

CHARTER HALL WALE LIMITED (CHWALE)

BOARD CHARTER

DATE 26 June 2018

1 Functions and Responsibilities of the Board

Charter Hall WALE Limited (**CHWALE**) is the Responsible Entity (RE) of a listed real estate investment REIT called Charter Hall Long WALE REIT (**LWR**).

In this Charter, CHWALE is referred to as the **Company**.

To allow the Company to carry out its statutory and contractual duties for LWR, Directors and staff are Charter Hall employees who provide services to LWR.

The primary purpose of the Board is to ensure that the Company acts at all times in the best interests of securityholders of LWR (**Securityholders**). The Board is also responsible for the overall management of LWR including the determination of their strategic direction with the aim of increasing unitholder wealth through the performance of LWR.

Key Functions

The key functions of the Board are to:

- providing strategic direction and deciding upon the LWR business strategies and objectives;
- monitoring the operational and financial position and performance of LWR;
- overseeing risk management, including determining the level of risk exposure that is considered acceptable in pursuit of the Company's and LWR's objectives, and reviewing and approving the risk management policy and systems;
- ensuring that LWR's financial and other reporting mechanisms result in adequate, accurate and timely information being provided to the Board;
- ensuring that Securityholders and the market are fully informed of all material developments; and;
- overseeing and evaluating the performance of the Fund Manager and other senior executives in the context of LWR's strategies and objectives.

In relation to the Company, and subject to duties owed to Securityholders, the Board is responsible for the overall management of the Company and for directing its strategic goals, with the aim of increasing Securityholder value through maximising the performance of the Company and LWR, respectively.

As part of an effective organisational structure, the Board may delegate certain of its responsibilities to Committees (see section 12) and day-to-day management to the Managing Director and Group CEO, and other senior management (see section 6).

Individual directors of the Board are entitled to have access to all records relating to LWR and the Company, the executive team and management of the Company and to seek independent professional advice, at the Company's expense (in some instances, subject to reimbursement from the assets of LWR).

2 Conflicts of Interest

The Board, in conjunction with Charter Hall, has developed a Related Party Transactions and Conflicts Policy which contains guidelines for declaring and dealing with potential conflicts such as:

- Board members declaring their interests as required under the Corporations Act, the ASX Listing Rules and other general law requirements;

- Board members with a material personal interest in a matter not being present at a Board meeting during the consideration of the matter and subsequent vote unless the Board (excluding the relevant Board member) resolves otherwise;
- Board members with a conflict not involving a material personal interest possibly being required to absent themselves from the relevant deliberations of the Board; and
- Conflicts arising from related party transactions - protocols and procedures have been put in place to manage and resolve any conflicts that may arise from related party transactions.

In addition, directors are under a fiduciary duty to act in the best interests of Securityholders in relation to decisions when they are voting as a member of the Board, and the ASX Listing Rules may require Securityholder approval in relation to the acquisition and disposal of assets or transactions with persons in a position of influence.

Directors, management and staff of the Company are expected to act with integrity and honesty.

3 Board Size and Composition

As the Company is a wholly owned subsidiary of Charter Hall, directors shall be nominated to the Board by the Charter Hall Group Nominations Committee (NC) and approved by Charter Hall before being appointed by the Board, taking into account the constitutions of the Company, this Charter and the requirements of the Corporations Act. The remuneration of the directors shall be determined by the Charter Hall Group Remuneration and Human Resources Committee (RHRC) and approved by the Charter Hall Board.

The Board will be comprised of:

- a majority of non-executive directors who satisfy the criteria for independence set out below;
- directors with an appropriate range of skills, expertise and experience from a diverse range of backgrounds;
- directors who have a proper understanding of, and competence to deal with, current and emerging issues of business; and
- directors who can effectively review and assess the performance of management and exercise independent judgment.

