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## **Conflicts of Interest and Related Party Transactions Policy**

**HealthCo Healthcare and Wellness REIT**

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# HealthCo Healthcare and Wellness REIT

## Conflicts of Interests and Related Party Transactions Policy

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### 1. Purpose

1.1. The Group has implemented this policy (**Policy**) to mitigate the risk of regulatory breaches and to prescribe expected standards of conduct to ensure that the Group complies with:

- its fiduciary duties, including to act in the best interests of unitholders;
- the *Corporations Act 2001* (Cth) (**Corporations Act**); and
- the ASX Listing Rules.

For the purposes of this Policy, the Group means HCW Funds Management Limited (AFSL 239882) (**RE**) as responsible entity for HealthCo Healthcare and Wellness REIT (**HealthCo**) and any entities owned and controlled, either beneficially or legally, by HealthCo or the RE.

The RE holds AFSL 239882 and is under an obligation to manage conflicts of interest. The purpose of this policy is to ensure the RE has arrangements in place to adequately manage actual or potential conflicts of interest which may arise in relation to the provision of financial services by the RE and its representatives (staff members of related parties) as part of its responsible entity business. The *Corporations Act 2001* (Cth) provides that the RE must act in the best interest of the members and, if there is a conflict between the members' interests and its interests, giving priority to the members' interests.

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### 2. Background

#### (a) Application

2.1. This Policy applies to all of the Group's employees, directors (both executive and non-executive), contractors, labour hire employees and suppliers (collectively, "**Workplace Participants**" or "**you**").

2.2. This Policy is to be read in conjunction with the:

- (a) Code of Conduct;
- (b) Anti-Corruption Compliance Policy;
- (c) Board Charter;
- (d) Audit and Risk Committee Charter;
- (e) Investment Committee Charter; and
- (f) co-investment framework agreement entered into by Home Consortium Limited and Home Consortium Developments Limited (ASX: HMC) (together, **Home Consortium**) and the RE (for its benefit and the benefit of others), including the allocation policy contained therein (the **Co-Investment Framework Agreement**).

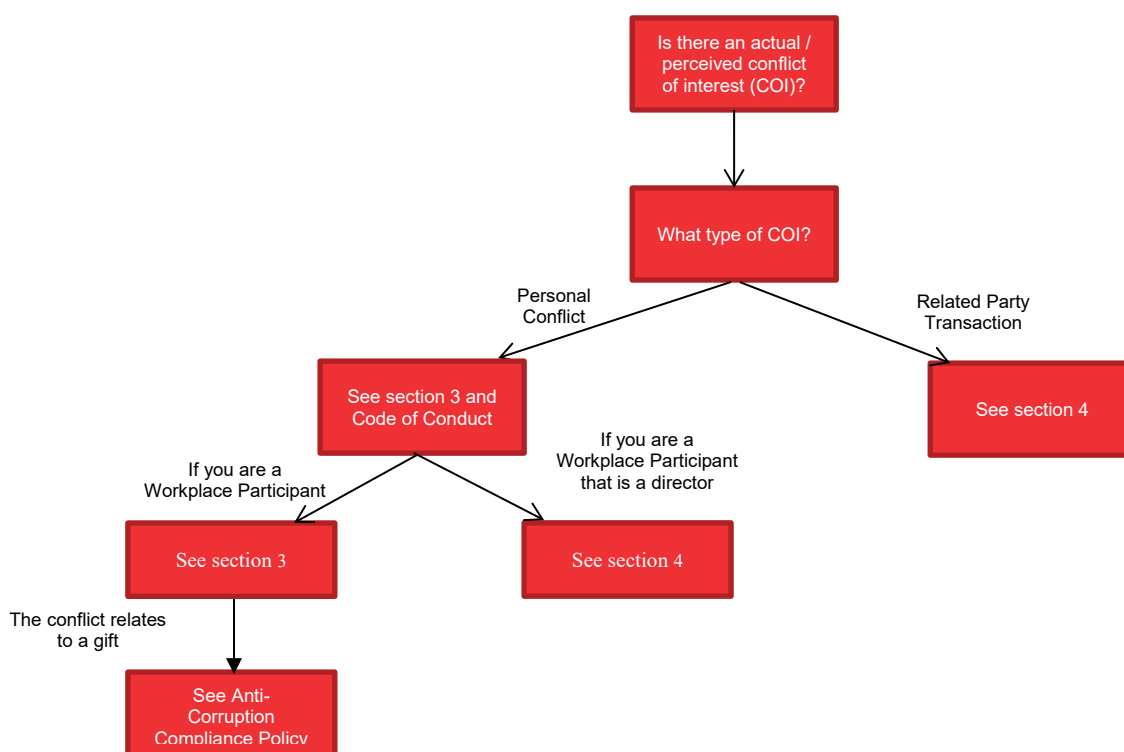
Other documents may also apply to the management of conflicts of interest such as the documents that apply to a joint venture or other business arrangements entered into by the Group.

