



CONFLICTS OF INTEREST POLICY

**First State Investments
EMEA**

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1. Introduction

The rules of the UK Financial Conduct Authority ('FCA') and certain directly applicable European regulations (together the 'MiFID2 rules') require First State Investments to maintain procedures to prevent conflicts of interest adversely affecting the interests of its clients. Under these rules, a firm must take all appropriate steps to identify, and to prevent or manage, conflicts of interest which may arise between: i) First State Investments (including directors, management, employees and contractors (together '**employees**') together with any person directly or indirectly linked to it by control ('**affiliates**') and First State Investments' clients; and ii) different clients of First State Investments. As a last resort, if the conflict of interest cannot be prevented or managed it must be disclosed. Circumstances giving rise to a conflict of interest as a result of the structure and business activities of other members of First State Investments' group, of which the Commonwealth Bank of Australia ('CBA') is the ultimate holding company ('**Group**'), must be taken into account.

This policy sets out First State Investment's approach to conflicts of interest. It applies to the following FCA regulated entities, referred to together as '**FSI EMEA**':

- First State Investments (UK) Limited ('**FSI UK**');
- First State Investment Management (UK) Limited ('**FSIM**'); and
- First State Investments International Limited ('**FSII**') and its branches/sales offices in Amsterdam, Germany, France and Dubai.

This policy applies to both First State Investments and Stewart Investors. Stewart Investors is a trading name of the FSI EMEA entities. The Group maintains a *Global Conflicts of Interest Policy* of which this policy is part. This policy takes precedence for the FSI EMEA entities.

This Conflicts of interest policy should be read in conjunction with the following:

- *Global Personal Dealing Policy*
- *Global Market Conduct Policy*
- *EMEA Inducements Policy*
- *Global Gifts and Entertainment Policy*
- *Global Remuneration Policy*
- *Group Outsourcing Policy*
- *Client Order Handling Policies*
- *EMEA Whistleblower Protection Policy*
- *Global Product Governance Policy*

2. Governance

The FSI EMEA entities' boards of directors ('**Boards**') have overall responsibility for this policy and for maintaining effective arrangements to prevent conflicts of interest affecting the interests of their clients. This includes an annual review of the policy, conflicts of interest register and outside business activities register.

The conflicts of interest register is maintained to identify and record conflicts of interest that exist, arise or could potentially arise. Employees who have become aware of a potential or actual conflict of

interest report the conflict to their line manager and the Risk and Compliance/Risk Management team. The potential or actual conflict is recorded on the register together with either: (i) appropriate action taken to prevent or manage the conflict of interest, or (ii) the basis for concluding that no action is required. The Boards and senior management receive an annual written report regarding the conflicts of interest identified in the conflicts of interest register.

In keeping with FSI EMEA's high standards of integrity, all employees are responsible for maintaining ethical standards when conducting business, including placing the interests of clients ahead of their own, and FSI EMEA's, at all times. Principles to act honestly, fairly and professionally and the obligation to be fair, clear and not misleading apply to the relationship with any clients.

3. Types of Conflicts

For the purposes of identifying conflicts of interest that may arise when providing services to clients, the MIFID2 rules set out types of scenario that must be considered. These include where FSI EMEA or any employee:

- (a) is likely to make a financial gain or avoid a financial loss, at the expense of the client;
- (b) has an interest in the outcome of a service provided to the client or of a transaction carried out on behalf of the client, which is distinct from the client's interest in that outcome;
- (c) has a financial or other incentive to favour the interest of another client or group of clients over the interests of the client;
- (d) carries on the same business as the client; or
- (e) receives or will receive from a person other than the client an inducement in relation to a service provided to the client, in the form of monetary or non-monetary benefits or services.

MiFID2 requires that this policy must identify, with reference to the specific investment services carried out by or on behalf of FSI EMEA (and with particular attention to portfolio management), the circumstances that may give rise to a conflict of interest entailing a risk of damage to the interests of one or more clients. MiFID2 also requires that this policy must specify procedures to be followed and measures to be adopted in order to prevent or manage such conflicts. These potential conflicts of interest and their counter measures are set out in Section 4: Management of Conflicts.

4. Management of Conflicts

How a conflict of interest is managed or mitigated will be determined, in the first instance, by the relevant business unit. The Head of EMEA Risk and Compliance will also be notified for review and resolution.

FSI EMEA is part of the consolidated asset management division of the Commonwealth Bank of Australia, known as Colonial First State Global Asset Management ('**Asset Management Division**' or '**CFSGAM**'). The Asset Management Division's only business is investment management. FSI EMEA

provides discretionary portfolio management and related services, such as trading, to funds and segregated accounts.

FSI EMEA does not invest for its own account and its own research is produced for internal use only. In the context of this business model, the key activities and circumstances that may give rise to potential conflicts of interest and how they are managed by FSI EMEA are summarised below.

