



Arena REIT

Corporate Governance Statement 2017

24 August 2017



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Petit Early Learning Journey, Clifton Hill, VIC

Corporate Governance Statement

24 August 2017

This is the corporate governance statement for the Arena REIT group (**ARF**) for the financial year ended 30 June 2017. This statement sets out the extent to which ARF followed the Corporate Governance Principles and Recommendations (3rd edition) set by the ASX Corporate Governance Council (**Recommendations**) during the period from 1 July 2016 to 30 June 2017 (**Reporting Period**). ARF is substantially compliant with the Recommendations.

Overview of corporate structure

ARF is a triple stapled entity comprising Arena REIT No. 1 (ARSN 106 891 641) (**ARF1**), Arena REIT No. 2 (ARSN 101 067 878) (**ARF2**) and Arena REIT Limited ACN 602 365 186 (**ARL**). Arena REIT Management Limited ACN 600 069 761 (**ARML**) is the responsible entity of ARF1 and ARF2. ARL is the ultimate holding company of ARML and its other wholly owned subsidiaries.

ARL and ARML have separate boards of directors (**Boards**). A co-ordinated approach is undertaken by ARL and ARML to the corporate governance of ARF. ARF applies the same corporate governance framework to the wholly owned subsidiaries of ARL and its employees.

This statement applies to and is issued by the Boards and was approved by the Boards on 24 August 2017.

1. Lay solid foundations for management and oversight

ARL and ARML have adopted Board Charters (**Charters**) which provide the framework for the operation of the Boards and set out the functions and responsibilities of the Boards, those matters expressly reserved to the Boards and those matters that are delegated to management. Copies of these Charters are available on the ARF website at www.arena.com.au/about/governance.

The Boards have delegated certain responsibilities to an Audit Committee and a Remuneration and Nomination Committee (**Committees**). The Committees are comprised of the independent, non-executive directors of ARL and ARML. The scope of responsibilities delegated to the Committees is specified in the Audit Committee Charter and the Remuneration and Nomination Committee Charter, which are available on the ARF website at www.arena.com.au/about/governance.

Appropriate checks were undertaken in respect of the directors appointed to the ARL and ARML Boards. Similar checks will be undertaken before appointing a person as director of ARL or ARML, or putting forward to securityholders a candidate for election as a director of ARL. ARL provides securityholders with all material information in its possession relevant to a decision whether or not to elect or re-elect a director.

ARL and ARML each has a written agreement with each director and senior executive setting out the terms of their appointment. These agreements include remuneration, confidentiality requirements, indemnity and insurance arrangements and other matters set out in the Recommendations.

The Company Secretary of ARL and ARML is accountable directly to the Boards, through the Chairman, on all matters to do with the proper functioning of the Boards. This is set out in the Board Charters. The Company Secretary supports the effectiveness of the Boards by monitoring and reporting that policies and procedures are followed.

The ARL Board and ARML Board acknowledge the importance of diversity in contributing to growth, innovative thinking and overall success and are committed to fostering and maintaining an inclusive workplace that respects individuals. The Boards have adopted a diversity policy which describes ARL and ARML's approach to diversity. While the Diversity Policy sets out ARL and ARML's diversity objectives, it does not include measurable objectives for achieving gender diversity as the Boards consider that the small scale of ARF makes it impracticable for ARF to commit to measurable change based on diversity. The Diversity Policy is available at www.arena.com.au/about/governance.

The performance of the Boards, their Committees and the individual directors is subject to annual review. The process for review of the performance of the Boards and individual directors is determined by the relevant Boards, with the assistance of the Remuneration and Nomination Committee, and is disclosed to securityholders. The Committees undertake self-evaluation in accordance with their Charters and the Chairman of each Committee presents the results of these assessments to the Boards.

During the Reporting Period, the Boards and their Committees completed annual performance evaluations. These evaluations concluded that the Boards and committees are effective and appropriate to the size and operation of ARF.

Table 2.1

Director	Age	ARL Board ¹	ARML Board ²	Audit Committee	Remuneration & Nomination Committee
David Ross Independent, non – executive director	57	Chairman	Chairman	Member	Chairman
Dennis Wildenburg Independent, non – executive director	70	Member	Member	Chairman	Member
Simon Parsons Independent, non – executive director	62	Member	Member	Member	Member
Bryce Mitchelson Executive director / Managing Director	53	Member	Member	Attendee	Attendee
Gareth Winter Executive director / Company Secretary	45	Attendee	Member	Attendee	Attendee

1. The directors of ARL have been directors since its establishment on 16 October 2014.

2. Bryce Mitchelson has been a director of ARML since 12 June 2014. David Ross, Dennis Wildenburg and Simon Parsons have been directors of ARML since 8 October 2014. Gareth Winter has been a director of ARML since 12 December 2014.

