

ARENA REIT CORPORATE GOVERNANCE STATEMENT 2019



13 AUGUST 2019

This is the corporate governance statement for Arena REIT (Arena) for the financial year ended 30 June 2019. This statement sets out the extent to which Arena followed the Corporate Governance Principles and Recommendations (3rd edition) set by the ASX Corporate Governance Council (Recommendations) during the period from 1 July 2018 to 30 June 2019 (Reporting Period). Arena is substantially compliant with the Recommendations.

OVERVIEW OF CORPORATE STRUCTURE

Arena REIT is a triple stapled entity comprising Arena REIT No. 1 (ARSN 106 891 641) (**ARF1**), Arena REIT No. 2 (ARSN 101 067 878) (**ARF2**) and Arena REIT Limited ACN 602 365 186 (**ARL**). Arena REIT Management Limited ACN 600 069 761 (**ARML**) is the responsible entity of ARF1 and ARF2. ARL is the ultimate holding company of ARML and its other wholly owned subsidiaries.

ARL and ARML have separate boards of directors (**Boards**). A co-ordinated approach is undertaken by ARL and ARML to the corporate governance of Arena. Arena applies the same corporate governance framework to the wholly owned subsidiaries of ARL and its employees.

This statement applies to and is issued by the Boards and was approved by the Boards effective 13 August 2019.

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

ARL and ARML have adopted Board Charters which provide the framework for the operation of the Boards and set out the functions and responsibilities of the Boards, those matters expressly reserved to the Boards and those matters that are delegated to management. The Board Charters are available at www.arena.com.au/about/governance.

The Boards have delegated certain responsibilities to an Audit Committee and a Remuneration and Nomination Committee (**Committees**). The Committees are comprised of the independent, non-executive directors of ARL and ARML. The scope of responsibilities delegated to the Committees is specified in the Audit Committee Charter and the Remuneration and Nomination Committee Charter, which are available at www.arena.com.au/about/governance.

Appropriate checks were undertaken in respect of the directors appointed to the ARL and ARML Boards. Similar checks will be undertaken before appointing a person as director of ARL or ARML, or putting forward to securityholders a candidate for election as a director of ARL. ARL provides securityholders with all material information in its possession relevant to a decision whether or not to elect or re-elect a director.

ARL and ARML both have written agreements with each director and senior executive setting out the terms of their appointment. These agreements include remuneration, confidentiality requirements, indemnity and insurance arrangements and other matters set out in the Recommendations.

The Company Secretary of ARL and ARML is accountable directly to the Boards, through the Chairman, on all matters to do with the proper functioning of the Boards. This is set out in the Board Charters. The Company Secretary supports the effectiveness of the Boards by monitoring and reporting that policies and procedures are followed.

The Boards acknowledge the importance of diversity in contributing to growth, innovative thinking and overall success and are committed to fostering and maintaining an inclusive workplace that respects individuals. The Boards have adopted a diversity policy which describes Arena's general diversity objectives and is available at www.arena.com.au/about/governance. Measurable gender diversity objectives for the Boards, senior executives and employees were adopted following the Reporting Period. The objectives and progress towards achieving them will be reported for FY20.

The performance of the Boards, their Committees and the individual directors is subject to annual review. The process for review of the performance of the Boards and individual directors is determined by the relevant Boards, with the assistance of the Remuneration and Nomination

Table 2.1

Director	Age	ARL Board ¹	ARML Board ²	Audit Committee	Remuneration & Nomination Committee
David Ross Independent, non – executive director	59	Chairman	Chairman	Member	Chairman
Dennis Wildenburg Independent, non – executive director	72	Member	Member	Chairman	Member
Simon Parsons Independent, non – executive director	64	Member	Member	Member	Member
Rob de Vos Executive director / Managing Director	44	Member	Member	Attendee	Attendee
Gareth Winter Executive director / Company Secretary	47	Attendee	Member	Attendee	Attendee
Bryce Mitchelson (Retired)³ Executive director / Managing Director	55	Member	Member	Attendee	Attendee

1. David Ross, Dennis Wildenburg and Simon Parsons have been directors of ARL since 16 October 2014. Robert de Vos has been a director of ARL since 19 February 2019.
2. David Ross, Dennis Wildenburg and Simon Parsons have been directors of ARML since 8 October 2014. Gareth Winter has been a director of ARML since 12 December 2014. Robert de Vos has been a Director of ARML since 19 February 2019.
3. Bryce Mitchelson resigned as a Director of ARL and ARML on 19 February 2019.

Committee. The Committees undertake self-evaluation in accordance with their Charters and the Chairman of each Committee presents the results of these assessments to the Boards.

During the Reporting Period, the Boards and their Committees completed annual performance evaluations. These evaluations concluded that the Boards and committees were effective and appropriate to the size and operation of Arena REIT.

