

# CORPORATE GOVERNANCE STATEMENT

CHARTER HALL LONG WALE REIT

## Our commitment to corporate governance

Charter Hall Long WALE REIT (**REIT**) comprises three registered managed investment schemes listed on the ASX. The Responsible Entity is Charter Hall WALE Limited (CHWALE), a member of the Charter Hall Group (Charter Hall). CHWALE's role is defined by the REIT's Constitution, the Corporations Act and Regulations and the general law.

The Board of CHWALE recognises the importance of corporate governance in achieving the investment objectives of the REIT, and discharging its responsibilities to all stakeholders of the REIT. The governance framework, as summarised in this Statement, has been designed to ensure that the REIT is effectively managed, the statutory obligations are met, and Charter Hall's culture of corporate integrity is reinforced.

Due consideration has been given to the *Corporate Governance Principles and Recommendations (3rd Edition)* published in July 2014 by the ASX Corporate Governance Council, (ASX Corporate Governance Principles), and any departure from these Principles is noted below.

This Statement provides a summary of the key governance practices in place and (unless stated otherwise) for the REIT.

Charter Hall's key corporate policies can be found on its website at <http://www.longwalereit.com.au/>.

## Principle 1 – Lay solid foundations for management and oversight

### Roles of the Board and management

*ASX Corporate Governance Principle 1.1 – A listed entity should disclose:*

- (a) the respective roles and responsibilities of its board and management;*
- (b) those matters expressly reserved to the board and those delegated to management.*

The Board of CHWALE is committed to effectively representing and promoting the REIT, and thereby adding long-term value to all Securityholders. The Board is accountable to Securityholders for the management of the REIT's business and affairs and as such is responsible for the overall strategy, governance and performance of the REIT.

To clarify the roles and responsibilities of directors and management, and to assist the Board in discharging its responsibilities, Charter Hall has established a governance framework which sets out the functions reserved to the Board and provides for the delegation of functions to Board Committees and management. Those functions and responsibilities reserved to the Board are set out in the Board Charter, which is available to view in the 'Corporate Governance' section of the REIT's website.

In accordance with the REIT's Constitution and its responsible entity duties, the Board has authority to make decisions in respect of investments and divestments, equity or debt funding, related party transactions, approval of financial accounts, auditor appointment, adopting property valuations, distributions, annual reports and any significant changes to policies or debt facilities of the REIT.

Those Charter Hall executives and senior managers that have responsibility for the business activities of the REIT have delegated authority to make decisions in respect of the day to day management of the REIT and its assets, including appointment of advisers, approvals of asset business plans, budgets, capital expenditure and hedging (within the approved hedging policy).

### Information regarding directors

*ASX Corporate Governance Principle 1.2 – A listed entity should:*

- (a) undertake appropriate checks before appointing a person, or putting forward to securityholders a candidate for election as a director; and*
- (b) provide securityholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

Prior to being nominated for appointment to the Board, all relevant checks are undertaken by a sub-committee of the Charter Hall Nominations Committee and an independent CHWALE director as to the experience, and background of the proposed non-executive director, including reference and police checks. Securityholders are provided with a summary biography of each non-executive director who is proposed for election or re-election in the Notice of Meeting for each Annual Securityholder Meeting, which details the experience and skills of the non-executive director, details of any other directorships or interests that may be perceived to materially influence his or her capacity to bring an independent judgment to bear on issues before the Board, the term of office currently served (if proposed for re-election) and whether or not the Board considers the non-executive director qualifies as independent. Details of the REIT's Non-Executive Directors are also available on the REIT's website. The Securityholder resolution to consider the election or re-election of a Director is an advisory, non-binding resolution.

### Non-executive directors and senior executives to have written agreements setting out terms of appointment

*ASX Corporate Governance Principle 1.3 – A listed entity should have a written agreement with each non-executive director and senior executive setting out the terms of their appointment.*

The REIT's Non-Executive Directors have been appointed under a formal letter which sets out the key terms and conditions of that appointment, including the term, time commitment, remuneration, requirement to disclose directors' interests, the requirement to comply with key corporate policies, when independent professional advice may be sought, when the office of director may become vacant, indemnity and insurance arrangements and rights of access to corporate information.

Each Executive Director and each of the senior managers who have responsibility for the business activities of the REIT has a formal job description and letter of appointment which sets out his/her duties and obligations, rights and responsibilities and entitlements.

### Board Committees

The Board has established an Audit Risk & Compliance Committee (**ARCC**) to assist the Board in the execution of its responsibilities. The ARCC operates under a specific charter, which can be found in the 'Corporate Governance' section of the REIT's website.

In accordance with its charter, the ARCC must have at least three non-executive members, be comprised of a majority of 'independent' directors, and be chaired by an 'independent' non-executive director. Director independence is discussed on page 6 of this statement.

During the reporting period, the membership of the ARCC was as follows:

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

- Glenn Fraser (Chair)
- Peeyush Gupta (Member)
- Ceinwen Kirk-Lennox (Member)

The membership of the ARCC will change from time to time, depending on the needs of the Board and the directors' rotation policy.

The number of Board and ARCC meetings held during a reporting period and the attendance by each of the directors is presented in the Annual Report.

