



# **Conflicts of Interest Policy**

**UPDATED: FEBRUARY 2018**

## TABLE OF CONTENTS

### CONTENTS

|     |  |    |
|-----|--|----|
| 1.  | OBJECTIVE .....  | 4  |
| 2.  | WHAT IS A CONFLICT OF INTEREST?.....                   | 4  |
| 3.  | CONFLICTS MANAGEMENT OBLIGATION .....                  | 4  |
| 4.  | IN WHAT CONTEXT CAN A CONFLICT OF INTEREST ARISE?..... | 4  |
| 5.  | MECHANISMS FOR MANAGING CONFLICTS OF INTEREST .....    | 5  |
| 6.  | CONTROLLING CONFLICTS OF INTEREST .....                | 5  |
| 7.  | AVOIDING CONFLICTS OF INTEREST .....                   | 7  |
| 8.  | DISCLOSING CONFLICTS OF INTERESTS .....                | 7  |
| 9.  | PROVISION OF NON-RESEARCH SERVICES .....               | 8  |
| 10. | WHOLESALE CLIENTS AND RETAIL CLIENTS .....             | 8  |
| 11. | REPORTING, MANAGING AND MONITORING .....               | 9  |
| 12. | BREACH OF THE POLICY .....                             | 9  |
| 13. | ADOPTION, REVIEW AND ONGOING TRAINING .....            | 10 |
| 14. | RETENTION OF DOCUMENTATION.....                        | 11 |
| 15. | RETENTION OF DOCUMENTATION.....                        | 10 |
|     | ANNEXURE A - CONFLICT OF INTEREST REGISTER .....       | 13 |

## Overview

This document relates to the management of conflicts of interest by Zenith Investment Partners Pty Ltd (Zenith), and is designed to:

- outline Zenith's obligation under the *Corporations Act 2001* (the Act) in the management of conflicts of interest;
- confirm acceptance by Zenith and Zenith's Board of Directors (the Directors) of its responsibility for such obligations;
- establish procedures to identify and assess conflicts of interest;
- implement and monitor responses to conflicts of interest, act on, and record any instance of non-compliance;
- ensure that all representatives and employees are familiar with and adhere to the Zenith Conflict of Interest Policy;
- ensure that all representatives and employees are familiar with and adhere to the reporting of conflicts of interests; and
- implement measures to review and update these procedures.

## 1. Objective

This Policy and Zenith's regulatory and statutory obligations apply to all employees at Zenith.

The primary objective of this Policy is to manage conflicts of interest by implementing workable procedures for controlling, avoiding and disclosing conflicts of interests, in line with statutory and regulatory obligations.

## 2. What Is A Conflict Of Interest?

Conflicts of interest are circumstances where some or all of the interests of people (clients) to whom an Australian Financial Services (AFS) licensee (or its representative) provides financial services, are inconsistent with, or diverge from, some or all of the interests of the AFS licensee or its representatives. This includes actual, apparent and potential conflicts of interest.

## 3. Conflicts Management Obligation

3.1 As the holder of an AFSL and in accordance with section 912A(1) of the Act, Zenith must adhere to the following general obligations to:

- (1) do all things necessary to ensure that the financial services covered by the AFSL are provided efficiently, honestly and fairly;
- (2) comply with the conditions on the AFSL;
- (3) comply with financial services law; and
- (4) comply with the other requirements set out in section 912A(1) and the relevant regulations.

3.2 For the purposes of this policy, Zenith acknowledges and accepts the direct and specific obligation to manage conflicts of interest under the Act, which require Zenith to:

“(aa) have in place adequate arrangements for the management of conflicts of interest that may arise wholly, or partially, in relation to activities undertaken by the licensee or a representative of the licensee in the provision of financial services as part of the financial services business of the licensee or the representative;”

3.3 Zenith further acknowledges and accepts ASIC guidance and interpretation of the conflicts management obligations as set out in Regulatory Guide 181 Licensing: Managing conflicts of interest (RG 181) and Regulatory Guide 79 Research report providers: Improving the quality of investment research (RG 79).

