

## Hartleys Research Conflicts Management

### Introduction

This policy applies to “investment” research published by the Research Department of Hartleys Limited (“Hartleys”). This policy is available from Hartleys on request and is accessible through the Hartleys website at [www.hartleys.com.au](http://www.hartleys.com.au).

For purposes of this policy, “research” means an analysis of equity securities or a financial product of individual companies or industries that provides information reasonably sufficient upon which to base an investment decision. “Research analysts” or “analysts” refer to research analysts who produce research publications at Hartleys. “Company” or “companies” refers to a company or companies that the Hartleys’ Research Department conducts research on, or is considering conducting research, or prospective coverage on.

### 1. Identification and Disclosure of Possible Conflicts

**Identification:** Hartleys’ policies and internal procedures are designed to assist in identifying possible conflicts of interest, or the appearance of conflicts of interest, that might affect or raise questions about the impartiality of research.

Hartleys’ Research Management and Compliance Department provide assistance and guidance to all employees as issues arise. Hartleys employees are responsible for raising identified conflicts or potential conflicts with their managers to ensure that all conflict questions are referred to and considered at the appropriate level within Hartleys.

**Disclosure:** All research produced by Hartleys contains the pertinent disclaimers and disclosures. Research produced by Hartleys contains disclosure as to whether research analysts, or associated persons have, or are likely in the future to have, a material interest in the financial product that is the subject of the publication, or receive any benefit from the publication.

The nature and extent of any interests where Hartleys has a prior or prospective corporate role with the researched company is disclosed in research publications. Where research is produced featuring companies from which Hartleys is receiving, or has received fees in the past twelve months, details of such arrangements are disclosed in the research. Research analysts will disclose all other material personal conflicts relevant to the companies or

investments that are the subject of their research. This is inclusive of any relationship or association that the research analyst or any associate may have with the company.

Research publications prepared by Hartleys' analysts will disclose the collective holdings of Hartleys' Directors and their related parties that exceed 1% of the company being researched and collective shareholdings in the company being researched that are over a certain threshold, currently 5%.

An analyst is prohibited from covering a company if the analyst serves as an officer, director or board member of the company. If an analyst's spouse serves in such a capacity, the analyst is required to disclose that fact in any relevant research publication, and the Research Committee will consider whether, based on the facts and circumstances, the analyst should cease covering the company.

The Compliance Department conducts regular monitoring of research publications to ensure that appropriate disclaimers and disclosures are incorporated and recommendations are communicated on a timely basis.

## **2. Supervision of Research Analysts**

Research analysts are not directly supervised by employees from other areas of Hartleys (in particular the Corporate Finance Department or Wealth Management Department) whose interests or functions may conflict with those of the research analysts.

***Supervision and reporting lines:*** Analysts who produce research publications are supervised by, and report to, Hartleys' Head of Research. The Head of Research reports directly to Hartleys' Chief Executive Officer (CEO). The CEO and the Head of Research oversee and supervise the Research Department.

All research publications are authorised by Research Management prior to the publication being issued which ensures that the research publications are in accordance with Hartleys' policies and procedures.

## **3. Evaluation and compensation:**

The evaluation and appraisal of research analysts for purposes of career advancement, compensation and promotion is structured so that non-research employees, outside of Hartleys, do not exert inappropriate influence over analysts.

The compensation of research analysts is paid in the form of market based salaries and discretionary bonuses. Bonuses are determined on the basis of a number of factors, including quality, accuracy and value of research, productivity, experience, individual reputation, and evaluations by investor clients and employees in other parts of Hartleys with whom analysts interact. They are determined by the Board, excluding members of the Research Department, in consultation with the CEO and prohibited from being directly linked to specific transactions or the profitability of particular Wealth Management desks. However, they will in part reflect the overall profitability of Hartleys' business as a whole.

#### **4. Activities of Analysts**

Hartleys restricts research analysts from performing roles that could prejudice, or appear to prejudice, the independence of their research. Analysts may be consulted by the Corporate Finance Department and the Wealth Management Department on matters such as market and industry trends, conditions and developments and the structuring, pricing and expected market reception of securities offerings or other market operations.

**Promotion of a company:** Research analysts may not be involved in direct promotional activities of a company of a relevant investment that would reasonably be construed as representing the company.

**Due diligence:** Before Hartleys' Corporate Finance Department receives a mandate for a transaction, Research Analysts may carry out preliminary due diligence and vetting of companies who may be prospective subjects of research or prospective Corporate Finance clients, or both, and may meet companies at that time for this purpose.

**Information barriers:** Research analysts are prohibited from being provided with material or confidential non-public information regarding a company or an investment, unless the analyst is brought "behind the Chinese Wall" in accordance with Hartleys procedures and policies. This results in restrictions on the analyst's activities until the relevant non-public information has become public or stale. The Compliance Department monitors the analyst's activity accordingly.

Hartleys has implemented a Chinese Walls ("Information Barrier") system to limit the passing of information that is not generally available, is price sensitive and would have a material effect on the price of certain financial products ("Inside Information"), between the

Corporate Finance Department, Research Department, and the Wealth Management Department.

***Analysts' personal dealings:*** Research analysts and assistants are required to obtain written approval from Research Management and the CEO prior to the execution of any dealings in financial products. The authorisation for these dealings is only valid for ten business days and any proposed dealings occurring eleven or more business days after authorisation are submitted for re-authorisation by the research analyst.