The Board will make recommendations to the Securityholders for the initial appointment of directors. Directors will be required to submit for re-election every three years. Securityholder votes on director re-election are not binding on the Company or Charter Hall but the outcome of any such vote is a matter to which Charter Hall will have regard in considering the continuation of a director appointment.

The minimum number of Directors is three, and the maximum number is ten.

Representatives of external auditors and management will be requested to attend and report at meetings of the Board as appropriate.

Notwithstanding the above, Charter Hall has the power to remove any nominated Director.

4 Independence

In determining the independence of its members, the Company adopts the guidelines (modified appropriately) provided by the ASX Corporate Governance Council in Principle 2 of its "Corporate Governance Principles and Recommendations (3rd Edition)". A Director is considered to be independent if he/she:

- is not a substantial security holder of LWR, or otherwise directly associated with a substantial security holder of LWR;
- has not been employed within the last three years in an executive capacity by the Company or been a director after ceasing to hold such employment;
- within the last three years has not been a principal of a material professional advisor or a material consultant to the Company, or an employee materially associated with the service provided;
- is not a material supplier or customer of the Company, or an officer or otherwise associated directly or indirectly with a material supplier or customer within the last three years;

- e has no material contractual relationship with the Company other than as a Director of the Company;
- f has not served on the Board for a period which could, or reasonably could be perceived to, materially interfere with the Director's ability to act in the best interests of LWR; or
- g is free from any interest and any business or other relationship which could, or reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of LWR.

5 Role of the Chair

The Chair has a major role as the head of the Board in providing leadership of the Board, and leadership in the strategic direction of LWR and the Company, more particularly:

- a leading and facilitating the Board and its deliberations;
- b promoting that the directors' focus is on the enhancement of Securityholder value;
- c maintaining a professional working relationship with Fund Manager of LWR and the Managing Director and Group CEO of Charter Hall;
- d ensuring that management appropriately responds to questions and enquiries of members of the Board; and
- e acting as spokesman for LWR and communicating and consulting with Securityholders and relevant stakeholders on significant issues, as appropriate.

6 Authority Delegated to Senior Management

The constitution of LWR sets out the rights and obligations of Securityholders and the RE. The LWR Compliance Plan sets out measures to ensure that LWR is operated in accordance with its constitution, the Corporations Act, any licences and the requirements of the ASX Listing Rules.

The constitution of the Company vests in the Directors those powers which are not exercised by the Company in general meeting. The Board (in its capacity as the board of the RE) has delegated day-to-day management of the assets of LWR to the Managing Director and Group CEO, and senior management. This delegation of authority includes responsibility for:

- a developing business plans, budgets and strategies in relation to LWR for consideration by the Board and, to the extent approved by the Board, implementing these plans, budgets and strategies;
- b operating the undertakings of LWR within the parameters of the LWR constitution and Compliance Plan and the parameters set by the Board from time to time and keeping the Board informed of material developments in respect of LWR;
- c identifying and managing operational risks and, where those risks could have a material impact on LWR, formulating strategies for managing these risks for consideration by the Board;
- d ensuring that the Board is provided with sufficient information on a timely basis with regard to LWR, and in particular with respect to the performance, financial condition, operating results and prospects of LWR, to position the Board to fulfil its governance responsibilities; and
- e implementing the policies, processes and codes of conduct approved by the Board.

7 Selection and Role of Company Secretary

The appointment and removal of a Company Secretary is to be approved by the Board. The Company Secretary is accountable directly to the Board through the Chair on all matters to do with the proper functioning of the Board.

8 Meetings

The Board will meet at least quarterly, with additional meetings as the Chair shall deem appropriate. In addition, the Company Secretary is required to convene a meeting if requested to do so by any Director.

Board papers should be distributed at least one week prior to each meeting. Directors are required to attend as many Board meetings as possible and to have read and considered the board papers ahead of each meeting.

A record of submissions and papers, together with minutes of meetings, is maintained and held by the Company Secretary. Agendas for, and minutes of, meetings, will be sent to all Directors.

