

APN | Property Group

Corporate Governance Statement

APN Property Group
August 2017



CORPORATE GOVERNANCE STATEMENT

This is the corporate governance statement for APN Property Group Limited (**APN PG or Company**) for the financial year ended 30 June 2017 (**Reporting Period**). This statement outlines the main corporate governance practices in place throughout the Reporting Period, which comply with the recommendations set by the ASX Corporate Governance Council (Corporate Governance Principles and Recommendations 3rd Edition) (**Recommendations**), unless otherwise stated.

Company policies, charters and codes referred to in this Statement are available on the Company's website at <http://apngroup.com.au/about-us/governance/>

This statement was approved by the Board on 16 August 2017.

Overview

The APN Property Group (**APN Group**) comprises a number of entities including its wholly owned subsidiary, APN Funds Management Limited (**APN FM**). APN FM is the Responsible Entity and/or Trustee for the managed investment schemes currently operated by APN.

The boards of APN PG and APN FM operate independently of each other.

- The board of APN PG (Board) comprises five directors, including the Chief Executive Officer, who collectively have a relevant interest in over 35% of the issued capital of the Company. The Board is responsible for the overall management of the Company and of the APN Group and is strongly focussed on serving the interests of all stakeholders.
- The board of APN FM comprises four Directors, three of whom are independent, including an independent chair, each of whom have a legal obligation to put the interests of investors in the funds for which APN FM is responsible entity and/or trustee of ahead of their own and those of APN FM's sole shareholder, APN PG.

The Board considers that separation of the boards ensures that the responsibility for managing the interests of shareholders in the Company is completely independent of managing the interests of the APN funds and their respective investors. The separation also assists in enhancing the identification and management of conflicts of interest and related party transactions within the APN Group.

Through its directors, executives and staff, the Company is committed to the highest standards of governance. The corporate governance framework incorporates the requirements of market regulators, adopted codes and charters, documented policies and procedures and guidance from industry best practice. These policies and practices remain under regular review as the corporate governance environment and good practices evolve.

PRINCIPLE 1: Lay solid foundations for management and oversight

1.1 Roles and responsibilities of the Board and Management

The Board has adopted a Charter that details the functions and responsibilities of the Board. The Board is responsible for the overall management of the Company and of the APN Group including the determination of the APN Group's strategic direction. The Board has expressly reserved its powers in relation to certain matters, and has delegated its powers in relation to other matters to management. Any delegations by the Board to management are done in accordance with a formal Delegated Authority Policy or otherwise by way of a resolution of the Board.

The Board reserves its powers and responsibilities in relation to matters including, but not limited to:

- Oversight of the APN Group, including its control and accountability systems;
- Setting the aims, strategies and policies of the APN Group, in particular in respect of:
 - the direction of the APN Group's property funds management business (including the establishment of new funds from time to time); and
 - the decisions to co-invest in APN funds;

- Appointing and removing the Managing Director/Chief Executive Officer of APN (or equivalent); and where appropriate, ratifying the appointment and the removal of senior executives of APN including, but not limited to, the Chief Financial Officer (or equivalent) and Company Secretary;
- Monitoring senior management's performance;
- Providing input into and final approval of management's development of corporate strategy and performance objectives for the APN Group;
- Monitoring the implementation of corporate strategy and ensuring that appropriate resources are available;
- Reviewing, ratifying and monitoring systems of risk management / internal compliance and control, codes of conduct and legal compliance for the APN Group;
- Approving and monitoring the progress of major capital expenditure, financial reporting, capital management and acquisitions and divestitures within the APN Group; and
- Approving and monitoring financial and other reporting obligations of entities within the APN Group.

The Board delegates its powers and responsibilities in relation to matters including, but not limited to:

- The day to day operation of the APN Group;
- Implementing the decisions and determination of the Board.

1.2 Election and re-election

Prior to appointing a director or putting a new candidate forward for election, the Company undertakes appropriate checks in relation to the candidate's experience, education, criminal history and bankruptcy history.

When presenting a director for re-election, the Company provides shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director, including whether the Board supports the re-election.

1.3 Appointment

The Board has adopted a letter of appointment that contains the terms on which Non-Executive and Independent Directors are to be appointed, including the basis upon which they will be indemnified by the Company. Non-Executive and Independent Directors are entitled to take independent advice at the cost of the Company in relation to their role as members of the Board. Executive Directors and Senior Executives are appointed under a written agreement which sets out the terms of their appointment including their roles and responsibilities, including where applicable, the basis upon which they will be indemnified by the Company.

