



APN | Property Group

APN Property Group Limited

Board Charter

November 2013

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1. Introduction

APN Property Group Limited (**APN PG**) is a public company admitted to the official list of the Australian Securities Exchange (**ASX**). APN PG is the sole shareholder in:

- (a) APN Funds Management Limited (**APN FM**), which manages APN's listed and unlisted real estate investment trusts in its role as responsible entity and/or trustee; and
- (b) APN Development and Delivery Pty Limited, which conducts APN's property development, delivery (incorporating construction) and property advisory business,

(which, together with APN PG and each of their respective controlled entities, but excluding the funds managed by APN FM, make up the **APN Group**).

2. Purpose of charter

- (a) The purpose of this charter (**Board Charter**) is to:
 - (i) set out the composition of the board of directors (**Board**) of APN PG (**APN PG**);
 - (ii) confirm the functions and responsibilities of the Board; and
 - (iii) establish the corporate governance structure of APN PG.
- (b) The Board must conduct itself within the requirements of the *Corporations Act 2001* (Cth) (**Corporations Act**) and the listing rules of the ASX (**Listing Rules**)
- (c) The Board must either comply with the ASX Corporate Governance Principles and Recommendations (**Recommendations**) or, where the Board fails to comply with any recommendations, ensure that the reasons for such non-compliance during the relevant period are disclosed in the annual report of APN PG.
- (d) The conduct of the Board is also governed by:
 - (i) the constitution of APN PG (**Constitution**);
 - (ii) the APN Property Group Code of Conduct;
 - (iii) the APN Property Group Securities Trading Policy (which incorporates the APN Property Group Information Barriers Policy);
 - (iv) the APN Property Group Conflicts of Interest and Related Party Transactions Policy;
 - (v) the APN Property Group Continuous Disclosure Policy; and
 - (vi) the APN Property Group Communications Policy,

each as amended from time to time.

All directors must be familiar with the terms of, and ensure that they comply with, each of the above governance documents.

3. Membership and term of Board

- (a) In accordance with the Constitution:
 - (i) There will be a minimum of three directors (not counting alternate directors). The maximum number of directors is ten unless APN PG in general meeting resolves otherwise. The Board may review this requirement from time to time.
 - (ii) APN PG may appoint a director by a resolution passed in a general meeting. The directors may also appoint a person as a director by resolution of the Board (please refer to clause 4.2 of the Constitution).
 - (iii) Directors hold office until they die, vacate the office in accordance with the Constitution or their letter of appointment, or the term for which they have been appointed or elected expires (please refer to clause 4.3 of the Constitution).
 - (iv) A director may appoint an alternate director, approved by a majority of the other directors, to attend Board meetings in his or her place, together with any other rights conferred upon an alternate director in accordance with the terms of appointment approved by the other directors (please refer to clause 4.5 of the Constitution).
- (b) In accordance with the Recommendations, the appointment of all directors will be confirmed by a formal letter of appointment.

4. Responsibilities

4.1 General responsibilities

Without limitation to the duties and responsibilities of directors under the Corporations Act, the Constitution and all applicable laws, the Board is responsible for:

- (a) oversight of the APN Group, including its control and accountability systems;
- (b) setting the aims, strategies and policies of the APN Group, in particular in respect of:
 - (i) the direction of the APN Group's funds management business (including the establishment of new funds from time to time); and
 - (ii) the direction of the APN Group's development and delivery business;
- (c) without limiting the Board's responsibilities under clause 4.3:
 - (i) appointing and removing the managing director of APN PG (or equivalent);
 - (ii) where appropriate, ratifying the appointment and the removal of senior executives of APN PG including, but not limited to, the chief financial officer (or equivalent) and company secretary;
- (d) providing input into and final approval of management's development of corporate strategy and performance objectives for the APN Group;
- (e) reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance for the APN Group;

- (f) monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available;
- (g) approving and monitoring the progress of major capital expenditure, financial reporting, capital management and acquisitions and divestitures within the APN Group; and
- (h) without limiting the Board's responsibilities under clause 4.2, approving and monitoring financial and other reporting obligations of entities within the APN Group.

