

Conflicts of Interest & Related Party Transaction Policy

Folkestone Limited

Adopted by the Board of Folkestone Limited on 21 May 2015.



Folkestone

CONFLICTS OF INTEREST & RELATED PARTY TRANSACTION POLICY

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CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTION POLICY

1. BACKGROUND AND OVERVIEW

1.1 For Folkestone Limited and each of its wholly owned subsidiaries, Folkestone Funds Management Limited (“FFM”) AFSL 340990, Folkestone Investment Management Limited (“FIML”) AFSL 281544, Folkestone Real Estate Management Limited (“FREML”) AFSL 238506 and Folkestone Maxim Asset Management Limited (“Maxim”) AFSL 238349 collectively (“FLK Group”) integrity and reputation is paramount. Therefore, in all situations, it is essential that the FLK Group:

- a) acts in the best interests of the client for which it acts; and
- b) conducts transactions having regard to:
 1. fiduciary obligations;
 2. legislative requirements; and
 3. being on a commercial arm's length basis at all times particularly if the counterparty to the transaction is a related party.

This Policy applies to the entire FLK Group of entities and includes all circumstances where any FLK Group entity:

- a) provides services or otherwise deals with:
 1. themselves; and/or
 2. registered schemes; and/or
 3. trusts/funds;
- a) acts in a responsible entity/trustee capacity;
- b) performs investment management services for other FLK Group entities or external third parties; and
- c) is a joint venture partner.

1.2 Conflict of Interest

A ‘conflict of interest’ exists in any situation where a director, employee, contractor or representative of FLK Group, in a position of trust, has a competing professional or personal interest in a matter which is the subject of a decision or duty of that person. This conflict may arise from the discharge of that person’s duties to the FLK Group or from outside business activities, relationships with suppliers, personal investments or family activities. Such competing interests may make it difficult for the FLK Group entity or the individual to fulfil their duties impartially and can create an appearance of impropriety that may undermine the confidence in the FLK Group or the individual, even if no unethical or improper act results from the conflict. A conflict of interest may be an actual, apparent or potential conflict.

1.3 Related Party Transaction

A 'related party transaction' is any transaction through which a public company or registered managed investment scheme provides a financial benefit to a related party (such as a director, their spouse and certain other relatives). Almost by definition, related party transactions involve conflicts of interest because related parties are often in a position to influence the decision of whether the benefit is provided to them, and the terms of its provision (RG 76).

For the purposes of the FLK Group, related party transactions are transactions where a financial benefit is given to a related party of the FLK Group by another, or the same, related party of the FLK Group. Examples of related parties of the FLK Group are:

- a) Folkestone Limited and its controlled entities;
- b) any fund / trust / scheme managed by any entity of the FLK Group;
- c) any entity or asset within such a fund / trust / scheme (including a registered and unregistered managed investment scheme, company or joint venture);
- d) the directors and officers (and their immediate families) of any of the entities in paragraphs (a), (b) and (c);
- e) any entity which has the ability to control any FLK Group entity as well as its directors; and
- f) any other person who is a related party of the FLK Group for the purposes of Part 5C.7 of the Corporations Act.

Examples of giving a financial benefit include (but are not limited to):

- a) giving or providing finance or property;
- b) buying or selling an asset;
- c) leasing an asset;
- d) supplying or receiving services;
- e) issuing securities or granting options; and
- f) taking up or releasing an obligation

1.4 FLK Group has established this Conflicts of Interest and Related Party Transaction Policy which is designed to deal with general conflict obligations as well as certain specific obligations that the law imposes on public companies and registered schemes as well as AFSL holders. The FLK Group currently has four controlled entities that hold an AFSL. ASIC Regulatory Guide 181 Licensing: Managing Conflicts of Interest imposes additional duties on the AFSL holder with respect to its AFSL Licence.

