

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity:

Industria REIT

ABN / ARBN:

Comprising stapled entities:

- ARSN 125 862 875 Industria Trust No. 1
- ARSN 125 862 491 Industria Trust No. 2
- ARSN 166 150 938 Industria Trust No. 3
- ARSN 166 163 186 Industria Trust No. 4
- ACN 010 794 957 Industria Company No. 1 Ltd

Financial year ended:

30 June 2016

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

- These pages of our annual report:
- This URL on our website: <http://www.industriareit.com.au/about/corporate-governance/>

The Corporate Governance Statement is accurate and up to date as at 17 August 2016 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date: 23 September 2016

Name of Director or Secretary authorising  
lodgement: John Freemantle

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i> ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> in our Corporate Governance Statement	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

<sup>4</sup> If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<p>1.5 A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<p>1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<p>1.7 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> included in the Annual Report of parent company of the responsible entity, APN Property Group Limited at <a href="http://apngroup.com.au/shareholders/annual-reports/">http://apngroup.com.au/shareholders/annual-reports/</a></p> <p>and the information referred to in paragraph (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> included in the Annual Report of parent company of the responsible entity, APN Property Group Limited at <a href="http://apngroup.com.au/shareholders/annual-reports/">http://apngroup.com.au/shareholders/annual-reports/</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> on our web-site at <a href="http://www.industriareit.com.au/about/corporate-governance/">http://www.industriareit.com.au/about/corporate-governance/</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i> ... and, where applicable, the information referred to in paragraph (b): <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i> ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> on our web-site at <a href="http://www.industriareit.com.au/about/corporate-governance/">http://www.industriareit.com.au/about/corporate-governance/</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> on our web-site at <a href="http://www.industriareit.com.au/about/corporate-governance/">http://www.industriareit.com.au/about/corporate-governance/</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO 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 control which is operating effectively.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	<p>... our continuous disclosure compliance policy or a summary of it:</p> <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> on our web-site at <a href="http://www.industriareit.com.au/about/corporate-governance/">http://www.industriareit.com.au/about/corporate-governance/</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<p>... information about us and our governance on our website:</p> <input checked="" type="checkbox"/> at <a href="http://www.industriareit.com.au/about/corporate-governance/">http://www.industriareit.com.au/about/corporate-governance/</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<p>... the fact that we follow this recommendation:</p> <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> on our web-site at <a href="http://www.industriareit.com.au/about/corporate-governance/">http://www.industriareit.com.au/about/corporate-governance/</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> on our web-site at <a href="http://www.industriareit.com.au/about/corporate-governance/">http://www.industriareit.com.au/about/corporate-governance/</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<p>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement



Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> on our web-site at <a href="http://www.industriareit.com.au/about/corporate-governance/">http://www.industriareit.com.au/about/corporate-governance/</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

	Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>[If the entity complies with paragraph (a):]  ... how our internal audit function is structured and what role it performs:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]  ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>	
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> on our web-site at <a href="http://www.industriareit.com.au/about/corporate-governance/">http://www.industriareit.com.au/about/corporate-governance/</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> included in the Annual Report of parent company of the responsible entity, APN Property Group Limited at <a href="http://apngroup.com.au/shareholders/annual-reports/">http://apngroup.com.au/shareholders/annual-reports/</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> included in the Annual Report of parent company of the responsible entity, APN Property Group Limited at <a href="http://apngroup.com.au/shareholders/annual-reports/">http://apngroup.com.au/shareholders/annual-reports/</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<b>ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES</b>			
-	<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<p>... the information referred to in paragraphs (a) and (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>



# CORPORATE GOVERNANCE 2016



**INDUSTRIAREIT**

Industria Trust No. 1 ARSN 125 862 875  
Industria Trust No. 2 ARSN 125 862 491  
Industria Trust No. 3 ARSN 166 150 938  
Industria Trust No. 4 ARSN 166 163 186  
Industria Company No. 1 Ltd ACN 010 794 957

## Corporate Governance

Industria REIT comprises the following five entities (including their various subsidiary trusts and companies):

- Industria Trust No 1;
- Industria Trust No 2;
- Industria Trust No 3;
- Industria Trust No 4; and
- Industria Company No 1 Limited

Investors in Industria REIT hold stapled securities comprising the same proportionate interest in each of these five entities.