The performance of senior executives is reviewed annually against their position descriptions and agreed key performance indicators. The process for this review is determined by the Remuneration and Nomination Committee and disclosed to securityholders. The annual performance evaluation of senior executives of ARF for FY17 was conducted following the end of the Reporting Period.

2. Structure the board to add value

The Boards have established a Remuneration and Nomination Committee which reports to the Boards and its Charter extends to the remuneration and nomination activities, controls and procedures of ARF. The Committee assists and advises the Boards on director selection and appointment practices, board composition and succession planning for the Boards and senior executives to ensure that the Boards are of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of ARF as a whole.

The composition of the Boards and Committees as at the date of this report is noted in Table 2.1. The number of meetings held and attendance by directors during the Reporting Period is disclosed in the Directors' Report included in the ARF Annual Financial Statements for FY17.

The independence of directors is assessed in a manner consistent with the principles enunciated in the Recommendations. The Boards consider David Ross (Chairman), Dennis Wildenburg and Simon Parsons to be independent directors in respect of each Board, as they do not have an interest, position, association

or relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgment. As such, the majority of the directors of ARL and ARML are independent, non-executive directors.

Independent judgement is maintained by allowing directors to seek independent professional advice. Directors are also required to declare any conflicts of interest prior to consideration of matters at the meetings of the Boards.

The core skills of importance to ARF are well represented by the current directors as noted in Table 2.2.

Induction for newly appointed directors, senior executives and employees is held as required. New directors are given a comprehensive board pack which includes details on ARF, governance requirements and policies. Directors are expected to be adequately informed in respect of relevant industry and regulatory issues and changes. Training sessions are scheduled around meeting dates of the Boards to develop and maintain skills and knowledge. Directors may raise other training requirements with the Company Secretary as they consider necessary or desirable for their continued professional development.

Table 2.2

	Leadership		Sector Experience		Functional and Operational Experience							
	CEO or senior executive	Property	Funds Management	Strategy	Finance & Accounting	Capital Management	Mergers & Acquisitions	Risk, Compliance & Governance	Technology	Remuneration & Culture	Sustainability	Investor Relations
Number of directors with relevant skills, experience or qualifications	5	5	5	5	3	4	4	5	2	4	2	2

3. Act ethically and responsibly

ARF has a code of conduct for its directors, senior executives and employees. The Code of Conduct outlines how ARF expects directors and employees to behave and conduct business in the workplace on a range of issues. It includes legal compliance and guidelines on appropriate ethical standards. The objective of the code is to:

- provide a benchmark for professional behaviour;
- support ARF's business reputation and corporate image within the community; and
- make directors and employees aware of the consequences if they breach the code.

The Code of Conduct is made available to all those expected to adhere to it at the time they join ARF and is available on ARF's website at www.arena.com.au/about/governance.

The Boards have approved a securities trading policy which applies to directors and employees. The policy is subject to the overriding prohibition against trading while in possession of inside information and restricts trading during the following closed periods:

- on the day price sensitive information is released to the ASX;
- the period commencing on the day immediately after the end of ARF's financial year (or financial half year, as applicable) and ending 24 hours after the release of the annual results announcement (or half yearly results announcement, as applicable) to the ASX ; and
- seven days prior to the date of the annual general meeting of ARF and the day of the annual general meeting.

The Securities Trading Policy is available on ARF's website at www.arena.com.au/about/governance.

4. Safeguard integrity in financial reporting

The Boards have established an Audit Committee which assists the Boards with processes to independently verify and safeguard the integrity of ARF's corporate financial reporting. The relevant qualifications and experience of the members of the Audit Committee are described on Arena's website, at www.arena.com.au/about/board.

Before approving the ARF financial statements, the Boards receive from the Chief Financial Officer and the Managing Director a declaration that, in their opinions, the financial records of ARF were 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 ARF and those opinions were formed on the basis of a sound system of risk management and internal control which operates effectively.

ARF's external auditor attends its annual general meeting and is available to answer questions from securityholders relevant to the audit.

5. Make timely and balanced disclosure

ARF has adopted a continuous disclosure policy, which incorporates the continuous disclosure framework as set out in Chapter 3 of the ASX Listing Rules and ASX Listing Rules Guidance Note 8.

The policy deals with:

- what information needs to be disclosed to the market;
- responsibility for responding to market rumours or speculation;
- communications with analysts and major investors, including the review of their forecasts;
- the communication procedures that are to be adopted when dealing with the media in relation to ARF; and
- the procedures for communicating with the Australian Securities Exchange (ASX).

A copy of the Continuous Disclosure Policy is available on the ARF website at www.arena.com.au/about/governance.

6. Respect the rights of securityholders

ARF is committed to providing all stakeholders with accessible, accurate and timely information on its activities and performance. ARF has established a website which includes detailed information in relation to ARF and its governance arrangements and an online portal called InvestorServe for securityholders to manage all aspects of their investment online.

Information about ARF, including all of the information suggested in the Recommendations, can be found at www.arena.com.au. Information about ARF's governance arrangements, including the Boards and senior management can be found at www.arena.com.au/about/governance.