The performance of senior executives is reviewed annually against their position descriptions and agreed key performance indicators. The process for this review is determined by the Remuneration and Nomination Committee. The annual performance evaluation of senior executives of Arena for FY19 was conducted following the end of the Reporting Period.

2. STRUCTURE THE BOARD TO ADD VALUE

The Boards have established a Remuneration and Nomination Committee which reports to the Boards and its Charter extends to the remuneration and nomination activities, controls and procedures of Arena. The Committee assists and advises the Boards on director selection and appointment practices, board composition and succession planning for the Boards and senior executives to ensure that the Boards are of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of Arena as a whole.

The composition of the Boards and Committees as at the date of this report is noted in Table 2.1. The number of meetings held and attendance by directors during the

Reporting Period is disclosed in the Directors' Report included in the Arena REIT Annual Financial Statements for FY19.

The independence of directors is assessed in a manner consistent with the principles enunciated in the Recommendations. The Boards consider David Ross (Chairman), Dennis Wildenburg and Simon Parsons to be independent directors in respect of each Board, as they do not have an interest, position, association or relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgment. As such, the majority of the directors of ARL and ARML are independent, non-executive directors.

Independent judgement is maintained by allowing directors to seek independent professional advice. Directors are also required to declare any conflicts of interest prior to consideration of matters at the meetings of the Boards.

The core skills of importance to Arena are well represented by the current directors as noted in Table 2.2.

Induction for newly appointed directors, senior executives and employees is held as required. New directors are provided with details on Arena's governance arrangements. Directors are expected to be adequately informed in respect of relevant industry and regulatory issues and changes. Training sessions are scheduled around meeting dates of the Boards to develop and maintain skills and knowledge. Directors may raise other training requirements with the Company Secretary as they consider necessary or desirable for their continued professional development.

Table 2.2

	Leader- ship	Sector Experience		Functional and Operational Experience								
	CEO or senior executive	Property	Funds Management	Strategy	Finance & Accounting	Capital Management	Mergers & Acquisitions	Risk, Compliance & Governance	Technology	Remuneration & Culture	Sustainability	Investor Relations
Number of directors with relevant skills, experience or qualifications	5	5	5	5	3	4	4	5	2	4	2	2

3. ACT ETHICALLY AND RESPONSIBLY

Arena has a code of conduct for its directors, senior executives and employees. The Code of Conduct outlines how Arena expects directors and employees to behave and conduct business in the workplace on a range of issues. It includes legal compliance and guidelines on appropriate ethical standards. The objective of the code is to:

- › provide a benchmark for professional behaviour;
- › support Arena's business reputation and corporate image within the community; and
- › make directors and employees aware of the consequences if they breach the code.

The Code of Conduct is made available to all those expected to adhere to it at the time they join Arena and is available at www.arena.com.au/about/governance.

The Boards have approved a securities trading policy which applies to directors and employees. The policy is subject to the overriding prohibition against trading while in possession of inside information and restricts trading during the following closed periods:

- › on the day price sensitive information is released to the ASX;
- › the period commencing on the day immediately after the end of Arena REIT's financial year (or financial half year, as applicable) and ending 24 hours after the release of the annual results announcement (or half yearly results announcement, as applicable) to the ASX; and
- › seven days prior to the date of the annual general meeting of Arena REIT and the day of the annual general meeting.

The Securities Trading Policy is available at www.arena.com.au/about/governance.

4. SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Boards have established an Audit Committee which assists the Boards with processes to independently verify and safeguard the integrity of Arena's corporate financial reporting. The relevant qualifications and experience of the members of the Audit Committee are described at www.arena.com.au/about/board.

Before approving the Arena REIT financial statements, the Boards receive from the Chief Financial Officer and the Managing Director a declaration that, in their opinions, the financial records of Arena REIT were 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 Arena REIT, and those opinions were formed on the basis of a sound system of risk management and internal control which operates effectively.

Arena REIT's external auditor attends the annual general meeting and is available to answer questions from securityholders about the conduct of the audit and the content of the audit report.

5. MAKE TIMELY AND BALANCED DISCLOSURE

Arena has adopted a continuous disclosure policy, which incorporates the continuous disclosure framework as set out in Chapter 3 of the ASX Listing Rules and ASX Listing Rules Guidance Note 8.

The policy deals with:

- › what information needs to be disclosed to the market;
- › responsibility for responding to market rumours or speculation;
- › communications with analysts and major investors, including the review of their forecasts;
- › the communication procedures that are to be adopted when dealing with the media; and
- › the procedures for communicating with the Australian Securities Exchange (ASX).

The Continuous Disclosure Policy is available at www.arena.com.au/about/governance.

