

# INGENIA COMMUNITIES GROUP

## CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices currently in place for Ingenia Communities Group (**Group** or **Ingenia**) and addresses the 3rd Edition of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (**ASX Recommendations**). The Board believes the Group accords with all of the principles and recommendations of the ASX Corporate Governance Council.

The corporate governance policies and practices described below are those that have been in place for the 2017-18 financial year, or as at the date of this report where indicated. The Board continues to review the governance framework and practices of the Group to ensure they meet the interests of securityholders.

All references to the Group's website are to: [www.ingeniacommunities.com.au](http://www.ingeniacommunities.com.au)

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

#### (a) Ingenia Communities Group and its Constitutions

Ingenia Communities Group is a triple stapled structure comprising the parent company, Ingenia Communities Holdings Limited (**ICH**), Ingenia Communities Fund (**ICF**) and Ingenia Communities Management Trust (**ICMT**), (together known as the Group). ICF and ICMT each have their own Constitution (the **Constitutions**) both of which have been lodged with the Australian Securities and Investments Commission (**ASIC**). The rights and obligations of unitholders are governed by these Constitutions and the *Corporations Act 2001* (Cth) (**Corporations Act**). The terms contained in each Constitution are substantially the same.

The responsible entity of ICF and ICMT, Ingenia Communities RE Limited (**ICRE**) is the holder of an Australian Financial Services Licence (**AFSL**).

As a result of the stapling, ICH and ICRE operate as a coordinated Group with the boards of both companies having the same composition and the meetings held concurrently where appropriate. References to the 'Board' in this statement are references to the boards of ICH and ICRE (as the Responsible Entity of ICF and ICMT), which comprise the same directors.

#### (b) Compliance Plans

In accordance with the Corporations Act requirement, the Responsible Entity has registered compliance plans for ICF and ICMT with ASIC. The compliance plans describe the procedures that the Responsible Entity will apply in operating ICF and ICMT to ensure compliance with the Corporations Act and the Constitutions of ICF and ICMT.

The Board of the Responsible Entity is responsible for monitoring the Group's compliance with the compliance plans. Further details are provided under the section on risk management.

#### (c) Role of the Board

The Board 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 the Group'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, the Group has established a governance framework at 1(d) below, which sets out the functions reserved to the Board and provides for the delegation of functions to Board Committees and to senior management. The Board operates under a formal charter, which can be found on the Group's website.

#### (d) Governance Framework

The diagram below depicts the operation of the Group's governance framework.

## BOARDS OF ICH AND ICRE

The Board formally delegates certain functions to its committees and to management via the formal Board and Committee charters.

Directly retains responsibility for a number of matters including:

- Corporate Strategy – Evaluation, approval and monitoring of the strategic and financial plans for the Group.
- Oversight of Management - Guidance and monitoring of management's performance, implementation of strategy, appointment and replacement of the CEO, executive succession planning, performance monitoring and remuneration of the CEO and senior management.
- Oversight of Financial Management – Review and approval of annual operating budgets and financial reports of the Group, evaluation and approval of all decisions concerning major capital expenditure of the Group.
- Oversight of Capital Management – Approval of changes to the Group's capital structure, Distribution Policy determination and approval of dividend payments pursuant to that policy and approval of the establishment and issue of any equity rights via incentive plans.
- Board Composition and Structure – Review composition of the Board, succession plans, conducting annual performance reviews and assess establishment, composition and effectiveness of Board committees.
- Compliance and Risk Management – Monitoring of strategic risk management systems and the integrity of internal control and reporting systems.
- Investor Communications – Approval of material reporting and other external communications by the Group, review of policies and procedures to ensure compliance with ASX continuous disclosure requirements.
- Ethics and Responsible Decision-Making – Actively promoting ethical and responsible decision making and monitoring compliance with policies governing the operation of the Group.

### Audit and Risk Committee

Key functions are to oversee and review:

- The integrity of the Group's external financial reporting and financial statements;
- The appointment, independence and competence of Ingenia's external auditors;
- The effectiveness of Ingenia's system of risk management and internal controls;
- Ingenia's systems and procedures for compliance with applicable legal and regulatory requirements; and
- Ensuring the Group maintains appropriate insurance.

### Remuneration and Nomination Committee

Key functions are to review and make recommendations on:

- Executive remuneration and incentive policy;
- Level of remuneration for non executive directors;
- Design of all equity based plans;
- Board size and composition;
- Criteria for Board membership; and
- Appointment, re-elections and succession of directors and key management personnel.

### Investment Committee

Key functions are to review and make recommendations on:

- Investment and capital management;
- Asset portfolio construction;
- Investment returns and the cost of capital;
- Investment risk;
- Acquisition strategy; and
- Debt portfolio construction and management; and
- Acquisition and divestments.

### CEO & Other Senior Executives

### Group Risk Management Committee

Key function:

- Overseeing the Group's financial services risks, risk culture and framework

### Operational Risk Management Committee

Key function:

- Overseeing the Group's operational business risks, risk culture and framework

### Executive Investment Committee

Key function:

- Review the Group's investment in assets and make recommendations to the Investment Committee

**(e) Role of the Board of the Responsible Entity**

As the Responsible Entity, the Board of ICRE has additional responsibilities for the operation of ICF and ICMT. The Responsible Entity must exercise its powers and perform the obligations conferred on it under the Constitutions and the Corporations Act and ensure that the activities of the Group are conducted in a proper and efficient manner in the best interests of unitholders. The Responsible Entity must also ensure compliance with the conditions of the AFSL and approve and monitor compliance with compliance plans.