## 4. In What Context Can A Conflict Of Interest Arise?

4.1 A conflict of interest may occur regularly during the course of everyday business activities.

- 4.2 Conflicts management obligations primarily relate to conflicts of interest that arise within Zenith's business and in dealings with clients. An example includes the situation where Zenith has a conflict between earning greater fees and its obligations to clients.
- 4.3 It also applies to conflicts of interests that arise between something within Zenith's business dealings and something outside it. An example includes the situation where a conflict arises between an employee's or representative's personal interests and Zenith's obligations to clients (e.g. if an employee or representative trades on their own account.)
- 4.4 It does not, however, apply to conflicts of interest that occur wholly outside Zenith's financial services business. For instance, any potential conflict between the investment objectives of a client and the objectives of the relevant financial product will not be considered by Zenith unless, if it were licensed to do so, Zenith or a representative of it provided the financial product advice which led to the investment.

## **5. Mechanisms for Managing Conflicts of Interest**

- 5.1 The conflicts management obligation does not prohibit all conflicts of interest. It does not provide that an AFS licensee can never provide financial services if a conflict of interest exists. Having the conflict of interest is not necessarily the problem, it is how it is managed that is important.
- 5.2 Zenith has considered and adopted, amongst other arrangements, the three mechanisms for managing conflicts of interest, as prescribed by ASIC in RG 181 in preparing this policy, and has put in place procedures and processes to:
- (1) control conflicts of interest;
  - (2) avoid conflicts of interest; and
  - (3) disclose conflicts of interest.

## **6. Controlling Conflicts Of Interest**

- 6.1 In order to control conflicts of interest, Zenith has implemented procedures to:
- (1) identify the conflicts of interest relating to Zenith's business;
  - (2) assess and evaluate those conflicts; and
  - (3) decide upon, and implement, an appropriate response to those conflicts.
- 6.2 Identifying Conflicts Of Interest
- (1) Zenith has identified a number of potential conflicts of interest relevant to the business, which have been tabled in the Table of Conflicts of Interest set out in Annexure A.
  - (2) Areas considered and marked for ongoing review include:

- (a) the remuneration practices of the business (e.g. the fees charged to clients and the commissions, if any paid to advisers) and ensuring that such practices operate efficiently, honestly and fairly; and
- (b) the treatment of all clients fairly so that financial services are not provided in a manner that:
  - (i) unfairly puts the interests of Zenith ahead of clients (e.g. failure to disclose fees transparently);
  - (ii) unfairly puts the interests of one client ahead of the interests of other clients (e.g. in its dealings with a representative or its associates when trading for that person); and
  - (iii) uses knowledge about clients in a way that is likely to advance Zenith's own interest without sufficient disclosure to affected clients (e.g. at worst, insider dealing).
- (3) Particular attention was given to the following potential conflict of interest situations:
  - (a) the granting of preferential treatment to a client who is a representative or associate, such as by trading at lower costs or charging reduced fees;
  - (b) the granting of preferential treatment to a client who is a representative or associate, such as giving priority in access to products; and
  - (c) the obtaining of an advantage over clients where Zenith, or a representative or associate of Zenith, trades at a rate more favourable than the market rate.

### 6.3 Assessing and Evaluating Conflicts of Interest

- (1) Zenith has adopted the qualitative risk analysis methodology set out in ASIC RG 79, and AS/NZS4360:2004 Risk Management for assessing and evaluating conflicts of interest.
- (2) The Compliance Officer is responsible for assessing and evaluating conflicts of interest. This is done primarily through monthly reporting to the Compliance Committee at the Compliance Meeting, or in the event of a serious conflict of interest, the evaluation must be included in a written report prepared for the Board that deals with or relates to conflicts of interest.