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1.5 FLK Group must act in the best interests of the relevant client. Where conflicts may exist between different groups of clients, FLK Group must treat each group equally. Where this is not possible, FLK Group may have to withdraw from, or suspend the situation or transaction giving rise to the conflict. All clients must be treated fairly and equitably taking into account their different investment objectives.

This means that:

- a) all clients will be treated fairly and equitably in all dealings including when proposing transactions including investment portfolios;
- b) all clients will be treated fairly and equitably in the allocation of transactions; and
- c) accurate execution and transaction records will be maintained.

1.6 In order to minimise and/ or manage conflicts of interest:

- a) directors are required to declare any actual, apparent or potential conflicts in accordance with the Conflicts of Interest and Related Party Transaction Policy; and
- b) employees, contractors and any other representatives ("employees") must:
 - 1. perform their duties impartially;
 - 2. avoid situations in which their private interest, whether financial or otherwise, may be prejudicial to the business of the FLK Group or any fund/trust it is responsible for;
 - 3. immediately and fully disclose to the relevant manager any personal matter (whether it arises from outside business activities, relationships with suppliers, personal investments or family activities) that may lead to actual, apparent or potential conflicts of interest, prior to the provision of the service to which the conflict relates;
 - 4. ensure that dealings with customers, suppliers and other parties are at arm's length to avoid the possibility of actual, apparent, or potential conflicts of interest;
 - 5. not solicit, accept or offer commissions, fees, gifts, favours or entertainment which might influence, or appear to influence, their business judgment; avoid engaging in any practice that could be seen as bribery, fraud or otherwise unethical; and
 - 6. not participate in business activities outside their employment (whether as principal, partner, director, agent, investor or employee) that could adversely affect their ability to carry out their duties and responsibilities to FLK Group.

2. REPORTING CONFLICTS OF INTEREST

- 2.1 Directors of FLK, FFML, FIML, FREML and Maxim are required to declare any actual, apparent or potential conflicts in accordance with the Conflicts of Interest and Related Party Transaction Policy.
- 2.2 Employees are required to report any actual, apparent or potential conflict of interest to their manager at the soonest possible opportunity. The employee's manager will consult with the Company Secretary to determine if an actual, apparent or potential conflict of interest may exist. The Company Secretary determines how to resolve the conflict after consulting with the Managing Director or if appropriate, the Chairman of that Board.

The employee should not take any further action or seek to advance the matter until confirmation is received that no conflict of interest exists or, if present, authorisation is provided in writing by the Company Secretary.

The Company Secretary will determine if the actual, apparent or potential conflict is to be reported on a Conflict Notification Form and if so it is to be completed by the conflicted person and given to the FLK Group or Company Secretary. If the Company Secretary is the conflicted party, the conflict must be reported to Managing Director or the Chairman of the relevant ARMC. The FLK Group's Conflict Notification Form is attached to this Policy at Annexure 1 and can be located on the FLK Corporate Governance Intranet or from the Company Secretary.

3. DOCUMENTATION AND RECORD KEEPING

- 3.1 All records evidencing FLK Group's management and monitoring of any actual, apparent or potential conflict will be maintained by the Company Secretary. These records will be kept for 7 years and will include:
- a) conflicts identified and action taken;
 - b) any response given to the relevant FLK Group entity Board, Company Secretary or senior management about a conflict of interest;
 - c) copies of written conflicts of interest disclosures given to clients or the public.
- 3.2 Where notice of an actual, apparent or potential conflict of interest has been received by the Company Secretary (either verbally or via the FLK Group Conflict Notification Form), the conflict of interest shall be entered into the FLK Group's Conflicts Register. Any new entry into the FLK Group's Conflicts Register shall be tabled at the next Board meeting following the entry of the conflict into the register and recorded in the minutes of the meeting. The FLK Group's Conflicts Register is attached to this Policy at Annexure 2 and can be located on the FLK Corporate Governance Intranet or from the Company Secretary.