**(f) Board Committees**

The ultimate responsibility for the oversight of the operations of the Group rests with the Board. However, the Board may discharge any of its responsibilities through committees of the Board in accordance with the Constitutions and the Corporations Act.

The Board has established the below listed standing committees to assist in the execution of its responsibilities. The composition and effectiveness of the committees are reviewed on an annual basis:

- Audit and Risk Committee;
- Remuneration and Nomination Committee; and
- Investment Committee.

Each committee operates in accordance with specific charters approved by the Board, the charters of which can be found on the Group’s website.

The applicable composition requirements and current membership of each of the Board Committees are set out below:

<b>Board Committee</b>	<b>Composition Requirements</b>	<b>Membership</b>
Audit and Risk Committee	At least three members, all non-executive and the majority of whom are independent. The Chairman should be a non-executive director, who is not the Chairman of the Board. One member must also have financial expertise.	Ms Amanda Heyworth (Chair); Mr Robert Morrison; and Ms Valerie Lyons.
Remuneration and Nomination Committee	At least three members, the majority of whom are non-executive and independent. The Chairman should be an independent non-executive director.	Ms Amanda Heyworth (Chair); Ms Valerie Lyons; and Mr Andrew McEvoy.
Investment Committee	At least three members, all non-executive and the majority of whom are independent. The Chairman should be independent and not Chairman of the Board.	Mr Robert Morrison (Chair); Mr Jim Hazel; and Mr Andrew McEvoy.

The number of scheduled Board and Committee meetings held during the year and the number of meetings attended by each of the directors is set out in the table below. The attendance noted for Committee meetings are for directors that are members of that Committee. All directors are invited and eligible to attend any committee meeting:

	Board		Investment Committee		Audit & Risk Committee		Remuneration & Nomination Committee	
	A	B	A	B	A	B	A	B
Jim Hazel	13	13	8	8	-	-	-	-
Philip Clark AM <sup>1</sup>	6	6	-	-	-	-	1	1
Amanda Heyworth	13	13	-	-	6	6	3	3
Valerie Lyons	13	13	3	3	6	6	3	3
Robert Morrison	13	13	8	8	6	6	-	-
Simon Owen	13	11	-	-	-	-	-	-
Andrew McEvoy <sup>2</sup>	7	7	5	5	-	-	2	2

**A:** Meetings eligible to attend    **B:** Meetings attended

<sup>1</sup> Resigned 04 December 2017

<sup>2</sup> Appointed 01 December 2017

#### **(g) Executive Committees**

The Group has established three executive committees:

1. Group Risk Management Committee (**GRC**);
2. Operational Risk Management Committee (**ORC**); and
3. Executive Investment Committee (**IC**).

Both risk committees have been established to assist the board Audit and Risk Committee in fulfilling its risk responsibilities. Both committees are responsible for overseeing the Group's risk culture and framework which includes:

- Review of the effectiveness of the design and implementation of the risk framework;
- Understanding the business' risk appetite;
- Assessing methodologies, monitoring and reporting processes; and
- Evaluation of lessons learned when a variation is experienced.

The GRC is responsible for risks arising from the provision of Financial Services.

The ORC is responsible for overseeing the risks associated with the operations of the business including Work, Health and Safety.

Both committees meet regularly, with a minimum of four meetings per year. The proceedings of both committees are reported to the Audit and Risk Committee at its next meeting.

Both Committees consist of senior executives.

The executive IC has been established to review investment in assets and make recommendations to the board Investment Committee. The IC is responsible for assessing proposed acquisitions, development and divestment of assets in accordance with investment strategies.

The IC meets as required to assess new projects or investment decisions or to review the performance of assets post-acquisition.

The IC consists of senior executives.

#### **(h) Senior Executives**

The Board delegates the responsibility for the day-to-day management of the Company and implementation of the strategic plan to the Chief Executive Officer (**CEO**), who is assisted by the senior executives who report to him.

The CEO consults with the Chairman on any matters the CEO considers are of such a sensitive, extraordinary or strategic nature as to warrant the attention of the Board, regardless of value. The authorisation thresholds for the control of expenditure and capital commitments are established and defined in the Company's Delegations and Authorities Policy, which is set to optimise the function and decision-making of the executive team as the Group continues to grow and expand, whilst maintaining appropriate oversight by the Board.

Subject to these policy limits and the directions of the Audit and Risk Committee, the CEO may sub-delegate the day-to-day running of the Group to the senior executive team. The exercise of delegated authority is restricted to specific organisational functions and roles.

The Delegations and Authorities Policy details the delegated thresholds for various types of commitment and individual positions, as well as the authorisation processes required to be followed.

All senior executives are appointed to their positions after a rigorous recruitment process. Each member of the senior executive team, including the CEO, is employed pursuant to an employment contract, which covers a range of matters including their duties, rights, responsibilities and any entitlements on termination. Each contract refers to a specific formal job description. Each contract sets out the remuneration of the executive, including their entitlements to any rights under incentive plans.

#### **(i) Performance of Senior Executives**

The evaluation for all executives is based on specific criteria, including the business performance of the Group, whether strategic objectives are being achieved, and the development of management and personnel.

The Board formally assesses the CEO's performance on an annual basis. All key performance indicators (**KPIs**) are carefully considered by the Remuneration and Nomination Committee, which evaluates the CEO's performance and makes recommendations to the Board.

An annual assessment of the performance of all other senior executives is undertaken by the Board on the basis of recommendations by the CEO, who conducts performance reviews in relation to each senior executive.

