



**APN** | Property Group

# CORPORATE GOVERNANCE STATEMENT

AUGUST 2019

## CORPORATE GOVERNANCE STATEMENT

APN PROPERTY GROUP LIMITED

### OUR COMMITMENT

APN Property Group Limited (**APN PG or Company**) is committed to achieving and demonstrating the highest standards of governance. The Company's Corporate Governance Statement (**Statement**) has been prepared in accordance with the principles and recommendations set by the ASX Corporate Governance Council (Corporate Governance Principles and Recommendations 3<sup>rd</sup> Edition) (**Recommendations**), and any departure from these Recommendations are stated below.

The Company's governance framework, as summarized in the Statement has been designed to ensure that APN meets its ongoing statutory obligations, discharges its responsibilities to all stakeholders and acts with compliance and integrity.

This Statement outlines the main corporate governance practices in place throughout the financial year ended 30 June 2019 (**Reporting Period**) and 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.

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

This statement was adopted by the Board on 21 August 2019.

### COMPANY OVERVIEW

APN Property Group is comprised of several entities including APN Funds Management Limited (**APN FM**), a wholly owned subsidiary. APN FM manages APN's listed and unlisted managed investment schemes and mandates (**APN Funds**) in its role as responsible entity, trustee and/or manager. The Company and its subsidiaries together are referred to as the "**APN Group**" in this Statement.

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

The board of APN PG (**Board**) comprises five Directors, one Non-Executive Director (the Chairman), three Independent Directors and the Managing Director/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 Independent Directors (including the Chairman), one of whom is also an APN PG Director. Each Director has a legal obligation to put the interests of investors in the funds for which APN FM is responsible entity and/or trustee ahead of their own and those of APN FM's sole shareholder, APN PG.

The Board considers that the establishment of an independent board (APN FM) ensures that the responsibility for managing the interests of shareholders in the Company is independent of managing the interests of the APN Funds and their respective investors. This separation also assists in enhancing the identification and management of conflicts of interest and related party transactions within the APN Group.

### PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

#### Roles and responsibilities of the Board and Management

The Board is responsible for the overall management and governance of the Company and of the APN Group including the determination of the APN Group's strategic direction. The Board is governed by the Company's Constitution, the Corporations Act 2001 (Cth), the ASX Listing Rules and all applicable laws.

The Board has expressly reserved its powers in relation to certain matters and has delegated its powers in relation to other matters to management. The Board has delegated the day-to-day management of the APN Group to the Managing Director/Chief Executive Officer, and Senior Executives, who are required to work within authority limits and delegations set out in the Delegated Authority Policy (an internal policy approved

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by the Board) or otherwise by way of decisions and determinations of the Board. These delegations are reviewed on a regular basis.

The Board has adopted a Charter that details the functions and responsibilities of the Board. The Board Charter, which is summarised below, provides an overview of the functions and responsibilities of the Board.

#### **Board Charter**

Its key functions and responsibilities are:

- 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; and where appropriate, ratifying the appointment and the removal of senior executives of APN including, but not limited to, the Chief Financial Officer and Company Secretary;
- Providing input into and final approval of management's development of corporate strategy and performance objectives for the APN Group;
- Reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance for the APN Group;
- Monitoring senior management's performance and implementation of strategy and ensuring that appropriate resources are available;
- 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.

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.

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. All Directors have direct access to the Company Secretary for all governance matters.

#### **Appointment, Election and Re-election**

A Director is appointed by a written letter that contains the terms on which the Director is to be appointed, including but not limited to remuneration, time commitment envisaged, compliance with Company policies such as the Code of Conduct and Securities Trading Policy and the basis upon which they will be indemnified by the Company. Prior to appointment, the Company undertakes appropriate checks in relation to the candidate's experience, education, character, criminal record and bankruptcy history. Written consent to act is received by each Director.

The Managing Director/Chief Executive Officer and Senior Executives are appointed under a written agreement which sets out the terms of their appointment including their position, duties and responsibilities, remuneration and entitlements, circumstances in which their service may be terminated and where applicable, the basis upon which they will be indemnified by the Company. The Managing Director/Chief Executive Officer and Senior Executives are also subject to appropriate checks prior to being appointed.

When presenting a Director for election or re-election, the Company provides shareholders with all material information in its possession relevant to a decision on whether to elect or re-elect a Director, including but not limited to, biographical details, any listed entity directorships held within the last 3 years, whether the Board considers the candidate as independent and whether the Board supports the election or re-election.