3.3 Conflicts of interests are reviewed whenever the FLK Group enters into a new project or investment.

4. MANAGING CONFLICTS OF INTEREST AND RELATED PARTY TRANSACTIONS

4.1 Specific policies to be followed are:

Generally:

- a) each project or investment will:
 - i. have agreed investment objectives and guidelines; and
 - ii. an annual business, budget and/or asset plan;
- b) all transactions (including acquisitions, sales, refurbishments, leasing and so on) are to be reviewed by the Relevant Executive, the project's Due Diligence Committee (if applicable), and recommended to the Managing Director, Executive Committee or the Board (depending on the value of the transaction) by the Investment Committee or Relevant Executive (if appropriate);
- c) the Board will consider each transaction in light of the investment objectives and guidelines for each transaction, as well as the agreed business, budget and/or asset plans. Any potential conflict of interest issues will be addressed and considered as part of that decision making process;
- d) all conflict of interest issues and related party transactions are to be included in the Relevant Executive's, Executive Committee's, Investment Committee's or Due Diligence Committee's papers or agenda. If the conflict or related party is a public company or a registered scheme, the following considerations must be set out in the papers:
 - i. how the terms of the overall transaction compare with those of any comparable transactions on an arm's length basis;
 - ii. the nature and content of the bargaining process;
 - iii. the impact of the transaction on the company or registered scheme;
 - iv. any other options available to the entity; and
 - v. any expert advice received by the entity.

The Relevant Executive, Executive Committee, Investment Committee or Due Diligence Committee will consider whether an exception (Ch 2E of the Corporations Act and RG 76) applies to the requirement to obtain member approval for giving the financial benefit to the related party. The Relevant Executive, Executive Committee, Investment Committee or Due Diligence Committee will confirm to the Board that the benefit is given on arm's length terms having regard to all of the abovementioned factors. Otherwise it will confer with the Company Secretary if it

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considers that member approval of the transaction is required. It is the responsibility of the Company Secretary to take the matter to the Board;

- e) all arrangements entered into between related FLK Group entities should be evidenced in writing between the parties and the commerciality of any fees supported by either a report/sign off from a suitably qualified third party or by a comparison with a range of external service providers and subject to approval by the relevant ARMC or Board prior to implementation;
- f) for all real estate asset sale or purchase transactions entered into between related FLK Group controlled entities, an independent valuation of the sale or purchase price is to be provided by an independent valuer;
- g) where property services are being provided by a related or associated party of FLK Group to an investment portfolio managed or advised by an FLK Group entity, all the fees and expenses being charged will require substantiation either by comparison with a range of external service providers or a review and report by a suitably qualified external party; and
- h) the only exceptions to this are:
 - i. where the relevant Investment Committee /or ARMC approves the direct renegotiation of an existing contract with the current service provider. However, in these circumstances the relevant Investment Committee /or ARMC must satisfy itself that firstly, the existing service provider has adequately performed its duties and functions under the existing contract, and secondly that in all likelihood no better terms and conditions could be reached with another suitably qualified service provider. These decisions, and all supporting documentation, must be included in the relevant Investment Committee's /or ARMC's papers, as applicable;
 - ii. for investor directed arrangements where investors comprise the Board or other governing body, and such related party arrangements have been approved by the relevant Board or governing body.

4.2 Investment Opportunities:

- a) each investment portfolio owned, managed or advised by FLK Group, will be given an equal opportunity to participate in new investment opportunities, consistent with the objectives and strategies of the relevant asset and investment portfolio;
- b) where such investment opportunities are consistent with the objectives and strategies of the relevant investment portfolio, the opportunities will be presented to the Executive Committee, or relevant Investment Committee (if applicable) with an appropriate recommendation. Where any investment opportunity is declined by an investment portfolio, that opportunity or part opportunity may be made available to the other investment portfolio(s) in the Group if applicable.

