

# Corporate Governance Statement for both GCM and GDF

GARDA Capital Limited (**GCL**) is the parent entity of the GARDA Capital Group.

The Board and management of the GARDA Capital Group are committed to promoting and fostering a strong governance culture, for the benefit of all stakeholders.

In accordance with ASX Listing Rule 4.10.3, set out below are the ASX Corporate Governance Council’s (**Council**) eight principles of good corporate governance – 3<sup>rd</sup> edition 2014 (**Principles**), and the extent to which the GARDA Capital Group complies with each of the Recommendations. Copies of all relevant policies and procedures of the GARDA Capital Group (**Policies**) mentioned in this Statement can be found at the ‘Corporate Governance’ section of the GARDA Capital Group’s website at <http://investors.gardacapital.com.au>.

There are now two separate ASX-listed securities within the GARDA Capital Group, comprising three different entities, and this Corporate Governance Statement applies to them as follows:

Security:	Relevant Entities:	Recommendations which apply:
<b>GCM</b> - a stapled security comprising:	<b>GARDA Capital Limited (GCL);</b>	All Recommendations which apply to companies.
	<b>GARDA Capital Trust (GCT)</b> – the responsible entity is <b>GARDA Funds Management Limited (GFML)</b> .	All Recommendations which apply to managed investment schemes, as an <i>externally managed</i> listed entity.
<b>GDF</b>	<b>GARDA Diversified Property Fund (GDF)</b> – the responsible entity is <b>GCL</b>	All Recommendations which apply to managed investment schemes, as an <i>externally managed</i> listed entity.

The summary table on the next two pages highlights which Recommendations apply to each listed entity.

The Corporate Governance Statement has been updated following the listing of GCM in July 2016 to take into account the obligations for both companies, and for the Funds as externally managed listed entities (for which certain of the Principles do not apply).

There is also a glossary at the end of this document to assist.

Approved by the Board and current as at 29 August 2016.

**SUMMARY TABLE.**
*Key: (GCL) = as responsible entity. Asterisk\* = Fund obligation.*

ASX Recommendations (summarised)		Satisfy	Reference	Who	Disclose	Page
1.1	roles and responsibilities of board and management, and delegations	Yes	Board Charter	GCL	Website	4
1.1* Mod	arrangements between RE and the Fund for managing the Fund	Yes*	Board Charter, PDS, Offer Doc	GDF GCT	Website	5
	role and responsibility of board of the RE for overseeing those arrangements	Yes*	Board Charter, PDS, Offer Doc			
1.2	undertake appropriate checks before appointing a director	Yes	Nomination & Remuneration Committee Charter	GCL	Website	5
	provide security holders with material information on election or re-election of a director	Yes	Nomination & Remuneration Committee Charter			5
1.3	written agreement with directors and senior executives with terms of their appointment	Yes	Appointment letters	GCL	N/A	5
1.4	company secretary accountable to board	Yes	Appointment letter	GCL	N/A	6
1.5	have a diversity policy	No	Size of GARDA Capital Group does not warrant	GCL	N/A	6
	disclose that policy or a summary					
	disclose the measurable objectives and progress towards achieving, and					
	the proportions of men and women on the board and senior executive					
1.6	process for evaluating the board, its committees and individual directors	Yes	Nomination & Remuneration Committee Charter, Statement	GCL	Website	6
	disclose whether a performance evaluation was undertaken					
1.7	have a senior executive evaluation process	Yes	Nomination & Remuneration Committee Charter	GCL	Website	6
	disclose whether a senior executive evaluation was undertaken					
2.1	Nomination Committee of at least 3 independent directors, chaired by independent director	Partial	Nomination & Remuneration Committee Charter	GCL	Website	7
	disclose the charter, membership, and attendances	Yes				
2.2	have and disclose a board skills matrix	Yes	Nomination & Remuneration Committee Charter	GCL	Website	7
2.3*	names of the independent directors	Yes	Statement, PDS, Offer Doc	GCL (GCL) (GFML)	Website	7
	explain why a director is independent	Yes				
	the length of service of each director	Yes				
2.4	majority of the board as independent directors	No	Statement	GCL	Website	8
2.5	independent Chair, not CEO	Yes	Nomination & Remuneration Committee Charter	GCL	Website	8
2.6	induction for new directors and ongoing professional development opportunities	Yes	Nomination & Remuneration Committee Charter	GCL	Website	8
3.1*	Code of Conduct for directors, senior executives and employees	Yes	Code of Conduct	GCL GFML	Website	9
	disclose that Code of Conduct	Yes	Code of Conduct			

