

**APN** | Property Group

# APN Funds Management Limited Board Charter

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## Contents

<b>1</b>	<b>Introduction</b>	<b>2</b>
<b>2</b>	<b>Purpose of the Board Charter</b>	<b>2</b>
<b>3</b>	<b>Board composition</b>	<b>3</b>
3.1	Membership of board and term of directorships	3
3.2	Board committees	3
3.3	Independence of directors	4
<b>4</b>	<b>Responsibilities</b>	<b>4</b>
4.1	Responsibilities of APN FM	4
4.2	Responsibilities of the Board	4
4.3	Reservation and delegation of power	5
<b>5</b>	<b>The function of the Chairman</b>	<b>5</b>
<b>6</b>	<b>Board meetings</b>	<b>6</b>
<b>7</b>	<b>Directors</b>	<b>7</b>
7.1	Responsibilities	7
7.2	Directors' duties where APN FM acts as responsible entity	7
7.3	Right to seek independent professional advice	7
<b>8</b>	<b>Review of Board Charter</b>	<b>7</b>
<b>9</b>	<b>Other matters</b>	<b>8</b>
<b>10</b>	<b>Definitions</b>	<b>8</b>
	<b>Appendix - Summary of statutory duties (relating to APN FM as a responsible entity)</b>	<b>9</b>

## 1 Introduction

- (a) APN Funds Management Limited (**APN FM**) is a wholly owned subsidiary of APN Property Group Limited (**APN PG**). APN FM's activities predominantly involve managing listed and unlisted real estate investment trusts (**APN Funds**) in its role as responsible entity and/or trustee, as well as acting as an investment manager under external mandates. The board of directors of APN FM (**Board**) oversees these activities and provides strategic guidance in respect of the Funds managed by APN FM.
- (b) The APN FM directors' duties to securityholders in the respective APN Funds take priority over the directors' duties to APN FM in accordance with the Corporations Act and the law generally.

## 2 Purpose of the Board Charter

- (a) The purpose of this charter (**Board Charter**) is to:
  - (i) set out the composition of the Board;
  - (ii) confirm the functions and responsibilities of the Board as a whole and individual directors in respect of APN FM's primary role as a fund manager; and
  - (iii) establish the corporate governance structure of APN FM, particularly in the context of APN FM's primary role as a fund manager.
- (b) The Board must conduct itself within the requirements of the *Corporations Act 2001* (Cth) (**Corporations Act**) and, to the extent that APN FM acts as trustee and responsible entity of a listed managed investment scheme (**Listed Scheme**), the listing rules of the Australian Securities Exchange (**ASX**) (**Listing Rules**) or such other applicable market operator.
- (c) For as long as APN FM acts as responsible entity of a Listed Scheme, the Board should also comply with the ASX Corporate Governance Principles and Recommendations (**Recommendations**). Where the Board fails to comply with any Recommendations, it must ensure that the reasons for such non-compliance during the relevant period are disclosed in the annual report or corporate governance statement of each Listed Scheme.
- (d) The conduct of the Board is also governed by:
  - (i) the constitution of APN FM (**Constitution**);
  - (ii) for as long as APN FM is the trustee and/or responsible entity of one or more trusts or registered schemes, the trust deed or constitution of each trust or registered scheme;
  - (iii) APN FM's Australian Financial Services Licence;
  - (iv) the APN Property Group Code of Conduct;
  - (v) the APN Property Group Securities Trading Policy;

- (vi) the APN Property Group Conflicts of Interest and Related Party Transactions Policy; and
  - (vii) the APN Property Group Communications and Continuous Disclosure Policy;
  - (viii) the APN Property Group Diversity and Inclusion Policy;
  - (ix) the APN Property Group Privacy Policy;
  - (x) the APN Property Group Whistleblower Policy; and
  - (xi) the APN Property Group Anti-Bribery and Corruption Policy,
- each as amended from time to time.

All directors must be familiar with the terms of, and ensure that they comply with, each of the above governance documents.