#### **Company Secretary**

*ASX Recommendation 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 Company Secretary plays an important role in supporting the effectiveness of the Board by ensuring that Board policy and procedures are followed, co-ordinating the timely completion and dispatch of the Board agenda and briefing materials, ensuring the business at Board and ARCC meetings is accurately captured in the minutes and advising the Board and ARCC on all governance matters.

The Company Secretary retains independent professional advisors at the request of the Board or ARCC and helps to organise and facilitate the induction and professional development of Directors.

All Directors have direct access to the Company Secretary.

The appointment and removal of the Company Secretary is a matter for decision by the Board as a whole.

The Company Secretary is accountable to the Board, through the Chair, on all governance matters.

#### **Diversity**

*ASX Recommendation 1.5 – A listed entity should:*

- (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;*
- (b) *disclose that policy or a summary of it;*
- (c) *disclose 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:*
  - (i) *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*
  - (ii) *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.*

CHWALE does not employ staff directly; all employees working within the REIT's business are provided by Charter Hall. For this reason, employees working within the REIT's business are governed by Charter Hall policies.

Fostering a diverse and inclusive workforce is critical to the achievement of Charter Hall's corporate goals. Diversity at Charter Hall includes respecting and valuing differences based on a wide range of personal characteristics including gender, age and ethnicity, as well as diversity of thought and background.

Charter Hall believes that people with different experiences, backgrounds and perspectives can provide unique view points and innovative solutions from which the business can benefit.

The promotion of greater gender diversity broadens the pool for recruitment of high quality directors and employees, is likely to support employee retention, and encourages greater innovation. It also allows the Group to connect with its diverse client base, providing it with a balanced perspective, and is a socially and economically responsible governance practice.

The Board has adopted a Diversity and Inclusion Policy, which is disclosed on the Charter Hall website. The Policy contains the overriding objectives to increase the percentage of women in leadership and business related roles and to promote a culture that values diversity, inclusion and flexibility.

To achieve these objectives, Charter Hall has put in place a number of strategies. Achievements against these strategies, in respect of the financial year ending 30 June 2017, are summarised in the table on the following page.

Charter Hall has spent significant time establishing the foundations for Diversity and Inclusion. Efforts have focused on re-designing the way in which Charter Hall employees work and moving to a more flexible "New Way of Working" approach Australia-wide.

This has been supported by formalised induction initiatives, objective performance calibration, a menu of benefits to encourage flexible working, and focused talent development (both internal and external) to support leaders in managing dispersed teams and accelerating female talent.

Building upon these foundations, Charter Hall has focused more recently on extending the drive for diversity and inclusion. Initiatives undertaken at an executive level since 1 July 2015 include:

- Re-positioning the Charter Hall business case to better leverage diversity of thought and develop commitment to the diversity and inclusion strategy through the business;
- The Executive Committee actively sponsoring this strategy with consistent behaviour and attitudes formalised through awareness of unconscious bias and cascade of unconscious bias training through the business;
- The CLWALE Board currently has one female director (representing 33.3% female participation of the non-executive directors on the board). Even though the REIT is externally managed, potential diversity targets for the REIT Board are currently being considered.

	2017 Actual	2018 Target	2020 Target
Female participation in senior executive positions	21.2%	> 25%	> 35%
Female participation in the workplace	52.5%	50%	50% *

\* Female participation in senior executive positions is defined as senior management.

- Agreeing aspirational and achievable gender targets for divisions and leadership levels;
- Undertaking a gender pay review where performance and remuneration data was analysed and options were actioned to address any gender pay equity gaps;
- Implementing an objective job framework for the top 50 roles that will highlight gender gaps and inform Charter Hall's recruitment practices;
- Committing to a 50:50 pledge for every recruitment / promotion decision panel and pool of candidates; and
- Working with the industry as part of the Property Male Champions of Change (PMCC) program to identify and implement progressive, high impact actions to increase levels of women in executive positions and talent pipelines. Actions will be implemented at an organisational, as well as industry, level; and
- Establishing inclusive leadership as the fundamental leadership capability to be developed across the business.

#### **FY17 Achievements:**

Pillar	Objectives	Achievements
<b>Flexible working</b> – to entrench flexibility in a way that directly links business performance, productivity and sustainability with workforce well-being and sustainability.	<ul style="list-style-type: none"> <li>• Implement New Way of Working (NWOW) promoting flexibility, collaboration and engagement</li> <li>• Enhance flexibility by looking at job design across critical roles</li> </ul>	<ul style="list-style-type: none"> <li>• Implemented the NWOW Activity Based Working across all offices Australia-wide;</li> <li>• Broadened the success profiles considered for senior roles to focus on transferrable skills and experiences;</li> <li>• Manager development in leading diverse and dispersed teams;</li> </ul>
	<ul style="list-style-type: none"> <li>• Develop management capability to lead teams engaged in flexible work</li> <li>• Promote a suite of benefits focused on enhancing flexibility</li> </ul>	<ul style="list-style-type: none"> <li>• 52 people took up our purchased leave benefit (one to four weeks per year);</li> <li>• 94.7% of our people who went on carer's parental leave returned to work, and 10 people took secondary carer's leave; and</li> <li>• 3 people took up our career break initiative.</li> </ul>
<b>Inclusive culture</b> – create an environment where people with diverse backgrounds, skills and perspectives feel trusted, valued and respected and that they are able to contribute to the organisation.	<ul style="list-style-type: none"> <li>• Values are integrated into people lifecycle activities</li> <li>• Develop inclusive leadership capability to leverage diversity and drive innovation</li> </ul>	<ul style="list-style-type: none"> <li>• NWOW focused on three of our five values – passion, collaboration and accountability through design, communication and change management initiatives;</li> <li>• Continued to embed an employee awards program which rewards our people for living our values;</li> <li>• Ongoing delivery of an induction program which ensures a consistent and inclusive approach to on-boarding for all of our offices Australia-wide; and</li> <li>• Established inclusive leadership as a fundamental leadership capability supported by a program of work to develop this across the business.</li> </ul>

