

# US Select Private Opportunities Fund II

ARSN 162 057 089

Corporate Governance Charter

**RESPONSIBLE ENTITY:**

**WALSH & COMPANY**  
INVESTMENTS LIMITED

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***Walsh & Company Investments Limited***  
**(ACN 152 367 649)**  
**(AFSL 410 443)**

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## Definitions

<b>Act or Corporations Act</b>	Corporations Act 2001 (Cth)
<b>ASX</b>	Australian Securities Exchange operated by ASX Limited
<b>Board</b>	board of Directors
<b>Board Policy</b>	policy of corporate governance in relation to the Board contained in Section 2 of this charter
<b>CFO or Chief Financial Officer</b>	chief financial officer or equivalent officer of the Responsible Entity and the Fund
<b>Chairman</b>	chairman of the Board
<b>Charter</b>	this Corporate Governance charter contained in this document
<b>Code of Conduct</b>	the Fund's code of conduct as set out in Section 5 of this charter
<b>Compliance Committee</b>	the compliance committee appointed by the Responsible Entity for the purposes of Chapter 5C of the Corporations Act
<b>Fund</b>	US Select Private Opportunities Fund II (ARSN 162 057 089)
<b>Company Secretary</b>	secretary of the Responsible Entity of the Fund
<b>Constitution</b>	the constitution of the Responsible Entity or the Fund (depending on the context)
<b>Continuous Disclosure Policy</b>	the Fund's Continuous Disclosure Policy as set out in Section 2.13 of this charter
<b>Corporate Governance Recommendations</b>	the ASX Corporate Governance Council "Corporate Governance Principles and Recommendations" (as amended from time to time)
<b>Director</b>	director of the Responsible Entity of the Fund
<b>Executive</b>	an executive officer (whether or not a Director) involved in the strategic and operational management of the Responsible Entity and the Fund, including the Secretary
<b>General Meeting</b>	a general meeting of the Fund
<b>Insider Trading Policy</b>	the Fund's insider trading policy as set out in Section 7 of this charter
<b>Listing Rules</b>	the ASX Listing rules as amended from time to time
<b>Responsible Entity</b>	Walsh & Company Investments Limited (ACN 152 367 649) in its capacity as responsible entity to the Fund
<b>Unitholder</b>	holder of units in the Fund
<b>Unit Trading Policy</b>	the Fund's unit trading policy as set out in Section 6 of this document

**Corporate Governance Charter**  
**US Select Private Opportunities Fund II**  
**(ARSN 162 057 089)**

## **1. Introduction**

Corporate governance is a set of systems, policies and procedures which define the way in which entities – trust and companies alike – are governed. It establishes the objectives of an entity ensuring that administration and management is undertaken in a manner which is consistent with the interests of the entity's members. Additionally, it establishes a system for monitoring and evaluating the achievement of those objectives.

The Corporate Governance Recommendations define corporate governance as "the framework of rules, relationships, systems and processes within and by which authority is exercised and controlled in corporations".

Corporate governance policies will vary from entity to entity as there is no single system of corporate governance that is applicable to all entities. An entity must establish systems, processes and policies that help it achieve its objectives in light of the nature and size of that entity.

As a result, the Responsible Entity has adopted a number of policies to ensure that it has high-quality and transparent systems of corporate governance in place. These policies are incorporated in this Charter and are prepared in line with the Corporate Governance Recommendations which the Board recognises as best practice guidelines.

The Charter incorporates the following:

- (a) Board Policy – see Section 2
- (b) Conflicts Management Policy – See Section 3
- (c) Continuous Disclosure Policy – see Section 4
- (d) Code of Conduct – see Section 5
- (e) Unit Trading Policy – see Section 6
- (f) Insider Trading Policy – see Section 7
- (g) Risk Management Summary – see Section 8

## **2. Board Policy**

### **2.1. Introduction**

Directors will be appointed and removed in accordance with the Corporations Act and the Responsible Entity's Constitution.

The conduct of the Responsible Entity is governed primarily by the Fund's Constitution.

This policy aims to set out the practices that the Responsible Entity has established and to which the Board and each Director is committed. This policy is simply an aid to the Board and the Directors. In the course of undertaking its responsibilities, the Board at all times must act in a manner that is consistent with its duties and obligations as imposed by the Responsible Entity's Constitution and the Fund's Constitution, the Fund's Compliance Plan, the Listing Rules and by the law. Should there be any inconsistency between this policy and the Fund's Constitution, the Fund's Constitution shall prevail.

### **2.2. Responsibilities**

The Board is primarily responsible for ensuring that both the Responsible Entity and the Fund have appropriate corporate governance structures to:

- (a) ensure the creation and protection of shareholder (the Responsible Entity) and unitholder (the Fund) value; and
- (b) recognise the legitimate interests of stakeholders (both the Responsible Entity and the Fund).

The Board is responsible for the overall operation, strategic direction, leadership and integrity of the Fund and in particular, is responsible for the Fund's growth and profitability. In meeting its responsibilities the Board shall undertake the following functions:

#### *Strategic Direction*

- Providing and implementing the Fund's strategic direction.
- Directing and monitoring the Fund's performance against strategies and business plans.
- Approving and monitoring capital management and major expenditure and investments.

#### *Risk management and reporting*

- Reviewing and overseeing the operation of systems of risk management ensuring that the significant risks facing the Fund are identified, that appropriate control, monitoring and reporting mechanisms are in place and that risk is appropriately dealt with.
- Monitoring and appraising financial performance including the approval of annual and half year financial reports and liaising with the Fund's auditors.
- The Responsible Entity is responsible for preparing the declaration pursuant to Section 295A of the Corporations Act. Accordingly, the Board of the Responsible Entity will ensure that the Responsible Entity has put in place sound systems of risk management and internal controls and ensure that the systems are operating effectively in all material respects in relation to financial reporting risks.
- Ensure that Unitholders and the market are kept fully informed with timely and relevant information which is in accordance with the continuous disclosure provisions outlined in Section 4.