4.1 Personal Account Dealing

FSI EMEA has adopted stringent personal account dealing rules to prevent conflicts arising between employees and clients, in relation to employees' personal securities trading especially where employees may wish to trade securities that are also held in client accounts or where they may be in receipt of material non-public information. The personal account dealing rules also apply to members of an employee's family over whom the employee has influence. In particular:

- Pre-clearance must be obtained before transacting in any listed security, which will be withheld if it results in a conflict of interest.
- All investment team employees are prohibited from dealing in securities which are, or may be, held by the client funds and mandates for which their team has responsibility. Certain business divisions may also apply this prohibition to non-investment team employees as they deem appropriate.
- Employees are not permitted to deal in: i) securities where they are in receipt of material non-public information; or ii) securities of any entity that is subject to sanctions.
- For employees who wish to invest in the publicly traded securities of the Commonwealth Bank of Australia, arrangements are in place under which they may only trade in certain permitted time periods.
- Holdings reporting is required and records are maintained.

These rules are set out on the *CFSGAM Global Personal Dealing Policy*. FSI EMEA monitors compliance with these requirements and breaches may result in an employee being subject to disciplinary action.

4.2 Outside Business Activities

There are potential conflicts of interest if an employee conducts certain outside business activities. For example, the employee may receive material non-public information which would prohibit trading on behalf of clients; or employees' outside business interests may conflict with his/her duty to our clients.

Accordingly, employees are required to pre-clear or notify any outside business activities. Permission is only granted in circumstances where it will not create, or potentially create, a conflict of interest with clients. This may include being asked to resign from an outside directorship if a conflict of interest arises. A register of outside business activities is maintained for conflicts management purposes and disclosed to the Boards annually.

4.3 Inducements

Inducements are monetary or non-monetary benefits received, paid or given, by FSI EMEA in connection with the provision of services to clients. Examples might include the receipt of gifts and entertainment by an employee (see Section 4.4 below), the receipt of certain unpaid research by a portfolio manager (see Section 4.5 below), or the payment of certain commissions to a distributor. Inducements potentially give rise to conflicts of interest and, as such, specific MIFID2 rules apply:

- Receipt: FSI EMEA is prohibited from *receiving*: i) any form of monetary inducement (e.g. fees, commissions or rebates); and ii) any non-monetary benefit unless it is an “acceptable minor non-monetary benefit”. These are minor benefits which do not involve a third party allocating valuable resources to FSI EMEA and which are:
 - capable of enhancing the service provided to the client; and
 - of a scale and nature that they could not be judged to impair compliance to act in the best interests of the client and reasonable, proportionate and of a scale that it is unlikely to influence behaviour to the detriment of the client.

FSI EMEA will, on occasion, receive minor non-monetary benefits of the following nature:

- Information or documentation relating to financial instruments or investment services of a generic nature or personalised to reflect the circumstances of individual clients;
- Written material from a third party that is commissioned and paid for by a corporate issuer to promote a new issuance;
- Participation in conferences, seminars and other training events; and
- Hospitality of a de-minimis value during a business meeting or a conference, seminar or training event.

The value of such non-monetary benefits of this nature will be determined on an arms’ length basis.

- Payment: Any fee, commission or non-monetary benefit paid or provided must be designed to enhance the quality of service to our clients and not impair compliance with our duty to act in accordance with their best interests. In order to show that the payment or provision of an inducement will enhance the quality of service to our clients, the inducement must:
 - Lead to a provision of an additional or higher level of service which is proportional to the level of inducement;
 - Not directly benefit the recipient without tangible benefit to the client;
 - If ongoing, lead to an ongoing benefit to the client; and

- Not result in the provision of the service being biased or distorted as a result of the inducement.

These conditions must be met on an ongoing basis for as long as the inducement is paid or provided.

Fees, commissions and non-monetary benefits of the following nature are paid or provided by FSI EMEA:

- Fees and commissions:
 - FSI EMEA pays trail commission to distributors of shares in its funds based on individual negotiations and an agreed percentage of management fees received;
 - FSI EMEA pays rebates of management fees to institutional investors in its funds based on individual negotiations and an agreed percentage of management fees received;
 - FSI EMEA may on occasion meet costs incurred by distributors in communications with investors in its funds.

- Non-monetary benefits:
 - FSI EMEA may on occasion provide reasonable and proportionate hospitality during a business meeting or a conference, seminar or training event;
 - FSI EMEA may on occasion provide information, documentation, training and reasonable de minimis hospitality to distributors or other third parties involved in the sale of its funds.

In addition, the UK Bribery Act requires firms to implement procedures which prevent the giving, or receiving, of gifts, hospitality, expenses or other inducements that might influence, or be perceived to influence, a business decision.