ASX Recommendations (summarised)		Satisfy	Reference	Who	Disclose	Page
4.1*	Audit Committee of at least 3 independent directors chaired by independent director (not Board Chair)	Yes	Audit & Risk Committee Charter	GCM GDF	Website	9
	Disclose the charter, membership, and attendances	Yes	Audit & Risk Committee Charter			
4.2*	receive from CEO and CFO an annual accounts declaration	Yes	Statement	GCM GDF	N/A	10
4.3*	external auditor attends AGM and available for questions	Yes	Statement	GCM GDF	N/A	10
5.1*	have a continuous disclosure policy	Yes	Disclosure & Communications Policy, Trading Policy	GCM GDF	Website, ASX	11
	disclose the continuous disclosure policy	Yes				
6.1*	provide information about itself and its governance to investors via its website	Yes	Disclosure & Communications Policy	GCM GDF	Website	11
6.2*	design and implement an investor relations program	Yes	Statement	GCM GDF	N/A	11
6.3*	disclose the policies and processes to facilitate and encourage participation at meetings of security holders	Yes	Statement	GCM GDF	Website, ASX	12
6.4*	give security holders an electronic communications option	Yes	Statement, Registry	GCM GDF	N/A	12
7.1*	Risk Committee of at least 3 independent directors chaired by independent director	Partial	Audit & Risk Committee Charter	GCM GDF	Website	12
	disclose Risk Committee charter, membership, and attendances	Yes				
7.2*	review risk management framework	Yes	Audit & Risk Committee Charter	GCM GDF	Website	13
	disclose if review occurred	Yes	Statement			
7.3*	if no internal audit function, that fact and the processes for evaluating and improving effectiveness of risk management and controls	Yes	Statement	GCM GDF	Website	13
7.4*	disclose any material exposure to economic, environmental and sustainability risks and how managed	Yes	Statement, PDS, Offer Doc	GCM GDF	Website	14
8.1	Nomination and Remuneration Committee of at least 3 independent directors chaired by independent director	Partial	Nomination and Remuneration Committee Charter, Statement, Financial Statements	GCL	Website	14
	disclose Risk Committee charter, membership, and attendances	Yes				
8.1* Mod	externally managed listed entity to disclose remuneration of the manager	Yes*	Statement, Financial Statements, PDS, Offer Doc	GCT GDF	Website, ASX	15
8.2	policies for remuneration of non-executive and executive directors, and senior executives	Yes	Nomination and Remuneration Committee Charter, Statement, Financial Statements	GCL	Website	15
8.3	equity based remuneration scheme – provide policy	No equity based remuneration at present		GCL	N/A	16
Glossary						16

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### **Recommendation 1.1 (applicable to GCL/GCM)**

***The 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 Constitution of GCL and the Corporations Act sets out the duties and responsibilities of the Board. It is the responsibility of the Board to ensure those duties and responsibilities are met.

The boards of GCL and each of its subsidiaries (including GFML) are identical, and comprise:

<b>Name</b>	<b>Independent?</b>	<b>Remuneration and Nomination Committee</b>	<b>Audit and Risk Committee</b>	<b>Disclosure Committee</b>
Mr David Usasz (Since May 2015)	Yes - Independent Chairman	Chair - attended 1 of 1 meetings	Yes - attended 3 of 3 meetings	No
Mr Matthew Madsen (Since Sept 2011)	No - Managing Director	No	No	Yes
Mr Mark Hallett (Since Jan 2011)	No - Non-executive Director	Yes - attended 1 of 1 meetings	Yes - attended 3 of 3 meetings	No
Mr Philip Lee (Since May 2015)	No - Non-executive Director	Yes - attended 1 of 1 meetings	Chair - attended 3 of 3 meetings	No
Mr Leylan Neep (Since July 2014)	No - Executive Director	No	No	Yes

The Board meets regularly (usually at least monthly), and considers critical compliance and risk management issues as they arise. Because GCL forms part of the GCM stapled security, and is also a Responsible Entity, the Board ensures that the best interests of the relevant Securityholders are taken into account. This involves monitoring the decisions and actions of the Managing Director and his management team, who are responsible for day-to-day management.