A performance evaluation for all senior executives, including the CEO, was undertaken in the reporting period in accordance with the process disclosed above.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Annual Report under the heading 'Remuneration Report'.

#### **(j) The Company Secretary**

The Company Secretary acts as secretary of the Board, attending all meetings of the Board and its committees. The Company Secretary is accountable to the Board through the Chairman on all corporate governance matters.

## **Principle 2: Structure the Board to add value**

### **(a) Board Size and Composition**

The Constitution of the Group provides there will be a minimum of three directors and not more than ten directors.

At the date of this report, the Board comprises five non-executive directors and one executive director. The Boards of ICH and ICRE have the same directors.

The current members of the Board are:

- Mr Jim Hazel (Chairman), (appointed 1 March 2012)
- Ms Amanda Heyworth (Non-executive Director), (appointed 16 April 2012)
- Mr Andrew McEvoy (Non-executive Director), (appointed 4 December 2017)
- Mr Robert Morrison (Non-executive Director), (appointed 8 February 2013)
- Mr Simon Owen (Managing Director and CEO), (appointed 24 November 2011)
- Ms Valerie Lyons (Non-executive Director), (appointed 1 March 2017)

### **(b) Board skills and diversity**

The Board considers that its directors and senior management have the combined skills and experience to discharge their respective responsibilities.

The full biographies of all directors are included in the Director's Report in the Annual Report, including details of other listed entity directorships and relevant experience. Below is a summary of skills possessed by directors supporting the assessments in the skills matrix information disclosed further in this Statement.

Mr Hazel has had an extensive corporate career in both the banking and retirement sectors. As chairman of the board, he brings his skills as a highly experienced director, with current listed company directorships including Bendigo and Adelaide Bank Limited and Centrex Metals Limited. He also serves on the Boards of Coopers Brewery Limited and the University of South Australia. He has a high level of skill in the areas of strategy, finance and treasury, capital markets merger and acquisition experience, ASX governance and industry experience.

Mr Owen has significant industry experience, as the immediate past National President of the Retirement Villages Association (now part of the Retirement Living Council), the peak industry advocacy group for the owners, operators, developers and managers of retirement communities in Australia, a role he held for four years. Mr Owen also brings other valuable skills to the Board with over 20 years experience working in ASX listed groups with roles across finance, funds management, mergers and acquisitions, business development, sales and marketing. Mr Owen is a qualified accountant (CPA) with postgraduate diplomas in finance and investment and advanced accounting.

The Board collectively has a deep knowledge and understanding of finance, capital markets and funds management. Mr Morrison has extensive experience in property investment, property development, portfolio management, capital raisings as well as institutional funds management. Mr Morrison's investment experience includes senior portfolio management roles where he managed both listed and unlisted property funds on behalf of institutional investors.

Ms Heyworth has particular strengths in strategy, managing growth and marketing having worked as a venture capital investor for over a decade. Previously, she worked as a Federal Treasury economist and held management roles in the finance and technology sectors. Ms Heyworth has strong finance and accounting credentials. She has been involved in over 40

capital raisings and M&A transactions and holds a BA (Accounting) with a major in finance, post graduate qualifications in accounting and finance and a MBA from the Australian Graduate School of Management.

Ms Lyons has considerable industry experience in her current and past roles as CEO and CFO in well regarded seniors and disability service organisations including Uniting AgeWell, Villa Maria and Southern Cross Care (Vic). Ms Lyons has lead innovative and successful property developments in residential and retirement living, both multilevel and multi service streams. Ms Lyons has strong finance and accounting skills, holding a Bachelor of Business Studies majoring in Accounting.

Mr McEvoy has over 20 years experience in executive and non-executive roles in tourism, digital marketing and e-commerce. Mr McEvoy is currently the Chairman of the South Australian Government's Adelaide Riverbank Authority and SeaLink Travel Group. He also serves on the Boards of Lux Group and Founder and Executive Chairman of We Connect China. He holds a Master of Arts, International Communications and a Bachelor of Arts.

The table following sets out the skills and experience considered by the Board to be important for its directors to collectively possess in order for it to effectively discharge its duties. This information presented has been taken from the Board's current skills matrix that was reviewed and updated during the 2017-18 financial year.

The Board, via the use of its skills matrix, has assessed the relevant level of each competency on the Board and although collectively some competencies and skills have a higher expertise or skill level than others, the Board is of the opinion that collectively it has an adequate skill level for all competencies to discharge its duties.

In addition to the skills and experience set out in diagram below, the Board considers that each director has the following attributes:

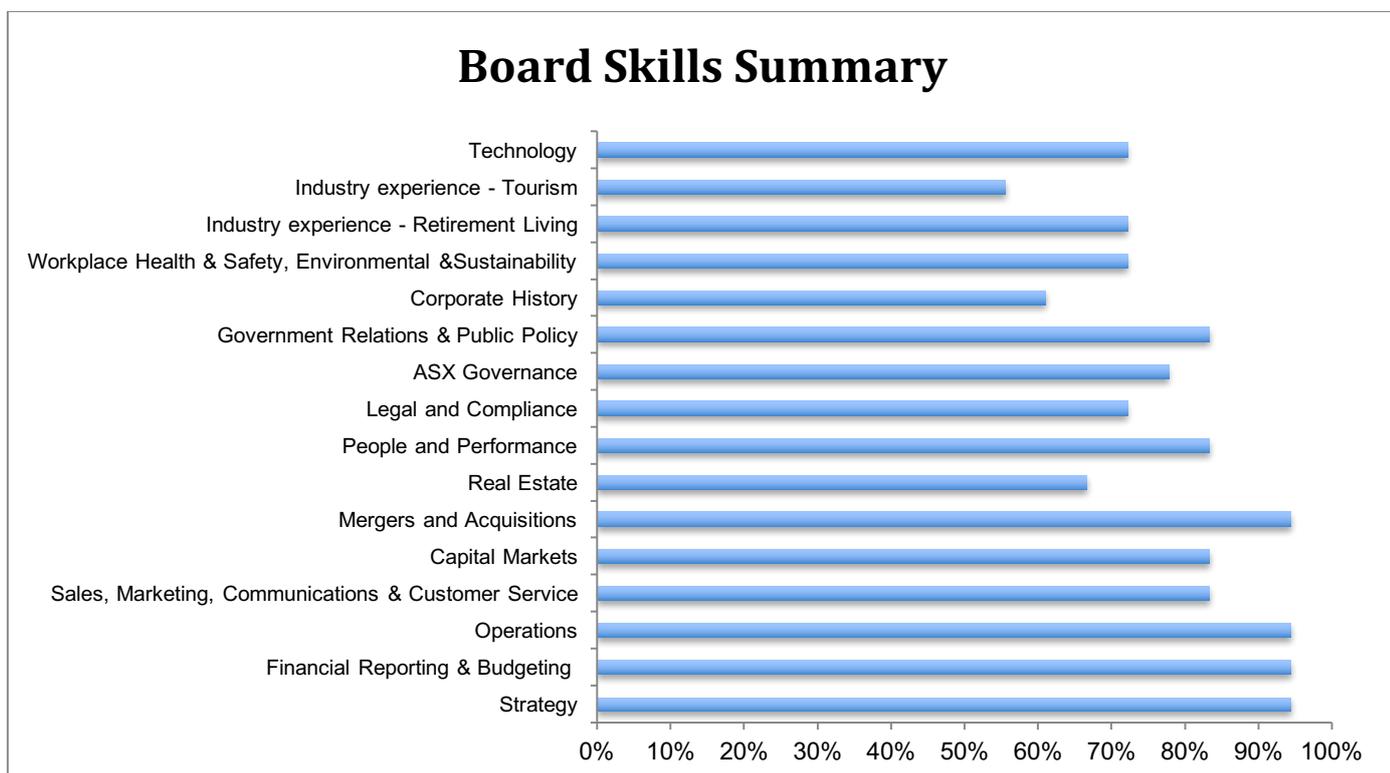
- Honesty and integrity;
- The ability to think strategically;
- The time available to devote to Ingenia's business;
- A willingness to question and challenge; and
- A commitment to the highest standards of governance.

All directors are expected to use their range of relevant skills, knowledge and experience to apply their judgement to all matters discussed at Board meetings.

SKILL	DESCRIPTION
Strategy	Ability to think strategically and identify and critically assess opportunities and threats and develop effective strategies in the context of changing market conditions, including disruptions and innovations.
Finance Reporting & Budgeting	The ability to analyse financial statements and reporting, critically assess the financial performance of the group, contribute to budget planning and efficient use of capital and resources. Familiarity with Accounting Standards.
Operations	A broad range of commercial and business experience in business systems, practices, improvements, risk and compliance, sales, technology and human resources.
Sales, marketing, communications and customer service	Clear understanding of developing and implementing brand strategy, recruiting, running and incentivising sales teams, setting sales budgets and targets and getting brand “cut-through”, marketing / communications experience.
Capital markets & Treasury	Expertise in efficient capital management, investment banking, capital raisings, corporate advisory, including alternative capital sources and distributions, yields and markets.
Mergers and acquisitions (M&A)	Experience in all aspects of the negotiation, structuring, risk management and assessment of both acquisitions and divestments at corporate and property levels.
Real Estate: including acquisition, disposal management and development	Expertise in the analysis of development feasibility and assessment, strategies for optimising value and understanding and mitigating risk from development opportunities.
People and performance	HR planning and management experience with familiarity in employment legislation and labour relations, recruitment, compensation, performance reviews and conflict management.
Legal and compliance	Ability to identify key risks to the group in a wide range of areas including legal and regulatory compliance and monitor risk and compliance management frameworks and systems.
ASX governance	Knowledge and experience in best practice ASX and Corporations Act, governance structures, policies and processes.
Government relations and public policy	Expertise in the critical analysis of government/public policy both in terms of policy development, interest group input and lobbying and legislation. Effective networks.
Government relations and public policy	Expertise in the critical analysis of government/public policy both in terms of policy development, interest group input and lobbying and legislation. Effective networks.

SKILL	DESCRIPTION
Government relations and public policy	Expertise in the critical analysis of government/public policy both in terms of policy development, interest group input and lobbying and legislation. Effective networks.
Corporate history	The Board has a good understanding of recent corporate background including organisational structure, litigation, key contracts and relationships, performance and capital structures.
Workplace Health & Safety, Environmental & Sustainability	Experience with workplace health and safety, environmental and sustainability.
Industry experience – retirement living	Experience and broad understanding of the retirement living industry including market drivers, risks and trends including policies, competitors, end users, regulatory policy and framework.
Industry experience - tourism	Experience and broad understanding of the tourism market including market drivers, risks and trends including policies, competitors, end users, regulatory policy and framework.
Technology	Expertise in the area of technology projects and keeping abreast of emerging technology relevant to the Group, cyber security, social media, digital marketing.