4.3 Management of Investment Portfolios:

- a) investments portfolios must be managed (including leasing, securing of property services and so on) in a manner necessary to promote the interests, objectives and strategies of the investment portfolio;
- b) FLK Group will consider any actual, apparent or potential conflict of interest issues in its management of the portfolio's assets. This is particularly the case where an entity related or associated within FLK Group is involved in the particular transaction; and
- c) each investment portfolio managed by FLK Group will establish investment parameters which are to be regularly monitored. All transactions must be made in an equitable manner across all property portfolios eligible to participate.

4.4 Extending, redeveloping or refurbishing property investments: The optimum time for extending, redeveloping or renovating an investment may differ for each portfolio. In preparing and considering a proposal for extension, redevelopment, or renovation work, FLK Group will take into account any actual, apparent or potential conflicts of interest.

4.5 Sale of property investments:

The sale of either FLK Group's or a portfolio's interest in an investment must be consistent with its strategy. FLK Group will consider any actual, apparent or potential conflict of interest issues in the sale of properties as part of its decision making process, particularly where the intended purchaser is either FLK itself or another property portfolio managed or advised by FLK Group. This will be noted in the Relevant Executive's, Executive Committee's, Investment Committee's or ARMC's papers and any subsequent minutes.

4.6 Joint Venture relationships:

FLK as principal or investment portfolios managed by FLK Group may purchase assets on a joint venture ownership basis. Joint venture arrangements may be with independent third parties or may be amongst the portfolios managed or advised by entities within FLK Group or FLK itself.

In entering into any joint venture arrangements, FLK Group will have to be cognisant of the potential for the needs of the joint venture parties to be different and therefore the potential for conflicts of interest arising. For example, differences can occur between the parties over the timing of selling an asset and the ability to meet capital expenditure requirements.

In particular:

- a) FLK Group will ensure that in the event of a potential or perceived conflict of interest arising, it will always act in the best interests of the party it is representing;
- b) Where FLK Group participates in a property joint venture ownership arrangement in more than one capacity (such as the principal and manager for more than one

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portfolio within the arrangement), it must fulfill each of its roles diligently and with due care; and

- c) It is important that the agreement setting out the terms of the joint venture ownership arrangement provides capacity for any potential conflict of interest arising to be dealt with and a process stipulated for the arbitration of any unresolved issues.

4.7 Folkestone Maxim

Folkestone Maxim trades in listed real estate securities. As part of their investment universe, Folkestone Education Trust (FET) and any other listed entity managed by FLK, may be held by one of the Folkestone Maxim Funds up to a maximum of 10% of the total value of the specific Fund portfolio. FLK cannot be held by any of the Folkestone Maxim Funds. Trading in FLK managed listed entities is governed by the FLK Entity Trading Policy in Folkestone Securities.

4.8 Training

Every employee will receive training with respect to conflicts of interest and is encouraged to be proactive in identifying conflicts of interest (whether actual, apparent or potential) when providing a service to a client of FLK Group or undertaking a transaction involving any part of the FLK Group.

4.9 Disclosure

FLK Group must ensure that its clients are adequately informed about any material conflicts that may affect the provision of its services to them. Adequate disclosure means providing enough detail on material conflicts in a clear, concise and effective format so that they are able to make informed decisions about how the conflict may affect the service being provided to them.

With this in mind FLK Group's policy is to ensure its disclosures:

- a) are timely, prominent and meaningful to its clients;
- b) will occur before the financial service is provided so that the client will always have time to assess the effect of the conflict on FLK Group's service;
- c) refers to the actual service FLK Group is providing at that time; and
- d) are in writing.

FLK Group has four controlled entities that hold AFS licences under which they can provide general financial product advice only. For any financial product advice FLK Group must disclose the extent it (or any associated person);

- a) have a legal or beneficial interest in the financial product;
- b) are related to or associated with the provider of the financial product; and

c) receive financial or other benefits if the advice is followed.