- Review the nature of the Fund to determine if it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it intends to manage those risks.

#### *Management*

- Monitoring and assessing the performance of the Responsible Entity and ensuring that their actions are consistent with corporate strategy.
- Ensuring that appropriate and effective remuneration packages and policies are implemented by the Fund.
- Monitoring and reviewing business results, outsourced service providers and the Board itself.
- Ensuring the Board is comprised of individuals who are best able to discharge the responsibilities of directors having regard to the law and the best standards of governance.

#### *Remuneration*

- If non-executive directors are appointed to the Board, the allocation and amount of remuneration for non-executive directors will be reviewed periodically every six months and will reflect market rates.

#### *Performance*

- Formation and monitoring of corporate governance policies and codes of conduct.
- Undertaking an annual performance evaluation of the Board in light of this Policy.
- Reviewing and overseeing internal compliance and legal regulatory compliance.

#### *Corporate governance*

- Ensuring compliance with the Fund's Constitution, the Responsible Entity's Constitution and with the continuous disclosure requirements of the Listing Rules and the Corporations Act.
- Communicating with and protecting the rights and interests of all Unitholders.

### **2.3. Board Composition**

The Board shall comprise of a minimum of 3 directors, 2 of which will be Australian residents. The Board must be comprised of members with expertise, experience and skill relevant to the business of the Fund.

The Board will determine the number of independent directors (if any) it considers appropriate based on the size, nature and complexity of the Fund's business at any given time.

### **2.4. Diversity**

The Responsible Entity and the Fund are committed to building a diverse workplace and developing policies to promote diversity to the extent appropriate for the size, nature and complexity of the Fund.

### **2.5. Independence**

The Corporate Governance Recommendations establish a number of factors that may be considered when assessing the independence of directors. The factors are whether a director:

- (a) is a significant member of the Fund or Responsible Entity or an officer of, or otherwise associated directly with, a significant member of the Fund or Responsible Entity;

- (b) is employed, or has previously been employed in an executive capacity by the Responsible Entity or another group member, and there has not been a period of at least 3 years between ceasing such employment and serving on the Board;
- (c) has within the last 3 years been a principal of a material professional advisor or a material consultant to the Responsible Entity or another group member, or an employee materially associated with the service provider;
- (d) is a material supplier or customer of the Responsible Entity or the Fund or other group member, or an officer or otherwise associated directly or indirectly with a material supplier or customer;
- (e) has a material contractual relationship with the Responsible Entity, another group member or the Fund other than as a Director.

These factors are only indicators of matters in which to assess the independence of a Director. The Board will assess the independence of each Director in light of the interests disclosed by them. The Board's assessment of the independence of Directors will be disclosed in the Fund's annual reports (to the extent deemed necessary).

## **2.6. Committees**

The Responsible Entity recognises the importance of establishing audit, risk, remuneration and nomination committees as good corporate governance in circumstances where appropriate for the size, nature and complexity of the Fund.

However, considering the size of the Responsible Entity and the Fund, the functions that would be performed by these committees are best undertaken by the Board. This is also in line with Corporate Governance Recommendations which recognise that "the ultimate responsibility of the integrity of a company's financial reporting rests with the full board".

The Board will review its view on these committees in line with the Corporate Governance Recommendations and in light of any changes to the size or nature of the Fund and if required may establish committees to assist it in carrying out its functions. At that time the Board will adopt a policy or charter for such committees in accordance with the Corporate Governance Recommendations and industry best practices. As a registered managed investment scheme, the Fund has a compliance plan that has been lodged with the Australian Securities and Investments Commission (ASIC). The compliance plan will be reviewed every year to ensure that the way in which the Fund operates protects the rights and interests of unitholders and that major compliance risks are identified and properly managed.

The Responsible Entity has formed a Compliance Committee to ensure the Fund complies with the relevant regulations and its constitution, and the compliance plan. The Committee will meet and report to the Board of the Responsible Entity on a quarterly basis.

## **2.7. Safeguard the Integrity of Corporate Reporting**

The Board has adopted a policy to ensure that it independently verifies and safeguards the integrity of the Fund's corporate reporting. The policy requires the Board to review:

- (a) the adequacy of the Fund's corporate reporting process;
- (b) whether the Fund's financial statements provide a true and fair view, of the financial position of the Fund;
- (c) the scope and adequacy of the external audit; and
- (d) the independence and performance of the external auditor

The appointment and removal of the external auditor of the Fund will be governed by the Compliance Plan adopted by the Fund and the requirements under the Corporations Act.

## **2.8. Appointment and Retirement**

### *Appointment*

The Board will consider the appointment of a Director as and when a vacancy arises in accordance with the following considerations:

- (a) the skills, expertise and experience of any proposed Director; and
- (b) the relevant and appropriateness of these skills, expertise and experience when compared to those of the current Board.

The terms and conditions of appointment must be recorded in a letter of appointment that is prepared in light of the Corporate Governance Recommendations.

The terms of appointment must be in accordance with the Responsible Entity's Constitution, Fund's Constitution, the Corporations Act and the Listing Rules.

Prior to making any formal offer, a potential Director must be given sufficient information about the Responsible Entity and the Fund to allow the potential Director to conduct his/her personal due diligence. The information will extend to non-public information and care must be taken to ensure confidentiality.

### *Retirement*

A Director must retire in accordance with the Corporations Act, the Listing Rules and the Responsible Entity's Constitution. A Director may be re-elected if the Constitution permits.

## **2.9. Induction and Information**

### *Induction Program*

The Secretary is responsible for arranging for the new Director to undertake an induction program to enable them to gain an understanding of:

- (a) the listed property trust sector and the Fund's investments;
- (b) the Fund's financial, strategic, operational and risk management position;
- (c) their rights, duties and responsibilities; and



- (d) any other relevant information.

As part of this induction program, a new Director will meet with all incumbent Directors (if this has not already taken place).