1.4 Company Secretary

The Company Secretary is accountable directly to the Board, through the Chair, for all governance matters to do with the proper functioning of the Board.

1.5 Diversity Policy

The Company recognises the benefits to be gained from a diverse workforce where the differing skills, perspectives and experiences of individuals from different backgrounds can lead to more innovative and efficient business practices. The Company is committed to facilitating an environment in which the principles of diversity are embedded in the culture and systems of the organisation and where every individual has the opportunity to excel.

The Board adopted the following measurable objectives for the Reporting Period:

- The selection process for Board appointments, having regard for the need to maintain an appropriate mix of skills, experience, expertise and diversity will consider at least one female candidate wherever reasonably possible;
 - ✓ No new Board appointments in the period.
- The selection process for senior management* appointments, having regard for the need to maintain an appropriate mix of skills, experience, expertise and diversity will consider at least one female candidate wherever reasonably possible;

- ✓ One new senior management* appointment was made in the financial year, this was an internal promotion of a female manager (29%).
- The process for recruitment of new employees, having regard for the skills and expertise required for the role, will consider at least one female candidate wherever reasonably possible;
 - ✓ 12 new appointments were made during the year of which 5 (42%) were female.
- Flexible work arrangements to balance family and other commitments with the role will continue to be considered for all employees, where the requirements of the role permit;
 - ✓ Flexible work arrangement have been agreed with a number of employees in relation to family balance, maternity needs and illness.
- The Diversity Policy is available to all employees at all times;
 - ✓ The policy is available on APN 's external and intranet website and as such is available to all staff at all times.
- All employees responsible for employment and promotion of employees will be reminded of the Diversity Policy and these objectives at least annually; and
 - ✓ Employees were reminded on each occasion of a new appointment.
- Mentoring support to be available to all staff
 - ✓ Employees were advised during the period that mentoring support was available to all staff.

As at 30 June 2017 the proportion of men and women of the Company was;

	Men	Women
Board of APN Property Group Limited	100%	Nil
Board of APN Funds Management Limited	75%	25%
Senior Management* of the APN Property Group	71%	29%
All employees of APN Property Group	60%	40%

*Senior Management is characterised in terms of reporting hierarchy to the CEO. Senior Management has a direct reporting line to the CEO (i.e. CEO-1).

1.6 and 1.7 Review of Board and Senior Executives performance

The performance of the Board is reviewed annually by the Board, with the assistance of the Remuneration and Nomination Committee. The evaluation includes a review of:

- the Board's membership and the charters of the Board and its committees;
- Board processes and its committees' effectiveness in supporting the Board; and
- the performance of the Board and its Committees.

A review of each Director's performance is undertaken by the Chairman, after consultation with the other directors, prior to a director standing for re-election.

The performance of Senior Executives is reviewed annually against their position descriptions and key performance indicators. The performance review of Senior Executives of APD for FY17 was conducted following the end of the Reporting Period.

PRINCIPLE 2: Structure the Board to add value

2.1 Nomination and Remuneration Committee

The Board established a Nomination and Remuneration Committee in October 2016.

The Nomination and Remuneration comprises three members: Clive Appleton (Chair), Tony Young and Howard Brenchley. All members of the Nomination and Remuneration Committee are Non-Executive Directors and the majority of members (including the Chair of the Committee) are Independent Directors.

The Nomination and Remuneration Committee operates under an approved charter and is responsible for the nomination and remuneration functions in respect of the entities within the APN Group.

Its key responsibilities are to;

- determine the appropriate size and composition of the Board,
- the appointment, re-appointment and removal of directors;
- develop formal and transparent procedures and criteria for the selection of candidates for, and appointments to, the Board in the context of each board's existing composition and structure;
- developing a succession plan for the Board and regularly review the succession plan;
- implement induction programs that enable directors to gain an understanding of:
 - the APN Group's financial, strategic, operational and risk management position;
 - their rights, duties and responsibilities; and
 - the role of the Board and Board committees;
- provide directors and key executives with access to continuing education to update their skills and knowledge and provide them access to internal and external sources of information which enhance their effectiveness in their roles;
- develop a process for performance and remuneration evaluation of the Board, its committees and individual directors and key executives, which can be made available to the public;
- develop remuneration and incentive policies which motivate directors and management to pursue the long-term growth and success of the APN Group within an appropriate control framework;
- develop remuneration and incentive policies which demonstrate a clear relationship between key executive performance and remuneration; and
- the remuneration packages of senior executives and directors.