### **3 Board composition**

#### **3.1 Membership of board and term of directorships**

In accordance with the Constitution:

- (a) There will be a minimum of three directors (not counting alternate directors). The maximum number of directors is ten unless APN PG, as the sole shareholder in APN FM, determines otherwise. The Board may review this requirement from time to time.
- (b) A director may be appointed by APN PG, as the sole shareholder in APN FM. The directors may also appoint a person as a director by resolution of the Board (please refer to clause 4.2 of the Constitution).
- (c) Directors hold office until they die, vacate the office in accordance with the Constitution or their letter of appointment, or the term for which they have been appointed or elected expires (please refer to clause 4.3 of the Constitution).
- (d) A director may appoint an alternate director, approved by a majority of the other directors, to attend Board meetings in his or her place, together with any other rights conferred upon the alternate director in accordance with the terms of appointment approved by the other directors (please refer to clause 4.5 of the Constitution).

In accordance with the Recommendations:

- (e) It is intended that the majority of the Board will be independent directors (the requirements for which are discussed in more detail in paragraph 3.3).
- (f) The appointment of all directors will be confirmed by a formal letter of appointment.

#### **3.2 Board committees**

The Board has established:

- (a) an Audit, Risk and Compliance Committee, the composition, roles and responsibilities of which are set out in the APN FM Audit, Risk and Compliance Committee Charter; and

- (b) a Nomination and Remuneration Committee, the composition, roles and responsibilities of which are set out in the APN FM Nomination and Remuneration Committee Charter.

The Board may establish other Board committees from time to time.

### **3.3 Independence of directors**

- (a) For as long as APN FM acts as responsible entity of a Listed Scheme, details of the membership of the Board will be disclosed in the annual report of the Listed Scheme, including whether a director is independent or not independent.
- (b) There are several factors the Board should take in to account when determining the independent status of a director, including those set out in the Recommendations.
- (c) The Board will assess the independence of each non-executive director at least annually, and as soon as reasonably practicable after the Board is notified that such a director's interests, positions or relationships have changed.

## **4 Responsibilities**

### **4.1 Responsibilities of APN FM**

APN FM is primarily responsible for:

- (a) the operation and management of each APN Fund; and
- (b) the performance of its functions and obligations as responsible entity and/or trustee of each APN Fund in accordance with the constituent documents for each respective APN Fund, the Corporations Act and the law generally.

For as long as APN FM acts as responsible entity of one or more registered schemes, the directors must ensure that APN FM complies with the specific duties of responsible entities under section 601FC of the Corporations Act. These duties are summarised in the Appendix.

### **4.2 Responsibilities of the Board**

Without limitation to the duties and responsibilities of directors under the Corporations Act, the Constitution and all applicable laws, in order to ensure that APN FM complies with its responsibilities, the Board is responsible for:

- (a) the oversight of APN FM, including its control and accountability systems;
- (b) subject to its overriding duties to securityholders in the respective APN Funds, setting the aims, strategies and policies of APN FM;
- (c) where appropriate, ratifying the appointment and the removal of the company secretary and senior executives including, but not limited to the fund managers of the respective APN Funds;
- (d) providing input into and final approval of management's development of strategy and performance objectives in respect of the APN Funds;
- (e) reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance, particularly in respect of the APN Funds;

- (f) without limiting paragraph (e), identifying conflict of interest situations within APN FM's business and the business of the APN Funds and:
  - (i) determining whether the conflict of interest situation is to be avoided or whether it can be appropriately controlled; and
  - (ii) if the conflict of interest situation can be appropriately controlled, determining and implementing the procedure necessary to control the conflict;
- (g) monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available (including, where appropriate, challenging management and holding management accountable);
- (h) approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures in respect of the APN Funds;
- (i) approving the issue of disclosure documents in respect of the respective APN Funds;
- (j) approving and monitoring financial and other reporting obligations of the respective APN Funds, in particular ensuring compliance with the continuous disclosure obligations of the respective APN Funds under the Corporations Act and the Listing Rules;
- (k) monitoring the remuneration practices of APN FM to ensure that they are aligned with APN FM's purpose, values, strategic objectives and risk appetite; and
- (l) approving APN FM's Code of Conduct (as set out in the APN Property Group Code of Conduct) and statement of values to ensure that they reflect the desired culture within APN FM.

#### 4.3 Reservation and delegation of power

The Board has expressly reserved its powers in relation to certain matters, and has delegated its powers in relation to other matters to management. Any delegations by the Board to management are done in accordance with a formal Delegated Authority Policy or otherwise by way of a resolution of the Board.