The Board retains overall responsibility for management. There is a clear separation between executive management and the Board. The qualifications and experience of the key members of executive management are set out in the Directors' Report of the GCM Annual Report. The Board monitors governance and performance through various committees established by it (and described further below).

The Board has formalised its roles and responsibilities in a Board Charter. The Board Charter sets out the roles and responsibilities of each of the Board positions, as well as the framework for delegating its authority to management and others. The Board Charter confirms that the Board consists of a majority of non-executive directors, and that the chairperson of the Board (Chair) must be an independent non-executive director. The Board will periodically review and evaluate its own performance, the performance of individual directors and that of the senior executives against both measurable and qualitative indicators.

The Board has formed certain committees and delegated various responsibilities to them. These committees are discussed in further detail below. The Board also oversees the external compliance officer.

The Board Charter, and charters of the committees, are available at [www.gardacapital.com.au](http://www.gardacapital.com.au).

**Recommendation 1.1 (for externally managed entities\* - applicable to GDF and GCT)**

***The responsible entity of an externally managed listed entity should disclose:***

- a. the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; and***
- b. the role and responsibility of the board of the responsible entity for overseeing those arrangements.***

The Constitution of the Funds and the Corporations Act sets out the duties and responsibilities of the Responsible Entity. It is the responsibility of the Board to ensure those duties and responsibilities are met. The Funds pay a management fee to their Responsible Entity, as disclosed in the Financial Statements, and also in the PDS and the Offer Document.

The Funds are managed under the supervision and direction of the Board of its Responsible Entity. The Boards of GCL and GFML are identical, and comprise the individuals listed in the section above.

The Board meets regularly (usually at least monthly), and considers critical compliance and risk management issues as they arise. The Board ensures that each Fund is managed in the best interests of its Securityholders. This involves monitoring the decisions and actions of the Responsible Entity and its management team, through the Managing Director, who are responsible for the day-to-day management of the Fund.

The Board retains overall responsibility for the management of the Fund. There is a clear separation between executive management and the Board. The Board monitors the governance and performance of the Fund through various committees established by it (and described further below).

The Board of the Responsible Entity has formalised its roles and responsibilities in a Board Charter, as described in the section above. The Board Charter applies to the Funds, as does the Audit and Risk Committee Charter and other committees of the GARDA Capital Group, as described in this Statement.

The Board Charter and policies relevant to the GARDA Capital Group and the Funds is available at [www.gardacapital.com.au](http://www.gardacapital.com.au).

**Recommendation 1.2**

***A listed entity should:***

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

Before formally appointing a Director to the Board, appropriate background checks as required by law are undertaken, through the external compliance function. All current Directors were checked again in May 2016, as part of the GCM listing requirements.

Any election or re-election of Directors will be made at the annual general meetings, and material information will be provided in the notices of meetings for Securityholders to consider.

**Recommendation 1.3**

***A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.***

All Directors and senior executives providing services to the GARDA Capital Group and the Funds have formal agreements setting out the material terms of their appointment, on industry-standard terms and conditions.

#### **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 is accountable directly to the Board (through the Chair) on all matters to do with the proper functioning of the Board.

#### **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; and***
- c. disclose as 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 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).***

While the GARDA Capital Group takes account of gender and broader diversity issues in its dealings, it has relatively few employees and its size does not presently warrant a formal diversity policy or targets.

#### **Recommendation 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 the reporting period in accordance with that process.***

In accordance with the Board Charter, the performance of the Board will be evaluated periodically in a manner determined by the Chair, against both measurable and qualitative indicators. The GARDA Capital Group will disclose, for each reporting period, if a review was undertaken. As GCM was only listed in July 2016, no review was undertaken during this limited reporting period.

The Board Charter is available at [www.gardacapital.com.au](http://www.gardacapital.com.au).

#### **Recommendation 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.***

Senior executives of the GARDA Capital Group are accountable to the Managing Director, and ultimately the Board. The non-executive Directors of the Responsible Entity will have input into the remuneration and performance goals of the key executives of the GARDA Capital Group as part of the Nomination and Remuneration Committee, after recommendations are made by the Managing Director.

The GARDA Capital Group will disclose, for each reporting period, if a review was undertaken. As GCM was only listed in July 2016, no review was undertaken during this limited reporting period.

The Nomination and Remuneration Committee Charter is available at [www.gardacapital.com.au](http://www.gardacapital.com.au).

## PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

### **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 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.***

The Board has established a Nomination and Remuneration Committee. This committee has three members (see the table at Recommendation 1.1), all of whom are non-executive directors, and none of which has an interest which would materially influence their independent judgement.

The Nomination and Remuneration Committee aims to ensure that remuneration and incentive schemes of the Group are appropriate given both the short and long term objectives of GCM and GDF. The committee approves the annual remuneration report, and liaises with the Audit and Risk Committee. It may delegate, and has full access to management and advisors as it considers appropriate.

This committee operates under a Nomination and Remuneration Committee Charter, which sets out the authority delegated to the Nomination and Remuneration Committee. This committee assists the Board to fulfil its obligations by dealing with:

- Board succession planning;
- Managing Director or Chief Executive Officer succession planning;
- induction and professional development of Directors;
- evaluation of Board and key management candidates;
- remuneration structures and employee benefits within the GARDA Capital Group; and
- recruitment and evaluation generally.

The Nomination and Remuneration Committee Charter is available at [www.gardacapital.com.au](http://www.gardacapital.com.au).

As at the date of this Statement, the Nomination and Remuneration Committee has met once since July 2015, and all members were present.

### **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 Board has historically developed an internal board skills matrix, which will be reviewed and implemented by the Nomination and Remuneration Committee. As a Board, the Directors have a wide range of professional skills with particular experience in property and funds management, investment management and governance which are seen as the appropriate mix of skills required for their role as Directors of the GARDA Capital Group. Two non-executive appointments were made in May 2015, which recently expanded the Board skills.

### **Recommendation 2.3**

***A listed entity should disclose:***

- a. the names of the directors considered by the board to be independent directors;***
- b. if a director has an interest, position, association or relationship of the type described in Box 2.3 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.***

See the table at Recommendation 1.1.

It is GCM's policy that the majority of the Board will be non-executive directors. The Directors must act in the best interests of Securityholders generally. In determining the independence of its Directors, the Board has had regard to the guidelines provided by the Council in Principle 2.

Mr David Usasz is considered by the Board to be an Independent Director. Mr Usasz is also the Chairman. He holds a non-material stake in both GCM and GDF through an associated entity, as disclosed to the ASX.

Mr Philip Lee and Mr Mark Hallett are non-executive Directors of the Responsible Entity. Mr Lee holds a non-material stake in both GCM and GDF through an associated entity, as disclosed to the ASX. They are not considered to be 'independent' according to the Principles, but the Board considers that their relationships do not interfere with their ability to give independent judgement to issues before the Board.

The Board have mechanisms to identify and consider potential conflicts. Directors may take independent professional advice, at the expense of the GARDA Capital Group.

The GARDA Capital Group have implemented training programs to ensure that all relevant staff and the Board receive annual training on conflicts of interest, and under the Trading Policy.

#### **Recommendation 2.4**

***A majority of the board of a listed entity should be independent directors.***

See the table at Recommendation 1.1.

The Board has an independent Chairman, Mr David Usasz.

There are two non-executive Directors, Mr Philip Lee and Mr Mark Hallett. The Board considers that their relationships do not interfere with their ability to give independent judgement to issues before the Board. In addition there are two executive directors. The Board consider this to be the optimal Board composition given the current size and business of the GARDA Capital Group and the Funds.

#### **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 of the Board is Mr David Usasz who is an Independent Director. Mr Matthew Madsen is the Managing Director, with ultimate day-to-day executive responsibility, who reports to the Board in that capacity.

#### **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.***

All Directors appointed receive an induction training program which includes information on the GARDA Capital Group's values and Code of Conduct.

Ongoing training for the Directors includes site visits to familiarise themselves with GDF's properties, making available professional education programs to enhance skills and knowledge, and presentations on developments impacting the business of the GARDA Capital Group and the Funds.



## PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

### Recommendation 3.1

#### ***A listed entity should:***

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

Each Director and employee involved in the management or operation of the GARDA Capital Group and the Funds has agreed to comply with the Code of Conduct.

The Code of Conduct is a statement of commitment to honesty and integrity in the dealings of the GARDA Group, including where acting as Responsible Entity. It sets our core values, commitments and moral standards, and applies to the Board, management and employees of the Group, as well as extending to persons who act on behalf of the Responsible Entities.

The Code of Conduct sets guidelines and reinforces our commitment to dealing with many important business aspects and in our dealings, including:

- conflicts of interest;
- anti-bribery and gifts, and political dealings;
- confidentiality and privacy;
- fair dealings;
- discrimination, harassment and bullying;
- health and safety;
- compliance with laws and regulations; and
- whistleblower protection.