#### **Diversity and Inclusion**

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

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

FY19 Diversity Objectives	FY19 Outcomes
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.	There were no new Board appointments in the Reporting 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.	There was one internal promotion to the senior management* team in the Reporting Period.
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;	There were 10 new appointments made during the Reporting period of which 5 (50%) 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 arrangements have been agreed with a number of employees to address family balance, parental needs and illness.
The Diversity Policy is accessible to all employees at all times.	The policy is available on APN 's website and intranet 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.	Employees responsible for employment and promotion were reminded of the Diversity Policy and these objective during the Reporting Period.
Mentoring support to be available to all employees.	Mentoring support was available to all employees during the Reporting Period.

As at the end of the Reporting Period the proportion of gender diversity of the Company was:

	Men	Women	Movement from FY18
Board of APN Property Group Limited	100%	Nil	No change
Board of APN Funds Management Limited	75%	25%	No change
Senior Management* of the APN Property Group Limited	75%	25%	No change
All employees of APN Property Group	55%	45%	↑ (from 42%)

\*Senior Management is characterised in terms of reporting hierarchy to the CEO and is defined as a manager having a direct reporting line to the CEO (i.e. CEO-1). It also includes the CEO role itself.

### Review of Board and Senior Executives performance

The performance and effectiveness of the Board is reviewed regularly by the Board, with the assistance of the Remuneration and Nomination Committee. Each Director completes a Board Effectiveness questionnaire to evaluate the Chairman, the Board as a whole, the Boards processes and governance framework and the Committees effectiveness in supporting the Board. Based on the feedback from the

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questionnaire, the Board discusses the findings and analyses the Board and Committees performance, including suggestions for changes or improvements. The Boards performance and effectiveness was reviewed during the Reporting Period.

The performance of Senior Executives is reviewed annually against their position descriptions and key performance indicators. The performance of the Managing Director/Chief Executive Officer and Senior Executives was reviewed during the Reporting Period.

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

### Nomination and Remuneration Committee

The Board has established a Nomination and Remuneration Committee. The composition of the Nomination and Remuneration Committee during the Reporting Period was:

Name	Position
Clive Appleton	Independent Director and Chairman of Nomination and Remuneration Committee
Tony Young	Independent Director and Nomination and Remuneration Committee Member
Howard Brenchley	Independent Director and Nomination and Remuneration Committee Member

The Board has adopted a Charter that details the functions and responsibilities of the Nomination and Remuneration Committee. The Nomination and Remuneration Committee operates under this Charter, a summary of which is provided below.

### Nomination and Remuneration Committee Charter

Its key functions and responsibilities are:

- Determine the appropriate size and composition of the Board;
- 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;
- Develop 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;
- 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 directors and senior executives.

All matters determined by the Nomination and Remuneration Committee are put to the Board as a whole, as recommendations for the Boards decision. Minutes of the Nomination and Remuneration Committee meeting are tabled at a subsequent Board meeting. Attendance records at Nomination and Remuneration Committee meetings are provided in the Director's Report of the Company's Annual Report.

### 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 the Company's objectives, and to allow the Board to effectively discharge its corporate governance and oversight responsibilities.

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Directors are invited to join the Board based on their skills and experience in relation to the Company's and the APN Group's activities. The Board is fully apprised with the operations of the Company, the APN Group and the environment in which it operates.

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

<b>Key Skills and Experience</b>
Leadership, people and inclusion
Strategic Planning
Funds Management
Property/Development
Capital Structure
Financial Acumen
Governance, Legal, Risk, Health and Safety
Customer Experience and Marketing
Information Technology and Innovation
Sustainability and Corporate Responsibility
Crisis Management
People and Remuneration

### Directors Independence and Length of Service

The composition of the Board as at the end of the Reporting Period was:

<b>Name</b>	<b>Position</b>	<b>Length of service (yrs)</b>
Chris Aylward	Non-Executive Chairman	23
Tim Slattery	Managing Director/Chief Executive Officer	5
Clive Appleton	Independent Director	15
Tony Young	Independent Director	4
Howard Brenchley	Independent Director	21

The Board is currently comprised of a majority of independent Directors. The Chairman of the Board is not independent.

