

## Our commitment to corporate governance

Charter Hall Group (comprising Charter Hall Limited and the Charter Hall Property Trust, listed jointly on the ASX as a stapled security) (the Group or Charter Hall) is committed to delivering strong and sustainable returns to Securityholders and investors. The Board of Charter Hall recognises the importance of good governance in achieving these corporate objectives and in discharging its responsibilities to all stakeholders of the Group.

Charter Hall's governance framework, as summarised in this Corporate Governance Statement (Statement), has been designed to ensure that the Group is effectively managed; that the statutory obligations are met, and that 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) which were followed throughout the financial year ended 30 June 2017.

Charter Hall's key corporate policies can be found on its website at [www.charterhall.com.au](http://www.charterhall.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; and*
- (b) those matters expressly reserved to the board and those delegated to management.*

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

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 Charter Hall's website.

The Board has delegated day-to-day management functions to the Managing Director and Group CEO, and Senior Executives, who are required to work within authority limits and delegations set out in a 'Delegations of Authority' document. This document is approved by the Board, and is an internal working document.

## 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 the Nomination Committee 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 General Meeting. This 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 judgement 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 Non-Executive Directors (NED) are also available on the Charter Hall website.

## 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.*

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.

The Managing Director and Group CEO and each senior executive has a formal job description and letter of appointment which sets out his/her duties and obligations, rights and responsibilities and entitlements.

## Governance framework

The diagram below summarises Charter Hall's governance framework, including the functions reserved for the Board and those carried out by the standing Board Committees.

### Charter Hall Board

The Board formally delegates certain functions to Board Committees and to Management via formal Board and Committee charters. The Board directly retains responsibility for a range of matters including:

- overseeing the Group's strategic direction;
- monitoring the operational and financial position and performance of the Group;
- overseeing the Group's risk management framework;
- setting the financial and informational reporting requirements from management to the Board;
- reporting to Securityholders and the ASX;
- monitoring the effectiveness of and compliance with policies governing the operation of the Group;
- reviewing and approving the annual operating budgets;
- determining distribution policy and approving distributions;
- approving decisions concerning the capital of the Group; and
- overseeing and evaluating the performance of the Managing Director and Group CEO and other Senior Executives in the context of the Group's strategies and objectives.

### Investment Committee (IC)

The IC considers matters as referred to it/delegated to it by the Board which may include from time to time the approval of the following:

- acquisitions and disposals of entities or assets on behalf of the Group in accordance with the relevant delegated authority;
- investments in funds managed by the CH entity in accordance with the relevant delegated authority; and
- disclosure documents for capital raisings by funds managed by the Responsible Entity.

### Audit, Risk and Compliance Committee (ARCC)

Key functions:

To oversee and review:

- the internal control and accountability systems;
- the financial reporting process, including significant accounting issues and judgements;
- the appointment and performance of the Auditor, including the scope and effectiveness of audits;
- the internal systems of risk management and control (ensuring that material business risks are identified); and
- compliance processes to meet legislative and regulatory requirements.

### Remuneration and Human Resources Committee Key functions:

To review and make recommendations on:

- the Group's Human Resources strategy;
- criteria for reviewing the performance of the Managing Director and Group CEO;
- remuneration framework and policy for Senior Executives;
- fixed annual remuneration and incentive outcomes for Senior Executives;
- incentive plans for all employees;
- any other remuneration matters that relate to executives; and
- remuneration policies and fees for NEDs and Committee members.

### Nomination Committee

Key functions:

To review and make recommendations on:

- Board size and composition;
- criteria for Board membership;
- appointment, induction and re-election of directors;
- performance and enhancement of skills of directors through continuing education programs for directors; and
- Board succession.

### Managing Director and Group CEO

Chief Financial Officer

Other Senior Executives

Company Secretary

## Board Committee

The Board has established four standing Board Committees to assist the Board in the execution of its responsibilities. Each Committee operates under a specific charter, which can be found in the 'Corporate Governance' section of Charter Hall's website.

In accordance with its respective charter, each Board Committee 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 in a separate section later in this statement.