FSI EMEA maintains an *Inducements Policy* which all employees are required to adhere to.

4.4 Gifts and Entertainment

A conflict of interest may arise when an employee receives, or offers, a gift or entertainment. This gift or entertainment could constitute an incentive for an employee, client, vendor or other third party to act in an inappropriate way.

FSI EMEA does not permit employees offering, or accepting, gifts or entertainment unless they are reasonable, proportionate, for a legitimate purpose and benefits the end client. CFSGAM maintains a *Global Gifts and Entertainment Policy* and a pre-approval process, which incorporates an FSI EMEA Annex under which strict limits, record-keeping and disclosure requirements apply. Approval will not be granted where receiving, or offering, gifts and entertainment may give rise to a potential conflict of interest or is inappropriate in nature or not deemed to be of benefit to the end client.

4.5 Research

All research (including corporate access) received by FSI EMEA is paid for out of the firm's own resources. Adopting this model, as opposed to paying for research from clients' own resources

alongside execution dealing commission, minimises the potential for conflicts of interest to arise in relation to research procurement. However, where an FSI EMEA entity procures research, for example from a broker, there could be a perceived conflict of interest, especially if a broker's charge for execution services could be construed as subsidising the cost of research.

FSI EMEA manages this potential conflict of interest through its research procurement procedures which, in summary, require:

- Budgets: Research budgets are set in monetary terms, using a clearly articulated valuation process
- Market Value: Research services are fairly priced at their true market value
- Separate Governance: The governance structure for research procurement is separate to the governance of broker and execution services

4.6 Remuneration

FSI EMEA recognises that remuneration is a factor that may influence the conduct of employees. CFSGAM maintains a *Global Remuneration Policy*. An EMEA Remuneration Assurance Committee provides the appropriate framework to assess, and prevent, remuneration structures which may provide inappropriate incentives. Examples include:

- the removal of any direct link between the remuneration of employees principally engaged in one activity and the remuneration of, or revenues generated by, different employees principally engaged in another activity, where a conflict of interest may arise in relation to those activities; and
- the removal of inappropriate incentives being extended to a marketing professional encouraging him to neglect the suitability of products for the target market and act contrary to his regulatory obligations and responsibilities.

FSI EMEA's remuneration governance framework requires input from Risk and Compliance and Human Resources for employees who have a material influence on FSI EMEA's risk profile.

4.7 Order Execution

Executing orders for our clients' funds and accounts potentially raises conflicts of interest which are managed by the adoption of the processes and procedures described below:

- Order Handling and Aggregation: A conflict of interest may potentially arise if certain accounts' and funds' orders are favoured over others. Accordingly, orders are generally executed or placed sequentially according to the time at which they were generated to ensure prompt, fair and expeditious execution (unless the characteristics of the order or prevailing market conditions make this impracticable or not in accordance with the clients' best interests). To obtain the best overall result for clients, where the dealing desk receives sufficiently comparable orders for a

number of clients, those orders will be aggregated where we believe it is unlikely to work to the overall disadvantage of any client.

- Order Allocation: A broker may work an aggregated order over a period of time, typically up to a maximum period of 24 hours before booking the trade out to FSI EMEA. Our dealing desk will then formally allocate the trade within one business day (and intended allocations are provided before the order is authorized) taking into account matters such as partial execution which are allocated pro-rata and minimum lot size. Accounts managed within the same parameters receive equivalent pro-rata allocations from appropriate transactions, subject to cash flow rebalancing requirements or specific mandate requirements. Exceptionally if a reallocation is required, it is reported to the Head of Investment Business Management and Risk and Compliance/Risk Management. No reallocation may be made without agreement from Risk and Compliance/Risk Management.
- Cross-Trades: Cross trades are trades between two or more funds or accounts managed by FSI EMEA. Given that FSI EMEA is making the investment decision on both sides of the trade, procedures have been adopted to ensure that the trade is fair to all participating funds and accounts. These include the dealing desks documenting the rationale for all cross trades (for example, reduced transaction costs or the ability to source an otherwise illiquid stock) and executing the trade through a broker at an appropriate arm's length market price, such as the official closing price.
- Best Execution: FSI EMEA's *Client Order Handling Policies* set out how we meet our obligations to take all sufficient steps to obtain on a consistent basis the best possible result for the execution of client orders. In making this determination, we take into account price, cost, speed, likelihood of execution, characteristics of the client order, the financial instrument and relevant execution venues. Our traders must ensure that they adhere to the best execution policies when placing or executing orders. Our order execution arrangements and policies are monitored on an on-going basis for their effectiveness and reviewed at least annually or whenever a material change occurs.

FSI EMEA maintains *Client Order Handling Policies* for each of First State Investments and Stewart Investors. In addition, *Order Aggregation and Allocation Policies and Procedures* are contained in each investment team's handbook.