Pillar	Objectives	Achievements
<b>Gender balance</b> – to achieve gender balance in all roles across our business.	<ul style="list-style-type: none"> <li>Continue gender specific development initiatives</li> <li>Conduct gender pay analysis and develop a long term gender pay equity plan</li> </ul>	<ul style="list-style-type: none"> <li>In FY17 51.2% of employees awarded promotions were women. 46.7% of all manager promotions were awarded to women;</li> <li>Delivered a targeted development program for women centred around building personal brand and strong female role models;</li> <li>Participated in the Women in Property Mentoring Program and 100 Women in Property Program;</li> <li>Completed another gender pay analysis as part of the annual remuneration review and provided options to executive leaders to address gender pay equity for identified females in each division.</li> <li>Hiring manager development and automated measures implemented to ensure that gender pay equity forms part of the hiring process.</li> </ul>
	<ul style="list-style-type: none"> <li>Implement gender targets and monitor progress</li> </ul>	<ul style="list-style-type: none"> <li>Overall we have seen an increase in female representation across all levels of Charter Hall with females making up 52.5% of our workforce. We have seen an increase in females in leadership roles with female participation at 21.2% of the senior management team, and 33.3% of the non-executive directors of the CHWALE Board; and</li> <li>Gender targets for divisions and leadership levels have been set through to FY20. Performance against targets has been mixed with solid increases in business related roles and management with more moderate, but encouraging, increases at the senior management level.</li> </ul>
<b>External Profile</b> – to develop our employment brand so that Charter Hall is perceived as a “great place to work” by current employees and key external stakeholders (including active and passive candidates, tenants and investors) with an initial focus on gender.	<ul style="list-style-type: none"> <li>Play an active role on the Property Council of Australia committees and working groups</li> </ul>	<ul style="list-style-type: none"> <li>Led research with EY Sweeney and the Property Council of Australia (PCA) to better understand the pathways to a career in property with a view to encouraging more women into the industry;</li> <li>Managing Director and Group CEO is a member of the PCA's Male Champions of Change working group;</li> <li>Talent, Diversity and Change Manager is a member of the PCA's Women in Property Committee;</li> <li>Inaugural partner of the Foundation for Young Australians Innovation Nation Program and Young Social Pioneers Program with a view to driving innovation and encouraging young talent into the industry.</li> </ul>
	<ul style="list-style-type: none"> <li>Participate in creating initiatives that impact gender balance across the industry</li> </ul>	<ul style="list-style-type: none"> <li>Head of Retail is an Implementation Leader of the PCA's Male Champion of Change initiative driving research and actions to impact gender balance across the industry;</li> <li>Foundation sponsor of the PCA's Women in Property Mentoring Program; and</li> <li>Chief Technology Officer and Group Executive Industrial are mentors in the Women in Property Mentoring Program.</li> </ul>

## Board performance

*ASX Corporate Governance Principle 1.6 – A listed entity should:*

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and*
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in that reporting period in accordance with that process.*

The procedure for evaluation of the Board's performance is that each independent Director will complete an annual questionnaire to evaluate the Board and Chair, and a Director peer evaluation.

Based on feedback from the questionnaire and from the Chair's separate meetings with executive and non-executive Directors, the Board as a whole will then discuss and analyse Board and Committee performance during the year, including suggestions for change or improvement.

To ensure that directors are well placed to discharge their duties effectively, they are provided with Board reports in advance of Board meetings which contain sufficient information to enable informed discussion of all agenda items.

## Access to information

The Fund Manager, senior executives and the Company Secretary supply the Board with regular reports and information to enable the Board to discharge its duties. Directors are entitled to request additional information where they consider such information is necessary to make informed decisions.

## Independent professional advice

Directors are entitled to obtain independent professional advice at the cost of CHWALE, and in some instances, at the cost of the REIT.

## Performance of senior executives

*ASX Corporate Governance Principle 1.7 – A listed entity should:*

- (a) have and disclose a process for periodically evaluating the performance of its senior executives; and*
- (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.*

Executives and senior managers who have responsibility for the business activities of the REIT are employees of Charter Hall, and, as part of Charter Hall's framework, undergo a formal assessment on at least an annual basis against performance criteria (Key Performance Indicator-based financial and non-financial measures). The Board of CHWALE provides informal feedback on the performance of the executives and senior managers, but does not participate in their formal appraisal.

This performance evaluation process was undertaken in the reporting period.

Senior executives are provided with access to continuing education to update and enhance their skills and knowledge.