The Code of Conduct is available at [www.gardacapital.com.au](http://www.gardacapital.com.au).

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

### 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 nonexecutive directors and a majority of whom are independent directors; and***
  - ii. is chaired by an independent director, who is not the 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.***

The Board has established a combined Audit and Risk Committee to relevantly assist the Board in overseeing the integrity of external financial reporting, the appointment and independence of the auditor, internal financial controls, financial procedures and policies, and the risk management and compliance framework. The Audit and Risk Committee will report to the Board on all matters relevant to the Audit and Risk Committee's roles and responsibilities.

The Audit and Risk Committee must comprise at least three non-executive directors, and include between them sufficient financial expertise. The Chair of the Responsible Entity cannot (and does not) also chair the Risk and Audit Committee.

As shown in the table at Recommendation 1.1, Mr Lee has been appointed by the Board to chair the Audit and Risk Committee, with Mr Usasz and Mr Hallett serving as members. Accordingly, the Audit and Risk Committee is comprised solely of non-executive Directors, but due to Board composition:

- is not comprised of a majority of independent Directors; and
- the chairperson of the committee is not an independent Director.

(See Recommendations 2.3 and 2.4 for a discussion on independence and judgement.)

The Audit and Risk Committee has met three times since July 2015, all members attending, and will meet as frequently as required to undertake its role effectively. The Managing Director and the CFO are expected to attend, and there is a standing invitation to external auditors (and internal auditors, if and when engaged). The committee may require attendance of any member of management, has full access to documents and records, and can engage external advisors or counsel where considered necessary or appropriate.

The Board has approved an Audit and Risk Committee Charter. This document sets out the authority delegated by the Board to the Audit and Risk Committee, whose purpose is generally to ensure that the GARDA Capital Group and the Funds satisfy their statutory and regulatory responsibilities. The Charter covers:

- accounting, auditing and financial reporting responsibilities;
- assessing and recommending the appointment and remuneration of the external auditor;
- reviewing and recommending procedures of GCM and GCL;
- assessing the financial position and performance of GCM and GCL;
- ensuring compliance with the Corporations Act, and Listing Rules;
- reviewing systems to ensure that conflicts do not occur; and
- preparing and reviewing a risk management profile to determine and manage key risks to both GCM and GCL.

The Audit and Risk Committee Charter is available on the website [www.gardacapital.com.au](http://www.gardacapital.com.au).

See also Recommendation 7.1.

#### **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.***

To the extent that the financial statements of GCM or GDF are approved by the Board each financial year, the Managing Director and the CFO will provide the declarations required by Section 295A of the Corporations Act.

#### **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 security holders relevant to the audit.***

Each of GCM and GDF will hold annual general meetings (AGMs) annually. The external auditor will attend and be available at the relevant AGM to answer questions from Securityholders relevant to the audited accounts.

## **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

### **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 GARDA Capital Group is committed to fair and open disclosure, so that investors (or potential investors) can expect to see information which would have a material effect on the price or value of their securities. The GARDA Capital Group aims to ensure that announcements are factual, balanced and expressed in a clear and objective manner, and timely in order to assist investors with investment decisions.

The Board has established a Disclosure Committee, comprising the Executive Directors as shown in the table at Recommendation 1.1 and the General Counsel of the GARDA Capital Group. It meets on an ad-hoc basis, as required for significant and continuous disclosure.

A Disclosure and Communications Policy has been adopted to ensure the GARDA Capital Group meets its disclosure obligations. This Policy deals generally with continuous disclosure requirements of the ASX, and best practice in communications with Securityholders and stakeholders generally. It applies to the Board, officers, employees and consultants. It sets out the circumstances where it would apply, and puts in place a framework for addressing issues as and when they arise, in a timely and adequate manner. It also sets out where there are exceptions to disclosure of information, and encourages the adoption of electronic communications and other technologies through the website or the Registry.

The Board has also adopted a Trading Policy in relation to GCM or GDF securities, which applies to all Directors, executive and staff of the GARDA Capital Group. It also applies to “Designated Individuals”, who may come across information in assisting a member of the GARDA Capital Group or a Fund. It makes it clear that dealing or trading on insider information is illegal, and sets out what is insider information as against information which is generally available. It deals with restrictions and prohibited periods, and prohibited transactions such as margin lending, short selling or hedging, with very limited defined exemptions.