All matters determined by the Nomination and Remuneration Committee are submitted to the full Board as recommendations for Board decisions. Minutes of a Nomination and Remuneration Committee meeting are tabled at a subsequent Board meeting. Attendance record at Nomination and Remuneration Committee meetings are provided in the Director's Report of the Company's Annual Report.

2.2. Board Skill Matrix

The Board has adopted a skills matrix to ensure that there is an appropriate mix of skills and experience on its Board and Committees to enable the Board to deliver those outcomes, and to allow the Board to effectively discharge its corporate governance and oversight responsibilities.

The following table sets out the key skills and experience that the Board considers to be most relevant and which are represented on the Board:

Skill Category	Chris Aylward	Tim Slattery	Clive Appleton	Howard Brenchley	Tony Young
Leadership	2	3	3	2	3
Strategic Planning	2	2	3	3	3
Funds Management and Property	3	3	3	3	3
Capital Projects	3	2	3	2	3
Financial Acumen	3	3	2	2	3
Governance, Legal and Risk	2	3	2	2	2
Customer Experience and Marketing	2	2	2	2	2
Information Technology	1	1	1	1	2
Health, safety and environment	3	1	2	1	2
Crisis Management	3	3	2	2	3
People and Remuneration	3	3	3	2	3

Rating Criteria - 3 = Strong Skills and Experience, 2 = Medium Skills and Experience, 1 = Low Skills and Experience

2.3, 2.4 and 2.5 Directors Independence and Length of Service

The Board comprises five Directors: Chris Aylward (Non-Executive Chair), Tim Slattery (Executive Director and Chief Executive Officer), Clive Appleton (Independent Director), Howard Brenchley (Non-Executive Director) and Tony Young (Independent Director), four of which are Non-Executive Directors.

The independence of Directors is assessed in accordance with the guidelines outlined in the Recommendations. The Board considers Clive Appleton and Tony Young to be Independent Directors, as they do not have a material interest, position, association or relationship that could reasonably be perceived

to materially interfere with the independent exercise of their judgement. Directors must disclose any interests or conflicts in accordance with Corporations Act 2011 and Company policies prior to the consideration of matters at the meetings of the Board.

The Company's Annual Report details of offices held by Directors with other organisations (Director's Report) and related party dealings (Notes to the Financial Statements) as required by law.

If a Director's independence status changes, this will be disclosed to the market in a timely manner in accordance with disclosure obligations and Company policies.

The Board is not majority independent. The Chair of the Board is also not independent. However, the Chair of the Board transitioned from an Executive Chairman to a Non-Executive Chairman on 1 January 2017.

The Board has carefully considered its size and composition, together with the specialist knowledge of the property and property securities sector of its directors, and has formed the view that based on its current composition, it has the necessary skills and motivation to ensure that the Company performs strongly, and there is sufficient accountability in the structure of the Board, to ensure the outcomes and objectives sought by the Recommendations are achieved. The Board considers that this has been enhanced through the separation of the boards of APN and the Responsible Entity of the APN funds, APN FM.

Details of the term of office held by each Director in office as at the date of this report are as follows:

Director	Length of Service (years)
Chris Aylward	21
Tim Slattery	3
Clive Appleton	13
Howard Brenchley	19
Tony Young	1 year 9 months

2.6 Induction of Directors

Induction for newly appointed directors is provided on appointment, which includes a detailed pack outlining Company information, key policies and procedures. Directors are expected to be adequately informed in respect of relevant industry and regulatory issues and changes. Training sessions, including presentations by experts are scheduled around Board meeting dates as required or by the request of the Board. Directors may raise other training requirements or professional development opportunities at any time.

PRINCIPLE 3: Act ethically and responsibly

3.1 Code of Conduct and Securities Trading Policy

The Company has adopted a Code of Conduct that applies to all directors and employees (including temporary staff and contractors) of the Company and its subsidiaries. The purpose of the Code of Conduct is to clarify the standards of ethical behaviour required of the Company directors and employees and to ensure that the high standards of corporate and individual behaviour are observed by all the Company's directors and employees in the context of their employment with the Company. By adoption of the Code of Conduct, the Company seeks to ensure that all stakeholders dealing with the Company, whether it be employees, shareholders, investors, customers or competitors, can be guided by the stated values and policies of the Company.