APN Funds Management Limited (**APN FM**) is the responsible entity of each of the four stapled trusts. APN FM is a wholly owned subsidiary of APN Property Group Limited, an ASX listed company. Industria Company No 1 Limited (**Industria Co**) is managed by its own board.

This statement outlines the main corporate governance practices in place throughout the financial year ended 30 June 2016, which comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Guidelines), unless otherwise stated.

### Directors

The Directors of APN Funds Management Limited during or since the end of the financial year are:

#### **Geoff Brunsdon**

B.Com, CA, F Fin,  
FAICD

- A Director since 2009.
- Chairman since 2012
- A member of the Audit, Compliance & Risk Management Committee and the Nomination & Remuneration Committee.

Independent Non-  
Executive Chairman

Geoff has had a career in investment banking spanning more than 25 years. Until June 2009 he was Managing Director and Head of Investment Banking of Merrill Lynch International (Australia) Limited. He is Chairman of Sims Metal Management Limited (director since 2009), IPE Limited (director since 2004) and MetLife Insurance Limited (director since 2011).

#### **Jennifer Horrigan**

BBus, GradDipMgt,  
GradDipAppFin, MAICD

- A Director since 2012
- Chairman of the Nomination & Remuneration Committee and a member of the Audit, Compliance & Risk Management Committee.

Independent Non-  
Executive Director

Jennifer brings 25 years' experience across investment banking, financial communications and investor relations. She was most recently the Chief Operating Officer in Australia of the independent investment bank Greenhill & Co. She has extensive experience in enterprise management, including the supervision and management of compliance, HR and financial management.

Jennifer is also a director of QV Equities (ASX: QVE), Redkite (national children's cancer charity) and the Breast Cancer Institute of Australia/Australia & New Zealand Breast Cancer Trials Group.

**Michael Johnstone**

BTRP, LS, AMP  
(Harvard)

Independent Non-  
Executive Director

- A Director since 2009.
- Chairman of the Audit, Compliance & Risk Management Committee and a member of the Nomination & Remuneration Committee.

Michael has 40 years of global business experience in chief executive and general management roles and more recently in non-executive directorships. He has lived and worked in overseas locations including the USA, has been involved in a range of industries and has specialised in corporate and property finance and investment, property development and funds management. His career has included lengthy periods in corporate roles including 10 years as one of the Global General Managers of the National Australia Bank Group. He has extensive experience in mergers and acquisitions, capital raising and corporate structuring.

Michael is a non-executive director of the Responsible Entity of the listed Folkestone Education Trust (since 2004) and a non-executive director of a number of companies in private environments including the not for profit sector.

**Howard Brenchley**

BEc

Non- Executive  
Director

- A Director since 1998.

Howard has a long history in the Australian property investment industry with over 30 years' experience analysing and investing in the sector.

Howard joined APN in 1998 and was responsible for establishing the APN Funds Management business. In this capacity he developed a suite of new property securities and direct property funds, including the flagship APN Property for Income Fund, one of the largest property securities funds in Australia.

Prior to joining APN, Howard was co-founder and research director of Property Investment Research Pty Limited, one of Australia's leading independent research companies, specialising in the property trust sector.

Howard is also a director of APN Property Group Limited (since 1998); and National Storage Holdings Limited (since 2014) and National Storage Financial Services Limited (since 2015), both listed as National Storage REIT (ASX: NSR).

**Michael Groth**

BCom, BSc, DipIFR, CA,  
Executive Alternate  
Director for Howard  
Brenchley

- An Alternate Director since 2014.

Michael's professional career includes over 7 years with KPMG Melbourne, where he worked closely with a number of major listed companies and stockbrokers before moving to the United Kingdom to work in the financial services industry and for a government regulatory body. Since joining APN in 2006, Michael has had broad exposure across all areas of the Group, and was appointed Chief Financial Officer in June 2014. Michael is responsible for accounting, taxation and treasury across the business and a key contributor to setting the business's direction and strategy.

**Company Secretary****John Freemantle**

- Company Secretary since 2007.

**B. Bus, CPA**

John has been involved in the property industry since 1977. Before joining APN in 2006, he worked with Dillingham Constructions, Jennings Property Group and Centro Property Group, where he held the roles of Chief Financial Officer and Company Secretary for 17 years.