During the reporting period, the membership of each Board Committee was as follows:

Board Committee	Membership
Audit, Risk and Compliance Committee	Karen Moses (Chair) <sup>1</sup> , Anne Brennan, David Clarke, Phil Garling <sup>2</sup> , Peter Kahan <sup>3</sup> , David Ross <sup>4</sup>
Remuneration and Human Resources Committee	Anne Brennan (Chair), David Clarke, Phil Garling, Peter Kahan <sup>5</sup>
Investment Committee	Phil Garling (Chair), David Clarke, David Ross, Peter Kahan <sup>6</sup>
Nomination Committee	David Clarke (Chair), David Ross, Phil Garling, Peter Kahan <sup>7</sup>

1 Karen Moses was appointed Chair of the ARCC on 15 November 2016

2 Phil Garling retired as Chair and member of the ARCC on 15 November 2016

3 Peter Kahan retired as a Director and from all Committees on 20 December 2016

4 David Ross retired as a member of the ARCC on 2 June 2017

5 Peter Kahan retired as a Director and from all Committees on 20 December 2016

6 Peter Kahan retired as a Director and from all Committees on 20 December 2016

7 Peter Kahan retired as a Director and from all Committees on 20 December 2016

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

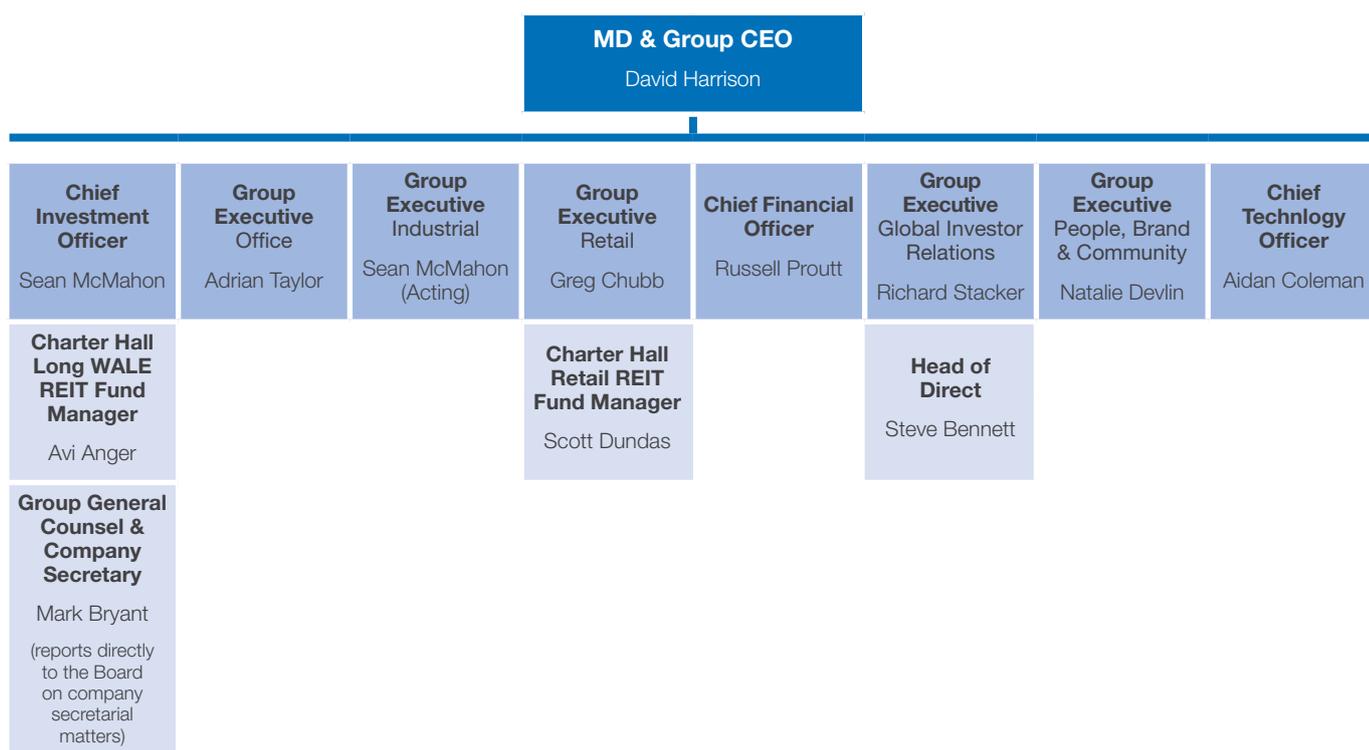
The number of Board and Board Committee meetings held during the reporting period and the number of meetings that were attended by each of the directors is presented in the Directors' Report.

