

**WILLMOTT FORESTS LIMITED**  
**("the Company")**

**POLICY FOR MANAGING CONFLICTS OF INTERESTS**

**Background**

Section 912A (1) (aa) of the Corporations Act 2001 (Cwlth) obliges a financial services licensee to manage its conflicts of interests and those of its representatives. ASIC Policy Statement 181 sets out ASIC's general approach to compliance with that obligation and guidance for licensees generally on controlling and avoiding conflicts of interest and disclosing conflicts of interest. This policy has been formulated by the Company in order to satisfy the requirements of section 912A (1) (aa).

Conflicts of interest are required to be managed; they are not prohibited per se. But where a conflict cannot be adequately managed through controls and disclosure, in ASIC's view the licensee must avoid the conflict or refrain from providing the affected financial service.

**General Policy**

Depending on the circumstances and the nature of any given conflict, 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; and
- (c) decline to provide services to the particular client.

**Who will be responsible for managing conflicts of interest?**

Although the Board of Directors is responsible for seeing that the Company complies with the relevant law, including the statutory obligation to manage its conflicts of interests, from day to day the Chief Financial Officer (CFO) will be responsible for seeing that the requirements of this policy are met.

To do that the CFO will need to have in place appropriate monitoring procedures, including overseeing:

- (a) meetings as required with staff or clients affected by conflict;
- (b) periodic reviews of the MIS operations of the Company by the external auditor from a conflicts perspective; and
- (c) periodic reviews of client-files and records of services provided by the Company.

**Record keeping**

In the first instance this will be the responsibility of the CFO. These records are to be kept for at least seven years and will include:

- (a) records of conflicts identified and the action taken on behalf of the Company;
- (b) any reports made by the Compliance Manager to the CFO or to the Board of the Company;
- (c) copies of written disclosures of conflicts of interests given to Growers or the public as a whole; and
- (d) These records are to be kept in hard-copy form, which may be an up-to-date printout of the records kept in electronic form. Their form and content must be approved by the CFO.

## **Identifying conflicts of interest**

### **1. Remuneration conflicts**

A potential area of conflict of interest is the payment of remuneration on a variable basis. Thus the Company discloses in its PDS information on what is paid by the Company to its dealer representatives.

### **2. Discrimination between clients**

Another potential source of conflicts is the licensee preferring one client to another. A licensee should not provide financial services in a manner calculated to advance one client's interests unfairly ahead of other clients' interests. This is unlikely to occur between Growers in a particular plantation, but could occur between different plantation-years if scarce resources were not allocated fairly between the relevant Growers.

### **3. Conflicts of representatives**

The Company is responsible for its representatives managing their conflicts of interests by these representatives controlling, avoiding and disclosing conflicts. It is therefore necessary for the Company to educate its representatives about conflicts and monitor their compliance with the procedures and restrictions approved by the CFO pursuant to this policy.

An obvious area of conflict for a dealer - representative is their entitlement to commission from the sale of Woodlots. The way in which this will be managed is by appropriate disclosure by the representative to the prospective Grower.

The Company's policy is to make appropriate disclosures to Growers as part of the arrangements to manage conflicts in interest. While disclosure alone might often not be enough, disclosure is an integral part of managing conflicts of interest. The Company is to ensure that Growers are adequately informed about any conflict of interests that may affect the provision of financial services to them.

Disclosure of this kind in each PDS the Company issues helps clients to assess the service they are being offered in light of the Company's own interests and to decide on the extent (if any) to which they will rely on the service offered by the Company.

The Company should identify itself as both the adviser and the product issuer when the Company's own authorised representative gives advice about Woodlots to a prospective Grower.

To sum up, where disclosure to a Grower will resolve the conflict, the Company should disclose enough detail to allow its dealers and to Growers who deal direct with the Company to enable the Grower to make an informed decision about how the conflict may affect the financial service to be provided to the Grower and any ongoing servicing by the Company.

### **Checklist of matters for CFO**

1. List areas or instances where a conflict of interests (unfairness) might arise;
2. Draw up procedures for identifying conflicts when they arise in those areas;
3. Specify how various conflicts are to be dealt with or escalated, including reporting lines;
4. Consider whether there should be information-barriers within the Company to reduce incidence of conflicts, e.g. between marketing and forestry departments in relation to the allocation of Woodlots;
5. Establish checks for testing that the Company's own representatives give personal advice to Growers that is appropriate to them;
6. Devise ways in which these procedures are communicated to the Company's own representatives;
7. Devise guidelines for reducing possible conflicts in relation to remuneration and means of monitoring compliance with them;
8. Specify a list of circumstances in which the Company and its own representatives are to avoid conflicts and not rely on disclosure;
9. Encourage staff and the Company's own representatives to report suspected conflicts to the Compliance Manager for consideration; and
10. Arrange for review of items 1 to 8 annually and a report of findings to be made to the Board.