The Code of Conduct also sets out the Board's view on conflicts of interest and related party transactions involving directors and employees and other legal and compliance obligations of the Company including corporate opportunities, confidentiality, fair dealing, protection of and proper use of Company information and assets, compliance with laws and regulations and encouraging the reporting of unlawful or unethical conduct.

The Company has adopted a Securities Trading Policy that summarises the law relating to insider trading and other relevant provisions and sets out the procedures of the Company and its subsidiaries for permission and disclosure of trading by directors and employees in APN Group securities.

The Securities Trading Policy applies to all directors and employees of the Company and its subsidiaries and is designed to prevent breaches of the insider trading provisions by directors and employees of the Company and its subsidiaries. The policy includes an overriding prohibition against trading while in the possession of inside information and the restrictions of trading during closed (black out) periods. It is the responsibility of all directors and employees to comply with the insider trading provisions of the Corporations Act and to bring information in relation to any actual or potential insider trading to the attention of the relevant officer of the Company or its subsidiaries, as appropriate.

PRINCIPLE 4: Safeguard integrity in corporate reporting

4.1 Audit and Risk Committee

The Board established an Audit and Risk Committee in October 2016.

The Audit and Risk Committee comprises three members: Tony Young (Chair), Clive Appleton and Howard Brenchley. All members of the Audit and Risk Committee are Non-Executive Directors and the majority of members (including the Chair of the Committee) are Independent Directors.

The Audit and Risk Committee operates under an approved charter and is responsible for overseeing the internal and external audit function and the risk management framework and internal controls in respect of the entities within the APN Group.

Its key responsibilities are;

Financial statements

- to review APN's financial statements and related notes, and ensure they are consistent with information known to Board members and that they reflect appropriate accounting principles, standards and regulations;
- to review the external auditor's reviews or audits of APN's financial statements and corresponding reports;
- to consider any significant changes required in the external auditor's audit plans;
- to review accounting and reporting issues as they arise; and
- to review any disputes or issues that may arise during the course of an audit.

External audit

- to determine the appointment and removal of external auditors;
- to monitor compliance with the Corporations Act in relation to auditor rotation;
- to undertake periodic reviews in order to monitor the effectiveness, objectivity and independence of the external auditor;
- to review and consider the adequacy of the audit plan proposed by the external auditors;
- to review all of the external auditor's reports;
- to commission such enquiry by the external auditors as the Board deems appropriate;
- to consider management's responses to matters that arise from external audits;
- to conduct regular reviews of management's activity pertaining to audit findings to ensure any issues are being dealt with in a timely manner; and
- to perform annual assessments of the external auditor's compliance with any applicable laws, regulations and any other relevant requirements.

Risk management

- to monitor the management of risks relevant to the APN Group;
- to review the APN Group's current risk management program (including all internal policies developed and implemented to manage and identify all identified risks (Governance Policies)) and whether it identifies all areas of potential risk and ensure the following exist:
 - procedures for identifying risks and controlling financial or other impacts on the APN Group;
 - adequate systems of internal control, management of business risks and safeguarding of assets;
 - systems for reporting and investigating breaches of the APN Group's compliance and risk management procedures and Governance Policies; and

- review of internal control systems and the operational effectiveness of the Governance Policies and procedures related to risk and control; and
- to ensure that regular audits of the Governance Policies are conducted to monitor compliance;
- to monitor compliance with the APN Group Conflicts of Interest and Related Party Transactions Policy and comply with its obligations under the policy; and
- to oversee investigations of allegations of fraud or malfeasance.

All matters determined by the Audit and Risk Committee are submitted to the full Board as recommendations for Board decisions. Minutes of an Audit and Risk Committee meeting are tabled at a subsequent Board meeting. Attendance record at Audit and Risk Committee meetings are provided in the Director's Report of the Company's Annual Report.

4.2 Chief Executive Officer and Chief Financial Officer Declarations

Prior to approval of the entity's financial statements, the Board receives from its Chief Executive Officer and Chief Financial Officer a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal controls which is operating effectively.

4.3 Auditors attendance at AGMs

The Company's external auditor, Deloitte Touche Tohmatsu (Deloitte) attends its Annual General Meeting (AGM) and is available to answer questions from securityholders relevant to the audit.