4.2 Audit and risk management

Whilst the Board has not appointed an audit and risk management committee, the Board will be responsible for the audit and risk management functions in respect of the entities within the APN Group, which are set out in more detail in Appendix A.

The Board will immediately delegate the audit and risk management functions to a board committee if so required by the Listing Rules, Corporations Act or any other applicable laws.

4.3 Nomination and remuneration

Whilst the Board has not appointed a nomination and remuneration committee, the Board is responsible for the nomination and remuneration functions in respect of the entities within the APN Group, which are set out in more detail in Appendix B.

5. The function of the Chairman

- (a) The Chairman is appointed by the Board.
- (b) The roles of the Chairman and the managing director must remain separate.
- (c) In addition to the Chairman's responsibilities as a director, the Chairman is responsible for:
 - (i) leading the Board in discharging its duties to APN PG and the APN Group;
 - (ii) the efficient organisation and conduct of the Board's functioning;
 - (iii) chairing Board meetings and directing Board discussions so that there is an effective use of time and that critical issues are discussed;
 - (iv) facilitating the effective contribution of all directors and promoting constructive and respectful relations between directors and between the Board and management;
 - (v) ensuring the Board is participating in setting the aims, strategies and policies of the APN Group;
 - (vi) ensuring there is adequate monitoring, pursuit and performance of the aims, strategies and policies of the APN Group;
 - (vii) briefing all directors in relation to issues arising at meetings of the Board;
 - (viii) ensuring that the Board is kept properly informed of the financial position and performance of APN PG; and
 - (ix) chairing general meetings of APN PG in accordance with the Constitution.
- (d) The Chairman is required to commit sufficient time in order to properly discharge the role of chairman.

6. Board meetings

- (a) In accordance with the Constitution:
 - (i) A director may at any time, and the company secretary must upon the request of a director, convene a Board meeting.
 - (ii) A quorum for Board meetings is two directors unless the Board determines otherwise. Each director has one vote.
 - (iii) Decisions of the Board are decided by a majority of votes of directors present and entitled to vote.
 - (iv) In the case of an equality of votes on a resolution at a Board meeting, the Chairman will have a second or casting vote on that resolution in addition to any vote the Chairman has in his or her capacity as a director in respect of that resolution, other than in the case where there are only two directors competent to vote on the resolution at issue.
 - (v) The proceedings of all Board meetings are to be minuted and the minutes be circulated to, and approved by, directors prior to or at the next successive meeting. In accordance with the Corporations Act, the minutes of all Board meetings must be signed by the chair of the meeting within a reasonable time after the meeting.
- (b) In accordance with the Corporations Act, minutes of all Board meetings must be lodged in the Company's minute book within one month of each Board meeting being held.

7. Directors

7.1 Responsibilities

Without limitation to the duties and responsibilities of directors under the Corporations Act, the Constitution and all applicable laws, each director has the following responsibilities in addition to the responsibilities of the Board as a whole:

- (a) directors must attend Board meetings and meetings of any committees upon which they sit;
- (b) directors must apply their minds to any matters raised at Board meetings or in relation to the business of APN PG and raise any issues or questions, or make any enquiries, which they believe are material to the effective operation of APN PG;
- (c) directors must comply with this Charter, the Constitution and the Corporations Act in relation to voting at Board meetings; and
- (d) directors have an ongoing obligation to disclose conflicts of interest that may arise in the course of carrying out their duties as a director of APN PG. In accordance with the Corporations Act:
 - (i) each director must give the other directors notice of any conflict which may arise in respect of matters being considered by the Board; and
 - (ii) if the conflict is a material personal interest in the matter (as defined in the Corporations Act), that director must not:

- (A) be present while the matter is being considered at a Board meeting; or
- (B) vote on the matter.