An induction program exists for new senior executives to ensure he/she gains an understanding of the REIT's financial position, strategies, operations and risk management policies, as well as the responsibilities and roles of the Board and management.

## Principle 2: Structure the Board to add value

### Nominations Committee

*ASX Recommendation 2.1 – The Board of a listed entity should:*

- (a) Have a nomination committee which:*
  - (i) Has at least three members, a majority of which are independent directors and;*
  - (ii) Is chaired by an independent director,*
- And disclose:*
  - (iii) The charter of the committee;*
  - (iv) the members of the committee; and*
  - (v) 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*
- (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.*

Whilst the ASX Corporate Governance Principles recommend the establishment of a nomination committee, the Board does not consider it is necessary or appropriate to constitute a nomination committee for CHWALE, given that CHWALE is a subsidiary of Charter Hall.

The Board of Charter Hall (utilising a sub-committee of its Nominations Committee) together with an independent director of the CHWALE Board is responsible for overseeing the appointment of Directors to the Responsible Entity of the REIT. However, the Board of CHWALE sets the composition and membership criteria as well as the guidelines for director selection and nominates candidates to the Board of Charter Hall for approval.

The following Board composition and membership criteria have been adopted by the Board of CHWALE:

- the Board is to comprise a minimum of three and a maximum of ten directors;
- directors nominated for election require approval by the Charter Hall Board via its Nominations Committee;
- a majority of the directors must be independent (as defined above);
- the Board is to comprise directors with an appropriate range of qualifications and expertise; and
- the Chair of the Board will be appointed by the Charter Hall Board via its Nominations Committee.

In addition, the following guidelines apply to director selection and nomination by the Board:

- integrity;
- particular expertise (sector and functional) and the degree to which they complement the skill set of the existing Board members;
- reputation and standing in the market; and
- in the case of prospective independent directors, actual and perceived independence from Charter Hall.

The independence of the members is dealt with later in this Statement. Details of attendance are provided in the REIT's Annual Report.



## Board Skills Matrix

*ASX Recommendation 2.2 – 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.*

The REIT aims to maintain a Board that comprises Directors with a broad range of skills, expertise and experience who are able to effectively understand and manage the issues arising in the REIT's business activities, review and challenge the performance of management and optimise the REIT's performance.

As the REIT is an externally managed entity, it is not required to develop a Board skills matrix. Notwithstanding this however, the Board and the Charter Hall Group's Nomination Committee are developing a Board skills matrix. This matrix will be used to identify any gaps in the skills and experience of the Directors on the Board for the purposes of identifying the search and assessment criteria for new Directors, and will be available to view under the Corporate Governance section of the REIT's website.

## Director independence

*ASX Recommendation 2.3 – A listed entity should disclose:*

- (a) the names of the directors considered to be independent directors; and*
- (b) if a director has an interest, position, association or relationship that may cause doubt about the independence of a director, 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.*

*ASX Recommendation 2.4 – A majority of the board of listed entity should be independent directors.*

The Board considers that a Director is independent if he/she is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to interfere with, the exercise of unfettered and independent judgment. The Board evaluates the materiality of any interests or relationships that could be perceived to compromise independence on a case by case basis, having regard to the circumstances of each director.

The Board is comprised of two Executive Directors and three Non-Executive Directors. Each of the Non-Executive Directors is an independent Director. Peeyush Gupta is Chair of the Board and is an independent Non-Executive Director.

Directors are expected to be meticulous in their disclosure of any material personal or family contract or relationship. Directors must also strictly adhere to constraints on their participation and voting in relation to matters in which they may have an interest, in accordance with the Corporations Act and the REIT's policies.

The Board regularly assesses whether Directors are independent, and each Director is required to provide information relative to this assessment.

Name	Position	Independent (Yes/No)	Appointed
Peeyush Gupta	Chair, Non-Executive Director	Yes	6 May 2016
Glenn Fraser	Non-Executive Director	Yes	6 May 2016
Ceinwen Kirk-Lennox	Non-Executive Director	Yes	28 June 2016
David Harrison	Director, and Managing Director & Group CEO	No	16 February 2016
Adrian Taylor	Director, and Group Executive – Office	No	18 July 2016

Details of the background, particular qualifications, expertise and period of service of each Director are set out in the Directors' Report of the Annual Report.

Non-Executive Directors of the Board meet regularly without management present, in order to consider matters independently of management.

## The Chair of the Board

*ASX Recommendation 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 Chair is responsible for leadership of the Board and for the efficient organisation and conduct of the Board's functioning. The Chair seeks effective contribution of all directors and promotes constructive and respectful relations between Directors, and between the Board and management.

The Chair of the CHWALE Board is Peeyush Gupta, who is an independent Non-Executive Director.

## Induction Program for Directors

*ASX Recommendation 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 following structures are in place to support the REIT's Directors in performing their duties:

- an induction program for new Directors on the Board;
- a formal annual performance self-assessment of the Board, ARCC, and individual Directors; and
- access by Directors to continuing education to ensure that their skills and knowledge are updated and enhanced.