#### (b) What is a conflict of interest?

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- 2.3. A conflict of interest arises where:
- (a) the interests of a Workplace Participant actually or potentially conflict from those of the Group (see the Personal Conflicts section below); or
  - (b) the interests of a Group entity are inconsistent with the interests of the person to whom that Group entity is providing a service or where a Group entity owes a duty to a third party that is inconsistent with a duty that it owes to the Group as a whole (see the Related Party Transactions section below).
- 2.4. Where it is unclear whether a matter constitutes a conflict of interest or not, advice should be sought as soon as practicable from the Audit and Risk Committee. Where practicable, this advice should be in writing.
- 2.5. How a conflict of interest is managed will depend on the type of conflict of interest. The below diagram summarises the conflict management process set out in this Policy.



### 3. Personal conflicts of interest

#### (a) Personal conflicts of interest - Workplace Participant

- 3.1. Workplace Participants should ensure that any personal relationships with third parties, clients or suppliers do not influence or prejudice their obligations to the Group or its tenants.
- 3.2. All Workplace Participants are required to understand conflicts of interest, how they may arise and what should be done when a conflict is identified. The Audit and Risk Committee will require that all employees conduct training at least annually on this Policy.
- 3.3. Examples of a personal conflict of interest can include where a Workplace Participant:

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- (or a friend or family member) has a personal interest in a business decision involving the Group. This may include granting a lease to a family member or friend;
  - uses its position at the Group for personal gain or for the personal gain of a family member, friend or other party. This may include where a developer can influence decisions relating to a convenience centre he/she has contracted to develop;
  - uses the Group's systems and equipment for personal gain. This may include using the Group's systems as part of secondary employment;
  - is an employee and has another job outside the Group that conflicts with the Group's business;
  - joins the board, or become a director, of another company;
  - receives a financial benefit from a business decision that involves the Group including where he/she has a direct or indirect ownership interest in the beneficiary of the transaction; or
  - is involved in any personal relationship (including any consensual, romantic or sexual relationship) with another Workplace Participant which may give rise to an actual or potential conflict of interest.
- 3.4. If you become aware of an actual or perceived conflict of interest, you must disclose the conflict of interest as soon as possible to the Audit and Risk Committee and set out:
- Sufficient detail in order for the Audit and Risk Committee to properly assess whether or not the circumstances present an actual or potential conflict of interest.
  - a proposal for how any perceived or actual conflict is to be managed (**Conflict Management Proposal**). For example, will the Workplace Participant be removed from any involvement in the tender with the conflicted party?
  - How the arrangements for the management of the conflict are to be monitored or evidenced. For example, will the relevant Workplace Participant's manager ensure that the Workplace Participant is excluded from negotiations with the conflicted party?
- 3.5. Other examples as to how a conflict of interest may be managed include (i) clear disclosure concerning the conflict, (ii) abstaining from voting on, making or influencing decisions or proposals, (iii) withdrawing from discussions on relevant proposals, (iv) having access restricted to information relating to the conflict and/or (v) having access denied to sensitive documents or confidential information relating to the conflict.
- 3.6. The Workplace Participant must not be involved in a transaction subject to the notification until the Audit and Risk Committee has provided written confirmation of agreement to the Conflict Management Proposal. Where a conflict of interest relates to a material transaction or may affect the reputation of the Group, the Audit and Risk Committee must seek the approval of the board of directors of the RE (**Board**) prior to agreement to any Conflict Management Proposal.
- 3.7. All Workplace Participants are required to provide an email confirmation that they have completed their an annual "Declaration of Personal Conflicts of Interest". Selected employees may be required to complete the declaration on a more frequent basis. Any conflicts of interest notified to the Audit and Risk Committee on an ad hoc basis must also be included in the disclosure made under the periodic Declaration of Personal Conflicts of Interest disclosure.

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- 3.8. The disclosures made will form the Declaration Register which is maintained by the Audit and Risk Committee and made available to the Board and the Group's external auditors.
- 3.9. Where a personal conflict of interest relates to a Workplace Participant giving or receiving a gift, the Workplace Participant must also comply with the procedures set out in the Anti-Corruption Compliance Policy.

