

Error Rectification and Compensation Policy

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Error Rectification and Compensation Policy

1 Purpose of Policy

Unit pricing errors or errors that have a unit pricing impact are rectified in accordance with APN's Error Rectification and Compensation Policy (**the Policy**). The Policy has been drafted in accordance with the relevant standards and guidance notes issued by the Financial Services Council (**FSC**) and Regulatory Guide 94: Unit Pricing: Guide to Good Practice (**RG 94**) and has been approved by the board of APN Funds Management Limited (**APN FM**) as Responsible Entity (**RE**) of the APN Funds listed in Appendix 1. The Policy should be read in conjunction with APN's Unit Pricing Policy which is available from our website.

Unit Pricing Errors and their Impact

If there are errors in unit pricing, unitholders do not receive the share of the value of the fund to which they are entitled. Unit pricing errors can arise from a variety of sources. There may be errors in the number of units allocated or there may also be errors in the price per unit. Furthermore, errors can either adversely affect unitholders on entry and exit or adversely affect ongoing unitholders.

Where errors are not detected for long periods, compensation costs can be substantial, as the unit price determines both numbers of units issued and amounts received on redemption. Where there is a pricing error for a transaction, the effect of that error, whether number of units on issue or price of units flows through to all subsequent transactions in addition to the effect of repeating the initial error in subsequent transactions, until the error is identified and rectified

2 Overview

One of the main responsibilities of a RE is to ensure all unitholders are treated fairly. When a unit pricing error occurs, new, ongoing and/or exiting unitholders will be either advantaged or adversely effected. Generally, when the error provides an advantage to new and going unitholders, existing unitholders will have been disadvantaged and vice versa.

This Policy sets out how we can continue to fulfil our responsibilities when an error has been identified and outlines the steps required to manage the unit pricing error and determining the appropriate compensation method and value to our unitholders.

3 Managing Unit Pricing Errors

In the event of a unit pricing error occurring, APN FM will follow the below steps:

1. We will limit the consequences as far as possible and monitor new applications and redemptions while we identify the extent of the problem;
2. We will determine the number of disadvantaged unitholders who have entered and exited the relevant fund during the period of the error;
3. We will consider the need for compensation by determining who has gained and who has lost, and by how much;
4. We will compensate unitholders, the individuals or the fund, if compensation is appropriate. This includes making reasonable efforts to contact former unitholders; and
5. We will communicate appropriately with unitholders. Depending on the nature of the error we may communicate with all unitholders, whether or not affected. We will consider the circumstances and our obligations in each case.

4 Compensation

The objective of compensation is to return unitholders to the financial position that would have existed if the error had not occurred. Depending on the circumstances, including whether unitholders are ongoing or exited, and whether performance has been positive or negative, appropriate compensation may include amounts for:

1. Investment performance (the investment rate of return applied to the amount of the error for the relevant period); or
2. The time value of money (a rate such as the RBA cash rate applied to the amount of the error for the period of the error).

When determining whether compensation is payable, we will consider the aggregate impact on each individual unitholder of the unresolved error(s). More specifically we will:

1. Compare the value that would have accumulated if the unresolved error(s) had not arisen with the value that accumulated in the presence of the error(s), from the date the error(s) started to the date the effect of the error(s) ceased.
2. If the difference is equal to or greater than 0.30% (30 basis points) of the value that would have accumulated without the error, we will pay compensation. Compensation may include:
 - a. Payment of cash
 - b. Issue/adjustment to units issued to affected investors
 - c. Reimbursement by the manager to the fund
3. If the difference is less than 0.30%, we will consider whether compensation should be paid.

For example:

- a. Where an error arises due to miscalculation of management fees payable to the RE, it will be compensated in all cases; and
- b. There may be other circumstances when it is appropriate to compensate when the difference is less than 0.30%. Compensation may be considered, notwithstanding the materiality threshold, where the impact of the error derives a significant impact on an individual member in absolute dollar terms. We will consider the circumstances and our obligations on a case by case basis.

5 Payments to Exited Members

For exited unitholders a fixed dollar minimum will apply to compensation amounts. APN FM has a de-minimis threshold for exited unitholders of \$20 before payment will be made. As we have chosen to apply a fixed dollar minimum threshold our relevant funds will include this disclosure in their annual financial reports.

6 Communication of Errors to the Regulator

We will notify the Australian Securities and Investments Commission (**ASIC**) as soon as we become aware of any reportable errors as determined by the Breach Policy. Indicators of a breach that may be reportable to ASIC include, but are not limited to:

1. Errors where the difference is equal to or greater than 0.30% (0.30% impact of the transaction itself or 0.30% p.a. for cumulative errors);
2. Errors that impacts more than one investor or investors or show a systematic problem;
3. All errors which arise from a miscalculation of management fees payable to the RE; or
4. Any other errors which our compliance department deem to be reportable.

Furthermore, we will provide full disclosure to ASIC as soon as possible and will detail our proposed course of action.

7 Other

Where unitholders have gained an advantage due to a unit pricing error, APN FM may choose to bear the cost or may seek to recover the amount from the relevant unitholders. It may not be feasible or legally possible to recover amounts overpaid to unitholders in some cases. We will consider the circumstances on a case by case basis.

If required, we will involve the Australian Tax Office (**ATO**) when considering errors and compensation. There may be consequential impacts on unit holders – for example, regarding overpaid tax or compensation for tax. These impacts will be factored into our approach when determining compensation.

8 Questions

If any member of APN Staff has any questions from time to time about the subject matter or requirements of this policy, that person should contact Head of Accounting (Managed Funds) in the first instance.

9 Changes to Policy

APN will review this policy periodically to ensure it remains appropriate to the legal and regulatory framework in which APN operates. Any changes will be communicated to APN Staff and posted on APN's intranet site and/or website (as deemed appropriate).

10 Definitions

APN means APN FM, APN Fund, APN PG and any related bodies corporate.

APN FM means APN Funds Management Limited.

APN Fund means any managed investment scheme managed by APN FM or any other member of the APN Group.

APN PG means APN Property Group Limited.

APN Staff means and includes any director, officer, senior manager or other employee of APN PG or APN FM and any other employee of or consultant to an APN Entity designated by the board of APN PG or APN FM

Appendix 1

Open Securities Funds – Continuous issuer funds

- APN Property For Income Fund (ARSN 090 467 208) **(PFIF)**
- APN Property For Income Fund No.2 (ARSN 113 296 110) **(PFIF2)**
- APN AREIT Fund (ARSN 134 361 229) **(AREIT)**
- APN Asian REIT Fund (ARSN 162 658 200) **(ASREIT)**
- APN Global REIT Income Fund (ARSN 642 411 292) **(GREIT)**

Closed Direct Property Funds – Non-continuous issuer open-ended funds

- APN Regional Property Fund (ARSN 110 488 821) **(REGI)**
- APN Development Fund No.2 (ARSN 125 786 227) **(DF2)**

Terminated – Terminated funds currently in wind-up

- APN Champion Retail Fund (ARSN 127 948 127) **(CRF)**
- APN Coburg North Retail Fund (ARSN 601 833 363) **(CBG)**