## Management

The Board has delegated the responsibility for day-to-day management of the Group to the Managing Director and Group CEO, who is assisted by an Executive Leadership Group. The executives who report to the Managing Director and Group CEO are shown in the diagram below.

The Managing Director and Group CEO must consult with the Chairman on any matters which the Managing Director and Group CEO considers are of such a sensitive, extraordinary or strategic nature as to warrant attention of the Board, regardless of value.

The authorisation thresholds for the control of expenditure and capital commitments have been established and are defined in the Group's internal 'Delegations of Authority' document.



## 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 material, ensuring the business at Board and Committee meetings is accurately captured in the minutes and advising the Board and Committees on all governance matters.

The Company Secretary retains independent professional advisors at the request of the Board or Board Committee 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 Chairman, 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.**

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 included in the 'Corporate Governance' section of Charter Hall's website. This 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 strategy based around four key pillars: flexible working, inclusive culture, gender balance and external profile. Achievements against the strategy in respect of the financial year ended 30 June 2017 are summarised 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 taking the drive for diversity and inclusion to the next level. Initiatives undertaken at an executive level 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 Board agreeing targets for female participation.

	2017 Actual	2018 Target	2020 Target
Female participation on CHC Board (Non-Executive Directors Only)	40%	> 30%	> 35%
Female participation in senior executive positions	21.2%	> 25%	> 35%
Female participation in the workplace	52.5%	50.0%	50.0%*

\* 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 analysis where performance and remuneration data was reviewed and actions taken 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.
- 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.
- Establishing inclusive leadership as the fundamental leadership capability to be developed across the business.

FY17 Achievements: Pillar	Objectives	Achievements
<p><b>Flexible working</b> – to entrench flexibility in a way that directly links business performance, productivity and sustainability with workforce well-being and sustainability.</p>	<ul style="list-style-type: none"> <li>• Implement New Way of Working (NWO) promoting flexibility, collaboration and engagement</li> <li>• Enhance flexibility by looking at job design across critical roles</li> <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>• Implemented the NWO 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> <li>• Manager development in leading flexible teams.</li> <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 carers' parental leave returned to work, and 10 people took secondary carer's leave.</li> <li>• 3 people took up our career break initiative.</li> </ul>
<p><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.</p>	<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>• NWO 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.</li> <li>• Established inclusive leadership as a fundamental leadership capability supported by a program of work to develop this across the business.</li> </ul>
<p><b>Gender balance</b> – to achieve gender balance in all roles across our business.</p>	<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> <li>• Implement gender targets and monitor progress</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 review and provided options to executive leaders to address any gender pay equity gaps.</li> <li>• Development of hiring managers and the implementation of automated measures to ensure that gender pay equity forms part of the hiring process.</li> <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 40% of the Charter Hall Non-Executive Director Board.</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>
<p><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.</p>	<ul style="list-style-type: none"> <li>• Play an active role on the Property Council of Australia committees and working groups</li> <li>• Participate in creating initiatives that impact gender balance across the industry</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 Male Champions of Change working group.</li> <li>• Talent, Diversity and Change Manager is a member of the PCA Diversity 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> <li>• Head of Retail is an Implementation Leader of the PCA Male Champion of Change initiative driving research and actions to impact gender balance across the industry.</li> <li>• Foundation sponsor of the PCA Women in Property Mentoring Program.</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 evaluating Board performance requires each Independent Director to complete an annual performance evaluation. This is submitted to an independent party who collates and provides summarised and anonymous results to the Chairman, who then distributes the results to the full Board. Given the changes in composition of the Board during FY17, an internal performance self-assessment of the Board, Board Committees and individual directors was conducted during FY17, with a formal external board performance also commenced during FY17.