PRINCIPLE 5: Make timely and balanced disclosure

5.1 Continuous Disclosure Policy

The Company has adopted a Continuous Disclosure Policy to ensure that shareholders and the market have equal and timely access to material information regarding developments in relation to the Company in accordance with applicable disclosure requirements in the Corporations Act, Chapter 3 of the ASX Listing Rules and ASX Listing Rules Guidance Note 8. Such information will relate to matters including the financial position, performance, ownership and governance in relation to the Company.

PRINCIPLE 6: Respect the rights of security holders

6.1, 6.2, 6.3 and 6.4 Website, Communications Policy and Investor communication

The Company is committed to providing all stakeholders with accessible, accurate and timely information on its activities and performance. The Company has adopted a Communication Policy in order to ensure that there is effective two-way communication between the Company and its shareholders.

The APN Group website (<http://apngroup.com.au/>) is the primary location for all Company and governance related information as outlined in the Recommendations. The Company ensures that its website is continually updated and contains recent announcements, webcasts, presentations, disclosure documents, market information and answers to frequently asked questions. Shareholders also have the option to receive communications from, and send communications to, the Company and its security registry electronically.

The Company holds an Annual General Meeting (AGM) of shareholders in November each year. The date, time and venue of the AGM are notified to the ASX and a copy placed on the Company's website. The Notice of Meeting (NoM) will be accompanied by explanatory notes on the items of business and together they will seek to clearly and accurately explain the nature of the business of the meeting. All shareholders have the opportunity to attend and vote (or appoint a proxy to vote) on any resolutions proposed. The proxy form included with the NoM will explain clearly how it is to be completed and submitted. All shareholders at the AGM have the opportunity to ask questions of the Board.

PRINCIPLE 7: Recognise and manage risk

7.1 Audit and Risk Committee

Please refer to Principle 4 for the composition and key responsibilities of the Audit and Risk Committee.

7.2 Risk Management Framework

The Board reviewed the risk management framework during the year and is satisfied that the framework remains sound.

7.3 Internal Audit function

The Company does not have a dedicated internal audit function however the Company's governance framework incorporates risk-based compliance reviews on key operations and processes of the Company. Compliance reviews are reported to the Board and where applicable, to the Board of APN FM and are accompanied with recommendations for any changes to the Company's processes, systems and controls in accordance with legal and regulatory requirements.

7.4 Exposure to economic, environmental and social sustainability risks

The Company discloses its Sustainability Statement on the Company's website and its exposure, if any to material sustainability risks (economic, environmental and social).

PRINCIPLE 8: Remunerate fairly and responsibly

8.1 Nomination and Remuneration Committee

Please refer to Principle 2 for the composition and key responsibilities of the Nomination and Remuneration Committee.

8.2 Remuneration policies and practices of Non-Executive Directors, Executive Directors and Senior Executives

The Nomination and Remuneration Committee assists the Board with oversight of the remuneration policies and practices. The Company's remuneration policies and practices are aimed to attract, motivate and retain high calibre Non-Executive Director's, Executive Directors and Senior Executives.

The remuneration policies and practices include;

- Competitive market rates (independent professional advice may be sought)
- Fixed and variable rewards
- Rewards aligned to meeting the Company's strategic objectives and goals

Further information is provided in the Remuneration Report outlined in the Directors Report of the Company's Annual Report, including the remuneration paid for the Reporting Period.

8.3 Equity based remuneration schemes

The Company considers equity based remuneration schemes for Executive Directors and Senior Executives to be an important component of the Group's overall compensation arrangements. Such schemes are not available to the Company's Non-Executive Directors. In formulating these arrangements, the Company's primary objective is to motivate and retain key employees by rewarding them when long term shareholder value is created.

APN's current equity based remuneration scheme grants selected employees the right to acquire shares at a nominated exercise price subject to agreed service and performance criteria (i.e. vesting conditions) being satisfied. On satisfaction of the vesting conditions the shares are issued to the employee with the exercise price being financed by a limited recourse loan. No amount is paid or payable by the employee on receipt of these shares. Dividends declared and paid on the issued shares are for the benefit of the employee. The employee is not permitted to deal in the shares until the limited recourse loan has been repaid and, in accordance with the Group's Securities Trading Policy, recipients are prohibited from entering arrangements that limit or seek to limit the economic risk of exposure to the issued shares.

Further information is provided in the Remuneration Report outlined in the Directors Report of the Company's Annual Report, including equity based remuneration paid for the Reporting Period.