### 6.4 Resolving Conflicts of Interest

- (1) In resolving conflicts of interest, Zenith must decide upon and implement an appropriate response to such new and potential conflicts of interests.
- (2) Depending on the circumstances and nature of any conflict of interest, it may be appropriate to:
  - (a) disclose the conflict of interest to the relevant client;
  - (b) allocate another representative to provide the service to the particular client;

- (c) decline to provide services the particular client; or
  - (d) initiate internal or external disciplinary action where warranted.
- (3) The above is not an exhaustive list. What constitutes an appropriate response to a particular conflict of interest will always depend on the facts and circumstances.
- (4) In considering the appropriate response Zenith must always have regard to the various duties that apply at law.

## **7. Avoiding Conflicts of Interest**

7.1 Some conflicts of interest are so serious in nature that the only way to manage them is to avoid them completely.

7.2 Zenith must assess and evaluate any actual, apparent or potential conflict of interest and make the decision as to whether a particular conflict of interest is manageable or whether it should be avoided.

7.3 Examples of conflicts of interest that Zenith avoids, includes but are not limited to:

(1) Provision of research reports where Zenith or a Zenith Employee holds a material interest in the product. Zenith has assessed that the only way to adequately manage such a conflict of interest would be to avoid it entirely;

(2) Distribution of research prepared by Zenith on Zenith's own products. While Zenith does not have any of its own products, it has been assessed that should circumstances change, in accordance with RG 79.135, Zenith would not conduct research on its own products.

## **8. Disclosing Conflicts of Interests**

8.1 Zenith must make appropriate disclosures to clients as part of its arrangements to manage conflicts of interest. Zenith recognises that while disclosure alone will often not be enough, disclosure is an integral part of managing conflicts of interest.

8.2 Zenith will use its best endeavours to ensure that clients are adequately informed about any conflicts of interests. Adequate disclosure means providing enough detail in a clear, concise and effective form to allow clients to make an informed decision about how the conflict may affect the service provided to them.

8.3 Consistent with ASIC's expectations in RG 181, any disclosure made by Zenith will focus on material conflicts and when providing disclosure about conflicts of interest, will ensure that disclosure:

- (1) is timely, prominent, specific and meaningful to the client;
- (2) occurs before or when the financial service is provided, but in any case, at a time that allows the client a reasonable time to assess its effect; and
- (3) specifies the service to which the conflict relates.

## **9. Provision of non-research services**

9.1 The provision of non-research services may give rise to a conflict of interest.

9.2 Non research services include the following (RG 79.130):

- (1) Underwriting a public offering;
- (2) Advice about the prospects for a potential public offering (including likely reception in the financial market);
- (3) Help in marketing and promoting a public offering (including participation in 'roadshows' and 'conference calls');
- (4) Advice on structuring and developing new financial products; and
- (5) Business management or consulting services on investment manager selection and asset allocation or the offering of 'fund of funds'.

9.3 If Zenith engages in the provision of non-research services, conflicts management procedures and processes need to account for, and ensure the integrity of the provision of research reports is not compromised.

9.4 When providing non research services, amongst other measures, Zenith must:

- (1) ensure that research on a product issuer is not published while non-research services are being provided to the product issuer, and for a short period afterwards;
- (2) disclose the nature of any non-research services that are provided to product issuers (i.e. disclosure is provided regarding associations and relationships);
- (3) enforce prohibition of Analysts providing non-research services that may reasonably be perceived as a conflict of interest; and
- (4) enforce prohibition of the provision of consulting services on investment products,

9.5 If the provision of research services cannot be separated from the provision of non-research services and kept at arm's length, this would give rise to a conflict of interest that should be avoided.

9.6 All non-research services are recorded in the Non-Research Services Register and monitored and reviewed at the monthly Compliance Meeting.