### (b) Personal conflicts of interest - Directors

- 3.10. A director of any Group entity who has an interest in any matter that relates to the affairs of the Group should:
- give the other directors notice of the interest unless the interest is exempted (section 191 of the Corporations Act); and
  - in the case of a director of a public company (including, in the case of the Group, a director of the RE) where the interest is a "material personal interest":
    - not be present while such a matter is being considered at a board meeting; and/or
    - not vote on the matter,unless allowed to by the disinterested directors or by ASIC (section 195 of the Corporations Act).
- 3.11. An interested director may be invited by the Board to attend discussions (but not vote) in relation to a relevant matter at the invitation of the Board.
- 3.12. A director does not need to give notice of an interest under section 191 if the director has given a standing notice of the nature and extent of the interest and the notice is still effective in relation to the interest.
- 3.13. A material personal interest is an interest that has the capacity to influence the vote of a particular director.
- 3.14. A director of a Group entity must notify the secretary of the relevant Group entity of any interest that needs disclosure under section 191 of the Corporations Act.

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## 4. Related party transactions

- 4.1. A related party transaction is a transaction that involves a Group entity providing a financial benefit to a related party (see definition in section 4.3 below). By definition, a related party transaction involves a conflict 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 the provision.
- 4.2. The concept of a "financial benefit" will be broadly defined for the purposes of this Policy and the following are examples of giving a financial benefit:
- giving or providing related party finance or property;
  - buying an asset from or selling an asset to a related party;
  - leasing an asset from or to a related party;
  - supplying services to or receiving services from a related party;

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- issuing or allocating securities, or granting an option to a related party;
- agreeing to an arrangement that benefits the business operations of a related party; and
- taking up or releasing an obligation of a related party.

### (a) What is a Related Party?

4.3. Related parties of the Group (**HealthCo Related Parties**) include:

- (a) an entity that controls the RE, HealthCo or the Group;
- (b) the directors (and their immediate family members) of the RE (and any nominee unitholder with whom they are associated), or any entity referred to in (a);
- (c) any entity which is controlled by a related party referred to in (a) or (b) (including any listed or unlisted trust for which any related party acts in a trustee or manager capacity);
- (d) any entity which was a related party of the Group in the previous six months;
- (e) an entity that believes it will become a related party in the future;
- (f) an entity acting in concert with a related party; and
- (g) any other person who is a related party of the Group prescribed by the Corporations Act (each a **Related Party**).

### (b) Related Party Transactions - Corporations Act

4.4. The following are likely to be related party transactions applicable to the Group:

- (a) sale/transfer of assets between and co-investments with related Home Consortium entities (including without limitation, any listed or unlisted fund managed by Home Consortium);
- (b) management fees and changes to them and expense recoveries between related Home Consortium entities; and
- (c) the provision of guarantees between related Home Consortium entities.

4.5. Unless it is an “arm’s length transaction”, a financial benefit can only be given to a related party when unitholder approval has been granted and the financial benefit is given within 15 months of such approval.<sup>1</sup>

4.6. A transaction will be “arm’s length” where the financial benefit is given on terms that would be reasonable in circumstances where the parties are dealing at arm's length, or on terms that are less favourable to the Related Party.

'Arm's length' refers to transactions conducted as if the parties were not related. In general, 'arm's length' terms and conditions will be determined having regard to ASIC Regulatory Guide 76 'Related party transactions' and consistent with the following principles:

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<sup>1</sup> The Corporations Act also provides for a number of other exceptions to the requirement to obtain member approval which apply in certain circumstances. Please contact the Audit and Risk Committee for more information on the relevant exemptions.

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- in the case of acquisitions of assets by or from a Related Party, by reference to independent valuations of the purchase price and by reference to a sign-off from an external law firm confirming the arm's length nature of the legal terms of the transaction;
- in the case of acquisitions by way of co-investments with Related Parties, by reference to independent valuations of the purchase price and by reference to a sign-off from an external law firm confirming the arm's length nature of the legal terms of the transaction;
- in the case of services being provided by a Home Consortium entity to the Group (other than services provided under the Investment Management and Property Management Agreements), all fees and expenses being charged will require substantiation either by comparison with a range of similarly qualified unrelated service providers (if there is reliable data of comparable transactions) or a review and report by a qualified external party; and/or
- where appropriate or where no other method of determination exists, by reference to the opinion of a suitably qualified independent expert that the terms are fair and reasonable,

and in each case there is evidence that conflicts of interest were appropriately managed in negotiating and structuring the transaction.

### **(c) Related Party Transactions - ASX Listing Rules**

- 4.7. In addition to the Corporations Act requirements for related party transactions, under the ASX Listing Rules, the Group is required to obtain unitholder approval to acquire a substantial asset from, or dispose of a substantial asset to a related party, subsidiary or substantial unitholder. "Substantial asset" means an asset representing 5% or more of the equity interests of the Group, as set out in the last financial accounts for the Group. The equity interests are the paid up capital, reserves and accumulated profits or losses of the Group.<sup>2</sup>

### **(d) How are Related Party Transactions to be managed?**

- 4.8. Other than those transactions set out below as "Pre-approved Transactions", any related party transaction or proposed related party transaction is to be notified to the Audit and Risk Committee, who will make a recommendation to the Board. Those related party transactions must be approved by the Board and any such approval must be given in accordance with the requirements of the Board Charter.
- 4.9. In providing its recommendation, the Audit and Risk Committee must consider, among other things:
- (a) if it is in the best interests of existing unitholders;
  - (b) the terms negotiated of the transaction and whether they are as good as, or better than what the Group would receive if it were dealing at arm's length on a commercial basis;
  - (c) the documentation relating to the proposed related party transaction, including records to justify the price and any other terms and conditions upon which the

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<sup>2</sup> The ASX Listing Rules provide certain exemptions from the requirement to obtain unitholder approval and waivers from the relevant ASX Listing Rule(s) may be available. Please contact the General Counsel for more information on relevant exemptions.