When analysts are involved in their own proprietary research, they are generally prohibited from trading for a prescribed window period, which is currently two business days either side of release of the research publication, or a recommendation change.

In addition Analysts are required to comply with Hartleys' general rules and procedures on personal account dealing, which include holding securities for a minimum prescribed period of 1 business day and conducting all personal account dealings through Hartleys.

The above also includes analysts' or their assistants' Immediate Family (spouse, de-facto and dependent children) and controlled entities.

## **5. Inducements and Inappropriate Influences**

Hartleys prohibits research analysts from soliciting or receiving any inducement in respect of their publication of research and restricts certain communications between research analysts and employees from other business areas within Hartleys that might be perceived to result in inappropriate influence on analysts' views.

***Inducements:*** Hartleys policies and procedures prohibit research analysts from directly or indirectly offering favourable research to a company as consideration or inducement for the receipt of business or compensation.

***Inappropriate influences:*** Hartleys has implemented policies and procedures, where appropriate, to regulate communications between Hartleys' research analysts and non-research employees. Analysts are physically separated from the Corporate Finance Department and the Wealth Management Department. There are security restrictions to the Research Department and the Corporate Finance Department. In addition:

- The Corporate Finance Department, Wealth Management employees, and other non-research employees are prohibited from attempting to influence the timing or content of an analyst's research publication, and research analysts are prohibited from disclosing to any other business area of Hartleys (other than the Compliance Department) the timing or content of a research publication prior to its release.
- Non-research employees may not direct an analyst to produce a research publication or to publish specific views and opinions in a research publication.
- Corporate Finance employees are prohibited from providing analysts with material or confidential non-public information regarding a company, unless the analyst is brought "behind the Chinese wall" in accordance with Hartleys procedures and policies.

**Coverage decisions:** Decisions to initiate, resume, suspend or discontinue research coverage of a company is made by Hartleys Research Department led by the Head of Research in conjunction with the research analyst concerned. The Head of Research is permitted to take into account input with respect to research coverage from other business areas, including the Corporate Finance Department and the Wealth Management Department.

#### **Review and Comment on Research**

Hartleys policies and procedures are designed to ensure that parties with interests that may potentially conflict with those of recipients of research are not able to review or comment on research in a manner that might affect the impartiality of the research.

**Communication Processes with Companies:** Hartleys' analysts may submit sections of the research publication to the researched company to verify the accuracy of factual information and statements. The analyst supplies the company with a draft version which does not specify a research rating, valuation, investment conclusion, recommendation or price target. Should a company suggest amendments to the publication the research analyst is entitled to accept these alterations; however, copies of all original and amended research publications are maintained.

In the event of an intended change to the company's rating the analyst will notify the company of the intention to amend a rating of the company, provided that the notification occurs on the business day before Hartleys announces the rating change, but after the close of trading in the principal market of the researched company's securities.

**Review of research:** Prior to release, all research publications are reviewed by the Head of Research. The purpose of these reviews is to confirm compliance with Hartleys' editorial guidelines and regulatory requirements. The review also verifies that the research publications are of a high quality and integrity.

**Role of Research Committee:** The Research Committee generally oversees the strategy and effectiveness of the Research Department within Hartleys and aims to improve the quality of research content and delivery. Currently, Hartleys Research Committee consists of the Chairman of Hartleys, CEO, a Director of Hartleys, Head of Research, Research Analysts, Compliance Manager, Head of Corporate Finance, two employees from the Institutional Department and Research Assistant. Hartleys' Research Committee adopts an independent and holistic approach to the function of research, ensuring that it is not dominated by serving the needs of any one particular area of the business to the exclusion of others. This balanced approach ensures that research serves the needs and best interests of Hartleys' clients. Importantly, it adds to the long-term sustainability of the business by focusing on the long-term investment needs of Hartleys' clients.

**Retaliation:** Hartleys and non-research employees may not retaliate or threaten to retaliate against any research analyst for negative or otherwise unfavourable research that may adversely affect Hartleys' current or potential Corporate Finance relationships and current or prospective trading activities.

**Complaints:** Any complaints concerning the content of research publications should be referred to, and are dealt with by the Compliance Manager, in conjunction with the Head of Research, in accordance with the Hartleys' complaint handling procedures.

## **6. Timing and Content of Research**

Hartleys' policies and procedures are designed to ensure that decisions on the timing and content of research are not made or inappropriately influenced by persons with interests potentially conflicting with those of recipients of research and that new, material views are not selectively disclosed before broad dissemination.

The timing of the issue of a research publication is determined primarily by the analyst on the basis of events affecting the company or investment concerned, perceived investment opportunities for research clients and developments in the analyst's opinion. The Corporate Finance Department and the Wealth Management have no control over, or input into, decisions on timing of the release of individual research publications.



Hartleys' policies may restrict the publication of research or the inclusion of opinions and/or recommendations in research, relating to the company or its related parties, at certain times when Hartleys is involved in Corporate Finance transactions.

***Dissemination of research and updated views:*** Research publications are made available to clients through a number of established distribution channels, including via e-mail and Hartleys website. Any material update of a research analyst's view is made available to clients through similar channels. Hartleys policies do not allow research publications to be made available to non-research employees of Hartleys before they are made available to all Hartleys' clients.