## **10. Wholesale Clients and Retail Clients**

10.1 The conflicts management obligation applies equally to services provided to retail and wholesale clients.

10.2 However, in some cases, the disclosure Zenith needs to give to a wholesale client to comply with the law will be less detailed than is required for a retail client.

10.3 When determining the disclosure that should be provided, Zenith considers the following factors:



- (1) the level of financial sophistication of the client;
- (2) the extent to which third persons are likely to rely, directly or indirectly, on the service;
- (3) how much the client already actually knows about the specific conflict; and
- (4) the complexity of the service.

## **11. Reporting, Managing and Monitoring**

### 11.1 Reporting

- (1) It is the obligation of all Zenith employees to notify the Compliance Officer if they become aware of an actual, perceived or potential conflict of interest.
- (2) Employees must notify the Compliance Officer by completing and forwarding the Conflicts of Interest Notification Form.

### 11.2 Managing

- (1) Once the conflict of interest has been reported to the Compliance Officer, it will be assessed and evaluated by the Compliance Committee. The impact of the Conduct on Zenith's business objectives, obligations and reputation will be reviewed.
- (2) Depending on the nature of the conflict of interest, the appropriate course of action will be decided and put in place in accordance with clauses 6, 7 & 8 of this Policy.
- (3) All conflicts of interest will be included in the Conflict of Interest Register (the Register).

### 11.3 Monitoring

- (1) The Compliance Officer will monitor compliance with this Policy by:
  - (a) internal reporting;
  - (b) training of staff with the aim of educating them to identify and report breaches which may arise because of a conflict of interest; and
  - (c) the Compliance Officer must review the Complaints Register each quarter to identify whether any disputes are a result of conflicts of interest between Zenith (including its representatives) and clients.

## **12. Breach of the Policy**

- 12.1 All officers and employees are expected to act in compliance with the Conflicts of Interest Policy at all times.
- 12.2 Non-compliance of this policy and/ or intentionally failing to report instances of non-compliance of this policy may result in disciplinary action.

### **13. Adoption, Review and Ongoing Training**

#### Adoption

- 13.1 The Zenith Conflicts of Interest Policy was adopted by the Zenith Board of Directors on 27 November 2006.

#### Annual Review

- 13.2 The Compliance Officer will:

- (1) undertake a review of the Conflicts of Interest Policy in its entirety (which includes but is not limited to a comprehensive review and update of the Conflicts Register and any relevant client files and records), not less than once every 12 months.
- (2) circulate the updated Conflicts of Interest Policy to the Compliance Committee for review and feedback;
- (3) provide the updated Conflicts of Interest Policy to the Board for review and feedback.

- 13.3 Upon approval by the Directors and the Compliance Committee, the Compliance Officer will circulate the updated Conflicts of Interest Policy to the business and will be responsible for educating relevant officers, employees and representatives to ensure they understand the meaning of “conflicts of interest” and the procedures outlined in this policy.

#### *Itemising New Conflicts on Meeting Agendas and Calling Emergency Meetings*

- 13.4 Where a new and material conflict of interest has arisen, or has been identified, during the course of the year, the Compliance Officer is responsible for placing that conflict of interest on the agenda for the next scheduled Compliance meeting and if deemed necessary by the Compliance Committee, on the agenda for the next scheduled Board meeting of the Directors and prepare a written report for the Directors to consider.
- 13.5 If the conflict of interest identified is of a serious nature, the Compliance Officer must notify the Directors immediately of the existence and nature of that conflict. It is for the Directors to then decide whether to call an urgent meeting to consider the issue. If the Directors do not call a meeting, the Compliance Officer must follow the procedures set out in paragraph 13.4.