#### *Ongoing Information*

The Chairman, Directors, Financial Controller, the Executives, Secretary and any other key members of management must be conscious to ensure that updated information is provided to the Board in a timely fashion to enable them to effectively discharge their duties as Directors. This may be part of, or in addition to, the periodic Board and Compliance Committee reporting process.

Directors are entitled to request and receive such additional information as they consider necessary to support informed decision-making. Any Director has the authority to seek any information he/she requires from any Executive, employee or contractor of the Responsible Entity. Unless a conflict exists or to do so would be inconsistent with the Director's duties, Directors are to request such information via the Chief Executive Officer.

### **2.10. Advice, Unit Trading and Performance**

#### *Independent Advice*

In the performance of their duties as Directors, the Directors have a right to seek independent legal or other professional advice at the Fund's expense. Any Director seeking independent advice must first discuss the request with the Chief Executive Officer who will facilitate obtaining such advice.

#### *Director Unit Trading*

The Unit Trading Policy imposes restrictions on the trading of financial products (units) by people, including Directors with undisclosed price sensitive information. All Directors, Executive and senior management must follow that Policy.

#### *Performance*

The performance of Directors shall be assessed and reviewed by the Board. To determine whether it is functioning effectively, the Board shall:

- (a) review this Policy annually; and
- (b) perform an evaluation of the Board's performance at intervals considered appropriate.

### **2.11. Meetings and Company Secretary**

Board meetings shall be held in accordance with the Responsible Entity and the Fund's Constitution. The Secretary is responsible for circulating to the Board all board papers in advance of any proposed meeting.

### **2.12. Ethical standards and Unit Trading**

The Directors must perform their duties in line with the Fund's objectives and with the utmost integrity. Furthermore, the Directors must comply with the Code of Conduct, Unit Trading Policy and Insider Trading Policy as set out in Sections 5, 6 and 7 of this Charter.

### **2.13. Compliance with Laws**

The Responsible Entity must comply with (and ensures the Fund complies with) the Corporations Act, the Listing Rules as well as all other applicable laws, statutes and policies. Examples of applicable areas of regulation include:

- (a) Regulatory Guides and Practice Notes issued from time-to-time by the Australian Securities & Investments Commission;
- (b) occupational health & safety legislation;
- (c) employment related legislation;
- (d) anti-discrimination legislation; and
- (e) taxation legislation.

#### **2.14. Constitutions**

The Constitutions of the Responsible Entity and the Fund are key governance documents. The Board must ensure that it and the Responsible Entity and the Fund comply at all times with the provisions of their respective Constitutions.

#### **2.15. Compliance Plan**

The Compliance Plan is a key governance document. The Board must ensure that the Responsible Entity complies at all times with the provisions of the Compliance Plan.

### 3. Conflicts Management Policy

#### 3.1. Obligations of Financial Services Licensees:

Section 912A(1)(aa) of the Corporations Act requires licensees to have adequate arrangements for the management of conflicts of interest that may arise wholly, or partially, in relation to the 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.

The law does not distinguish between wholesale or retail investors in relation to the management of conflicts of interest. Consequently, this Policy will apply to all financial services provided by Responsible Entity as the responsible entity of the Fund.

#### 3.2. Defining Conflicts of Interest

The Australian Securities & Investments Commission has issued Regulatory Guide 181: Licensing: Managing Conflicts of Interest (RG 181). RG 181 defines "conflicts of interest" as:

*Circumstances where some or all of the interests of people (clients) to whom a licensee (or its representatives) provides financial services are inconsistent with, or diverge from, some or all of the interests of the licensee or its representative. This includes actual, apparent and potential conflicts of interest.*

#### 3.3. Objectives of this Policy

The main objectives of this Policy are to:

- (a) identify all potential or actual conflicts of interest that may arise in relation to the provision of financial services by the Responsible Entity and its directors, Executives, employees and representatives (**Officers**);
- (b) assess and evaluate any identified conflicts of interest so as to allow a decision to be made as to whether a particular conflict of interests is manageable or whether it must be avoided;
- (c) control and deal with any potential or actual conflicts of interest; and
- (d) adequately disclose conflicts of interest to Unitholders investing in the Fund so as to ensure that Unitholders are sufficiently informed to be able to assess whether a conflict may affect the independence or quality of the financial service provided.

#### 3.4. Conflict Management Principles

The Responsible Entity has adopted the following principles in relation to the management of conflicts of interest:

- (a) to act fairly and honestly towards Unitholders;
- (b) to endeavour to identify conflicts of interest;
- (c) to avoid conflicts of interest that may have materially detrimental consequences for the Responsible Entity and/or the Unitholders;
- (d) where a conflict of interest cannot be avoided and the Responsible Entity forms the view that the situation can be managed to prevent adverse consequences to Unitholders, make appropriate disclosure to Unitholders of that conflict;
- (e) to adopt and promote a culture within the Responsible Entity of conflict of interest awareness; and
- (f) to effectively manage conflicts of interest that arise within the Responsible Entity.

### **3.5. Conflict Management Procedures**

The Responsible Entity is committed to giving effect to these principles by:

- (a) compliance with this Policy;
- (b) compliance with other policies adopted by the Responsible Entity Board, including but not limited to:
  - (i) Code of Conduct;
  - (ii) Unit Trading Policy;
  - (iii) Continuous Disclosure Policy;
  - (iv) Unitholder Communications Policy;
- (c) appointing a Conflict Officer to attend to conflict of interest issues that arise on a day-to-day basis;
- (d) maintaining appropriate reporting to ensure the integrity of the conflicts of interest management process; and
- (e) reviewing annually the Responsible Entity's conflict of interest management arrangements.

### **3.6. Conflict Officer**

Unless otherwise determined by the Board, the Compliance Officer will assume the position of "Conflict Officer". The Conflict Officer is responsible for dealing with conflict of interest issues that arise within the Responsible Entity. The Conflict Officer reports at each the Compliance Committee meeting, which has the ultimate oversight of this Policy.

The Conflict Officer may consult any of the Directors or Secretary at any time in relation to any actual, apparent or potential conflicts of interest.