The Board reserves its powers and responsibilities in relation to matters including, but not limited to:

- (a) providing leadership and setting the purpose and strategic objectives of APN FM and its funds management business;
- (b) approving operational budgets and major capital expenditure for the APN Funds; and
- (c) overseeing management of the APN Funds,

The Board delegates its powers and responsibilities in relation to matters including, but not limited to:

- (a) the day-to-day operation of the of APN Funds; and
- (b) implementing the decisions and determinations of the Board.

## 5 The function of the Chairman

- (a) The Chairman is appointed by the Board and will be an independent director.

- (b) The roles of the Chairman and the managing director of APN FM (if any) must remain separate.
- (c) In addition to the Chairman's responsibilities as a director, the Chairman is responsible for:
  - (i) leading the Board in discharging its duties to securityholders in the respective APN Funds and APN FM;
  - (ii) the efficient organisation and conduct of the Board's functioning;
  - (iii) chairing Board meetings and directing Board discussions so that there is an effective use of time and that critical and strategic issues are discussed;
  - (iv) facilitating the effective contribution of all directors and promoting constructive and respectful relations between directors and between the Board and management;
  - (v) ensuring the Board is participating in setting the aims, strategies and policies of the APN Funds and APN FM;
  - (vi) ensuring there is adequate monitoring, pursuit and performance of the aims, strategies and policies of the APN Funds and APN FM;
  - (vii) briefing all directors in relation to issues arising at meetings of the Board; and
  - (viii) ensuring that the Board is kept properly informed of the financial position and performance of the respective APN Funds and APN FM.
- (d) The Chairman is required to commit sufficient time in order to properly discharge the role of chairman.

## 6 Board meetings

- (a) In accordance with the Constitution:
  - (i) A director may at any time, and the company secretary must upon the request of a director, convene a Board meeting.
  - (ii) A quorum for Board meetings is two directors unless the Board determines otherwise. Each director has one vote.
  - (iii) Decisions of the Board are decided by a majority of votes of directors present and entitled to vote.
  - (iv) In the case of an equality of votes on a resolution at a Board meeting, the chair of the meeting will have a second or casting vote on that resolution in addition to any vote the chair of the meeting has in his or her capacity as a director in respect of that resolution, other than in the case where there are only two directors competent to vote on the resolution at issue.
  - (v) The proceedings of all Board meetings are to be minuted and the minutes be circulated to, and approved by, directors prior to or at the next successive meeting. In accordance with the Corporations Act, the minutes of all Board meetings must be signed by the chair of the meeting within a reasonable time after the meeting.

- (b) In accordance with the Corporations Act, minutes of all Board meetings must be lodged in the APN FM's minute book within one month of each Board meeting being held.

## 7 Directors

### 7.1 Responsibilities

Without limitation to the duties and responsibilities of directors under the Corporations Act, the Constitution and all applicable laws, each director has the following responsibilities in addition to the responsibilities of the Board as a whole:

- (a) directors must attend Board meetings and meetings of any committees upon which they sit;
- (b) directors must apply their minds to any matters raised at Board meetings or in relation to the business of the APN Funds or APN FM and raise any issues or questions, or make any enquiries, which they believe are material to the effective operation of the APN Funds or APN FM;
- (c) directors must comply with this Board Charter, the Constitution and the Corporations Act in relation to voting at Board meetings; and
- (d) directors have an ongoing obligation to disclose conflicts of interest that may arise in the course of carrying out their duties as a director of APN FM. In accordance with the Corporations Act:
  - (i) each director must give the other directors notice of any conflict which may arise in respect of matters being considered by the Board; and
  - (ii) if the conflict is a material personal interest in the matter (as defined in the Corporations Act), that director must not:
    - (A) be present while the matter is being considered at a Board meeting; or
    - (B) vote on the matter.

### 7.2 Directors' duties where APN FM acts as responsible entity

For as long as APN FM acts as responsible entity of one or more registered schemes, each director must comply with the specific duties of directors of responsible entities under section 601FD of the Corporations Act. These duties are summarised in the Appendix.

### 7.3 Right to seek independent professional advice

Each director is entitled to seek independent professional advice in relation to the performance of their duties as a director of APN FM. This advice should be sought by a director where such advice is necessary for them to discharge their duties and obligations as a director.

APN FM will reimburse each director for all reasonable expenses incurred in obtaining such advice and, where appropriate, a copy of the advice will be made available to the Board.