The chart below illustrates the extent to which the current board fulfils each of the identified required skills of the board. These percentages are extracted directly from the board skills matrix, where directors are rated on their level of competence in each identified skill.



Whilst the current Board composition meets the Group's needs, this skills and experience analysis will assist to identify opportunities for director training and development and to determine skills gaps that may be addressed through future board appointments.

One area that was previously identified as an important skill for the collective board to possess was that of tourism. This has been addressed with the appointment of Mr McEvoy.

External advisors are also engaged where required to supplement the collective skillset of the board.

### **(c) Director Appointments**

Pursuant to its charter, the Remuneration and Nomination Committee 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. To this end, the Remuneration and Nomination Committee periodically assess the appropriate mix of competencies, skills, experience and expertise required by the Board and assess the extent to which the required skills and experience are represented on the Board.

The Remuneration and Nomination Committee is also responsible for reviewing and making recommendations to the Board on its membership, including recommendations for the appointment and re-election of directors and where necessary, proposing candidates for consideration by the Board. The Remuneration and Nomination Committee must have regard to the factors set out in the Remuneration and Nomination Committee Charter, including that the Board should comprise directors with a broad range of skills, expertise and experience from a diverse range of backgrounds in accordance with the Diversity Policy.

Ultimately, the full Board determines who is invited to fill a casual vacancy after extensive one-on-one and collective interviews with candidates and thorough due diligence and reference checks.

The Remuneration and Nomination Committee's current membership is set out earlier in this statement and the independence of the members is discussed below.

### **(d) Terms of Appointment**

Non-executive directors are appointed pursuant to formal letters of appointment which, among other things, set out the key terms and conditions of their appointment, the Board's expectations in relation to the performance of the director, procedures for dealing with a director's potential conflict of interest and the disclosure obligations of the director, together with the details of the director's remuneration.

Non-executive director remuneration is reviewed on an annual basis pursuant to advice from an external remuneration consultant. Non-executive directors are not entitled to participate in any executive incentive plan.

A director induction program has been designed and directors are expected to participate in this induction and orientation program on their appointment, including site visits.

### **(e) Directors' Independence**

The Board considers that it is able to exercise its judgement in an independent and unfettered manner and provide independent and effective oversight of management.

All members of the Board, whether independent directors or not, exercise independent judgement in making decisions in the best interests of the Group as a whole.

In determining the independent status of each director, the Board has adopted the approach contained in ASX Principle 2, and specifically assesses the independence of all directors against the criteria outlined in Box 2.3 of the ASX Recommendations.

The Group does not use prescribed or pre-determined materiality thresholds for the purposes of assessing director independence but instead assesses independence on a case by case basis, having regard to the extent to which any relevant relationship or connection may materially interfere with the director's ability to exercise unfettered and independent judgement in the discharge of their responsibilities and duties.

Mr Jim Hazel, Ms Amanda Heyworth, Mr Andrew McEvoy, Mr Robert Morrison and Ms Valerie Lyons are considered by the Board to be independent. Given the executive position held by Mr Owen, he is considered to be non-independent based on the criteria in Principle 2 of the ASX Recommendations.

**(f) Directors' Interests**

Directors are required to keep the Board advised of any interest that might be in conflict with those of the Group, and restrictions are applied to directors' rights to participate in discussion and to vote, as circumstances dictate when a conflict has been identified. In particular, where a potential conflict of interest may exist, directors concerned may be required to leave the Board meeting while the matter is considered in their absence.

The Group has also entered into a Deed of Disclosure with each director, which is designed to facilitate the Group's compliance with its obligations under the ASX Listing Rules relating to disclosure of changes in directors' interests in Ingenia securities. Directors and their nominated related party securityholdings, are also monitored to identify changes that may require urgent disclosure.

Standing items at each Board meeting include:

- Director's Securityholding Register; and
- Director's Standing Notice Register.

**(g) Chairman**

One individual does not occupy the role of Chairman and CEO. The Board has agreed it should continue to have a majority of independent non-executive directors, that the positions of Chairman and CEO must be separate, and that the Chairman should be an independent non-executive director.

Mr Jim Hazel was appointed Chairman of the Group on 1 March 2012 and is considered an independent director in accordance with recommendation 2.5 of the ASX Recommendations.

**(h) Board Meetings**

The Board typically schedules approximately nine meetings per year, with additional meetings convened as required. Agendas for each meeting are prepared by the Company Secretary, together with input from the CEO and Chairman, and are distributed prior to the meeting with supporting papers.

Standing items include the CEO's Report, Financial Report and Workplace Health and Safety updates as well as reports addressing matters of strategy, governance and compliance. Senior executives are directly involved in Board discussions, and directors have a number of further opportunities to contact a wider group of employees, including visits to parks owned by the Group.

**(i) Independent Advice**

The Board has a policy of enabling directors to seek independent professional advice for Group related matters at the Group's expense, subject to the prior notification of the Chairman and where the estimated costs are considered to be reasonable.

## **(j) Board and Director Performance**

The Board is committed to enhancing its effectiveness through performance management and review. The Board review process is designed to help enhance performance by providing a mechanism to raise and resolve issues and to provide recommendations to enhance its effectiveness.

In June 2018, the Board conducted a formal, structured evaluation that involved each director completing a confidential questionnaire covering the role, composition, processes and the carrying out of its responsibilities. The results of the questionnaire and an analysis of these results were reported to the Chairman by the Company Secretary. Upon completion by the Chairman of one-on-one discussions with each director, the results of the evaluation will be discussed with the Board. A similar evaluation process was also undertaken by each of the Board committees in June 2016.