The Conflict Officer must make adequate inquiries of all Officers to identify whether any actual, apparent or potential conflicts of interest exist. These inquiries may be made at the discretion of the Conflict Officer and may be periodic or continuous, depending on the circumstances.

### **3.7. Officers**

Each Director, Executive and employee of the Responsible Entity and the Fund must be alert to and identify any actual, apparent or potential conflicts of interest and must immediately report any conflicts to the Conflict Officer.

### **3.8. Conflicts Register**

The Conflict Officer must maintain the Conflicts Register. The Conflicts Register must contain the following information in relation to each conflict (actual, apparent or potential) that is identified:

- (a) the date the conflict was identified;
- (b) the Officer involved;
- (c) the nature of the conflict (e.g. investment, personal dealing, gift, appointment etc);
- (d) the mechanism used to manage the conflict (e.g. control, avoid, disclose etc); and
- (e) the specific action taken in relation to the conflict (e.g. written conflict of interest disclosure given to the client etc).

The Conflicts Register will be maintained so that the conflict management arrangements are adequately documented. The Conflicts Register is to be tabled at each quarterly Compliance Committee Meeting.

### **3.9. Records on Management of Conflicts of Interest**

Records on compliance with conflict of interest management arrangements must be kept for seven years and must include:

- (a) actions taken about particular conflicts of interest;
- (b) breaches of the Responsible Entity's conflict management arrangements;
- (c) reports, including the Conflict Register, to the Compliance Committee (and the Board) about conflict matters; and
- (d) conflict disclosure to the Responsible Entity Unitholders and/or to the public.

### **3.10. Reporting**

The Conflict Officer must provide a compliance report to the Compliance Committee (in accordance with the Compliance Plan):

- (a) confirming that, subject to any specified exceptions or as otherwise disclosed, the Conflict Officer is not aware of any material non-compliance with this Policy; and
- (b) based on the information recorded in the Conflicts Register and any other particulars known to the Conflict Officer, setting out in reasonable detail:
  - (i) the nature of any areas of material non-compliance with the Conflicts Management Policy;
  - (ii) the mechanism used to manage each conflict; and
  - (iii) the specific action taken in relation to each conflict.

### **3.11. Questions**

Any questions relating to the interpretation or enforcement of this Policy should be forwarded to the Secretary.

## 4. Continuous Disclosure Policy

### 4.1. Introduction

The objective of the continuous disclosure policy is to ensure that the Responsible Entity and the Fund comply with the continuous disclosure obligations under the Corporations Act and the Listing Rules. Additionally, this policy aims to:

- (a) ensure that Fund information is distributed to Unitholders and the market in a timely manner;
- (b) to promote investor confidence in the integrity of the Responsible Entity and the Fund and its securities; and
- (c) to generally promote investor protection and protection of the market.

### 4.2. Continuous Disclosure

An ASX listed managed investment scheme, the Fund is subject to the continuous disclosure requirements under the Corporations Act and the Listing Rules, in addition to the periodic and specific disclosure requirements in the Listing Rules.

The continuous disclosure obligation is contained in Listing Rule 3.1 and states that the continuous disclosure obligation “will be breached by an issuer who intentionally, recklessly or negligently fails to notify the Exchange of information that:

- (a) is not generally available; and
- (b) a reasonable person would expect, if it were generally available, to have a material effect on the price or value of its securities.

Contravention of continuous disclosure obligations can extend to a person (director or executive) who is involved in a contravention of the continuous disclosure regime by a disclosing entity.

### 4.3. Disclosure exception

The continuous disclosure obligation is not applicable where:

- (a) a reasonable person would not expect the information to be disclosed;
- (b) the information is confidential and ASX has not formed the view that the information has ceased to be confidential;
- (c) one or more of the following applies:
  - (i) it would be a breach of a law to disclose the information;
  - (ii) the information concerns an incomplete proposal or negotiation;
  - (iii) the information comprises matter of supposition or is insufficiently definite to warrant disclosure;
  - (iv) the information is generated for internal management purposes of the Fund;
  - (v) the information is a trade secret.

To rely on the exception, the above 3 requirements must be satisfied. Should one of the exceptions no longer be applicable then the Fund can no longer rely on these exceptions and must disclose the information immediately to the market.

#### **4.4. Compliance**

The Fund will ensure compliance with this policy and will disclose:

- (a) price sensitive information to the ASX as soon as it becomes aware of that information;
- (b) ensure that the information is not false, misleading or deceptive so as to avoid creating what would constitute a false market; and
- (c) ensure that the information is disclosed clearly (expressed objectively), accurately and is complete.

In doing so the Fund will ensure compliance with Listing Rule 3.1 that requires the information be made available to the ASX before a public announcement is made.

#### **4.5. Price Sensitive Information**

The Fund will ensure that all price sensitive information is released to the market in accordance with the Listing Rules and in accordance with the Announcements Procedure in Section 4.9 of this Policy.

Price sensitive information is information that if the information were publicly available a reasonable person would expect to have a material effect on the price or value of the Fund's securities.

Price sensitive information includes information relating to a takeover bid or a merger, proposed acquisition or disposal of a material asset, material variations in earnings or profits from previously published forecasts, a material change to the business plan, loss of a material contract and major litigation.

#### **4.6. Loss of Confidentiality**

Where confidentiality is lost as a result of a specific rumour or media comment then the Fund will respond to media speculations to the extent that such responses are required to correct or prevent a false market. In determining whether confidentiality is lost the Fund will look at previous announcements it had made and will consider any likely reaction of the market or particular investors to such speculation.

#### **4.7. Administering Corporate Governance Compliance**

This policy will be administered by the Board of the Fund and key personnel as follows:

- (a) the Board will be involved in reviewing significant ASX announcements and ensuring and monitoring compliance with this policy;
- (b) the Secretary will be responsible for the overall administration of this policy and all communications with the ASX; and
- (c) other employees will report any material price sensitive information to the Secretary and they will observe the Fund's no comments policy as set out below.