## 8 Review of Board Charter

The Board will review this Board Charter from time to time to ensure it remains consistent with the Board's objectives and responsibilities.

## 9 Other matters

Various matters relating to the Board are governed by the Constitution and are not reproduced here.

## 10 Definitions

In this Board Charter, unless the context otherwise requires:

**APN FM** means APN Funds Management Limited.

**APN Fund** means any managed investment scheme managed by APN FM or any other member of the APN Group.

**APN Group or APN** means APN PG and any of its controlled or related entities (which includes APN FM).

**APN PG** means APN Property Group Limited.

**ASX** means the Australian Securities Exchange.

**Board** means the board of directors of APN FM.

**Board Charter** means this board charter adopted by the directors of APN FM.

**Constitution** means the constitution of APN FM (as amended from time to time).

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Listing Rules** means the listing rules of ASX.

**Recommendations** means ASX Corporate Governance Principles and Recommendations in effect from time to time.

**Secretary** means the company secretary of APN FM.

## Appendix - Summary of statutory duties (relating to APN FM as a responsible entity)

### 1 Duties of APN FM as responsible entity

In exercising its powers and carrying out its duties, APN FM in its capacity as responsible entity of a registered scheme must:

- (a) act honestly; and
- (b) exercise the degree of care and diligence that a reasonable person would exercise if they were in the responsible entity's position; and
- (c) act in the best interests of the members and, if there is a conflict between the members' interests and its own interests, give priority to the members' interests;<sup>1</sup> and
- (d) treat the members who hold interests of the same class equally and members who hold interests of different classes fairly; and
- (e) not make use of information acquired through being the responsible entity in order to:
  - (i) gain an improper advantage for itself or another person; or
  - (ii) cause detriment to the members of the scheme; and
- (f) ensure that the scheme's constitution meets the requirements of sections 601GA and 601GB of the Corporations Act; and
- (g) ensure that the scheme's compliance plan meets the requirements of section 601HA of the Corporations Act; and
- (h) comply with the scheme's compliance plan; and
- (i) ensure that scheme property is:
  - (i) clearly identified as scheme property; and
  - (ii) held separately from property of the responsible entity and property of any other scheme; and
- (j) ensure that the scheme property is valued at regular intervals appropriate to the nature of the property; and
- (k) ensure that all payments out of the scheme property are made in accordance with the scheme's constitution and the Corporations Act; and

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<sup>1</sup> It is, however, acceptable for the responsible entity to receive a fee out of the scheme, provided there is a provision in the scheme constitution specifically authorising the responsible entity to be paid that fee for providing services to the scheme (which must also be adequately disclosed). In addition, subject to any limitations under the scheme constitution or otherwise imposed by law, the responsible entity is permitted to be reimbursed for any expenses properly incurred in undertaking its role as trustee and responsible entity, and commissions or a percentage can be paid for the responsible entity's services to the extent it is 'just and reasonable'.

- (l) report to the Australian Securities and Investments Commission any breach of the Corporations Act that:
  - (i) relates to the scheme; and
  - (ii) has had, or is likely to have, a materially adverse effect on the interests of members;as soon as practicable after it becomes aware of the breach; and
- (m) carry out or comply with any other duty, not inconsistent with the Corporations Act, that is conferred on the responsible entity by the scheme's constitution.

## 2 Duties of directors of responsible entity

Each director, for as long as APN FM is the responsible entity of a registered scheme, must:

- (a) act honestly;
- (b) exercise the degree of care and diligence that a reasonable person would exercise if they were in the director's position;
- (c) act in the best interests of the members and, if there is a conflict between the members' interests and the interests of the responsible entity, give priority to the members' interests;
- (d) not make use of information acquired through being a director of the responsible entity in order to:
  - (i) gain an improper advantage for the director or another person; or
  - (ii) cause detriment to the members of the scheme;
- (e) not make improper use of their position as a director to gain, directly or indirectly, an advantage for themselves or for any other person or to cause detriment to the members of the scheme; and
- (f) take all steps that a reasonable person would take, if they were in the director's position, to ensure that the responsible entity complies with:
  - (i) the Corporations Act;
  - (ii) any conditions imposed on the responsible entity's Australian financial services licence;
  - (iii) the scheme's constitution; and
  - (iv) the scheme's compliance plan.