Unless otherwise determined by the Directors, a minimum of two Directors (with at least 50% of those attending being independent) form a quorum for meetings of the Board.

Meetings may be held electronically, or by any other technology which allows for Directors to communicate with each other. Resolutions may be passed via circular resolution which has been signed by a majority of independent Directors entitled to vote on the resolution (not being less than the number required for a quorum at a meeting of Directors). The circular resolution will become effective when signed by the last of all Directors or the last of the Directors constituting the majority, as required.

9 Performance evaluation

The performance of the Board as a group will be evaluated regularly. The evaluation will be conducted either internally or by external consultants. The evaluation will have regard to a range of criteria such as:

- a ensuring effective executive management;
- b performing Board functions;
- c ensuring proper financial performance;
- d ensuring proper management of operations, including management of information systems and client relationships; and
- e ensuring the growth and evolution of the Board and management.

Each independent Director will complete an annual performance evaluation which will be submitted to the Chair. Employees who are appointed as Directors by Charter Hall will be subject to Charter Hall's annual performance appraisal process.

10 Induction and Training

Each new Director will, upon appointment, participate in an induction programme. This will include meeting with the Managing Director and Group CEO, the Chief Financial Officer, the Group General Counsel & Company Secretary, each member of the Executive Leadership Group and any other relevant executives to familiarise themselves with the Group, its policies, procedures and Board practices and procedures.

Directors should ensure that they keep themselves adequately informed in respect of relevant industry and regulatory issues and changes.

Each director will be invited to participate in:

- internal training sessions and conferences organised from time to time in respect of relevant industry and regulatory issues; and
- asset tours from time to time.

Any other training requirements should be discussed with, and if appropriate, arranged by the Group Company Secretary with the Chair's approval.

11 Corporate Governance

The Board is committed to sound governance practices and determines the most appropriate governance arrangements for LWR.

The corporate governance structure adopted by the Board reflects its role as an external manager of a listed REIT, and as a result, the corporate governance structure may be different to a traditional listed company carrying on an operating business, or a trust which is internally managed.

Under the Corporations Act and the general law of trusts, the Company has a duty to manage LWR in the best interests of Securityholders, and to act honestly, act in accordance with a duty of care and diligence and, if there is a conflict between the Securityholders' interest and its own interests, give priority to the interests of Securityholders.

To conduct its activities as an RE, the Company holds an Australian Financial Services License ([AFSL](#)) issued by the Australian Securities and Investments Commission ([ASIC](#)). To retain its AFSL, the Company must comply with specific requirements. These include maintaining a required minimum level of solvency and properly training and supervising its employees and agents, and preparing and lodging a detailed compliance plan with ASIC. Under the Corporations Act, the Company is also required to administer LWR in accordance with a written constitution. The constitution governs how LWR must operate, the rights of Securityholders, and how remuneration of the RE is calculated. The compliance plan sets out the mechanisms in place to ensure compliance with the constitution and the Corporations Act.

12 Board Committees

The powers, duties and responsibilities of the Board as set out in this Charter may be delegated to one or more committees of the Board. The Chair of each committee shall be an independent non-executive director appointed by the Board.

Each Committee has or will have a documented and approved Charter setting out the composition, duties, and responsibilities of that committee. The role of the committee is to act within the terms of its charter and to make recommendations to the Board.

Minutes of the proceedings of all board committee meetings shall be maintained and copies of those minutes shall be made available to all Directors.

As at the date of this Charter, the Board has established an Audit Risk and Compliance Committee. The Board may establish ad hoc Board committees from time to time to consider matters of special importance, or to exercise the delegated authority of the Board.

13 Related Policies

Director Code of Conduct.

14 Policy review, ownership and version control

This Policy will be reviewed at least annually by the Company Secretary and will take into account any change in legislative or regulatory requirements and changes in Charter Hall Group's operations.