The Disclosure and Communications Policy, and the Trading Policy, is available at [www.gardacapital.com.au](http://www.gardacapital.com.au).

## **PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITYHOLDERS**

### **Recommendation 6.1**

#### ***A listed entity should provide information about itself and its governance to investors via its website.***

The Board has adopted a Disclosure and Communications Policy (see Recommendation 5.1 above). The GARDA Capital Group provides all relevant information about itself, the policies and charters, the Funds and governance at [www.gardacapital.com.au](http://www.gardacapital.com.au), as required by the Principles and the Listing Rules.

### **Recommendation 6.2**

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

The GARDA Capital Group will provide clear and effective communications with stakeholders on matters affecting GCM and GDF and the securities, in accordance with the Disclosure and Communications Policy.

Announcements in respect of GCM and GDF are relevantly:

- released to ASX as required by the Listing Rules;
- posted to GARDA Capital Group’s website; and
- distributed to major media and investor contacts.

The GARDA Capital Group will also regularly communicate with Securityholders, including through the publication of:

- audited annual financial reports;
- reviewed half-yearly financial reports;
- half-yearly distribution statements; and
- annual taxation statements.

GARDA Capital Group also has accessible information on GCM and GDF, including policies and charters, the current price of those securities, half-yearly and annual reports, and distributions at [www.gardacapital.com.au](http://www.gardacapital.com.au).

### **Recommendation 6.3**

***A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.***

The GARDA Capital Group will hold an AGM for Securityholders of each of GCM and GDF. Each meeting will cover formal business, but also provide Securityholders with an opportunity to be updated on the activities of the GARDA Capital Group and GDF respectively, and to ask questions of the Board and management. The auditor will also attend to answer questions on the audited accounts.

Notices of meeting and explanatory memoranda for resolutions will be provided to Securityholders in accordance with the Constitutions and the Corporations Act, and will be accessible on the GARDA Capital Group website, as well as being lodged with ASX.

Securityholders who are not able to attend an AGM are able to vote by proxy.

### **Recommendation 6.4**

***A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.***

The GARDA Capital Group provides the option of receiving communications from GCM or GDF electronically (through the Registry), as well as a portal for receipt of communications from Securityholders.

General information on the GARDA Capital Group, matters relating to the Funds as well as continuous disclosures are accessible on the website at [www.gardacapital.com.au](http://www.gardacapital.com.au).

## **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

### **Recommendation 7.1**

***The board of a listed entity should:***

- a. have a 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.***

The GARDA Capital Group has an Audit and Risk Committee, which must only comprise of non-executive directors, with at least three members. Mr Lee has been appointed by the Board to chair the Audit and Risk Committee, with Mr Usasz and Mr Hallett also serving as members. Accordingly, the Audit and Risk Committee is comprised of non-executive members but not a majority of independent Directors, and the chairperson of the committee is not an independent Director (see the discussion at Recommendations 2.3 and 2.4 on independence and judgement). The chair of the Audit and Risk Committee reports deliberations and findings back to the next meeting of the full Board. It has met three times since July 2015, all members attending, and will meet as frequently as required to undertake its role effectively.

The Board has adopted a Risk Management Policy, which expresses the Responsible Entity's commitment to a sound system of risk oversight and control throughout its business. It is based on the Principles, and the international standard on risk management. It applies to the Board, the executives and all staff. The Policy recognises that risk identification and monitoring is a dynamic process, and is designed to provide information to deal with uncertainty on GCM's objectives and on the Funds themselves. The Audit and Risk Management Committee assists the Board in setting and monitoring the risk management framework. The Risk Management Policy is to be reviewed at least annually

The Audit and Risk Committee Charter, and the Risk Management Policy, is available on the website [www.gardacapital.com.au](http://www.gardacapital.com.au).

See also Recommendation 4.1.

### **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.***

The Risk Management framework was reviewed and updated by the Board in May and June 2016 during the process of the listing of GCM, and now takes into account GCM, GDF and the broader GARDA Capital Group, and consequently covers a broader range of stakeholders. It continues to be sound.

### **Recommendation 7.3**

***A listed entity should disclose:***

- a. if 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 GARDA Capital Group does not have an internal audit function. Risk management is a continuous process. The Managing Director and the senior executives of the GARDA Capital Group interact with staff and external stakeholders, and are free to raise risks which impact on GCM or GDF at any time.