The Directors of Industria Company No 1 Limited during or since the end of the financial year are:

- Geoff Brunson** • A Director and Chairman since October 2013
- Jennifer Horrigan** • A Director since October 2013
- Michael Johnstone** • A Director since October 2013
- Howard Brenchley** • A Director since October 2013
- John Freemantle** • A Director since September 2013  
• Company Secretary since September 2013
- Michael Groth** • An Alternate Director for Howard Brenchley since March 2016

### **Industria REIT is an externally managed Fund**

Industria REIT does not directly employ staff. It is managed by APN FM as responsible entity of the Trusts and under the Industria Co Management Agreement.

In return for its services, APN FM charges management fees of 0.55% p.a. of Gross Asset Value (reducing to 0.50% p.a. of Gross Asset Value in excess of \$750 million and 0.45% p.a. of Gross Asset Value in excess of \$1,500 million). In addition, the Responsible Entity is entitled to reimbursement for reasonable expenses incurred in the operation of Industria REIT.

APN is also contracted to provide or procure property management services to Industria REIT for which it is entitled to charge a fee of up to 3% of annual gross income plus a leasing fee at current market rates. To date, APN has elected to engage external property managers at cost to the fund ie no margin to APN and to rebate all leasing fees.

Further details of the agreements between Industria REIT and APN FM are included in the fund Product Disclosure Statement (PDS) which is available on the fund website at:

<http://www.industriareit.com.au/investor-information/pds>

### **Board Independence**

APN FM is a wholly owned subsidiary of APN Property Group Limited (APN PG), a company listed on the Australian Securities Exchange (ASX). Both companies have separate board structures and each operates independently of the other. Importantly, all directors of APN FM have a legal obligation to put the interests of investors in funds operated by APN FM ahead of their own and those of APN FM's sole shareholder, APN PG.

Industria Co is a member of Industria REIT and managed by its own board. The board of APN FM, which is the responsible entity of the four stapled trusts and the board of Industria Co have four directors in common. These boards co-operate to ensure that the interests of Industria REIT are maintained.

The board of APN FM comprises four directors, three of whom are independent of the business and of the board of APN PG. The board of Industria Co comprises five directors, three of whom are independent of the business and of the board of APN PG.

The company secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The names and biographical details of the directors and secretary are set out above.



**The boards of APN FM and Industria Co have adopted the following Corporate Governance policies and procedures.**

In practice, the board of Industria Co has adopted the same policies and procedures as APN FM. All references to APN FM or funds should be read as including Industria Co, where the context permits.

**Role and Responsibilities**

Without limitation to the duties and responsibilities of directors under the Corporations Act, the Constitution and all applicable laws, in order to ensure that APN FM complies with its responsibilities, the board has adopted a board charter setting out its roles and responsibilities (including the roles and responsibilities of the Chairman). In accordance with the board charter, the board is responsible for:

- the oversight of APN FM, including its control and accountability systems;
- subject to its overriding duties to security holders in the respective APN Funds, setting the aims, strategies and policies of APN FM;
- where appropriate, ratifying the appointment and the removal of senior executives including, but not limited to the fund managers of the respective APN Funds;
- providing input into and final approval of management's development of strategy and performance objectives in respect of the APN Funds;
- reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance, particularly in respect of the APN Funds;
- identifying conflict of interest situations within APN FM's business and the business of the APN Funds and:
  - determining whether the conflict of interest situation is to be avoided or whether it can be appropriately controlled; and
  - if the conflict of interest situation can be appropriately controlled, determining and implementing the procedure necessary to control the conflict;
- monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures in respect of the APN Funds;
- approving the issue of disclosure documents in respect of the respective APN Funds; and
- approving and monitoring financial and other reporting obligations of the respective APN Funds, in particular ensuring compliance with the continuous disclosure obligations of the respective APN Funds under the Corporations Act and the Listing Rules.

A copy of the Board Charter is available on the fund website at:  
<http://www.industriareit.com.au/about/corporate-governance>

**Terms of appointment**

The board has adopted a letter of appointment that contains the terms on which non-executive directors are to be appointed, including individual Directors' roles and responsibilities and the basis upon which they will be indemnified by APN FM. Non-executive Directors are entitled to take independent advice at the cost of APN FM in relation to their role as members of the board.