7.2 Independence of directors

- (a) Details of the membership of the Board will be disclosed in the annual report of APN PG, including whether a director is independent or not independent. If a director's independent status changes, this will be disclosed and explained to the market in a timely manner.
- (b) There are several factors the Board should take in to account when determining the independent status of a director. An independent director is a non-executive director and:
 - (i) is not a substantial shareholder in APN PG or an officer of, or otherwise associated directly with, a substantial shareholder in APN PG;¹
 - (ii) is not employed by APN and, if the director has previously been employed in an executive capacity by APN PG or another group member, there has been a period of at least three years since ceasing such employment;
 - (iii) within the last three years has not been a principal of a material professional adviser or a material consultant to APN PG or another group member, or an employee materially associated with the service provided;
 - (iv) is not a material supplier or customer of APN PG or another group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
 - (v) has no material contractual relationship with APN PG or another group member other than as a director; and
 - (vi) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of APN PG.

8. Review of Board Charter

It is intended that the Board will review this Board Charter annually to ensure it remains consistent with the Board's objectives and responsibilities.

9. Other matters

Various matters relating to the Board are governed by the Constitution and are not reproduced here.

10. Date of adoption

This Board Charter was adopted by the Board on _____ 2009.

¹ In accordance with the Corporations Act, a director is a substantial shareholder in APN PG if the director has a relevant interest in at least 5% of the voting shares in APN PG.

Appendix A – Audit and risk management responsibilities

1. Purpose

The purpose of the audit and risk management function of the Board is to:

1.1 Audit

- (a) oversee the internal and external audit functions in respect of the APN Group and review reports received from both internal and external auditors and the financial statements prepared on behalf of the entities within the APN Group;

1.2 Risk

- (a) develop and/or review and provide input into policies in respect of the APN Group, together with the APN funds, that clearly describe the roles and respective accountabilities of the board of APN PG, the board of APN FM, management and internal and external auditors, which should include the identification, assessment, monitoring and management of risks, including (without limitation) the following risks:
 - (i) strategic risks;
 - (ii) legal and compliance risks;
 - (iii) financial risks;
 - (iv) operational risks; and
 - (v) reputational risks;
- (b) review, at least annually, the effectiveness of the APN Group's implementation of risk management and financial reporting systems, in particular reviewing the effectiveness of the systems to:
 - (i) identify, assesses, monitor and manage risks (including the risks identified in paragraph (b) above);
 - (ii) identify, assesses, monitor and manage related party transactions, in particular transactions involving entities within the APN Group and one or more Funds;
 - (iii) inform investors of material changes to the APN Group's financial and risk profile;
 - (iv) maintain high standards of management and financial reporting;
 - (v) ensure effective audit functions and communications between the Board and auditors; and
 - (vi) enhance the environment for identifying and capitalising on opportunities to create value.

2. Responsibilities

2.1 Audit

(a) External audit

The Board has the following responsibilities in respect of the APN Group's external audit requirements:

- (i) to determine the appointment and removal of external auditors;
- (ii) to monitor compliance with the Corporations Act in relation to auditor rotation;
- (iii) to undertake periodic reviews in order to monitor the effectiveness, objectivity and independence of the external auditor;
- (iv) to review and consider on the adequacy of the audit plan proposed by the external auditors;
- (v) to review all of the external auditor's reports;
- (vi) to commission such enquiry by the external auditors as the Board deems appropriate;
- (vii) to consider management's responses to matters that arise from external audits;
- (viii) 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
- (ix) to perform annual assessments on the external auditor's compliance with any applicable laws, regulations and any other relevant requirements.