The established evaluation process is in line with that carried out in previous years, and continues to identify strengths, improvements and areas for increased focus.

## **Principle 3: Act Ethically and Responsibly**

### **(a) Code of Conduct and Ethical Behaviour**

The Board acknowledges the need for high standards of corporate governance practice and ethical conduct by all directors and employees of the Group.

The Board has endorsed a Code of Conduct which outlines acceptable behaviour and attitudes expected from all staff to promote and maintain the confidence and trust of all those dealing with the Group.

The Group's Code of Conduct, which may be viewed on the Group's website, is the subject of periodic review to ensure that it covers all relevant issues and sets standards consistent with the Group's commitment to ethical and responsible behaviors.

Various measures have been established to ensure all staff members observe a high standard of ethical business behaviour. Policies and procedures to assist this include:

- Managing conflicts of interests;
- Personal security trading;
- Whistleblower procedures;
- Acceptance of gifts and entertainment as part of the Gifts, Entertainment and Anti-bribery Policy; and
- Handling confidential information.

In addition to their obligations under the Corporations Act in relation to inside information, all directors, employees and consultants have a duty of confidentiality to the Group in relation to confidential information they possess.

### **(b) Employee and Director Trading in Ingenia Communities Group Securities**

In accordance with ASX Listing Rule 12.9, the Group has a Personal Trading Policy that governs the ability of directors, employees and contractors to trade in the Group's securities. Subject to necessary prior written consents being obtained, the Group's directors, executives and employees may trade in the Group's securities at any time outside closed periods, which cover the following:

- 1 January until the day after the release of half yearly results;
- 1 July until the day after the release of annual results; or

- Any other period determined by the Board.

Directors, employees and contractors may, in exceptional circumstances as defined in the policy, trade during a closed period but only with the prior written consent of the Chairman for directors, a non executive director for the Chairman and the Compliance Manager for employees and contractors. Notwithstanding the closed periods and approval requirements, a person is prohibited from trading at any time if they possess material, price-sensitive information about the Group that is not generally available to the public.

The policy also prohibits short term trading, margin lending, short selling and hedging of the Group's securities.

The Group's Personal Trading Policy may be viewed on the Group's website.

### **(c) Diversity**

A formal diversity policy has been adopted by the Board that outlines the Group's commitment to diversity in the workplace and the provision of a work environment that is free from discrimination and promotes equal opportunity for all. Ingenia promotes an inclusive workplace where employee differences in areas like gender, age, culture, disability and lifestyle choice are valued. The unique skills, perspectives and experience the Group's employees bring, encourage creativity and innovation in thought and better represent Ingenia's diverse customer base, ultimately driving improved business performance.

The policy includes the following specific gender diversity targets:

- Board: 30% of each gender; and
- Executive Committee: 30% of each gender.

As at the date of this report, both of these gender diversity targets have been met.

The Group has always had a policy of actively encouraging gender diversity at all levels in the organisation and a culture that supports workplace diversity. This is evidenced by the following statistics as at 30 June 2018:

- The proportion of female directors: 33%
- The proportion of female employees on the executive committee: 64%
- The proportion of female employees in the whole organisation: 69%
- The proportion of female employees in senior positions: 28%

In accordance with the requirements of the Workplace Gender Equality Act 2012, the Group has lodged its 2018 Annual Report with the Workplace Gender Equality Agency.

### **Principle 4: Safeguard integrity in corporate reporting**

The Audit and Risk Committee is responsible for assisting the Board in discharging its responsibilities to safeguard the integrity of the Group's financial reporting and the system of internal control. A key component of the committee's role is to provide appropriate advice and recommendations to the Board to assist the Board to fulfil its responsibilities in regard to financial reporting, the internal control environment, and audit management where appropriate across the Group.

The Audit and Risk Committee Charter, which is available on the Group website, takes into account the roles and responsibilities of the Audit and Risk Committee as well as contemporary governance practices. The Audit and Risk Committee Charter includes details on the appointment and oversight of the external auditor. The Group will ensure the external auditor is available to securityholders at the Annual General Meeting to answer any questions about the Group's external audit.

The Audit and Risk Committee's current membership, the independence of the members and details of Audit and Risk Committee meetings and attendance by each Committee member are set out earlier in this Statement and the Directors' Report in the Annual Report.

The qualifications and experience of the members of the Audit and Risk Committee are outlined in the Directors Report in the Annual Report and earlier in this Statement where skills of each of the Directors is addressed.

In accordance with section 295A of the Corporations Act and Recommendation 4.2 of the ASX Recommendations, before it approves the entity's financial statements for a financial period, the Board receives 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.

### **Principle 5: Make timely and balance disclosure**

The Group is committed to complying with its continuous disclosure obligations under the ASX Listing Rules and Corporations Act and to ensuring that its securityholders are kept well-informed of all major developments affecting the Group's state of affairs, in order to promote transparency and investor confidence.

The Group has a Continuous Disclosure Policy that incorporates the continuous disclosure framework, as set out in the ASX Listing Rules Chapter 3, as well as the revised ASX Listing Rules Guidance Note 8. This policy is available on the Group's website.