The independence of Directors is assessed in accordance with the guidelines outlined in the Recommendations. The Board considers Clive Appleton, Tony Young and Howard Brenchley 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.

All Directors must disclose any interests or conflicts in accordance with Corporations Act 2001 (Cth), and Company policies prior to the consideration of matters at the meetings of the Board.

The Company's Annual Report details offices held by Directors with other listed organisations within the past 3 years (Director's Report) and related party dealings (Notes to the Financial Statements) as required by law.

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 experience 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

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by the Recommendations are achieved. The Board considers that this has been enhanced through the separation of the boards of the Company and the Responsible Entity of the APN funds, APN FM.

#### Induction Program for Directors

Induction for newly appointed Directors is provided on appointment, which includes a detailed pack outlining Company information and key policies including the Code of Conduct and Securities Trading Policy. Directors are expected to be adequately informed in respect of relevant industry and regulatory issues and changes.

Training sessions, including governance refreshers and 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 to ensure that their skills and knowledge are updated and enhanced.

### PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

#### Code of Conduct and Securities Trading Policy

The APN Group 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 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 APN Group 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

#### Audit and Risk Committee

The Board has established an Audit and Risk Committee. The composition of the Audit and Risk Committee during the Reporting Period was:

Name	Position
Tony Young	Independent Director and Chairman of Audit and Risk Committee
Clive Appleton	Independent Director and Audit and Risk Committee Member
Howard Brenchley	Independent Director and Audit and Risk Committee Member

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The Board has adopted a Charter that details the functions and responsibilities of the Audit and Risk Committee. The Audit and Risk Committee operates under this Charter, a summary of which is provided below.

#### **Audit and Risk Committee Charter**

Its key functions and responsibilities are to:

##### ***Financial statements***

- 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;
- Review the external auditor's reviews or audits of APN's financial statements and corresponding reports;
- Consider any significant changes required in the external auditor's audit plans;
- Review accounting and reporting issues as they arise; and
- Review any disputes or issues that may arise during the course of an audit.

##### ***External audit***

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

##### ***Risk management***

- Monitor the management of risks relevant to the APN Group;
- 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
- Ensure that regular audits of the Governance Policies are conducted to monitor compliance;
- Monitor compliance with the APN Group Conflicts of Interest and Related Party Transactions Policy; and
- Oversee investigations of allegations of fraud or malfeasance.

All matters determined by the Audit and Risk Committee are put to the Board as a whole, as recommendations for the Board's decision. Minutes of the 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.

#### **CEO and CFO Declaration**

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

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formed on the basis of a sound system of risk management and internal controls which is operating effectively.

#### **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**

### **Communications and Continuous Disclosure Policy**

The APN Group has adopted a Communications and 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 2001 (Cth), 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**

### **Website, Communications Policy and Investor communication**

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

The APN Group website (<https://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 Australian Securities Exchange (**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**

### **Audit and Risk Committee**

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

### **Risk Management Framework**

The Company recognises that risk management is a core component of APN's governance framework. APN has a documented Risk Management Framework (**Framework**) which sets out the APN Groups policy, strategy, process and approach to risk management and incorporate the guidelines described in the Australian/New Zealand Standard on Risk Management (AS ISO 31000:2018). The Framework documents how APN identifies, assesses, manages, monitors, records and reports key risks. The Managing Director/Chief Executive Officer and Senior Executives are responsible for managing material risks and implementing mitigating strategies. Regular updates are provided to the Board on any material risks. The Company does not have any exposure to material sustainability risks (economic, environmental and social). The Board reviewed the Framework during the year and is satisfied that it remains effective and is operating as designed. A summary of the Framework is available on the APN Group website.

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The Company does not have a dedicated internal audit function, however, the APN Group governance framework incorporates risk-based compliance reviews on key operations and processes. 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.

## **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

### **Nomination and Remuneration Committee**

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

### **Remuneration policies and practices**

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 Directors, Executive Directors and Senior Executives.

The remuneration policies and practices include competitive market rates (independent professional advice may be sought) and fixed and variable rewards that are aligned to meeting the Company's strategic objectives.

Further information is provided in the Remuneration Report outlined in the Directors Report of the Company's Annual Report, including the remuneration paid for Directors and Key Management Personnel (KMP) in the Reporting Period.

### **Equity based remuneration schemes**

The Company considers equity based remuneration schemes for the Managing Director/Chief Executive Officer 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/Independent 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.

The Company'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.