#### **4.8. Secretary**

The Secretary is responsible for the overall administration of this policy particularly:

- (a) ensuring that the Fund is compliant with its disclosure obligations;
- (b) all communications with the ASX;
- (c) reviewing proposed announcements and consulting with the Board and other advisors as necessary;

- (d) implementing reporting processes for materiality of information;
- (e) reporting on continuous disclosure issues regularly to the Board;
- (f) keeping a record of ASX announcements;
- (g) monitoring and reporting to the Board on the effectiveness of this policy in light of the ASX recommendations; and
- (h) regularly reviewing this policy in light of legislative changes or other developments.

#### **4.9. Announcements Procedure**

The Fund's announcements to the ASX will be managed in accordance with the following procedure:

- (a) as soon as an employee becomes aware of any price sensitive information the Board or the Secretary is to be notified;
- (b) the Secretary will review and assess that information and determine whether it needs to be disclosed or whether it needs to be further discussed with the Board;
- (c) if an announcement of price sensitive information is required the Secretary will prepare a draft announcement;
- (d) the Secretary will provide the draft announcement to the Board for approval;
- (e) following the approval of an announcement of price sensitive information by the Board, the Secretary will then lodge the announcement with the ASX electronically; and
- (f) after receiving acknowledgement from the ASX that the announcement has been released the Secretary will ensure the announcement is accessible from the Fund's website.

#### **4.10. No Comments Policy**

The Fund has adopted a "no comments" policy in relation to any market speculation or rumours and this policy must be observed by all Executives and Responsible Entity employees at all times. In light of this, the Fund may issue an announcement in response to a market speculation or rumour where it is necessary to do so to eliminate the possibility of a false market or contravention of the Listing Rules.

Where an Executive or employee is approached by the media or any analysts or other external parties with respect to providing any information about the Fund the general policy to be observed is a "no comments" policy and that employee will notify the Secretary as soon as possible.

As part of the Responsible Entity's management of investor relations it may conduct briefings with analysts or investors from time to time.

However, the Responsible Entity's policy for conducting these briefings will be to ensure that no material price sensitive information is announced prior to it being announced to the market. No briefing will be held during the pre-results periods. In addition, a procedure will be in place for the conduct of the briefings which will include that at any briefing 2 employees of the Responsible Entity must be present, notes of the briefing must be kept by an employee attending and any information to be used at briefings must be signed off by at least 2 Directors prior to the briefing.

Where in the course of a briefing a question is raised that refers to price sensitive information that has not been previously disclosed, the Executive or employee must decline to answer the question but take the question on notice and advise the Board and the Secretary of the question.



#### **4.11. Responding to Analyst Reports and Forecasts**

If a draft report about the Fund has been sent to the Responsible Entity for comments the report should be forwarded directly to the Secretary. The Fund will not endorse any reports, and will restrict any comments to factual matters and matters which have been previously disclosed to the ASX.

See the Insider Trading Policy for further details.

#### **4.12. Trading Halts**

The Fund in certain circumstances may need to request a trading halt from the ASX. The Chief Executive Officer in consultation with the Board will make decisions in relation to trading halts and the only personnel authorised to request a trading halt on behalf of the Fund will be the Chief Executive Officer and the Secretary.

#### **4.13. Advisors**

To ensure compliance with its listing obligations, the Fund may from time to time require advisors to advise on its adherence to this policy.

#### **4.14. Contravention of Policy**

Non-compliance with the continuous disclosure obligations may constitute a breach of the Corporations Act and the Listing Rules. This may result in fines for the Fund, personal liabilities for Directors and other officers and damage to the Responsible Entity's and the Fund's reputation. The Fund and the Responsible Entity take continuous disclosure very seriously and will not tolerate any deviation from this policy by any employee and will take disciplinary action against any employee where a contravention arises. Disciplinary action may include dismissal.

#### **4.15. Unitholder Communications**

The Board aims to keep Unitholders informed of all major developments affecting the Fund's activities and its state of affairs through announcements to the ASX, releases to the media and dispatch of financial reports. All such announcements and information relating to the Fund's governance are also placed on the Fund's website at <http://www.usmastersresidential.com.au/index.htm>.

These include:

- (a) monthly net tangible asset backing announcements;
- (b) quarterly updates;
- (c) the half year report;
- (d) the full year report;
- (e) the annual report;
- (f) the notice of annual general meeting, explanatory memorandum and the Chairman's/Chairmen's address;
- (g) ASX announcements made to comply with the Fund's continuous disclosure requirements; and
- (h) occasional correspondence sent to Unitholders on matters of significance to the Fund.

The Board encourages full participation of Unitholders at any General Meeting of unitholders to ensure a high level of accountability and identification with the Fund's strategy and goals. Unitholders who are unable to attend the Annual General Meeting are given the opportunity to provide questions or comments ahead of the meeting. Where appropriate, these questions are answered at the meeting.

**4.16. Ethical Standards/Business Conduct**

The Fund actively promotes a set of values designed to assist all personnel in their dealings with each other, competitors, customers and the community. The Fund has adopted a Code of Conduct policy which is set out in this Charter.

The Fund has also adopted a Unit Trading Policy, which is also set out in this Charter.

## 5. Code of Conduct

### 5.1. Introduction

The Fund and the Responsible Entity are committed to maintaining ethical standards in the conduct of its business activities. The Fund's reputation as an ethical business organisation is important to its ongoing success and it expects all its officers and employees to be familiar and have a personal commitment to meeting these standards.

### 5.2. Purpose of this Code

The Board has adopted this Code of Conduct (**Code**) to define basic principles of business conduct of the Fund and the Responsible Entity. This Code requires officers and employees to abide by the policies of the Fund and to the law. The Code is a set of principles giving direction and reflecting the Fund's approach to business conduct and is not a prescriptive list of rules for business behaviour.