As a majority of the Board are non-executive external directors, there is no requirement for a formal compliance committee. Material risks are elevated to the Board for inclusion in the risk section at their monthly meetings. The external compliance officer also focuses on risk and control processes as a critical part of the compliance function.

The Audit and Risk Committee is responsible for the preparation and maintenance of a risk profile for financial and non-financial matters, and will receive and review reports on GCM and GDF as required from the auditor, management and external consultants regarding material business risk and any internal control processes and compliance activities.

#### **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.***

GDF and GCM (both directly, and indirectly through its co-investment strategy) are exposed to certain economic risks. Section 8 of the PDS for GDF and section 7 of the Offer Document for GCM listed those in great detail, but the main risks can be summarised as follows:

<b>Risk and description</b>	<b>Affects GDF</b>	<b>Affects GCM</b>
<b>concentration</b> – investments in real property only.	✓	indirectly
<b>geographic</b> – invests on the eastern seaboard of Australia.	✓	indirectly
<b>leasing</b> – properties may be vacant if tenants do not renew, it may be difficult to find new tenants; defaults, and incentives in the marketplace.	✓	indirectly
<b>valuation</b> – valuations may go up or down depending on external factors and the market generally; a property may not sell at valuation amount.	✓	✓
<b>litigation</b> – may have to sue third parties, and may be sued.	✓	✓
<b>buildings and maintenance</b> – possible latent defects in buildings which are not apparent, and there may be high maintenance costs.	✓	indirectly
<b>banking</b> – covenants and interest rates.	✓	✓
<b>competition</b> – there are many other property groups competing for the pool of buildings and tenants, some have greater scale and resources.	✓	✓
<b>personnel</b> – key management may leave, and may be hard to replace.	indirectly	✓
<b>market conditions</b> – the price of securities may generally rise or fall with the ASX, for matters not associated with the property sector.	✓	✓
<b>natural phenomena</b> – storms, floods, fires and other natural disasters.	✓	✓
<b>debt positions</b> – defaults by borrowers will affect returns.	x	✓
<b>forecasts</b> – if forecasts not met, returns to investors likely to be reduced.	✓	✓
<b>Responsible Entity</b> – if GCL or GFML cease to be a Responsible Entity, there will be a negative impact on the GARDA Capital Group.	indirectly	✓
<b>regulatory and licensing</b> – may impact the GARDA Capital Group.	indirectly	✓

These risks are managed and reviewed regularly by the GARDA Capital Group in accordance with its risk management framework and the Risk Management Policy, under the supervision of the Audit and Risk Committee.

### **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

#### **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.***

The GARDA Capital Group has a Nomination and Remuneration Committee, which must only comprise of non-executive directors, with at least three members. Mr Usasz has been appointed by the Board to chair the Nomination and Remuneration Committee, with Mr Lee and Mr Hallett also serving as members. Accordingly, the Nomination and Remuneration Committee is comprised of non-executive members but not a majority of independent Directors, however the chairperson of the committee is an independent Director (see the discussion at Recommendations 2.3 and 2.4 on independence and judgement). The chair of the Nomination and Remuneration Committee reports deliberations and findings back to the next meeting of the full Board. It

has met once since July 2015, all members attending, and will meet as frequently as required to undertake its role effectively.

The Board has adopted a Nomination and Remuneration Committee Policy, which expresses the GARDA Capital Group's commitment to selecting the best people at Board and management level, and sound and equitable principles of remuneration throughout its business. Under the Policy, the Nomination and Remuneration Committee assists and advises the Board on:

- Board succession planning, appointment and re-election of Directors, and induction, training and evaluation for the Board; and
- remuneration policies and practices for the Board, senior management and other persons within the GARDA Capital Group.

The Policy is designed to ensure that the GARDA Capital Group is able to attract and retain people who will create value for Securityholders, and that remuneration is fair and appropriate having regard to GCM's objectives and all stakeholders. *\*It is noted that remuneration is paid by the Group, and not from the Funds.*

The Nomination and Remuneration Committee Policy is available on the website [www.gardacapital.com.au](http://www.gardacapital.com.au).

**Recommendation 8.1 (for externally managed entities\* - applicable to GDF and GCT)**

***An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.***

The fees payable by the Funds to their Responsible Entities and associated entities are set out in detail in the Constitution, and in the Financial Statements. The Responsible Entities are also entitled to a reimbursement of expenses, and indemnities from the Funds, in accordance with the terms of the Constitutions (as summarised in the PDS and the Offer Document).