4.8 Material Non-Public Information ("MNPI")

The Global Market Conduct Policy and Investment Management Handbooks require teams to develop, implement and maintain systems and controls to manage market conduct risks.

If any individual is in receipt of MNPI all employees are deemed to be in possession of that knowledge. It must be reported to the Investment Compliance team (which is part of Risk and Compliance/Risk Management) immediately and the relevant security or securities will be placed on the Stop List. This means that no further trading can be conducted in those securities until the relevant information has become public or is no longer price sensitive. The Investment Compliance team will then take the security or securities off the Stop List.

FSI EMEA does not operate any "Chinese Walls" structures between its teams investing in listed securities. However, there is such an arrangement between these teams and the Direct Infrastructure team based in London, due to the nature of the team's activity. This arrangement requires information held by members of the teams investing in listed securities to be withheld from members of the Direct Infrastructure team and vice versa. The Infrastructure Investment team is physically separated from the other business units in a secured location within the London office. FSI EMEA takes reasonable steps to ensure that these arrangements remain effective and are adequately monitored.

4.9 Vendors and Third Party Representatives

Conflicts of interest may arise when FSI EMEA appoints vendors and other third parties to supply goods and services to it. For example, an employee involved in the procurement process may have a close relationship with a particular vendor compromising the employee's objective assessment of the merits of appointing the vendor.

To manage such potential conflicts of interest, FSI EMEA carries out due diligence, and on-going monitoring of, vendors and third parties to hold them to an objective standard of service delivery and to confirm that they are a fit supplier to the business. All vendor appointments must be approved by an appropriately senior level of management. As part of this process, the relevant board or committee may review, and challenge, the proposed appointment. Subsequent to approval, contracts are negotiated to protect the interests of FSI EMEA and its clients.

It is each employee's responsibility to escalate any matters that might reasonably be expected to affect their independence and objectivity, or otherwise interfere with their respective duties, in relation to these appointments. The Group *Outsourcing Policy* governs the appropriate handling of relationships with outside vendors and all employees are expected to comply with this. Although conflicts are less pronounced, a similar process also applies to the appointment of service providers on an intra-group basis.

4.10 Product Governance

FSI EMEA maintains procedures to manage conflicts of interest when deciding on the range of funds and services on offer. The range of funds and services on offer take into account target market requirements.

5. Other Procedures

5.1 Disclosure

In exceptional circumstances, a conflict of interest may arise that FSI EMEA is not able to prevent or manage so as to avoid the risk of damaging client interests. In these circumstances the activity concerned must not be undertaken or FSI EMEA must clearly disclose the conflict, or potential conflict, to the client before undertaking business for the client.

Any such disclosure shall be in a durable medium (e.g. in writing) and shall clearly state that the organisational and administrative arrangements established by the investment firm to prevent or manage that conflict are not sufficient to ensure, with reasonable confidence, that the risks of damage to the interests of the client will be prevented. The disclosure shall include a specific description of the conflicts of interest that arise in the provision of investment and/or ancillary services, taking into account the nature of the client to whom the disclosure is being made. The description shall explain the general nature and sources of conflicts of interest, as well as the risks to the client that arise as a result of the conflicts of interest and the steps undertaken to mitigate these risks, in sufficient detail, taking into account the nature of the client, to enable the client to take an informed decision regarding the service with respect to which the conflict of interest arises. Disclosure will only be used as a 'last resort' where all appropriate steps to prevent or manage the conflict of interest have already been undertaken and exhausted.

5.2 Training

Training on this policy forms part of the induction process for all new employees. All existing employees receive regular training on how to implement and adhere to this policy as part of the annual regulatory training provided by the Risk and Compliance/Risk Management Team.

5.3 Monitoring, Review and Record-Keeping

The Head of EMEA Risk and Compliance monitors the effectiveness of and reviews the implementation of this policy at least annually. Factors that might trigger an early review include:

- the launch of, or substantial change to, a service, activity or product;
- a significant restructure of part of the business; and
- a relevant change in regulation and/or market practice.

In conducting this review, the Head of EMEA Risk and Compliance considers the suitability, adequacy and effectiveness of the policy and takes all appropriate measures to address any deficiencies identified.

Appropriate records relating to conflicts of interest management are retained for at least seven years. Among other things, FSI EMEA maintains the following records: i) the conflicts of interest register; ii) the register of outside business activities; and iii) records of actions taken in relation to a specific conflict of interest arising.

5.4 Whistleblowing

FSI EMEA provides appropriate channels for the reporting (or "whistleblowing") of conflicts of interest (and any other concern) where an employee considers this to be the appropriate channel to draw the matter to attention. The Group *Whistleblower Protection Policy* advises employees of the procedures to report any concerns or suspicions regarding possible violations of laws, rules or regulations or violations of policies, standards or procedures.