#### *Internal Reporting by Representatives*

- 13.6 Directors and other representatives such as managers or other employees who will be involved in the provision of financial services under the AFS Licence must on commencement of employment, and at least every 12 months thereafter, disclose:
- (1) interests (including beneficial interests) in securities, of themselves and their associates, in entities providing services to Zenith;
  - (2) interests (including beneficial interests) in any relevant product traded by the representative or his or her associates;
  - (3) any transactions that are:

- (a) entered into with Zenith by the representative's associates; and
- (b) acquisitions of property from, or disposals of property to, Zenith by such associates;
- (4) the representative's directorships of any company;
- (5) transactions in which interests in securities (as defined in Annexure B), or loans, are acquired by the representative or his or her associates; and
- (6) any outside business interests of the representative.

13.7 A pro forma Disclosure of Personal Interests is contained in Annexure B. The Compliance Officer must maintain a central registry of all relevant interest disclosure documents. Failure to comply with the requirement to disclose and update the disclosure as required, without adequate reason, will be treated as a compliance breach by the representative.

#### External Review

13.8 Where Zenith considers necessary, it may engage the services of an internal or external auditor or other independent person to review the arrangements set out in this compliance manual and identify any serious or material conflicts of interest.

#### Ongoing Training

13.9 As a part of managing Zenith's conflicts of interest obligations, all Zenith employees are required to complete Zenith's internal Conflict of Interest training and assessment as a part of their induction program.

13.10 Zenith employees are also required to participate in ongoing conflict of interest training as required.

## **14. Retention of Documentation**

Zenith must retain records of the following for at least 7 years:

- (1) conflicts identified and action taken;
- (2) any reports given to the Directors, Zenith shareholders or senior management about conflicts of interest matters; and
- (3) copies of written conflicts of interest disclosures given to clients or the public as a whole.

## Annexure A

### Table of Conflicts of Interest Zenith Conflict of Interest Register

| No. | Identification of conflicts of interest | Evaluation of conflicts of interest |            |              | Management of conflicts of interest   |
|-----|---|-------------------------------------|------------|--------------|---|
|     |   | Level of risk                       | Likelihood | Consequences |   |
| 1   | Documentation                           | Medium                              | Medium     | Medium       | <ul style="list-style-type: none"> <li>All staff are required to read Zenith's Conflicts of Interest Policy and attend the Conflicts of Interest training on induction. Policies outlined within the plan are subject to regular auditing and is subject to annual review.</li> </ul>   |
| 2   | Monitoring compliance                   | Low                                 | Low        | Low          | <ul style="list-style-type: none"> <li>Zenith's Compliance &amp; Risk Management Officer (CRM) is responsible for ongoing monitoring of Zenith's conflict management policy. The CRM reports monthly to Zenith's Compliance Committee. Should any instances arise where the CRM also acts as an analyst involved in assigning product ratings, the CRM is prohibited from signing off on any conflict management issues relating to the issuance of that rating.</li> </ul>   |
| 3   | Communication                           | Low                                 | Medium     | Low          | <ul style="list-style-type: none"> <li>Zenith maintains a communications policy relevant to dealing with both internal communications and external parties. Key principals are a) research ratings must be communicated to Zenith clients before they can be released to outside parties or product issuers and b) communications between research staff and product issuers during the review process must ensure information provided to product issuers is controlled.</li> </ul>  |
| 4   | Information barriers                    | Low                                 | Low        | Low          | <ul style="list-style-type: none"> <li>Zenith places information barriers between business units that are espoused to potential conflicts of interest. Principally these information barriers are in the form of analysts being separated from research pricing decisions. Analysts are also prohibited from being involved in any non-research services. Zenith does not undertake any investment banking, corporate advisory, dealing services, underwriting or market making services and is not an investment manager of any financial products.</li> </ul> |
| 5   | Approval before distribution            | Medium                              | Medium     | Medium       | <ul style="list-style-type: none"> <li>The release and publication of all research reports must be authorised by both an experienced supervisor and Zenith's Research Committee. Reports are also subject to peer review by other analysts. Written records of review and approval decision are maintained by Zenith and report authorisation is listed on each Product Assessment issued.</li> </ul>   |