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 Managing Director and Group CEO, 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 the Group.

## 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.*

The Group defines its Senior Executives as the Managing Director and Group CEO and its Executive Leadership Group, some of whom are also Key Management Personnel (KMPs) as defined in the Remuneration Report, which forms part of the Directors' Report.

A combination of financial and non-financial key performance indicators (KPIs) are used to monitor senior executive performance. Details of the KPIs adopted for the Managing Director and Group CEO in FY17 are set out in the Remuneration Report.

The individual performance of the Managing Director and Group CEO is formally assessed on an annual basis by the Board. All KPIs are carefully considered by the Remuneration and Human Resources Committee, which evaluates the Managing Director and Group CEO's performance and makes recommendations to the Board.

Executives reporting to the Managing Director and Group CEO are assessed annually against financial and non-financial KPIs. This assessment is undertaken by the Managing Director and Group CEO. Executive performance results are reported to the Board.

This performance evaluation process was in place and was followed for 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 each senior executive gains an understanding of the Group'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

### Nomination 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.*

The Board has established a Nomination Committee that reviews and, where appropriate, makes recommendations to the Board on the size and composition of the Board, including assessment of necessary and desirable competencies of Board members. Directors nominated for election require approval of the Board. The Committee is comprised of three Non-Executive Directors, the majority of whom are Independent Directors:

- (i) Mr David Clarke – Independent Chairman;
- (ii) Mr David Ross – Independent Director (from 20 December 2016);
- (iii) Mr Phil Garling – Independent Director;
- (iv) Mr Peter Kahan – Non-Executive Director (retired 20 December 2016).

The independence of the members is dealt with in a separate section later in this statement. Details of the Committee's meetings for the reporting period, and the attendance by members, are provided in the Directors' Report of the Annual Report.

The Committee's Charter is available to view under the 'Corporate Governance' section of Charter Hall's website.

### 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.*

Charter Hall 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 Charter Hall's business activities, review and challenge the performance of management and optimise the Group's performance.

Guidelines have been adopted for director selection and nomination to the Board. Foremost is integrity, particular expertise (sector and functional) and the degree to which he/she complements the skill set of the existing Board members, his/her reputation and standing in the market and, in the case of prospective independent directors, the actual and perceived independence from Charter Hall.

The Board and the Nomination Committee have developed a Board skills matrix. This matrix is 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.

The Board skills matrix is available to view under the Corporate Governance section of Charter Hall's website.

### Director independence

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

*(a) the names of the directors considered to be independent directors;*

*(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 a 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 judgement. 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 composition of the Board during the reporting period is set out below:

Period	Executive Directors	Non-Executive Directors	Comment
1 July to 1 September 2016	1	5	
1 September to 9 November 2016	1	6	Karen Moses joined the Board on 1 September 2016 and Colin McGowan resigned from the Board on 9 November 2016
9 November to 20 December 2016	1	5	Peter Kahan resigned from the Board on 20 December and David Ross joined the Board on 20 December 2016

Of the Non-Executive Directors, a majority were Independent Directors.

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 Group's policies.

The Board regularly assesses whether directors are independent, and each director is required to provide information relative to this assessment. It is noted that David Harrison due to his employment by the Group in an executive capacity, is not independent.

Name	Position	Independent (Yes/No)	Appointed
Anne Brennan	Non-Executive Director	Yes	6 October 2010
David Clarke	Non-Executive Director	Yes	10 April 2014
David Harrison	Managing Director and Group CEO, Executive Director	No	30 August 2006
David Ross	Non-Executive Director	Yes	20 December 2016
Karen Moses	Non-Executive Director	Yes	1 September 2016
Peter Kahan	Non-Executive Director	No	1 October 2009 – Resigned 20 December 2016
Philip Garling	Non-Executive Director	Yes	25 February 2013

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

Directors are entitled to seek independent professional advice at the expense of the Group as required to assist with the proper performance of their duties and functions (including their Board Committee functions), subject to the estimate of costs being first approved by the Chairman as reasonable.