5. OTHER CONFLICT OF INTEREST MATTERS

5.1 Related Party Transactions

From time to time entities within the FLK Group may transact with related parties in providing services which could result in a potential conflict of interest. Where the FLK Group entity transacts with related parties, it should ensure that the services provided are of a standard and cost comparable to independent service providers in the industry. As a general guide, all related party transactions should be conducted on commercial, arms-length terms.

All services provided by, and to, related parties of FLK Group will be documented by the Company Secretary.

All payments to related parties are to be approved by the relevant FLK Group Board with any conflicted directors abstaining from voting prior to payment. A quarterly report setting out all related party payments made in the quarter is provided to the relevant FLK Group Board.

5.2 Disclosure of Interests by FLK Group Directors

Prior to a director being appointed to an FLK Group Board, they will be requested to disclose any interests they have which may lead to a potential conflict. This information can be used to assess the suitability of the appointment.

On appointment directors are requested to disclose any relevant interests, both initially and as they arise. The initial disclosure of any relevant interests forms part of the Director's 'Consent to Act'. Ongoing disclosure of interests will be made on the Directors' Standing Notice'. The Company Secretary will provide both of these forms to directors.

The Company Secretary maintains a "Declaration of Interests" schedule for each director that records matters such as relevant directorships, shareholdings and investments. The agenda of all FLK Group Board meetings has a standing agenda item relating to the declaration of directors' interests. This gives directors the opportunity to advise of any changes to information that has been disclosed and to advise of any new issues that may have arisen since disclosure was last made.

If a director has a material personal interest in a particular matter before an FLK Group Board, the relevant clause of the relevant FLK Group entity Constitution is to be consulted. The Constitution may allow the director to be present at a meeting of directors and speak in relation to all resolutions proposed to be passed at the meeting whether or not the director is entitled to vote on a particular proposed resolution. Consideration will need to be given as to whether or not the director is disqualified under

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the Corporations Act from being present while the matter is being considered at the meeting or voting on the resolution by reason of the material personal interest.

Where a director has declared a conflict of interest, the relevant FLK Group Board should also have regard to the guidelines set out in section 5.4.

All conflict of interest issues considered by an FLK Group Board are to be recorded in the minutes of the relevant FLK Group Board meeting. Where considered necessary, the relevant FLK Group Board can consult legal advisers.

5.3 Disclosure of Interests by FLK Group Employees

Any employee who has an interest in a matter pertaining to the operations of FLK Group, must disclose the nature of the interest and follow the guidelines set out in section 2.2 after the relevant facts are known.

In disclosing the potential Conflict of Interest, the following should be included:

- a) details of the nature and extent of the interest held;
- b) whether it is a conflict of interest;
- c) if it is a conflict of interest, the proposed method of dealing with the conflict;
- d) whether it is possible to avoid the conflict; and
- e) whether it is an arms length transaction.

The Company Secretary will then proceed to assess and respond to the matter. If any person has reason to believe that the conduct of an FLK Group employee is, may be or may be perceived to be in conflict with the interests of any FLK Group entity, that person must notify their manager or the Company Secretary. The manager or the Company Secretary will then proceed to assess and respond to the matter following the guidelines set out in section 2.2.

The Company Secretary may take external legal advice in determining the appropriate action to take to ensure that if proceeded with, the transaction is carried out in a manner that is compliant with the obligations imposed by the Corporations Act, ASX Listing Rules and the Constitution of the relevant FLK Group entity.

Where it is decided that the conflict has such a serious impact on FLK Group, that it cannot be adequately managed by acting at arm's length or disclosing it to the relevant investors and seeking their approval, the matter should be referred to the relevant FLK Group Board, in which case that Board may determine that the transaction not proceed in the manner proposed.