## Principle 3: Act ethically and responsibly

### Code of Conduct

*ASX Recommendation 3.1 – A listed entity should:*

- (a) establish a code of conduct for its directors, senior executives and employees; and*
- (b) disclose that code or a summary of it.*

Charter Hall has established a Code of Conduct which applies to the REIT and is periodically reviewed and endorsed by the Board of CHWALE. The Code forms the basis for ethical behaviour by staff and is the framework that provides the foundation for maintaining and enhancing Charter Hall's reputation for all its employees. The objective of the Code is to ensure that directors, other stakeholders and the broader community can be confident that Charter Hall and the REIT conducts its affairs honestly and in accordance with ethical values and practices.

The Code sets the standards for dealing ethically with employees, investors, customers, regulatory bodies and the financial and wider community. In addition to this, in order to deal specifically with responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour, the REIT has adopted a Fraud Risk Management Policy.

Employees are trained regularly on matters pertaining to ethical behaviour in the workplace.

## Principle 4: Safeguard integrity in corporate reporting

### Audit Committee

*ASX Recommendation 4.1 – The board of a listed entity should:*

*(a) have an audit committee which:*

- (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and*
- (ii) is chaired by an independent director, who is not chair of the board,*

*and disclose:*

- (iii) the charter of the committee;*
  - (iv) the relevant qualifications and experience of the members of the committee; and*
  - (v) 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*
- (b) if it does not have an audit committee, disclose the 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.*

The Board has established an ARCC to oversee the quality and integrity of accounting, audit, financial and risk management practices for the REIT. The ARCC is comprised of only independent non-executive directors, and is chaired by an independent director who is not the Chair of the Board.

The Board has developed a charter which sets out the Committee's role, responsibilities, and composition, structure and membership requirements.

As stated in its Charter, the responsibilities of the ARCC in relation to financial reporting are to:

- review the internal control and compliance systems of CHWALE and the REIT;
- monitor the integrity of the financial statements of CHWALE and the REIT;
- consider significant financial reporting issues and judgements made in connection with the REIT's financial statements;
- review and inform the Board on matters relating to the Auditor;
- monitor compliance by CHWALE with legal and regulatory requirements;

- regularly monitor risk management reports provided by Management; and
- assess at regular intervals whether the REIT's compliance plan, internal financial control systems, risk management policies and risk management systems are adequate.

An external Auditor is invited to ARCC meetings and also meets privately with the ARCC at least twice a year.

The ARCC is comprised of independent directors only, all of whom have an appropriate level of financial and property industry expertise. Information on ARCC members can be found in the Directors' Report of the Annual Report.

The Board regularly assesses and has determined that members of the ARCC collectively have an appropriate level of financial and property industry expertise to discharge their responsibilities.

### CEO and CFO Declaration

*ASX Recommendation 4.2 – 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.*

The Board receives a declaration provided in accordance with section 295A of the Corporations Act from the Fund Manager and Head of Long WALE REIT & Industrial Finance for the REIT that the REIT's financial statements are founded on a sound system of risk management and internal control and that the system is operating in all material respects in relation to financial reporting risks. This declaration is supported by a review and sign-off process from senior managers working on the REIT on the key items that make up the risk management and control systems.

### External Auditor

*ASX Recommendation 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 Securityholders relevant to the audit.*

The Board has appointed PricewaterhouseCoopers (PwC) as the REIT's Auditor. PwC is expected to carry out its responsibilities in accordance with Australian law and audit firm policy in respect of partner rotation.

In order to ensure the independence of the Auditor, the Board has adopted a Policy requiring that:

- the Auditor remain independent from Charter Hall and the REIT;
- the Auditor monitor its independence and report to the Board every six months on its continuing independence;
- non-audit assignments undertaken by the Auditor are in accordance with the Policy; and
- all non-audit assignments are reported to the Audit, Risk and Compliance Committee.

The Auditor will attend the REIT's Annual Securityholder Meeting and will be available to answer Securityholder questions on the conduct of the audit, and the preparation and content of the Auditor's Report.

The Auditor Independence Policy is available to view under the 'Corporate Governance' section of the REIT's website.

## Principle 5: Make timely and balanced disclosure

### Continuous Disclosure

*ASX Recommendation 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.*

The CHWALE Board strives to provide timely, open and accurate information to all stakeholders, including Securityholders, regulators and the wider investment community. This includes presenting a balanced approach to disclosure. The Board has adopted a Continuous Disclosure and Communications Policy which summarises the internal processes to ensure compliance with ASX Listing Rules and Australian law in respect of continuous disclosure. A Continuous Disclosure Committee has also been established by management to review issues surrounding continuous disclosure and to determine whether disclosure is required, and make corresponding recommendations to the Board.

The Policy includes procedures for dealing with potentially price-sensitive information, including referral to the Continuous Disclosure Committee and the Board where necessary, for a determination as to the appropriate disclosure required.

The REIT's Company Secretary is the ASX liaison person for the REIT.

The Continuous Disclosure and Communications Policy is available to view under the 'Corporate Governance' section of the REIT's website.

## Principle 6: Respect the rights of security holders

### Provide information to investors

*ASX Recommendation 6.1 – A listed entity should provide information about itself and its governance to investors via its website.*

The REIT provides information to Securityholders, including:

- the right for Securityholders to receive an annual report and updates which keep them informed of the REIT's performance and operations;
- placement under the 'News' section of the REIT's website of market-sensitive information in the form of ASX announcements or webcasts. Securityholders also have the ability under this section of the website to register to receive email alerts on the REIT's announcements to the ASX;
- placement under the 'Investor' section of the REIT's website of distribution and tax information, unit price performance, financial results information including the results webcast, investor presentations, past and current reports to Securityholders and past Securityholder meeting information; and
- presentations to investor roadshows that are required to be lodged with the ASX are uploaded to the 'News' section of the REIT's website.