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

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

The Chairman of the CHC Board is David Clarke, 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 Group's Directors in performing their duties:

- an induction program for new directors on the Board;
- a formal annual performance self-assessment of the Board, Board Committees, and individual directors;
- regular external review of Board performance; 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 adopted a Code of Conduct which is periodically reviewed and endorsed by the Board. The Code of Conduct forms the basis for ethical behaviour by employees and is the framework that provides the foundation for maintaining and enhancing the Group's reputation. The objective of the Code is to ensure that directors, other stakeholders and the broader community can be confident that the Group 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 Group has adopted an Anti-Bribery, Fraud & Corruption Risk Management Policy.

Employees are trained regularly on matters pertaining to ethical behaviour in the workplace. Topics covered during the year ended 30 June 2017 included key aspects of the Code of Conduct, as well as Bullying and Harassment training, Fraud Awareness, Privacy, and Anti Money Laundering and Counter Terrorism Financing.

The Anti-Bribery, Fraud & Corruption Risk Management Policy and a summary of Charter Hall's Code of Conduct are available to view under the 'Corporate Governance' section of Charter Hall's website.

## 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 Audit, Risk and Compliance Committee (ARCC) to oversee the quality and integrity of accounting, audit, financial and risk management practices for the Group. The ARCC is comprised of only independent directors, and is chaired by an independent director who is not the Chairman of the Board.

The Board has developed a Charter which sets out the Committee's role, responsibilities, 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 the Group;
- monitor the integrity of the financial statements of the Group;
- consider significant financial reporting issues and judgements made in connection with the Group's financial statements;
- review and inform the Board on matters relating to the Auditor;
- monitor compliance by the Group with legal and regulatory requirements;
- regularly monitor risk management reports provided by management; and
- assess at regular intervals whether the Group's compliance plan, internal financial control systems, risk management policies and risk management systems are adequate.

The Committee's current membership is set out under the section 'Board Committees' earlier in this Statement and the independence of the members is provided in the Directors' Report. Details of the Committee's meetings for the reporting period, and the attendance by members, are also provided in the Directors' Report.

The Board regularly assesses the skills and expertise of members of the ARCC, 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 Managing Director and Group CEO and the Chief Financial Officer that the Group's consolidated 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 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 Group'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;
- 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 attends the Group's Annual General Meeting and is available to answer Securityholder questions on the conduct of the audit, and the preparation and content of the Auditor's Report.

The Charter Hall Group Auditor Independence Policy is available to view under the 'Corporate Governance' section of Charter Hall'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.*

Charter Hall 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.

Charter Hall's Company Secretary is the ASX liaison person.

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

## Principle 6: Respect the rights of securityholders

### Provide information to investors

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

Charter Hall provides information to Securityholders, including:

- the right for Securityholders to receive an annual report and updates which keep them informed of Charter Hall's performance and operations;
- placement under the 'News' section of Charter Hall'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 Group's announcements to the ASX;
- placement under the 'Investor' section of Charter Hall'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 Charter Hall's website.

*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.*

Charter Hall is committed to providing Securityholders with timely communications regarding matters that impact or have the potential to influence the investment performance of the Charter Hall Group. The Charter Hall Group 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 Charter Hall Group.

A dedicated website has been established at [www.charterhall.com.au](http://www.charterhall.com.au) to assist Securityholders in obtaining current and historic information in respect to their investment, or prospective investment, in the Charter Hall Group.

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 entity 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 include detailed information on various aspects of the Group's Property Funds Management (PFM) business operational activities in addition to the Group's Property Investment (PI) portfolio positioning and performance;
- a live web-cast of annual and half-year results presentations, with web-casts being made available for review by Securityholders via Charter Hall's website;
- the preparation and release of an Annual "Property Book" providing a detailed overview of every asset and portfolio managed by the Group in which the PI portfolio retains a co-investment;
- an Annual Corporate Responsibility and Sustainability (CR&S) report providing Securityholders with an overview of Charter Hall's key objectives and performance against objectives in respect to important CR&S matters;
- an Annual Review report and various half-yearly "Investor Focus" newsletters providing Securityholders with information on ongoing activities within the Group's funds management business, and in addition, its opinion on market conditions with an outlook commentary;
- an Annual General Meeting providing the opportunity for Securityholders to personally meet members of the Charter Hall Executive Leadership Group and Board;
- engagement, communication and dialogue with major Securityholders by the Independent Non-Executive Board Directors separately from senior management; and
- participation in select retail investor conferences and broker sponsored forums to provide an opportunity for retail investors to learn about the Charter Hall Group's business activities and meet with Senior Executives.