### 5.3. Business Ethics

- (a) Executives and employees will conduct themselves with openness, honesty, fairness and integrity in business transactions and in dealings with others.
- (b) Executives and employees are expected to treat everyone else with whom they interact in their work with courtesy and respect.
- (c) Executives and employees will act ethically in their approach to business decisions.
- (d) Executives and employees are expected to comply with all laws that govern the Responsible Entity's and Fund's businesses and the policies that those entities adopt from time to time.

### 5.4. Business Conduct

Executives and employees will observe appropriate principles of behaviour when conducting Fund business and interacting with others as representatives of the Responsible Entity and/or the Fund.

- (a) Directors, Executives and employees will act in compliance with all laws that apply to the Responsible Entity's or Fund's business. Directors, Executives and employees should discuss with their and if necessary obtain the consent of the Secretary or the Chief Executive Officer to seek advice from one of the Fund's legal advisors if they are unclear about any laws relating to their work.
- (b) Any trading of the Fund's units must be done in accordance with the Unit Trading Policy.
- (c) Each Executive and employee is responsible for protecting the Responsible Entity's or the Fund's intellectual property rights. All intellectual property that an employee or contractor generates in relation to the Fund is the property of the Fund.

### 5.5. Personal and Professional Conduct

- (a) The Fund has stringent financial accounting procedures that are overseen by management, the audit committee and the external auditor. The use of the Fund's money or assets for any unethical purpose is prohibited.
- (b) Neither the Fund nor the Responsible Entity allows the making of payments or payments "in kind" (gifts, favours etc) to induce individuals to award business opportunities to the Fund or to make a decision in the Fund's favour. This activity is prohibited by the Criminal Code Act 1995. The Fund recognises that it is accepted business practice that entertainment and small gifts may be extended to third parties with whom the Fund has a relationship. However, any such gifts must be made for a proper purpose.

- (c) Officers and Executives should not accept personal gifts or extraordinary hospitality, accommodation or travel which may influence, or appear to influence, a business decision.
- (d) The Fund expects to compete fairly and ethically for all business opportunities. Executives and employees involved in the negotiation of agreements and contracts must ensure that they act in accordance with the law. All appropriate approvals must be obtained before contracts are executed. The Fund is committed to meeting its contractual obligations.
- (e) Executives and employees may not at any time, directly or indirectly, profit from confidential information obtained during the course of duties they perform in relation to the Fund. Each Executive and employee must safeguard confidential information of the Fund by not transferring, publishing, using or disclosing it other than when necessary in the ordinary course of business, or as specifically directed or authorised. All confidential or proprietary information that has been entrusted to the Fund by a third party must be treated as if it was the Fund's confidential information.
- (f) Public statements have the potential to breach the Fund's obligations in respect to confidential information, unit trading and continuous disclosure. Officers and employees should not make public statements unless authorized by the Chief Executive Officer or Secretary.
- (g) A safe and healthy work environment is the responsibility of every employee. This obligation includes responsible behaviour with respect to the use of alcohol, drugs and tobacco when conducting Fund or Responsible Entity business and at sponsored activities. Smoking and the use of recreational or non-prescription drugs is not permitted on the Responsible Entity's premises.
- (h) Information should not be gained through unlawful or deceitful means.
- (i) All Executives and employees have an obligation to seek to avoid financial, business or other relationships which might be opposed to the interests of the Fund or which may conflict with the performance of their duties. Where an employee or Executive has any doubt about conflicts of interest, the employee or officer should contact the Secretary.
- (j) Executives must use all assets of the Fund for proper purposes during their employment. No property of the Fund may be sold, loaned, given away, or otherwise disposed of, without proper authorisation.
- (k) The Fund's email and internet systems have been developed to assist communication with customers, suppliers and between staff. These facilities may not be used for personal gain or in a manner which may breach the law or is inappropriate for an officer or employee of the Fund.

## **5.6. Respect for Others**

The Fund actively supports the principle of equal employment opportunity and expects its officers and employees to practise and support this principle. The Fund's policy is to ensure that it does not engage in discriminatory practices and to make employment and career decisions on the basis of each individual's ability, performance, experience and the Fund's requirements.

The Responsible Entity and the Fund regards personal, physical or sexual harassment as unacceptable. The Responsible Entity expects and requires its officers and employees to comply with Occupational Health and Safety laws and relevant policies.

The Fund's partners, customers and suppliers will be treated fairly and with respect. The Fund strives to maintain open and frank business dealings and to develop mutually advantageous relationships.

## **5.7. Improper Behaviour**

Employees and Executives are encouraged to contact the Secretary where the employee or officer has a reason to suspect that any fraudulent or unethical behaviour has occurred.

**5.8. More information**

An employee or Executive requiring further information regarding any aspect of this Code should contact the Secretary.

## 6. Unit Trading Policy

### 6.1. Unit Trading Policy

The Board has established the following policy to apply to trading in the Fund's units on the ASX. This policy applies to those persons defined below as Restricted Persons of the Fund.

Restricted Persons to whom this policy applies must restrict their buying and selling of Fund's units within the Fund trading window established by this policy.

In addition to the requirements of this Unit Trading Policy, all Restricted Persons (as defined below) must also comply with the Insider Trading Policy in Section 6 below.

### 6.2. Executive restrictions on trading

This Unit Trading Policy and the restrictions on trading in units of the Fund set out below applies to the following representatives of the Fund (**Restricted Persons**):

- (a) the Board;
- (b) Directors and Secretary of any entity controlled by the Fund;
- (c) any person who is entitled to receive equity performance rights and/or options as part of any equity incentive based scheme of the Fund;
- (d) the Secretary; and
- (e) Executives.

The Restricted Persons are to be subject to restrictions on trading in the Fund's units at certain times of the year. Restrictions also apply where any Restricted Person is exposed to inside information in the course of their duties in accordance with the Insider Trading Policy (see Section 7).

### 6.3. Associated Parties

Each Restricted Person has a personal responsibility to ensure that his or her "associated parties" (being immediate family (including a spouse (or equivalent) or dependent), family company or trust) complies with the same respective restrictions as apply to Restricted Persons.