| No. | Identification of conflicts of interest | Evaluation of conflicts of interest |            |              | Management of conflicts of interest  |
|-----|---|-------------------------------------|------------|--------------|--|
|     |   | Level of risk                       | Likelihood | Consequences |  |
| 6   | Provision of non-research services      | Low                                 | Low        | Low          | <ul style="list-style-type: none"> <li>Zenith's conflict of interests' policy details how and when non-research services may be provided to a product issuer who has (or is likely to in the future), receive research. Non-research services may include consulting on wider industry issues; however the policy expressly prohibits Analyst from providing non-research services where there may be a perceived conflict of interest or Zenith from providing consulting services on investment products.</li> <li>All non-research services are recorded in the Non-Research Services Register and reviewed by the Compliance Committee monthly.</li> </ul>   |
| 7   | Benefits and remuneration               | High                                | Low        | Low          | <ul style="list-style-type: none"> <li>Zenith provides services to wholesale clients (financial advisers) via subscription to its website. Zenith charges standard fees for these services which are tailored in relation to the depth of services provided.<br/>Zenith also receives fees for providing investment consulting services to clients. Investment consulting services include but are not limited to provision of advice in relation to managed accounts, model portfolios and approved product lists. Fees charged in relation to investment consulting services may be flat fees or asset based fees. The fees for some consulting/ managed account arrangements may be determined by private agreement and take into consideration the overall depth and complexity of services provided. No fees charged are linked to any Product Assessment rating outcomes or the inclusion of financial products in portfolios or approved product lists. Zenith also ensures that any discussions relating to remuneration occurs with appropriate information barriers in place.</li> <li>Zenith also undertakes Issuer paid research where Zenith receives remuneration for services relating to the provision of third party reviews of fund managers products (Zenith Product Assessments). Remuneration for these reviews is undertaken at a fixed price which is payable upfront prior to the commencement of the assessment. Standard pricing may vary depending on the asset class, but is fixed within that asset class and therefore consistent for all managers within an asset class (sector). Each Zenith Product Assessment is clearly marked with the name of the entity that has paid to undertake a Product Assessment.</li> <li>Remuneration for Product Assessments is not linked to the ratings outcome. Neither Zenith nor its directors or employees receive any commissions or remunerations based on transaction volumes, gifts or any other benefits from an issuer of a financial product that may materially influence the direction of reports.</li> </ul> |
| 8   | Trading restrictions                    | Medium                              | Low        | Low          | <ul style="list-style-type: none"> <li>Zenith analysts are not prohibited from holding interests in rated products however any trading must be properly approved and subject to Zenith's Trading Policy. The Trading Policy extends to holdings in any related companies which may benefit either directly or indirectly from the operations of a rated product (for example, shares in ASX listed fund managers). Any holdings by analysts are disclosed in the relevant Product Assessment. Zenith's trading policy sets out parameters regarding trading approval, trading windows, and prohibits trading</li> </ul>  |