The Continuous Disclosure Policy creates a framework for compliance with relevant disclosure obligations and establishes the accountability of the Board for achieving compliance. More specifically the policy:

- Explains the Group's obligations under ASX Listing Rule 3.1 and the Corporations Act 2001;
- Establishes internal processes for reporting of information considered to be potentially price-sensitive and for consideration of information reported by the Board;
- Establishes processes for the disclosure of price sensitive information, taking into account the clarification provided by ASX Guidance Note 8;
- Establishes internal processes for briefing of analysts, investor and media groups, responding to market speculation, leaks and rumours and calling trading halts where appropriate to avoid trading occurring in an uninformed market;
- Outlines authorisation procedures for ASX announcements; and
- Delegates to the Company Secretary the authority to release information or make disclosures to the ASX and responsibility for decisions regarding price sensitive information, coordinating disclosures, establishing and monitoring procedures under this policy and making recommendations to the Board on any necessary updates to the policy.

### **Principle 6: Respect the rights of securityholders**

The Board aims to ensure that its securityholders are kept well-informed of all major developments and business events that are likely to materially affect the Group's operations and financial standing, and the market price of its securities. Information is communicated to securityholders through:

- The engagement of a full-time Group Investor Relations Manager;

- The Group's website under the *Investor Centre* and *About Us* tabs;
- Annual and half year financial reports lodged with the ASX and made available to all securityholders;
- Announcement of market-sensitive and other information, including annual and half year results announcements and analyst presentations released to the ASX; and
- The Chairman and CEO's addresses to, and the results of, the Annual General Meeting.

The Group's website contains a large amount of information for investors and is all contained in the *Investor Centre* and *About Us* tabs.

- I. The following information for investors is located under the *Investor Centre* tab:
  - Security Price details;
  - ASX announcements;
  - Annual reports;
  - Presentations;
  - Investor dashboard – with key dates, distribution and tax information, frequently asked questions (including share registry information and contact details, and the forum to contact the Company), Ingenia's portfolio of assets and direct access to security holdings by investors; and
  - Corporate governance charters and policies, and the latest corporate governance statement.
- II. The following information for investors is located under the *About Us* tab:
  - General information about the Group and its activities;
  - Strategy and vision details;
  - Details of the Board of Directors and leadership team; and
  - Information on Ingenia Care.

The Group has a Continuous Disclosure Policy that includes a formal procedure for dealing with potentially price-sensitive information. The policy sets out how the Group meets its disclosure obligations under ASX Listing Rule 3.1. The Group's policy is to lodge with the ASX and place on its website all market-sensitive information, including annual and half year results announcements and analyst presentations, as soon as practically possible.

The Group produces two sets of financial information each financial year: the half year financial report for the six months ended 31 December and the annual financial report for the year ended 30 June. Both are made available to securityholders and other interested parties via the Group website and the ASX.

Securityholders have the right, and are encouraged, to attend the Group's Annual General Meeting, held in November each year, and are provided with explanatory notes on the resolutions proposed through the notice of meeting. A copy of the notice of meeting is also posted on the Group website and lodged with the ASX.

In addition, a document is enclosed with the notice of meeting to invite securityholders to submit questions of the Board, auditors or management, which are addressed at the Annual General Meeting.

Securityholders are encouraged to vote on all resolutions and unless specifically stated otherwise in the notice of meeting, all securityholders are eligible to vote on all resolutions. Securityholders who cannot attend the Annual General Meeting may lodge a proxy in accordance with the Corporations Act. Proxy forms may be lodged with the share registry by mail, hand delivery, facsimile or electronically.

Transcripts of the Chairman and CEO's reports to securityholders are also released to the ASX upon the commencement of the Annual General Meeting. These transcripts, together with the results of the meeting are also posted on the Group's website and the ASX.

The Group has a communications plan and an investor relations calendar providing information of key dates impacting securityholders, analyst briefings and conferences. These are available on the Group website.

All securityholders are provided the option to receive communications from the Group and the share registry electronically (and are encouraged to do so, with election documentation included in regular mail outs to securityholders).

## **Principle 7: Recognise and manage risk**

The Board is responsible for ensuring that a sound risk management framework and policies are in place. The Board has delegated to the Audit and Risk Committee the responsibility for identifying and overseeing major risks and ensuring that systems are in place to manage them.

In addition, the Audit and Risk Committee:

- Identifies and assesses the Group's material business risks;
- Regularly reviews and updates the Group's risk profile; and
- Oversees the risk management policies and systems.

The Audit and Risk Committee's current membership and the independence of the members are set out earlier in this Corporate Governance Statement. Details of Audit and Risk Committee meetings and attendance by each Committee member are outlined earlier in this statement and also in the Directors' Report contained in the Annual Report.

The Group's risk management framework is integrated with its day-to-day business processes and functional responsibilities, and is supported by a dedicated compliance officer.

The compliance officer has been appointed under the rules of the compliance plans of ICF and ICMT. The compliance officer is responsible for ensuring adequate internal systems and controls have been implemented to ensure compliance with the Corporations Act, ICF and ICMT's Constitutions, the Responsible Entity's AFSL, and internal and industry standards. These duties include promoting a strong compliance culture within the organisation and to external service providers.

The compliance officer is primarily responsible for reviewing compliance on an ongoing basis; reporting on compliance matters, including breaches, to the Audit and Risk Committee; and acting on recommendations of the Audit and Risk Committee. Matters are escalated to the ICRE Board or ASIC when necessary.

The compliance officer has direct access to the Chairman of the Audit and Risk Committee to ensure the compliance officer is well placed to adequately deal with compliance issues. Management, via the compliance officer, is required to assess risk management and associated internal compliance and control procedures, and is required to report back quarterly to the Audit and Risk Committee as to whether those risks are being managed effectively. The compliance officer prepares a quarterly risk and compliance report for review and consideration by the Board.