### 6.4. Prohibition on Executives dealing in units

In addition to the overriding prohibition on dealing when a person is in possession of inside information in accordance with the Insider Trading Policy, Restricted Persons and their associated parties are prohibited (unless otherwise agreed to by the Board) from dealing in units during:

- (a) each period between the end of the annual reporting period and 48 hours immediately after the date upon which the Fund releases its annual financial statements to the ASX;
- (b) each period between the end of the half yearly reporting period and 48 hours immediately after the date upon which the Fund releases its half-yearly financial statements to the ASX;
- (c) each period of 30 days immediately prior to the intended date upon which the Fund holds a Unitholders meeting;
- (d) the first 14 calendar days of each month, prior to the announcement of the Fund's NTA and
- (e) each period 48 hours immediately after the date upon which the Fund issues an ASX announcement of the Fund's financial results or the holding of a Unitholders' meeting.

For the avoidance of doubt, it is emphasised that Restricted Persons may not deal at any time whilst in the possession of “inside Information”.

#### **6.5. Board of Directors’ discretion**

The Board has an absolute discretion to place an embargo on Restricted Persons and/or employees and /or their respective associated parties trading in the Fund’s units at any time.

#### **6.6. Notification rules in relation to dealing in units**

Restricted Persons are required to notify the Fund of intended dealings in units, by themselves or their associated parties, of the Fund prior to such intended dealings. This should be done by written notice to the Secretary outlining:

- (a) name of unitholder;
- (b) type of proposed transaction (purchase, sale, etc.); and
- (c) number of units involved.

The Secretary may confer with the Chairman of the Board in relation to any proposed dealing.

#### **6.7. Directors to notify ASX of unitholding**

The Directors of the Fund are required to complete, or request that the Secretary complete necessary forms to the Fund to be filed with the ASX in respect of their unitholding in the Fund for the purposes of section 205G of the Corporations Act and the Listing Rules.

#### **6.8. Exceptional Circumstances**

Where, in exceptional circumstances, and it is the only reasonable course of action available to a Restricted Person (e.g. a pressing financial commitment that cannot be satisfied otherwise) clearance may be given for the Restricted Person to sell (but not to purchase) units in the Fund when that person would otherwise be prohibited from doing so.

In this section 6.8, “exceptional circumstances” means severe financial hardship, a court order (or court enforceable undertaking), or some other overriding legal or regulatory requirement, to transfer or sell units in the Fund, or other circumstances that may be deemed exceptional by the Board. For example, a Restricted Person may be in severe financial hardship if he or she has a pressing financial commitment that cannot otherwise be satisfied.

The Board may not give clearance under the exception in section 6.8 if there is a matter about which there is inside information in relation to units in the Fund (whether or not the Restricted Person knows about the matter) when the Restricted Person requests clearance or proposes to deal in units in the Fund.

The Board will decide if circumstances are exceptional.

#### **6.9. Any clearance given by the Board in accordance with section 6.8 must be in writing (which may be in the form of an email). The Board must determine, and specify in the written clearance, the maximum duration of the clearance. Trading not subject to this Trading Policy**

The following dealings are not subject to the provisions of this Unit Trading Policy in respect of the Fund:

- (a) undertakings or elections to take up entitlements under a rights issue or other offer (including an offer of units in lieu of a cash dividend);

- (b) the take up of entitlements under a rights issue or other offer (including an offer of units in lieu of a cash dividend);
- (c) allowing entitlements to lapse under a rights issue or other offer (including an offer of units in lieu of a cash dividend);
- (d) the sale of sufficient entitlements to allow take up of the balance of the entitlements under a rights issue;
- (e) undertakings to accept, or the acceptance of, a takeover offer or pursuant to a scheme of arrangement implemented in accordance with section 411 of the Corporations Act;
- (f) transfer of units arising out of the operation of an employee scheme into a savings scheme investing only in securities of the Fund following:
  - (i) the exercise of an option under a savings related units option scheme; or
  - (ii) release of units from a profit sharing scheme;
- (g) the cancellation or surrender of an option under an employee scheme;
- (h) the purchase of units or the communication of information pursuant to a requirement imposed by law;
- (i) transfers of units by an independent trustee of an employee units scheme to a beneficiary who is not a person;
- (j) bona fide gifts to a Director by a third party;
- (k) transfers of securities of the entity already held into a superannuation fund or other saving scheme in which the Restricted Person is a beneficiary;
- (l) an investment in, or trading in units of, a fund or other scheme (other than a scheme only investing in the securities of the entity) where the assets of the fund or other scheme are invested at the discretion of a third party;
- (m) where a Restricted Person is a trustee, trading in the securities of the entity by that trust provided the Restricted Person is not a beneficiary of the trust and any decision to trade during a prohibited period is taken by the other trustees or by the investment managers independently of the restricted person; and
- (n) trading under an offer or invitation made to all or most of the security holders, such as, a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the board. This includes decisions relating to whether or not to take up the entitlements and the sale of entitlements required to provide for the take up of the balance of entitlements under a renounceable pro rata issue.



## 7. Insider Trading Policy

### 7.1. Policy

The Board has established the following Insider Trading Policy to apply to trading in the Fund's units on the ASX.

This policy applies to all Directors, Executives and employees of the Responsible Entity. All Directors, Executives and employees of the Responsible Entity must not deal in the Fund's units while in possession of price sensitive information.

In addition, the general Unit Trading Policy (see Section 6) sets out additional restrictions which apply to Directors and Executives of the Responsible Entity.

The law imposes a number of significant restrictions on employees of the Responsible Entity when they deal in the Fund's units. As fiduciaries, these persons must not utilise their position for their own gain or for the gain of any person other than the Fund.

The Corporations Act imposes severe penalties (both criminal and civil) on persons who conduct insider trading activities. Any perception of improper conduct by employees of the Fund also has the potential to substantially damage the Fund's reputation.