Trusts such as the REIT are not required by law to hold an annual meeting, however, the REIT will hold an annual Securityholders meeting between October and December from 2018 onwards. This annual meeting will be conducted on an informal basis unless there is formal business to be considered. In the event of a formal meeting, a full copy of the notice of meeting, including an explanatory memorandum on the resolutions, will be placed on the REIT's website.

For Securityholders who are unable to attend formal meetings to vote, proxies will be able to be lodged online, by mail or by facsimile. All meetings will also webcast.

*ASX Recommendation 6.2 – A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.*

*ASX Recommendation 6.3 – A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of securityholders.*

*ASX Recommendation 6.4 – A listed entity should give securityholders the option to receive communications from, and send communications to, the entity and its security registry electronically.*

The REIT is committed to providing Securityholders with timely communications regarding matters that impact or have the potential to influence the investment performance of the REIT. The REIT understands its regulatory requirements in respect to continuous disclosure and various other legal obligations as a consequence of its listing on the Australian Securities Exchange.

Charter Hall employs a dedicated Investor Relations team with the objective of implementing a structured Investor Relations program to provide effective, concise and clear communication of relevant matters for investors' consideration in respect to their investment, or potential investment, in the REIT.

A dedicated website has been established at <http://www.longwalereit.com.au/> to assist Securityholders in obtaining current and historic information in respect to their investment, or prospective investment, in the REIT.

All relevant ASX announcements, reports, results presentations and other media announcements are logged on this website for review by current and prospective Securityholders.

Securityholders are able to elect to receive communications from, and send communications to, the REIT and its security registry electronically.

In addition to the investor website, the annual Investor Relations program includes:

- the preparation and release of Annual and Half Year results presentations and financial reports which includes detailed information on various aspects of the REIT's business activities and performance;
- a live web-cast of the presentation of annual and half-year results presentations with such web-casts being made available for review by Securityholders via the REIT's website;
- an Annual Corporate Responsibility & Sustainability (CR&S) report providing Securityholders with an overview of Charter Hall's key objectives and performance against objectives with respect to important CR&S matters;
- a semi-annual schedule of one-on-one meetings with senior executives and the REIT's current and prospective institutional Securityholders;
- participation in institutional investor conferences both within Australia and overseas providing an opportunity for both Australian and Institutional Securityholders to learn about the REIT's business activities and also meet with senior executives;
- engagement, communication and dialogue with major Securityholders by the Independent Non-Executive Board Directors separately from senior management.



In addition to the Investor Relations program noted above, the REIT engages independent specialist market feedback consulting firms to survey its major Securityholders and seek feedback on their opinions on the REIT's business activities, performance, the effectiveness of its communications and investor relations program and also general opinions on the REIT and its team overall.

## Principle 7: Recognise and Manage Risk

### Risk Committee

*ASX Recommendation 7.1 – The board of a listed entity should:*

*(a) have a risk committee or committees to oversee risk, each of which:*

*(i) has at least three members, a majority of whom are independent directors; and*

*(ii) is chaired by an independent director,*

*and disclose:*

*(iii) the charter of the committee;*

*(iv) the members of the committee; and*

*(v) 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*

*(b) if it does not have a risk committee, disclose the fact and the processes it employs for overseeing the entity's risk management framework.*

*ASX Recommendation 7.2 – The board or a committee of the board should:*

*(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and*

*(b) disclose, in relation to each reporting period, whether such a review has taken place.*

Management has implemented a risk management framework under the oversight of the ARCC. The ARCC is responsible for reviewing, and reporting to the Board on, the internal control and risk management systems of the REIT and assessing the information presented by management. In addition, the ARCC regularly assesses whether the REIT's compliance plan, internal financial control systems, risk management policies and risk management systems are adequate.

Charter Hall's Head of Risk and Compliance is responsible for daily risk and compliance processes across the business and monitors the efficiency of the REIT's risk management framework (including compliance systems) on an ongoing basis. The aim is to ensure that appropriate procedures, staff education and reporting arrangements are in place to support the risk management framework.

Management conducts an annual Risk Management workshop where key risks and controls are considered by senior management and their effectiveness assessed. The results of this assessment are reported to the ARCC and the Board.

During the reporting period, management has reported to the ARCC on the manner in which it manages its material risks, the effectiveness of the framework and the results of the annual Risk Management assessment.

The Board places considerable importance on maintaining a strong control environment through an organisational structure with clearly drawn lines of accountability and authority.

### Managing conflicts

The REIT is part of the Charter Hall-managed suite of property funds, and therefore also subscribes to the Charter Hall governance framework to safeguard the interests of investors in the investment vehicles, which at times may conflict with those of Charter Hall as sponsor of related vehicles. As part of this framework, the REIT has adopted a Conflicts of Interest & Related Party Transactions Policy for identifying and managing conflicts.