6. RESPECT THE RIGHTS OF SECURITYHOLDERS

Arena is committed to providing all stakeholders with accessible, accurate and timely information on its activities and performance. Arena has established a website which includes detailed information in relation to Arena REIT and its governance arrangements and an online portal called InvestorServe for securityholders to manage all aspects of their investment online.

Information about Arena, including all of the information suggested in the Recommendations, is available at www.arena.com.au. Information about Arena's governance arrangements, including the Boards and senior management is available at www.arena.com.au/about/governance.

Arena has designed and implemented an investor relations program that facilitates effective two-way communication with securityholders. The program currently includes the following:

- › A formal communications policy which is committed to providing all stakeholders with accessible, accurate, clear and timely information on all matters which are relevant or material to the financial performance and activities of Arena REIT. The Communications Policy is available at www.arena.com.au/about/governance
- › Update letters sent to securityholders on a regular basis providing a summary of Arena REIT's recent activities.
- › Half-yearly conference calls to which all investors and interested parties are invited, and are able to participate by submitting questions to management.
- › Information provided on Arena's website, including the latest available Arena REIT security price (typically delayed by 20 minutes), overview of the group, ASX announcements, key dates and a contact form for questions, feedback or complaints.
- › An online portal called InvestorServe for securityholders to manage all aspects of their investment online, including holding information and forms. Securityholders can register for InvestorServe at www.arena.com.au/investor-centre or by calling 1800 008 494.
- › Options for all securityholders to receive communications from, and send communications to, Arena and the registry electronically.

Arena recognises that meetings of securityholders represent an excellent opportunity for Arena to provide information to its securityholders and encourages attendance and participation at annual general meetings. The annual general meeting provides a forum for securityholders to express views and ask questions of the Boards and management.

7. RECOGNISE AND MANAGE RISK

Risk management has been integrated into Arena's business processes through implementation of a written Risk Management Framework (**Framework**) which incorporates the guidelines described in the Australian Standard on Risk Management – Guidelines (AS ISO 31000:2018). A summary of the Risk Management Framework is available at www.arena.com.au/about/governance.

Because of the small size of the Boards, Arena does not have a dedicated risk management committee. The Boards have ultimate responsibility for overseeing the Framework and monitoring compliance with Arena's agreed risk appetite.

The Managing Director has responsibility for day to day management of the risks facing Arena, and is supported by senior executives. The Framework, which includes a risk register, is designed to ensure that business risks are identified, assessed, managed and monitored. Management prioritises material business risks and develops mitigation strategies. Arena does not have any material exposure to economic sustainability, environmental sustainability and social sustainability risks.

Compliance procedures have been developed which address the regular reporting and monitoring of risks in the day to day management of the business. The Boards receive a quarterly risk report on all extreme and high assessed risks. Each year, the Boards review the Framework to assess that it continues to operate effectively and to consider whether any changes are required. A review of the Framework was completed during the Reporting Period.

Arena does not have a dedicated internal audit function due to the relatively small number of employees and the nature and scale of operations. The Head of Risk and Compliance conducts risk-based compliance reviews on the operations of Arena and reports to the Boards on a quarterly basis with recommendations for any changes to Arena's processes and systems in accordance with legal and regulatory requirements.

8. REMUNERATE FAIRLY AND RESPONSIBLY

The Remuneration and Nomination Committee assists the Boards with oversight of the remuneration governance framework. The Boards have adopted a remuneration framework that recognises the need to motivate, attract and retain employees to deliver sustainable and superior business performance. The remuneration framework is underpinned by the following principles:

- › Remuneration is externally competitive in terms of quantum, mix and design to support the attraction and retention of employees and takes into account the relative size and nature of the Arena's business and its ability to pay and the role and experience of employees.

- › The remuneration framework supports the delivery of Arena's business strategy.
- › Remuneration is made up of fixed and variable reward.
- › Variable reward is used to recognise performance in both the short and longer term.

Executive and employee reward comprises fixed remuneration, and for eligible employees at the discretion of the Boards, variable short term and long term incentives, which may include equity based remuneration. The terms of the Securities Trading Policy, which forms part of Arena's remuneration governance framework, prohibit employees who participate in the equity based remuneration scheme from entering into arrangements which operate to limit the economic risk of exposure to Arena REIT securities and accordingly the economic risk of participating in the scheme.

The Remuneration and Nomination Committee reviews the remuneration framework on an annual basis, or more frequently as required, to ensure the remuneration arrangements are driving business performance and are aligned with the long term strategy of Arena. The Remuneration and Nomination Committee is able, as required, to appoint external remuneration advisers to review and advise on aspects of the framework.

Further details of the remuneration of Arena's senior executives and non-executive directors are included in the Remuneration Report which forms part of the Directors' Report of the Arena REIT Annual Financial Statements for FY19.



For more information contact us on 1800 008 494 or online at www.arena.com.au

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