| No. | Identification of conflicts of interest       | Evaluation of conflicts of interest |            |              | Management of conflicts of interest   |
|-----|---|-------------------------------------|------------|--------------|---|
|     |   | Level of risk                       | Likelihood | Consequences |   |
|     |   |                                     |            |              | ahead of distribution. If potential conflicts are considered to be unable to be managed according to the compliance measure available, Zenith will at its discretion either deny trading approval or ensure that the analyst does not cover the investment and that appropriate information barriers are in place.  |
| 9   | Reports based on 'reasonable grounds'         | Medium                              | Medium     | Medium       | <ul style="list-style-type: none"> <li>In each report, the analyst certifies that the views expressed accurately reflect their personal, professional opinion about the financial product.</li> </ul>   |
| 10  | Reports for 'proper purpose'                  | Medium                              | Medium     | Medium       | <ul style="list-style-type: none"> <li>Zenith does not undertake any investment banking, corporate advisory or dealing activities, reducing any potential for conflicts regarding the appropriateness of ratings versus any other corporate business.</li> </ul>  |
| 11  | Associations or relationships                 | Medium                              | Medium     | Medium       | <ul style="list-style-type: none"> <li>Zenith maintains strict guidelines on any relationships between itself and product issuers or fund managers outside the contractual agreements to provide research ratings. Zenith does not provide any underwriting, managerial, consultancy or market making services to product issuers or fund managers. Zenith has no related party or other association links with product issuers or fund managers. Zenith may at times engage in contractual agreements with some product issuers as corporate clients (e.g. a large financial entity may have one business unit that is a product issuer and another unit which offers financial planning services who become a subscriber client to Zenith's research). Any such corporate relationships are managed according to Zenith's Conflict of Interest policy and disclosed in the relevant Product Assessments.</li> </ul> |
| 12  | <b>Assistance provided by product issuers</b> | Low                                 | Low        | Low          | <ul style="list-style-type: none"> <li>Zenith does not permit product issuers access to ratings models or to edit research reports directly. Assistance is generally limited to providing research materials and access to management staff for interviews. Product Issuers involved in Real Assets may facilitate physical inspections of such assets where required.</li> </ul>   |
| 13  | <b>Research on own products</b>               | High                                | Low        | High         | <ul style="list-style-type: none"> <li>Zenith does manage or hold investment products and does not undertake any investment banking, corporate advisory or dealing activities. If these circumstances change, Zenith would act in accordance with RG 79 and outsource provision of research on its own products.</li> </ul>   |

**Other Issues**

| No. | Identification of conflicts of interest  | Evaluation of conflicts of interest |            |              | Management of conflicts of interest  |
|-----|--|-------------------------------------|------------|--------------|--|
|     |  | Level of risk                       | Likelihood | Consequences |  |
| 14  | <p><b>Remuneration practices of the business</b></p> <p>The receiving of benefits, compensation, commission or fees from issuing the products/services provided.</p> | High                                | High       | High         | <p>Research of investment products operates under the ‘manager pays’ system. Conflict is managed in 4 key ways;</p> <ul style="list-style-type: none"> <li>• Only rating products which are screened as being eligible (potential best of breed) are researched. The screening process is designed to only identify the strongest products, not to facilitate ‘mass ratings’. Zenith regularly publishes the distribution of ratings issued as a proportion of the market as a whole and statistics on the number of ratings awarded. This allows external parties to judge the transparency of our system with regard to ratings undertaken.</li> <li>• Research of investment products is remunerated under a flat fixed fee payable up front in full before research results are released. Outcome of the rating has no bearing on the fee charged.</li> <li>• Fees are standardised between asset classes.</li> <li>• Fund managers are not informed of the rating until the report has been released to Zenith’s clients.</li> <li>• Zenith is transparent regarding the source of payments from fund managers in all research reports.</li> <li>• Fee determination is separate from functions performed by analysts.</li> </ul> |
| 15  | <p><b>Other disclosure</b></p>   | High                                | High       | High         | <ul style="list-style-type: none"> <li>• Zenith research reports contain specific disclosure regarding:</li> <li>• Any holdings (if any) held by analysts;</li> <li>• Any benefits (if any) likely to be received from the report;</li> <li>• Relationship (if any) to the product issuer;</li> <li>• Date the report was written and by who is responsible for it; and</li> <li>• State the reasons behind the recommendations/ rating.</li> <li>• Additional disclosure may be made outside of the research report in separate documents through the Zenith website relating to:</li> <li>• Status of current reports</li> <li>• The proportion of each rating issued compared to the market and within the ratings group;</li> <li>• Explanation of the rating systems and definitions.</li> </ul>  |