**Review of Board Performance**

The performance of the board is reviewed at least annually by the board. The evaluation includes a review of:

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

An annual review of each Director's performance is undertaken by the Chairman, after consultation with the other directors

## **Board Committees**

### ***Audit, Compliance and Risk Management Committee***

The board has appointed an Audit, Compliance and Risk Management Committee to oversee certain responsibilities of APN FM. The Committee's primary responsibility is to ensure a sound system of risk oversight and internal control. During the year, the Committee has received reports detailing the effectiveness of APN FM's current risk management programme from management and advised the board accordingly. The specific responsibilities of the Committee include:

#### ***Audit***

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

- to recommend to the board the final financial statements in respect of each of the funds and APN FM (in its own capacity);
- to recommend to the board the appointment and removal of the fund's external auditors (including providing the board with fee proposals in relation to the external auditors);
- to monitor compliance with the Corporations Act 2001 (Cth) in relation to auditor rotation;
- to undertake periodic reviews in order to monitor the effectiveness, objectivity and independence of the external auditors;
- to advise the Board as to whether the Committee is satisfied that the provision of non-audit services by the external auditors is compatible with the general standard of independence, together with an explanation of why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the necessary statements required by the Corporations Act in the Funds' respective financial reports;
- to review, consider and advise the board on the adequacy of the audit plan proposed by the external auditors;
- to review all of the external auditors' reports;
- to commission such enquiry by the external auditors as the Committee 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 auditors' compliance with any applicable laws, regulations and any other relevant requirements.

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

- to review the financial statements and related notes, and ensure they are consistent with information known to the Committee and that they reflect appropriate accounting principles, standards and regulations <sup>(Note 1)</sup>;
- to review external auditors' reviews or audits of the funds' financial statements and corresponding reports;
- to review accounting and reporting issues as they arise;
- to review, and advise the board on, any disputes or issues that may arise during the course of an audit; and
- to advise the board on any material matters that arise during an audit that the Committee becomes aware of.

#### Note 1

Prior to approval of the entity's financial statements for any financial period, the Committee receives from its CEO and CFO 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 control which is operating effectively.

### ***Risk Management***

- to monitor the management of risks relevant to APN FM and the funds;
- to review and make recommendations to the board regarding APN FM's current risk management program (including all internal policies developed and implemented to manage and identify all of the identified risks) and whether it identifies all areas of potential risk.
- to review and make recommendations to the board on the strategic direction, objectives and effectiveness of APN FM's financial and risk management policies; and
- to oversee investigations of allegations of fraud or malfeasance and, where required, report details to relevant authorities.

### ***Compliance***

- to monitor the compliance of APN FM with:
  - the Corporations Act;
  - the compliance plan of each fund;
  - the constitution of each fund;
  - the Australian Financial Services Licence (AFSL) of APN FM; and
  - where a fund is a Listed Scheme, the Listing Rules;
- to report to the board any breach of the obligations listed above;
- to report to the Australian Securities and Investments Commission (ASIC) if the Committee is of the view that APN FM has not taken, or does not propose to take, appropriate action to deal with a matter reported;
- to assess at regular intervals whether each fund's compliance plan is adequate;
- to report to the board on its assessment of each fund's compliance plan; and
- to make recommendations to the board about any changes that it considers should be made to the funds' compliance plans.

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

- The Committee must monitor compliance with the Conflicts Policy adopted by APN PG and APN FM in respect of the APN Group and comply with the obligations under the Conflicts Policy.
- Without limiting its obligations under the Conflicts Policy, the Committee will ensure that:
  - any breach of the Conflicts Policy is noted on the compliance breach register;
  - the activity which caused the breach is reviewed and any steps necessary to ensure compliance with the Conflicts Policy in the future are taken; and
  - where necessary, ASIC is notified in accordance with section 912D(1) of the Corporations Act.

A copy of the Audit, Compliance and Risk Management Committee Charter is available on the fund website at: <http://www.industriareit.com.au/about/corporate-governance>

The Committee currently comprises three Directors, all of whom are independent as defined by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The names and biographical details of the Committee members are set out above.