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

*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 and the Board. The ARCC is responsible for reviewing, and reporting to the Board on, the internal control and risk management systems of Charter Hall and assessing the information presented by management. In addition, the ARCC regularly assesses whether Charter Hall's compliance plan, internal financial control systems, risk management policies and risk management systems are adequate.

Membership and details of the meetings of the ARCC are set out in the Directors' Report.

Charter Hall's Head of Risk and Compliance is responsible for daily risk and compliance processes across the business and monitors the efficiency of Charter Hall'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 at least 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 workshops.

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

Charter Hall has implemented a 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 Group has established a Conflicts of Interest and 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 Group 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 Charter Hall's website.

The Group also has a conflicts protocol for dealing with competing deals (e.g. acquisitions, leasing). Such deals may arise out of the fact that Charter Hall is also the manager of other listed and unlisted vehicles, and the Group may transact with them from time to time, or share employees or information with other Charter Hall companies or managed vehicles.

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

## Internal Audit

*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 through an organisation structure with clearly drawn lines of accountability and authority. Charter Hall has implemented an internal audit function outsourced to Ernst & Young which delivers regular reporting to the ARCC and the Board as well as implementing action plans with management.

## 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 the Board has adopted a Sustainability Policy which forms the basis for integrating environmental and social governance issues into the Group's activities. This Policy is available to view under the 'About Us' section of Charter Hall's website. In addition, Charter Hall's sustainability objectives are outlined in Charter Hall's Securityholder Review.

## 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.*

The Board has established a Remuneration and Human Resources Committee to assist the Board in implementing the Group's human resources strategies. The Committee operates under a Charter approved by the Board, is comprised of only Non-Executive Directors, with a majority being 'independent', and is chaired by an Independent Director. Broadly, the Committee is responsible for reviewing and making recommendations to the Board in respect of: executive remuneration and incentive policies; equity based incentive schemes; diversity and inclusion objectives; talent management and succession planning; and recruitment, retention, performance measurement and termination policies and procedures.

The Committee also reviews the remuneration of the Non-Executive Directors, all key appointments and terminations to the Executive Leadership Group, and the standard contractual terms applicable to management. Stakeholder engagement is also a focus, as well as the disclosure of Charter Hall's remuneration framework in public materials, such as this Financial Report. From a policy perspective, the Committee assists the Board in ensuring that:

- an appropriate human resources strategy is implemented to enable Charter Hall to deliver on its business strategy;
- remuneration policies and practices are in line with strategic goals and enable Charter Hall to attract and retain high calibre executives and directors who will create value for Securityholders;
- directors and executives are fairly and responsibly remunerated having regard to the performance of Charter Hall, the performance of the executives and the general remuneration environment;
- Charter Hall has effective policies and procedures to attract, motivate and retain talented individuals to meet its needs; and
- people policies and practices align with Charter Hall's vision, values and overall objectives and comply with the relevant legislation, reflect current governance and mitigate against operational, financial and reputational risk. The Committee's current membership is set out under 'Board Committees' section of this Statement and the independence of members is provided for in a separate section of this Statement. Details of meetings held and attendance by each Committee member are contained in the Directors' Report.

From time to time, the Committee may commission the assistance of external consultants to ensure the Group's remuneration policies remain appropriate, follow best practice and address the requirements of the Group's stakeholders.

Charter Hall distinguishes the structure of Non-Executive Directors' remuneration from that of Executive Directors and senior managers.

Further information is provided in the Remuneration Report of the Director's Report.

The Remuneration and Human Resources Committee's Charter is available to view under the 'Corporate Governance' section of Charter Hall's website.

*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 Group has adopted a Securities Trading Policy which regulates the manner in which directors, Senior Executives and staff involved in the management of the Group can deal in Charter Hall stapled securities, including the Performance Rights Offer Plan. 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.

Staff 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 Charter Hall's website.