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- transaction is proposed to be entered into, in particular the rationale for entering into the transaction;
- (d) if relevant, any independent reports as to the reasonableness of the price and other terms and conditions; and
  - (e) if it is a transaction being considered by the Investment Committee, those factors relevant to the Investment Committee's decision in accordance with the Investment Committee Charter.
- 4.10. The Audit and Risk Committee must provide the Board with all material facts of the proposed or existing related party transaction including the terms of the transaction, whether those terms are on arm's length and the business purpose of the transaction.
- 4.11. The Board will consider the information provided in order to determine whether and how to proceed with the proposed transaction. In considering the information, the Board may seek further advice from appropriately qualified advisers and professionals as required.
- 4.12. A checklist of factors to be taken into consideration in determining whether a transaction is on arm's length is set out at Annexure 1 to this Policy. This checklist is not exhaustive.
- 4.13. The Group's Related Party Transactions Protocol sets out the details of the steps to taken in identifying a proposed related party transaction and submitting the transaction for approval by the Board.
- 4.14. Any person with a material personal interest in the proposed transaction must not be present for the discussion regarding the proposed transaction. Unless the Board has expressly invited an interested director to attend discussions, any director with a material personal interest in the transaction must leave the room while the matter is being considered and must not vote on the transaction.
- 4.15. In addition to the general conduct requirements outlined above:
- (a) where a Group entity is a responsible entity, trustee or manager, it must act in the best interests of the members of the relevant trust or scheme for which it acts as the trustee, responsible entity or manager or where a Group entity provides services to a client as a fiduciary, it must act in the best interests of the client for which it provides services to; and
  - (b) if a conflict exists between the interests of the members of a registered managed investment scheme and the interests of the Group, the relevant Group entity must give priority to the members' interests; and in exercising its powers and carrying out its duties, each Group entity is required to comply with requirements of the Corporations Act and ASIC Regulatory Guidance relating to the duties.

### Pre-Approved Transactions

- 4.16. The following transactions are considered "Pre-approved Transactions" and do not require notification to the Audit and Risk Committee or approval by the Board:
- reimbursement of director expenses incurred in performing director duties in accordance with the Group's policies, as amended from time to time;
  - payment of indemnities, insurance premiums and legal expenses incurred in performing director duties;



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- transactions in the ordinary course of business that do not exceed \$5,000 per annum in aggregate;
  - a benefit is given to the director in their capacity as a unitholder of HealthCo where the benefit does not discriminate unfairly against other unitholders of HealthCo;
  - a benefit is given as a result of a court order; and
  - any transactions with a closely-held subsidiary (as that term is defined in the Corporations Act).
- 4.17. For the avoidance of doubt, any Pre-approved Transaction must be consistent with any applicable provision of the Corporations Act.

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### 5. Review

- 5.1. The Audit and Risk Committee is responsible for reviewing the effectiveness of this Policy at least every two years and to make recommendations to the Board of any amendments to this Policy. This Policy may be amended by resolution of the Board.

August 2021

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### Annexure 1

#### Factors for Determining whether Transaction is at "Arm's Length"

|  | Yes | No |
|--|-----|----|
| 1. Is the transaction a Pre-approved Transaction?  |     |    |
| 2. How do the terms of the overall transaction compare with those of any comparable transactions on an arm's length basis?                               |     |    |
| 3. Are there any other options available to the Group? For example, has a process for tender occurred?   |     |    |
| 4. Has any expert advice been received by HealthCo (including any professional or expert advice from appropriately qualified advisers)?                  |     |    |
| 5. Are the terms of the proposed transaction fair to HealthCo and on the same basis that would apply if the transaction did not involve a related party? |     |    |
| 6. Are the terms of the proposed transaction on terms that are less favourable to the related party than arm's length?                                   |     |    |
| 7. Are there business reasons for HealthCo to enter into the proposed transaction?   |     |    |
| 8. Will the proposed transaction impair the independence of the relevant director?   |     |    |
| 9. What are the implications for the HealthCo's financial position and performance?  |     |    |
| 10. What is/was the nature and content of the deal process (include reference to any unique or unusual terms/content)?                                   |     |    |