### ***Nomination and Remuneration Committee***

The board has appointed a Nomination and Remuneration Committee to oversee the responsibilities of APN FM for ensuring adequacy of the size and composition of the board of APN FM for itself and each APN fund. The specific responsibilities of the Committee include making recommendations to the Board about:

- the appropriate size and composition of the APN FM board;
- the necessary and desirable competencies of Directors;
- the appointment, re-appointment and removal of Directors;
- formal and transparent procedures and criteria for the selection of candidates for, and appointments to, the APN FM board;
- appropriate succession plans or arrangements for the APN FM Board and regularly (meaning at least annually) reviewing the plan approved by the APN FM Board;
- implementing induction procedures designed to allow new APN FM board appointees to participate fully and actively in APN FM board decision-making at the earliest opportunity;

- implementing induction programs that enable Directors to gain an understanding of:
  - financial, strategic, operational and risk management position of APN FM;
  - their rights, duties and responsibilities; and
  - the role of the APN FM board and other committees;
- providing 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;
- an appropriate process for performance and remuneration evaluation of the APN FM Board, the Industria Co Board, their respective committees, Directors, and, to the extent applicable, key executives;
- appropriate remuneration and incentive policies from time to time which motivate Directors and management to pursue the long-term growth and success of APN FM or Industria Co within an appropriate control framework;
- to the extent applicable, the relevant policies which demonstrate a clear relationship between key executive performance and remuneration;
- the remuneration and incentive policies for senior management, including any eligibility criteria and performance hurdles for equity based plans and considering whether securityholder approval is needed for plans and for any changes to them;
- the remuneration packages of senior management and Directors and whether securityholder approval is needed for any change to remuneration of Directors;
- any report on executive remuneration that may be required by the ASX Listing Rules or the *Corporations Act 2001* (Cth) or proposed for inclusion in the annual report.

A copy of the Nomination and Remuneration Committee Charter is available on the fund website at: <http://www.industriareit.com.au/about/corporate-governance>.

The Committee currently comprises three Directors, all of whom are independent as defined by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The names and biographical details of the Committee members are set out above.

### Meetings of Directors

The number of meetings of Directors, including meetings of committees of directors, and number of meetings attended by each director during the financial year ended 30 June 2016, is set out below

	<b>Geoff Brunsdon</b>	<b>Michael Johnstone</b>	<b>Jennifer Horrigan</b>	<b>Howard Brenchley</b>	<b>Michael Groth (alt for Brenchley)</b>
<b>Board Meetings:</b>					
<b>APN Funds Management Limited</b>					
Total Attended	18	18	18	14 <sup>(1)</sup>	13 <sup>(1)</sup>
Total Held	18	18	18	18	18

<sup>(1)</sup> Abstained from attending 4 meetings due to conflict of interest

	<b>Geoff Brunsdon</b>	<b>Michael Johnstone</b>	<b>Jennifer Horrigan</b>	<b>Howard Brenchley</b>	<b>John Freemantle</b>
<b>Board Meetings:</b>					
<b>Industria Company No 1 Limited <sup>(2)</sup></b>					
Total Attended	9	11	11	10	11
Total Held	11	11	11	11	11

<sup>(2)</sup> Michael Groth was appointed as Alternate director for Howard Brenchley in March 2016. He attended 4 of 4 meetings.

### Audit, Compliance & Risk Management Committee meetings:

#### APN Funds Management Limited & Industria Company No 1 Limited

Total Attended	9	9	9	n/a	n/a
Total Held	9	9	9	n/a	n/a

## **APN FM Nomination & Remuneration Committee meetings**

### **APN Funds Management Limited**

Total Attended	2	2	2	n/a	n/a
Total Held	2	2	2	n/a	n/a

## **Diversity**

APN Property Group, including APN Funds Management Limited embraces a practice of Workplace Diversity as follows:

### ***What is Workplace Diversity?***

Workplace diversity recognises and leverages the different skills and perspectives people bring to our organisation through their gender, culture, physical and mental ability, sexual orientation, age, socio-economic background, language, religion, education, and family / marital status. It also refers to diverse ways of thinking and ways of working.

### ***Statement of Commitment***

As an organisation we recognise 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.

We are committed to creating 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.

### ***Diversity Policy***

APN Property Group has adopted a Diversity Policy (a copy of which is available at the Company's website (<http://apngroup.com.au/about-us/governance/>)). The aims of the Diversity Policy are:

- to articulate the APN Property Group's commitment to diversity within the organisation at all levels (including employee level, senior executive level and Board level); and
- to provide a framework for establishing objectives and procedures which are designed to foster and promote diversity within APN Property Group. This includes placing obligations on APN Property Group and the Board to set objectives, measure against those objectives and disclose progress at appropriate intervals.

### ***Gender Diversity Objectives***

In accordance with its Diversity Policy, APN Property Group has set measureable objectives to achieve gender and other diversity, and has appointed the Compliance Officer to monitor compliance with those objectives and to report to the Board of APN Property Group at least annually.