(b) Financial statements

The Board has the following responsibilities in respect of the financial statements prepared on behalf of the APN Group:

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

2.2 Risk management

The Board has the following responsibilities in respect of its risk management function:

- (a) to monitor the management of risks relevant to the APN Group;
- (b) to review the APN Group's current risk management program (including all internal policies developed and implemented to manage and identify all of the identified risks (**Governance Policies**)) and whether it identifies all areas of potential risk and also ensures the APN Group has in place:
 - (i) a procedure for identifying risks and controlling financial or other impacts on the APN Group;
 - (ii) an adequate system of internal control, management of business risks and safeguarding of assets;
 - (iii) a system for reporting and investigating breaches of the APN Group's compliance and risk management procedures and Governance Policies; and
 - (iv) a review of internal control systems and the operational effectiveness of the Governance Policies and procedures related to risk and control; and
- (c) to ensure that regular audits of the Governance Policies are conducted to monitor compliance;
- (d) without limiting paragraph (c), to monitor compliance with the APN Property Group Conflicts of Interest and Related Party Transactions Policy and comply with its obligations under the policy;
- (e) to oversee investigations of allegations of fraud or malfeasance.

3. Reporting

- (a) The external auditor will report to the Board.
- (b) In accordance with the listing rules of the ASX, the Board will ensure that the annual report of APN PG contains a statement disclosing the extent to which APN PG has followed the Recommendations during the reporting period. In particular:
 - (i) where APN PG has not followed all of the Recommendations, the Board must ensure that the annual report identifies those Recommendations that have not been followed and discloses APN PG's reasons for not following them; and
 - (ii) if a Recommendation had been followed by APN PG for only part of the period, the Board must ensure that the annual report discloses the period during which the Recommendation had been followed.

Appendix B – Nomination and remuneration responsibilities

1. Purpose

The purpose of the nomination and remuneration function of the Board is to:

- (a) to focus on appropriate nomination and remuneration policies which are designed to meet the needs of the APN Group and to enhance corporate and individual performance;
- (b) in conjunction with the board of APN FM (where appropriate), fairly and regularly review and evaluate the competence and performance of APN PG's directors, the Board as a whole and key executives against both measurable and qualitative indicators;
- (c) review:
 - (i) Board succession plans;
 - (ii) the APN Group's remuneration, recruitment, retention and termination policies and procedures in place for senior management;
 - (iii) incentive schemes;
 - (iv) superannuation arrangements;
 - (v) remuneration framework for directors; and
- (d) determine the appropriate disclosure to be made in relation to executive remuneration, termination payments and retirement benefits.

2. Responsibilities

The Board is responsible for:

- (a) determining the appropriate size and composition of the Board, together with the board of APN FM;
- (b) the appointment, re-appointment and removal of directors;
- (c) developing formal and transparent procedures and criteria for the selection of candidates for, and appointments to, the Board and the board of APN FM in the context of each board's existing composition and structure;
- (d) developing a succession plan for the Board and the board of APN FM and regularly reviewing the succession plan;
- (e) implementing induction procedures designed to allow new directors to participate fully and actively in Board decision-making at the earliest opportunity;
- (f) implementing induction programs that enable directors to gain an understanding of:
 - (i) the APN Group's financial, strategic, operational and risk management position;

- (ii) their rights, duties and responsibilities which, in the case of directors of APN FM, includes their specific duties and responsibilities as directors of a corporate trustee and responsible entity; and
- (iii) the role of the Board and Board committees;
- (g) 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;
- (h) developing a process for performance and remuneration evaluation of the Board, its committees and individual directors and key executives, which can be made available to the public;
- (i) developing remuneration and incentive policies which motivate directors and management to pursue the long-term growth and success of the APN Group within an appropriate control framework;
- (j) developing policies which demonstrate a clear relationship between key executive performance and remuneration;
- (k) the remuneration and incentive policies for senior management within the APN Group; and
- (l) the remuneration packages of senior management and directors.

3. Voting exclusion

A director will not be entitled to be present when his or her own remuneration is discussed at a meeting or when his or her performance is being evaluated by the Board.