The Fund has established the policy set out in Section 7 of this charter in an effort to prevent the incidence of insider trading in the Fund's units. The policy provides a general summary of the law in Australia in relation to insider trading, and as such operates in addition to the legal requirements. It is the personal responsibility of each Director, Executive and employee to comply with this policy.

### 7.2. Overview of the insider trading provisions in the Corporations Act

It is illegal for anybody to deal in any units of a body corporate (including the Fund), when in possession of information that the person knows, or ought reasonably to know:

- (a) is not generally available (including information that the Fund has not disclosed to the market in accordance with the Fund's Continuous Disclosure Policy); and
- (b) might have material effect on the price or value of those units if it was generally available (**Inside Information**).

This prohibition extends to procuring another person to deal, and, in the case of units of listed entities, extends to communicating the inside information to another person, if the person knows, or ought reasonably to know, that the other person would, or would be likely to, deal in the units in question or procure another person to do so.

To communicate Inside Information to another person is also an offence which carries both civil and criminal penalties.

An employee or officer in possession of Inside Information about the Fund has a duty to keep that information confidential and must not in any way disclose or communicate that information to any person.

### 7.3. Dealing with security analysts, institutional investors and journalists

An employee or officer may be exposed to others outside the Fund such as security analysts, institutional investors and journalists. It is important that all Directors, Executives and employees be aware that selective disclosure of non-public information may result in a breach of the insider trading rules.

It is important to emphasise that it is the mere fact of conveyance of the material non-public information that gives rise to liability, not the manner in which it is conveyed.

It is possible to convey information in breach of this policy and the Corporations Act by expressing subjective attitudes about the Fund's performance or by calling attention to selective information not available as an aggregate to the general public. It is essential to avoid the indirect conveyance of information by any means whatsoever.

If during the course of a discussion with any analyst, journalist or other outsider, material non-public information concerning the Fund is disclosed, inadvertently or otherwise, the recipient of the information should be informed of its non-public nature and cautioned against its use unless and until the Fund has made full public disclosure of the information. The Secretary should be notified of the situation immediately so that a decision can be made regarding disclosure of the information.

No public comments should be made regarding any previously undisclosed operating results or other developments unless authorised by the Responsible Entity.

## 8. Summary Of Risk Management System

### 8.1. Policy

This is a summary of the policy and procedures of compliance and risk management for the Responsible Entity and the Fund.

This policy, as modified from time to time, will be presented to the Board or relevant committee. This document may be amended with the approval of the Compliance Officer.

### 8.2. Objective

The purpose of this policy and related procedures is to establish a system that will endeavour to minimise the risk of failure to comply with laws or regulations impacting on the business activities of the Responsible Entity. Furthermore, the purpose is to establish a system for identifying and managing risks attendant with those business activities.

This policy and related procedures have been developed to demonstrate fulfilment of the responsibilities of the Responsible Entity for its Australian Financial Services Licence (**AFSL**). These responsibilities are to establish:

- (a) compliance measures to ensure, as far as reasonably practicable, that it will comply with its licence
- (b) conditions and the financial services laws; and
- (c) a risk management system.

### 8.3. Application

This policy and related procedures apply to all staff and employees of the Responsible Entity. They also apply to all agents and contractors to the extent permitted by the contracts and the natures of those relationships.

### 8.4. Commitment

The Board is committed to implementing and maintaining an integrated compliance and risk management system. The application of this policy and procedures evidences this commitment.

The Board is ultimately responsible for the Fund's compliance performance and for the Fund complying with its Compliance Plans and relevant laws.

Furthermore, in relation to the Fund, a Compliance Committee (**Committee**) has been appointed by the Responsible Entity consisting of a majority of external members. The duties of the Committee are set out in subsection 601JC(1) Corporations Act, which are:

- (a) to monitor to what extent the Responsible Entity complies with the scheme's compliance plans and to report on its findings to the Board;
- (b) to report to the Board:
  - (i) any breach of the Corporations Act involving a scheme: or
  - (ii) any breach of the provisions included in a scheme's constitution of which the Committee becomes aware or that it suspects; and
- (c) to report to the ASIC if the Committee is of the view that the Responsible Entity has not taken, or does not propose to take, appropriate action to deal with a matter reported under paragraph (b); and

- (d) to assess at regular intervals whether the schemes' compliance plans are adequate, to report to the Board on the assessment, and to make recommendations about any changes that it considers should be made to the plans.

The formation of the Committee evidences the commitment of the Responsible Entity to implementing this policy in relation to the Fund.

Reports on the implementation, effectiveness and review of the compliance and risk management system will be presented to the Committee on a regular basis.

### **8.5. Management Responsibility**

The Compliance Officer will be responsible for reflecting the commitment of the Board to all staff and agents engaged by the Responsible Entity. Furthermore, the CEO will be responsible for overseeing the implementation of these procedures and for engendering an organisational culture that will support the compliance and risk management objectives of the Board.

Directors and staff will be responsible, and held accountable, for the compliance performance and risk management of the business activities of which they have control.

It is therefore incumbent on managers to provide staff with training or information on this policy and related procedures. It is incumbent on both staff and managers to consider this policy and procedures when undertaking their duties.

### **8.6. Resources**

The Board will ensure that adequate resources will be made available to support the integrated compliance and risk management system. A Compliance Officer will be appointed by the Responsible Entity to implement this system. The Compliance Officer may be engaged either as an employee or as a contractor.

The Compliance Officer will report to the Board. However, if necessary, the Compliance Officer may approach the Board and Compliance Committee directly.

### **8.7. Continuous Improvement**

The Board is committed to a philosophy of continuously improving its compliance and risk management system. This will be achieved by:

- (a) the Compliance Officer keeping abreast of best practices;
- (b) fostering a compliance and risk awareness culture within the Responsible Entity;
- (c) undertaking specific training and retraining of staff to foster compliance and risk awareness;
- (d) encouraging innovation in compliance and risk management development, procedures and processes; and
- (e) recognising exemplary compliance behaviour by teams and individuals within the Responsible Entity.