For the financial year 2016/2017, APN Property Group has set the following measureable objectives for gender and other diversity:

- 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;
- 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;
- 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;
- 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;
- Mentoring support to be available to all staff;
- the Diversity Policy is available to all employees at all times; and
- all employees responsible for employment and promotion of employees will be reminded of the Diversity Policy and these objectives at least annually.

APN Property Group will report on the outcome of these measurable objectives each year.

For the financial year 2015/2016, APN Property Group set similar measurable objectives for gender and other diversity. These objectives and a report on the outcome are set out below:

- *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.*

The Board of APN PG made one new appointment during the year. Mr Tony Young was appointed in December 2015 in accordance with the objective of transitioning to an independent Board. Mr Young was appointed following strong endorsement from a significant shareholder in APN. There were no changes to the Board of APN FM during the year.

- *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 were three new senior management appointments in this financial year including the internal promotion of a female manager (33%).

- *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.*

Thirteen new appointments were made during the year of which five (38%) 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 in relation to family balance, maternity needs and illness;

- *the Diversity Policy is available to all employees at all times.*

The policy was available on the company intranet which 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 were reminded on each occasion of a new appointment.

### **Gender Diversity in APN Property Group**

At the date of this report, the proportion of females in APN Property Group was:

- Board of APN Property Group Limited: nil
- Board of APN Funds Management Limited: 25%
- Senior Management of the APN Property Group: 33%
- All employees of APN Property Group: 39%

### **Sustainability**

APN Property Group, including APN Funds Management Limited believes that the sustainability of the business is intrinsically linked to the successful management of its financial, social and environmental risks, obligations and opportunities. We believe those companies that adopt sustainable practices are more likely to generate better long term returns for investors.

This philosophy is embedded in the culture of the business and monitored to ensure critical business risks are carefully managed. This is evidenced in the following key objectives:

### ***Our Investors***

- Prioritise the interests of investors;
- Separate Boards operating independently of each other to manage conflicts between the interests of investors in APN PG and investors in the funds we manage;
- Strong focus on investment performance;
- Regular and meaningful communications to investors.

### ***Our Community***

- Significant value attributed to 'sustainability conscious' companies in the investment decision process of the APN managed 'real estate securities' funds;
- Bias to 'green' rated direct property investments and development opportunities;
- Corporate values ethos required of all staff - integrity, passion, respect, accountability and professionalism.

### ***Our Staff***

- Demanding recruitment standards;
- Attractive remuneration incentives for strong performance;
- Focus on diversity;
- Employee engagement in overall business performance, including regular staff briefings;

### ***Our Governance***

- Independent Board to manage the Responsible Entity of APN's managed funds;
- Strict compliance regime to ensure compliance with legislative framework overseen by independent Board Compliance Sub-Committee;
- Documented compliance programme and Company Policies to regulate compliance requirements;
- Annual compliance audits.

### **Other corporate governance policies and charters**

Refer to the fund website at: <http://www.industriareit.com.au/about/corporate-governance> for:

- Board Charter;
- Audit, Compliance and Risk Management Committee Charter; and
- Nomination and Remuneration Committee Charter

and the following corporate governance policies, which have been adopted by all entities (including APN FM) within the APN Group in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations:

- Securities Trading Policy;
- Continuous Disclosure Policy;
- Code of Conduct;
- Related Party Transactions and Conflicts of Interest Policy;
- Privacy Policy; and
- Communications Policy.

### **Compliance with ASX Corporate Governance Guidelines**

APN FM and Industria Co comply with all of the ASX Corporate Governance Principles and Recommendations, including, as not specifically addressed above:

- That at each AGM, the external auditor attends and is available to answer questions from security holders relevant to the audit.
- That security holders have the option to receive communications from, and send communications to, the entity and its security registry electronically.
- That the Audit, Compliance and Risk Management Committee has reviewed the risk management framework during the financial year ended 30 June 2016.

## Responsible Entity

APN Funds Management Limited  
ABN 60 080 674 479 AFSL No 237500

## Registered Office

Level 30, 101 Collins Street  
Melbourne Victoria 3000 Australia

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**F** +61 (0) 3 8656 1010  
**E** [investor@industriareit.com.au](mailto:investor@industriareit.com.au)  
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## Share Registry

Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia

**T** 1300 554 474  
**F** +61 2 9287 0303  
**E** [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
**W** [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)



**INDUSTRIAREIT**