5.4 Guidelines for Managing Conflicts of Interest that cannot be Avoided

If a Conflict of Interest arises in respect of an FLK Group director or FLK Group employee that cannot be avoided, the conflict of interest must be managed in accordance with the guidelines set out below:

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- a) the person who has a conflict of interest will restrict their involvement, or have it restricted in a particular activity or process, including:
 - i. abstaining from voting on, making or influencing decisions or proposals;
 - ii. withdrawing from discussion on affected proposals;
 - iii. having their access restricted to information relating to the conflict of interest; and/or
 - iv. having their access denied to sensitive documents or confidential information relating to the conflict of interest.

Where a person abstains from voting or leaves the room in order to avoid being placed in a situation of conflict of interest, the abstention or absence of that person from the proceedings of a meeting shall be recorded in the minutes of the relevant meeting;

- b) in cases of ongoing serious conflicts of interest it may be in the interests of all parties for the person to be removed from involvement in the area of activity as long as the conflict persists; and
- c) in certain circumstances, resignation from a position held with an FLK Group entity may be necessary.

6. RELATED POLICIES AND CHARTERS

6.1 FLK Group has a number of other policies and charters in place that support this Policy. These policies and charters are:

- a) the FLK Group Code of Conduct;
- b) the FLK Group Share Trading Policy;
- c) the FLK Entity Trading Policy in Folkestone Securities;
- d) the FLK and any other wholly owned subsidiaries' Board Charter; and
- e) the charter of any Committee to which the Board has delegated responsibilities from time to time.

Directors and employees are required to confirm their compliance with the Code of Conduct, the Share Trading Policy and this Conflicts of Interest and Related Party Transactions Policy annually.

7. REVIEW

7.1 A review of this Policy will be undertaken annually by the Compliance Officer.

8. DEFINITIONS

8.1 The following definitions define terms used in this Policy:

Term	Definition
AFSL	Australian Financial Services Licence
ARMC	Folkestone Audit and Risk Management Committee
arm's length/commercial arm's length basis	means the financial benefit is given on terms that would be reasonable in the circumstances where the parties are dealing at arm's length, or on terms that are less favourable to the related party.
client	includes any scheme, trust/fund, company, joint venture party, investor with whom FLK Group is doing business and to whom FLK Group is in a fiduciary relationship
conflicts of interest	includes any conflicts of interest or related party transaction whether actual, apparent or potential.
Company Secretary	Company Secretary appointed by FLK from time to time.
employees	relates to all those involved in carrying out the business of FLK Group entities and includes: employees, contractors and any other representatives
Executive Committee, Due Diligence Committee, Investment Committee	Committees as constituted by FLK or the Board of FFM, FIML, FREML or Maxim (as appropriate) from time to time.
fiduciary relationship	means the service of another party's interest ahead of your own
FLK	Folkestone Limited
FLK Group	relates to Folkestone Limited and its controlled entities or any one of its controlled entities and any other FLK Group entity formed from time to time, as relevant
general product advice	is defined as "other financial product advice that is not personal advice". This definition covers product advice that is not directed to a particular person for example, by issuing newsletters containing general product information that is not directed to any persons
project	means investment portfolio/mandate/joint venture, or any other project
Relevant Executive	means the FLK Group executive responsible for the transaction

ANNEXURE A – Conflict Notification Form

[Name of Entity and AFSL No] Conflict Notification Form

Conflict Notification Form

Conflict #

Affected Party

Conflict Description

Signature of person responsible

Name of person responsible

Date

Information below only to be completed by the Compliance Manager

Who is involved in the conflict situation?

Has the conflict of interest been recorded in the register?

Y / N

Is conflict material?

Y / N

Categorisation

Manageable conflict

Unmanageable conflict

Reason for conflict categorisation

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Has the transaction/situation been approved to go ahead? Y / N

If so, are there any actions to be taken?

Has the transaction/situation been approved to go ahead? Y / N

If so, are there any actions to be taken?

Signature of Compliance Manager

Name of Compliance Manager

Date

Name of person responsible for work

Is further sign off required before the transaction/situation can be progressed? Y / N

Signature of above Compliance Manager

Date