Other Group entities may also earn additional fees in relation to other services which a Fund engages a Group member to undertake on an arms-length basis (subject to the Corporations Act), such as financing or project management fees.

Directors and employees are not provided with any remuneration from or through GDF, and do not receive units in GDF as a form of remuneration. They may be entitled to units in GCT, forming part of the stapled security – see Recommendation 8.3.

**Recommendation 8.2 (applicable to GCL/GCM)**

***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 is committed to transparency. The Nomination and Remuneration Committee Policy has been adopted and governs the policies around remuneration of the Board, and also of senior executives and other key persons within the GARDA Capital Group.

The Nomination and Remuneration Committee Policy is available on the website [www.gardacapital.com.au](http://www.gardacapital.com.au).

The remuneration pool of the non-executive directors, and the remuneration of the key members of executive management are set out in the GCM Annual Report.

### **Recommendation 8.3 (applicable to GCL/GCM)**

**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.**

There is not presently an equity-based remuneration scheme for directors and staff of GARDA Capital Group. It is anticipated that an employee security scheme (ESS) will be presented to the AGM for approval by Securityholders, and the ESS will be benchmarked. Details of any such scheme (once finalised) will be disclosed in the notice relating to that meeting.

*If an ESS is adopted, Directors and employees may be entitled to units in GCT, being a stapled security forming part of GCM.*

### **GLOSSARY**

Key terms used in this Corporate Governance Statement:

<b>ASX</b>	Australian Securities Exchange.
<b>Board</b>	The directors of GCL acting as a board. The Board is identical for each member of the Group.
<b>Constitution</b>	The Constitution of GCL, GDF or GCT, as the context requires.
<b>Corporations Act</b>	<i>Corporations Act 2001 (Cth).</i>
<b>Director</b>	A director of GCL.
<b>Financial Statements</b>	The audited financial statements of GCM or GDF, the most recent being 29 August 2016.
<b>Funds</b>	Either GDF or GCT, as the context requires.
<b>GCL</b>	GARDA Capital Limited ACN 095 039 366, Australian financial services licence 246714. Part of the stapled security ASX code: GCM, and separately the responsible entity of GDF.
<b>GCM or GARDA Capital Group</b>	A stapled security with ASX code: GCM, which listed on the ASX in July 2016, comprising: <ul style="list-style-type: none"> <li>• one share in GCL; and</li> <li>• one unit in GCT.</li> </ul>
<b>GCT</b>	GARDA Capital Trust ARSN 150 164 720 – a managed investment scheme forming part of the stapled security ASX code: GCM.
<b>GDF</b>	GARDA Diversified Property Fund ARSN 104 391 273, ASX Code: GDF – a managed investment scheme which listed in July 2015.
<b>GFML</b>	GARDA Funds Management Limited ACN 140 857 405, Australian financial services licence 398764, and the responsible entity of GCT.
<b>GRES</b>	GARDA Real Estate Pty Ltd ACN 102 792 709, a member of the Group, which provides property management services to GCM and GDF for a fee.
<b>Group</b>	The corporate group, comprising GCL and its subsidiaries.
<b>Listing Rules</b>	The official listing rules of the ASX from time to time.
<b>Offer Document</b>	The offer document, being a combined product disclosure statement and prospectus, dated 9 June 2016 issued by GCL and GFML for the listing of GCM stapled securities in July 2016.
<b>PDS</b>	The product disclosure statement dated 22 May 2015 issued by GCL for the listing of GDF in July 2015.
<b>Principles</b>	ASX Corporate Governance Principles and Recommendations – 3 <sup>rd</sup> edition March 2014.
<b>Recommendations</b>	The recommendations listed in the Principles (as modified for GDF and GCT for externally managed listed entities in accordance with pages 35-6 of the Principles).
<b>Registry</b>	Link Market Services Limited, the external registry for both GCM and GDF.
<b>Responsible Entity or RE</b>	Where applicable: <ul style="list-style-type: none"> <li>• GCL, in its capacity as responsible entity of GDF; and</li> <li>• GFML, in its capacity as responsible entity of GCT.</li> </ul>
<b>Securityholders</b>	A registered holder of units in GDF, or stapled securities in GCM.
<b>Statement</b>	This Corporate Governance Statement approved by the Board and dated 29 August 2016.