## **(a) Compliance Plans**

ICF and ICMT both have formal compliance plans that have been adopted by the Board and lodged with ASIC. The purpose of each compliance plan is to set out key processes and systems and measures the Responsible Entity will apply to ensure compliance with:

- The Corporations Act;
- The Constitutions of ICF and ICMT;
- Industry practice standards relevant to the particular scheme; and
- Internal policies and procedures.

Each compliance plan is a 'how to' document and has been prepared following a structured and systematic process to consider the Responsible Entity's key obligations under the Corporations Act, and the Constitutions; the risk of non-compliance; and measures required to meet the risks of non-compliance.

Each compliance plan describes the key obligations that must be met by the Responsible Entity, and how compliance with these measures will be monitored. In addition, the compliance plans detail the risk of not complying with these obligations, and how breaches are to be reported and addressed.

## **(b) Internal Audit**

The Group does not have an internal audit function but does have a Compliance Officer whose responsibilities are outlined above. In addition, the structure of the Group requires the following additional external audits:

### **I. Compliance plan audit**

The external auditors conduct annual audits on the compliance plans and report on:

- Whether the Responsible Entity has complied with the compliance plans of the Trusts for the financial year end; and
- Whether the compliance plans continue to meet the requirements of Part 5C.4 of the Corporations Act as at year-end.

### **II. Australian Financial Services Licence audit**

The external auditor conducts the AFSL audit annually. The auditor reports on the following:

- Whether the Responsible Entity has complied with the specified provisions of Part 7.8 of the Corporations Act;
- Whether the Responsible Entity has complied with sections 981B and 982B of the Act (relating to the control and operation of trust accounts);
- Whether the Responsible Entity has complied with specific AFSL conditions relating to financial requirements, including internal procedures used by the Licensee to comply with the financial requirements under the licence; and
- Whether the cash projections meet the cash need requirement conditions of the AFSL.

### **III. ASIC**

ASIC may undertake a review of the Responsible Entity's risk and compliance processes and systems at any time.

### **(c) Risk Management Committees**

The Risk Management Committees, that is Group Risk Management (**GRC**) and Operational Risk Management (**ORC**), are executive committees established to assist the Audit and Risk Committee in fulfilling its risk responsibilities. Specifically, the GRC deals with Financial Services Risks and the ORC deals with the operating business risks. Both Committees are responsible for overseeing Ingenia's risk culture and framework, and carrying out risk assessments for the Group.

### **(d) Economic, environmental and social sustainability risks**

The Company is subject to risk factors that are both specific to its business activities and that are of a more general nature.

The Board has considered the Company's exposure specifically to economic, environmental and social sustainability risks and has determined the following:

- Economic risks – the business is exposed to general economic conditions. Specifically, there is a material risk in relation to interest rates and general housing market conditions;
- Environmental risks – there is no current material exposure to environmental risks; and
- Social sustainability – there is no current material exposure to environmental risks.

### **Principle 8: Remunerate fairly and responsibly**

The Board has established a Remuneration and Nomination Committee, which in accordance with its Charter (available on the Group's website), is responsible for reviewing and making recommendations to the Board in respect of:

- Executive remuneration;
- Executive incentive plans;
- Remuneration of the Group's key management personnel;
- Equity based incentive plans;
- Recruitment, retention, performance measurement and termination policies and procedures for non-executive directors, the CEO and any other executive director and all senior executives reporting directly to the CEO; and
- The disclosure of remuneration in the Group's Annual Report.

The current membership of the Remuneration and Nomination Committee and the independence of the members are set out earlier in this Corporate Governance Statement. Details of Remuneration and Nomination Committee meetings and attendance by each Committee member are outlined in this Statement and in the Directors' Report contained in the Annual Report.

The Company distinguishes between the structure of non-executive directors' remuneration and that of executive directors and senior executives.

Ingenia rewards executives with a combination of fixed, performance-based and equity-based incentives.

The Group's Remuneration Policy aims to ensure that remuneration packages properly reflect the person's duties and responsibilities and that the remuneration is competitive in attracting, retaining and motivating people of suitable quality.

The structure of remuneration is designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of long-term value creation for securityholders. The remuneration structures take into account a range of factors, including the following:

- Capability, skills and experience;
- Ability to impact achievement of the strategic objectives of the Group;
- Performance of the KMP in their roles;
- The Group's overall performance;
- Remuneration levels being paid by competitors for similar positions; and
- The need to ensure continuity of executive talent.

Refer to the Remuneration Report, contained in the Annual Report, for detail of the mechanisms in place, which link the remuneration outcomes to individual and the Group's performance.

In relation to ASX Recommendation 8.3, the Company's Security Trading Policy prohibits employee shareholders (which includes those that have obtained shares via the equity-based remuneration scheme) short-term trading, margin lending, short selling and hedging of the Company's securities.

Non-executive directors receive Board fees that are set having regard to the responsibilities and risks of the role and market competitiveness. To create alignment between non-executive directors and securityholders, non-executive directors are encouraged to hold INA securities and a policy has been implemented that places a minimum holding requirement of the equivalent of one-years director fees. Conversely to preserve independence and impartiality, no element of non-executive director remuneration is 'at risk' (that is, it is not based on the performance of the Group).

For details of the Company's remuneration structure, please refer to the Remuneration Report in the Group's Annual Report.

**This Corporate Governance Statement was approved by a resolution of the Board on 20 August 2018.**