| No.  | Identification of conflicts of interest  | Evaluation of conflicts of interest |            |              | Management of conflicts of interest  |
|------|--|-------------------------------------|------------|--------------|--|
|      |  | Level of risk                       | Likelihood | Consequences |  |
| 16   | <b>Treatment of clients fairly</b><br>By any of the following, Zenith may be providing a financial service in a manner that unfairly puts the interests of Zenith or its representatives or associates ahead of its clients. |                                     |            |              |  |
| 17.1 | Zenith may misrepresent past performance or downplays risks, to attract potential clients (research subscribers).  | Low                                 | Low        | Low          | <ul style="list-style-type: none"> <li>Zenith does not undertake any investment banking, corporate advisory or dealing activities. Subscriber clients rely on the accuracy of our research to aid the investment decision making process. Zenith's interests are in providing full illumination of the risks and true performance of an investment product in order to remain credible and secure more business from subscriber clients.</li> </ul>  |
| 17.2 | Zenith advises a client to purchase a product in which Zenith has a commercial interest.   | Low                                 | Low        | Low          | <ul style="list-style-type: none"> <li>Zenith does manage or hold investment products and does not undertake any investment banking, corporate advisory or dealing activities.</li> </ul>  |
| 17.3 | Allowing certain clients to be treated more favourably or with priority, in order to acquire a gain or advantage that adversely affects the interests of other clients.  | Low                                 | Low        | Low          | <ul style="list-style-type: none"> <li>Zenith does not manage or hold investment products and does not undertake any investment banking, corporate advisory or dealing activities.</li> <li>Zenith encourages analyst rotation within the Research team to reduce the risk of analysts becoming too familiar or close to the products and product issuers under review, which may give rise to conflicts of interest. Analyst rotation is achieved by having all trainee analysts (Graduate Analysts) rotate through all asset class sectors over their initial two to three year period in addition to all analysts rotating from covering the same fund / fund manager for a period of no greater than 3 years. In circumstances where analyst rotation is not practical due to the need to develop or utilise specialist knowledge and expertise in particular areas, Zenith relies on internal compliance measures for the continued management and evaluation of potential conflicts of interest.</li> <li>Zenith prohibits any changes to be made to client portfolios from the commencement of an internal ratings meeting until a client release is published, for all financial products which are subject to the relevant sector review. Exceptional circumstances may apply and are subject to approval from the Compliance Committee.</li> </ul> |
| 18   | <b>Preferential treatment of representatives or associates</b>   |                                     |            |              |  |
| 19.1 | By any of the following, Zenith may be permitting a representative or  | High                                | Medium     | Medium       | <ul style="list-style-type: none"> <li>Any analysis is exposed to the risk of an analysts viewpoint not being objective. The combination of conflict of interest policies and research</li> </ul>  |



| No.  | Identification of conflicts of interest   | Evaluation of conflicts of interest |            |              | Management of conflicts of interest   |
|------|---|-------------------------------------|------------|--------------|---|
|      |   | Level of risk                       | Likelihood | Consequences |   |
|      | an associate to acquire a gain or advantage that adversely affects the interests of clients.  |                                     |            |              | oversight is designed to mitigate these risks.  |
| 19.2 | Trading for a representative or associate at a lower interest rate or charging reduced fees.  | Low                                 | Low        | Low          | <ul style="list-style-type: none"> <li>Zenith does manage or hold investment products and does not undertake any investment banking, corporate advisory or dealing activities.</li> </ul> |
| 19.3 | Giving any form of priority to a representative or associate who is a client.   | Low                                 | Low        | Low          | <ul style="list-style-type: none"> <li>Zenith does manage or hold investment products and does not undertake any investment banking, corporate advisory or dealing activities.</li> </ul> |
| 19.4 | Permitting a gain or advantage to be obtained by a representative or associate by trading at rates more favourable than market rates. | Low                                 | Low        | Low          | <ul style="list-style-type: none"> <li>Zenith does manage or hold investment products and does not undertake any investment banking, corporate advisory or dealing activities.</li> </ul> |