The Policy provides guidance on the management of conflicts of interest arising between Charter Hall-managed vehicles and their related parties and requires that:

- related party transactions be identified and conducted on arm's length terms;
- related party transactions be tested by reference to whether they meet market standards; and
- decisions about transactions between Charter Hall-managed vehicles and Charter Hall or its affiliates be made by independent members of the Board or Investment Committees (where they have been appointed).

The REIT has also established protocols for the Board in identifying and managing conflicts, including:

- Board members must declare their interests as required under the Corporations Act, ASX Listing Rules and other general law requirements;
- Board members with a material personal interest in a matter are not to be present at a Board meeting during the consideration of the matter and subsequent vote unless the Board (excluding the relevant Board member) resolves otherwise; and
- Board members with a conflict not involving a material personal interest may be required to absent themselves from the relevant deliberations of the Board.

The Policy is available to view under the 'Corporate Governance' section of the REIT's website.

The REIT also has a policy for dealing with actual, apparent or potential conflicts of interest which arise out of the fact that CHWALE (as part of Charter Hall) and the REIT may transact from time to time or share staff or information with other Charter Hall companies or managed vehicles.

Personal conflicts that might arise generally for Directors and staff are covered by the Code of Conduct referred to earlier in this Statement.

*ASX Recommendation 7.3 – A listed entity should:*

*(a) disclose that it has an internal audit function, how the function is structured and what role it performs; or*

*(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.*

The Board places considerable importance on maintaining a strong control environment by way of an organisational structure with clearly drawn lines of accountability and authority. Charter Hall has implemented an internal audit function outsourced to an external service provider which delivers regular reporting to the ARCC and the Board as well as implementing action plans with management. CHWALE has adopted this strategy objective.

## Sustainability

*ASX Recommendation 7.4 – 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.*

Charter Hall is committed to playing a leading role in achieving a sustainable future, and CHWALE has adopted Charter Hall's Sustainability Policy which forms the basis for integrating environmental and social governance issues into the REIT's activities. This Policy is available to view under the Corporate Governance section of the Charter Hall website.

## Principle 8: Remunerate fairly and responsibly Remuneration Committee

*ASX Recommendation 8.1 – The board of a listed entity should:*

*(a) have a remuneration committee which:*

*(i) has at least three members, a majority of whom are independent directors; and*

*(ii) is chaired by an independent director;*

*and disclose:*

*(iii) the charter of the committee;*

*(iv) the members of the committee; and*

*(v) 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*

*(b) if it does not have a remuneration committee, disclose the 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.*

*ASX Recommendation 8.2 – 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.*

Whilst the ASX Corporate Governance Principles recommend the establishment of a remuneration committee, the Board does not consider it necessary or appropriate to constitute a remuneration committee as the REIT does not employ staff directly.

The Board of Charter Hall (utilising its Remuneration and Human Resources Committee) is responsible for setting and overseeing the remuneration policies and equity based plans for Charter Hall executives and senior managers, including those that have responsibility for the business activities of the REIT. A summary of these policies is available in the Charter Hall Annual Report on the Charter Hall website.

The Executive Directors of CHWALE, and senior managers of Charter Hall that have responsibility for the business activities of the REIT, are not paid by CHWALE or the REIT. They are remunerated by Charter Hall.

The REIT pays fees to CHWALE for carrying out its responsible entity duties for the REIT (which includes 'Manager' fees as defined under the REIT's Constitution). These fees are described further below under the section 'REIT's Management Arrangements'.

Whilst the REIT's Management is comprised of Charter Hall employees, there is a strong alignment of interest between those employees and the REIT's investors. This is evidenced by Charter Hall's remuneration system which ensures that a significant amount of remuneration is at risk and solely dependent on performance.

Fees of the non-executive directors of CHWALE are paid by the REIT.

Non-executive directors of CHWALE are not entitled to Charter Hall options or securities or to retirement benefits as part of their appointment.

*ASX Recommendation 8.3 – A listed entity which has an equity based remuneration scheme should:*

- (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*
- (b) disclose that policy or a summary of it.*

The Board has adopted a Securities Trading Policy which regulates the manner in which directors, senior executives and staff involved in the management of the REIT can deal in REIT securities. The Policy specifies the periods in which personal trading is permitted, the restrictions that apply to directors and senior executives, and the procedures for obtaining prior clearance for trading during a trading window.

Employees' compliance with the Policy is monitored under Charter Hall's risk management framework. The Policy is subject to annual review by the Board, and has been lodged with the ASX.

The Securities Trading Policy is available to view under the 'Corporate Governance' section of the REIT's website.

## The REIT's management arrangements

The following is a high level summary of the REIT's current management arrangements addressing the disclosure recommended in ASX Guidance Note 26. We recommend that you read the REIT's Constitution on the REIT's website.

### Investment Mandate

The principal investment policy of the REIT is investment in high quality Australasian properties that are predominantly leased to corporate and Government tenants on long term leases.

This policy may be varied from time to time upon giving reasonable notice to Securityholders.

*Source: ASX Announcements; Public Disclosure Statement.*

### Services

CHWALE has all the powers of a natural person including contracting, borrowing and investment and carries out all management functions for the REIT subject to outsourcing registry services to Link Market Services Limited ABN 54 083 214 537 and REIT custodial services to Perpetual Trustee Company Limited ABN 42 000 001 007.

