a Position of Influence.

Under Listing Rule 10.1, a listed entity must ensure that neither it, nor any of its child entities, acquires a substantial asset from, or disposes of a substantial asset to, any of the following persons without the approval of the holders of the relevant securities or without the grant of a waiver by the ASX:

- (a) a related party;
- (b) a subsidiary;
- (c) a substantial holder, if the person and their associates have a relevant interest, or had a relevant interest in the preceding 6 months, in at least 10% of the total votes attached to the relevant securities;
- (d) an associate of a person referred to in paragraphs (a) to (c) above; and
- (e) a person whose relationship to the entity or a person referred to in paragraphs (a) to (d) above is such that, in ASX's opinion, the transaction should be approved by security holders.

An asset is 'substantial' if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX.

Rule 10.1 does not apply to:

- a transaction between the entity and a wholly owned subsidiary;
- a transaction between wholly owned subsidiaries of the entity;
- an issue of securities by the entity for cash;
- in the case of a trust, a transaction involving a substantial asset that was not beneficially held for the trust before the transaction and is not beneficially held for the trust after the transaction; or
- a transaction between the entity and a person who is a related party by reason only because the person believes, or has reasonable grounds to believe, that the person is likely to become a related party.

Part 3 - Director Duties

1. General

In the context of this policy it is important to also note some of the personal obligations and responsibilities of directors. This Part 3 is not intended to be an exhaustive description of all of a director's obligations and responsibilities but rather is intended to highlight those obligations and responsibilities that may be most relevant to the subject matter of this policy.

2. General duties of directors

Directors of companies in the QSS Group have various statutory and common law obligations to act in the best interests of the company for which they are a director. Some of the relevant duties of directors include:

- (a) the obligation to exercise their powers and discharge their duties:
 - (i) in good faith and in the best interests of the company; and
 - (ii) for a proper purpose (s.181 of the Corporations Act);
- (b) the prohibition on improperly using their position to:
 - (i) gain an advantage for themselves or for someone else; or
 - (ii) cause detriment to the company (s.182 of the Corporations Act); and
- (c) the prohibition on improperly using information obtained as a director of a company to:
 - (i) gain an advantage for themselves or someone else; or
 - (ii) cause detriment to the company (s.183 of the Corporations Act).

Generally, if a director is potentially in breach of their obligations it may be by virtue of the fact that the director has a conflict of interest and/or the subject matter may constitute a Related Party Transaction. Therefore, it is appropriate that this policy highlight these duties.

3. Restriction on voting by directors of public companies

Section 195 of the Corporations Act provides that if a director of a public company has a material personal interest in a matter being considered at a directors' meeting, they must not:

- (a) be present while the matter is being considered at the meeting (s195(1)(a)); or
- (b) vote on the matter (s195(1)(b)).

RG 76 provides useful guidance on the principles to be applied in determining whether or not a director has a material personal interest. These include that:

- (c) the term material implies that the interest needs to be of some substance or value, rather than merely a slight interest;
- (d) an interest that has the capacity to influence the vote of a director would be considered material;
- (e) the prohibition on voting at and attending meetings applies when a director's interest is personal, as well as material;
- (f) an interest may not be personal if it affects a director as a member of a wide group or class in the same manner and to the same degree that it affects the other members of the group or class;

- (g) in interpreting the phrase, 'material personal interest', and in considering whether the prohibition applies, companies should bear in mind that a purpose of the prohibition is to minimise risks or harm to the company arising from conflicts of interest; and
- (h) if in doubt, directors should seek legal advice.

Generally, if a director is excluded from voting pursuant to s.195 of the Corporations Act it would be by virtue of the fact that the director has a conflict of interest and/or the subject matter of the resolution would constitute a Related Party Transaction. Therefore, it is appropriate that this policy highlight these obligations.

SCHEDULE

Conflicts of Interest Register

1. Parties: Names of parties

Include the names of Senior Management representing each party.

2. Transactions to be nominated:

- Fund units
- Property assets
- Credit facility
- Investment management service
- Administration service
- Other

3. Statement of best interests:

- Senior manager - vendor documentation
- Senior manager - purchaser documentation Validation:
- Independent valuer's report (If applicable). If no report is provided, include the reason why a report has not been obtained (e.g. consideration is based on a valuation mechanism under the Constitution or APN Valuation Policy)

4. Related Party Transaction

- Is the transaction a related party transaction? If not, why not?
- Does the arm's length exception or any other exception apply?
- If the arm's length exception applies, please include reasons.

5. Materiality:

- High/low and reasons for this conclusion

6. Transaction terms:

- Documentation - vendor
- Documentation - purchaser
- Statement of agreement

7. Listed entities only

Is it a transaction with a person of influence?

8. Compliance Officer:

- Compliance Officer Report prepared
- Transaction referred to the Audit, Compliance & Risk Management Committee or QSS board
- Board approval

9. Shareholder/Client:

- Documentation provided
- Minutes of meeting (if required)