ARF has designed and implemented an investor relations program that facilitates effective two-way communication with securityholders. The program currently includes the following:

- A formal communications policy which is committed to providing all stakeholders with accessible, accurate, clear and timely information on all matters which are relevant or material to the financial performance and activities of ARF. The Communications Policy can be found at www.arena.com.au/about/governance
- Update letters sent to securityholders on a regular basis providing a summary of ARF's recent activities.
- Half-yearly conference calls to which all investors and interested parties are invited, and are able to participate by submitting questions to management.
- Information provided on ARF's website, including the latest available security price (typically delayed by 20 minutes), overview of the group, ASX announcements, key dates and a contact form for questions, feedback or complaints.
- An online portal called InvestorServe for securityholders to manage all aspects of their investment online, including holding information and forms. Securityholders can register for InvestorServe by calling 1800 008 494 to request a password.
- Options for all securityholders to receive communications from, and send communications to, ARF and the registry electronically.

ARF recognises that meetings of securityholders represent an excellent opportunity for ARF to provide information to its securityholders and encourages attendance and participation at annual general meetings.

7. Recognise and manage risk

Risk management has been integrated into ARF's business processes through implementation of a written Risk Management Framework (**Framework**) which incorporates the guidelines described in the Australian/New Zealand Standard on Risk Management (AS/NZS ISO 31000:2009). A summary of the Risk Management Framework is available on ARF's website at www.arena.com.au/about/governance.

Because of the small size of the Boards, ARF does not have a dedicated risk management committee. The Boards have ultimate responsibility for overseeing the Framework and for approving and monitoring compliance with it.

The Managing Director has responsibility for day-to-day management of the risks facing ARF, and is supported by senior executives. The Framework, which includes a risk register, is designed to ensure that material business risks are identified, assessed, managed and monitored. Management prioritises material business risks and develops mitigation strategies. ARF does not have any material exposure to economic sustainability, environmental sustainability and social sustainability risks.

Compliance procedures have been developed which address the regular reporting and monitoring of risks in the day to day management of the business. The Boards receive a quarterly risk report on all critical and high assessed risks. Each year, the Boards review the Framework to ensure that the Framework continues to be sound. The 2017 review of the Framework was completed following the end of the Reporting Period.

ARF does not have a dedicated internal audit function due to the relatively small number of employees and the nature and scale of operations. The Head of Risk and Compliance conducts risk-based compliance reviews on the operations of ARF and reports to the Boards on a quarterly basis with recommendations for any changes to ARF's processes and systems in accordance with legal and regulatory requirements.

8. Remunerate fairly and responsibly

The Remuneration and Nomination Committee assists the Boards with oversight of the remuneration governance framework. The Boards have adopted a remuneration framework that recognises the need to motivate, attract and retain employees to deliver sustainable and superior business performance. The remuneration framework is underpinned by the following principles:

- Remuneration is externally competitive in terms of quantum, mix and design to support the attraction and retention of employees and takes into account the relative size and nature of the ARF business and its ability to pay and the role and experience of employees.
- The remuneration framework supports the delivery of ARF's business strategy.
- Remuneration is made up of fixed and variable reward.
- Variable reward will be used to recognise performance in both the short and longer term.

Executive and employee reward comprises fixed remuneration, and for eligible employees at the discretion of the Boards, variable short-term incentive payments and a long-term incentive, which may include equity based remuneration. The terms of the Securities Trading Policy, which forms part of ARF's remuneration governance framework, prohibit employees who participate in the equity based remuneration scheme from entering into arrangements which operate to limit the economic risk of exposure to ARF securities and accordingly the economic risk of participating in the scheme.

The Remuneration and Nomination Committee reviews the remuneration framework on an annual basis, or more frequently as required, to ensure the remuneration arrangements are driving business performance and are aligned with the long-term strategy of ARF. The Remuneration and Nomination Committee is able, as required, to appoint external remuneration advisers to review and advise on aspects of the framework. An external independent remuneration review was conducted during the Reporting Period.

Further details of the remuneration of ARF senior executives and non-executive directors are included in the Remuneration Report which forms part of the Directors' Report of the ARF Annual Financial Statements for FY17.

Corporate Directory

Arena REIT Limited

ACN 602 365 186

Arena REIT Management Limited

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Directors

David Ross (Independent,
Non-Executive Chairman)

Simon Parsons (Independent,
Non-Executive Director)

Dennis Wildenburg (Independent,
Non-Executive Director)

Bryce Mitchelson (Managing Director)

Gareth Winter (Executive Director)

Company Secretary

Gareth Winter

Auditor

PricewaterhouseCoopers

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Southbank VIC 3006

Registry

Boardroom Pty Limited

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Telephone: 1300 737 760

Investor inquiries and correspondence

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Stock exchange listing

Arena REIT stapled securities are listed on the Australian Securities Exchange (ASX)