*Sources: REIT's Constitution clause 18; Corporations Act s601FB, s601FC.*

### Term

CHWALE has no fixed term of appointment and therefore the appointment continues until it is removed or retires or Securityholders vote to wind up the REIT as provided for in the REIT's Constitution or by law.

*Source: REIT's Constitution clauses 19, 27.*

### Extension or renewal

Not applicable.

### Termination

The REIT may terminate the appointment of the Responsible Entity without cause, by securityholder vote.

The resolution must be passed by at least 50% of votes cast at a meeting by Securityholders entitled to vote. The Responsible Entity and associates may vote their securities on the resolution.

ASIC or a court may replace the Responsible Entity where there are solvency issues or members are likely to suffer a loss because the Responsible Entity has breached the Corporations Act.

Pursuant to the Corporations Act, the Responsible Entity can retire if it first convenes a Securityholders meeting to explain its reason for retirement and to enable Securityholders to vote on a resolution to choose a new responsible entity.

Base fees accrued to the date of termination are payable. There are no other termination fees payable.

*Source: REIT's Constitution clause 19; Corporations Act s601FL, s601FM, s601FN, s253E.*

### Fees

#### Base fee

The base fee is currently calculated as 0.45% per annum of the value of the total assets of the REIT.

The base fee is to be paid from the income or assets of the REIT monthly in arrears.

#### Acquisition and Disposal Fee

In addition to the base management fee, CHWALE is currently entitled to receive an acquisition and disposal fee of 1.0% of the value of the asset acquired or disposed. The fee is to be paid from the income or assets of the REIT when the REIT makes an acquisition or disposes of a property.

### Waiver of fees

The Responsible Entity may accept lower fees or defer fees.

*Source: REIT's Constitution clause 26.*

### Expenses

CHWALE is entitled to be reimbursed for expenses incurred in relation to the proper performance of its responsible entity duties.

*Source: REIT's Constitution clause 26; Corporations Act, s601.*

### Exclusivity

The Responsible Entity of the REIT may act for other parties and outsource its general management responsibilities to other Charter Hall or non-Charter Hall managers (but remains liable for their actions). Charter Hall (including CHWALE) has no obligation to provide investment opportunities to the REIT, and the REIT has no obligation to accept any investment opportunities and has no priority to investment opportunities.

*Source: Corporations Act s601FB.*

### Authorities

The Board of CHWALE as Responsible Entity of the REIT makes all significant investment/divestment and operational decisions in relation to the REIT unless specifically delegated to Management.

*Source: REIT's Constitution clause 18.*

### Related Party Protocols

The REIT has adopted a Conflicts and Related Party Policy which covers transactions with and services provided by Charter Hall companies and managed vehicles.

Examples of areas in which Charter Hall may provide resources or services are: property due diligence, property management, property agency services including facilities management, leasing, property sales and acquisitions, project management, debt arrangement, accounting and corporate and development management and property compliance.

All related party transactions or services must be on arm's length terms and are approved by the independent directors of CHWALE only. The fees for related party services are disclosed in the financial statements for the REIT.

Mandates for the provision of related party services to the REIT require approval by the independent directors based on appropriate market information or practice and when considered appropriate are subject to third party independent review.

In the case of the provision of services, the reviewers have regard to market evidence gathered from their own enquiries, including information requested from Charter Hall.

For further information on related party fees please refer to the financial statements.

*Source: Charter Hall Group Conflicts of Interest & Related Party Transactions Policy; Corporations Act – Part 5C.7 which governs transactions by REITs.*

### Change of Control

The REIT co-invests from time to time with other companies or managed vehicles, potentially including Charter Hall companies or Charter Hall-managed funds. Co-investment arrangements may include pre-emption and tag along or drag along rights in favour of each other including rights which are triggered on a change of control of, or removal of, the Charter Hall manager typical of those agreed with third party co-investors.

In addition, loan facilities for Charter Hall Long WALE REIT assets may provide for acceleration of loan payments if the REIT is no longer managed by a Charter Hall company.

CHWALE's independent directors obtain separate legal advice on change of control issues as necessary and the arrangements are approved by the independent directors and disclosed to Securityholders.

*Source: Charter Hall Group Conflicts of Interest & Related Party Transactions Policy.*

### Variation to Management Arrangements

Any variations of the REIT's management arrangements will be effected by changing the REIT Constitution.

Any changes to the Constitution which are adverse to Securityholders' rights, including changes to fee structures to increase fees, would require approval by Securityholders at a general meeting. The resolution to authorise such a change of the Constitution must be supported by at least 75% (by value) of votes cast.

*Source: REIT's Constitution clause 29; Corporations Act s601GC.*

**Director Appointment Rights**

In accordance with the Corporations Act and CHWALE's Constitution, Charter Hall currently appoints all of the directors of CHWALE, given that it is a Charter Hall subsidiary.

Securityholders will be asked to ratify the appointment of independent directors on the Board of CHWALE by a non-binding vote.

As the REIT is an externally managed Trust, Securityholders are not legally able to vote for directors of the Responsible Entity. Instead the non-executive directors must be appointed by Charter Hall who will observe Securityholders' votes on this matter.

**What you can find on our website:**

Charter Hall Long WALE REIT Constitution; and  
Charter Hall WALE Limited Constitution.