

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity

Aveo Group consisting of Aveo Group Limited and Aveo Group Trust, the responsible entity of which is Aveo Funds Management Limited ABN 17 089 800 082 ('AOG')

ABN/ARBN

Aveo Group Limited  
ABN 28 010 729 950  
Aveo Group Trust  
ABN 92 067 392 292

Financial year ended

30 June 2018

Our corporate governance statement for the above period is available from the Investor Centre on the Aveo Group (**Aveo**) website at the following URL:

<https://www.aveo.com.au/investor-centre/corporate-governance/>

The Corporate Governance Statement is accurate and up to date as at 15 August 2018 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date here: 15 August 2018



Anna Wyke  
Company Secretary

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <b>NOT</b> followed the recommendation in full for the whole of the period above. We have disclosed ...
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</b>			
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> in our Board Charter that is available from the Investor Centre on the Aveo website located on the Aveo website at: <a href="http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/">http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b> <input checked="" type="checkbox"/> detailed at: 1.2(a) Corporate Governance Statement; 1.2(b) All material information relevant to a decision on whether or not to elect or re-elect a director found in Aveo's AGM Notice of Meetings and Explanatory Notes.	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location:  <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <b>NOT</b> followed the recommendation in full for the whole of the period above. We have disclosed ...
1.4	The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> in our Board Charter at:</p> <p><a href="http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/">http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</p> <p>(2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.</p>	<p>... the fact that we have a diversity policy that complies with paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p>a copy of our Aveo Group Diversity Policy or a summary of it</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/">http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/</a></p> <p>...and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>The Aveo Workplace Gender Equality Report is available from the Investor Centre on the Aveo website.</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <b>NOT</b> followed the recommendation in full for the whole of the period above. We have disclosed ...
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <b>NOT</b> followed the recommendation in full for the whole of the period above. We have disclosed ...
<b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>			
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; <b>OR</b></p> <p>(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>2.1(a) (3) A copy of Aveo's Nomination and Remuneration Committee Charter is available from the Investor Centre on the Aveo website.</p> <p><a href="http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/">http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>2.1(a) 4 Corporate Governance Statement</p> <p>2.1 (a) (5): Directors' Report which is available from the Investor Centre on the Aveo website.</p> <p><b>Note – Aveo Group has a combined Nomination &amp; Remuneration Committee</b></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <b>NOT</b> followed the recommendation in full for the whole of the period above. We have disclosed ...
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>... the names of the directors considered by the board to be independent directors:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and where applicable, the information referred to in paragraph (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>...and the length of service of each director:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>_____</p> <p>The period of office of each Director is set out in the Directors' Report, which is available from the Investor Centre on the Aveo website.</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
2.4	<p>A majority of the board of a listed entity should be independent directors.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
2.5	<p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.</p>	<p>... the fact that we follow this recommendation:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <b>NOT</b> followed the recommendation in full for the whole of the period above. We have disclosed ...
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	<p>... our code of conduct or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>A copy of the Aveo Code of Conduct is available from the Investor Centre on the Aveo website.</p> <p><a href="http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/">http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
<b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
4.1	The board of a listed entity should: <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; <b>OR</b></p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>A copy of the Aveo Audit and Risk Committee Charter is available from the Investor Centre on the Aveo website.</p> <p><a href="http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/">http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <b>NOT</b> followed the recommendation in full for the whole of the period above. We have disclosed ...
	independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.	<input checked="" type="checkbox"/> at this location: 4.1(a) (4) and 4.1(a) (5): Directors' Report, which is available from the Investor Centre on the Aveo website.  Note The Committee is a combined Audit & Risk Committee.	
4.2	The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location:  Insert location here	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location:  Insert location here	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b> <input checked="" type="checkbox"/> at this location:  A copy of the Aveo Continuous Disclosure Policy is available from the Investor Centre on the Aveo website. <a href="http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/">http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement



Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <b>NOT</b> followed the recommendation in full for the whole of the period above. We have disclosed ...
<b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b>			
6.1	A listed entity should provide information about itself and its governance to investors via its website.	<p>... information about us and our governance on our website:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Information with respect to Aveo's governance policies and procedures is available from the Investor Centre on the Aveo website.</p> <p><a href="http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/">http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/</a></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	<p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

Corporate Governance Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <b><u>NOT</u></b> followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; <b><u>OR</u></b></p> <p>(b) If it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	<p><input type="checkbox"/> at this location:</p> <p><u>Insert location here</u></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>A copy of the Aveo Audit and Risk Committee Charter is available from the Investor Centre on the Aveo website.</p> <p><a href="http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/">http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>7.1(a)(4) Corporate Governance Statement;</p> <p>7.1(a) (5) Directors' Report which is available from the Investor Centre on the Aveo website.</p> <p><a href="http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/">http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/</a></p> <p>The Committee is a combined Audit &amp; Risk Committee.</p>	

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <b>NOT</b> followed the recommendation in full for the whole of the period above. We have disclosed ...
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	<p>... the fact that the board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>....and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.3	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; <b>OR</b> (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	<p>[If the entity complies with paragraph (a):]</p> <p>... how our internal audit function is structured and what role it performs:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>A copy of the Aveo Internal Audit Charter is available from the Investor Centre on the Aveo website.</p> <p><a href="http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/">http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

**PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY**

8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; <b>OR</b></p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>A copy of the Aveo Nomination and Remuneration Committee Charter is available from the Investor Centre on the Aveo website.</p> <p><a href="http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/">http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>8.1(a)(4) Corporate Governance Statement</p> <p>8.1(a) (5) Directors' Report which is available from the Investor Centre on the Aveo website.</p> <p><b>Note: The Committee is a combined Nomination &amp; Remuneration Committee</b></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Directors' Report which is available from the Investor Centre on the Aveo website</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>A copy of the Aveo Securities Trading Policy is available from the Investor Centre on the Aveo website.</p> <p><a href="http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/">http://www.aveo.com.au/investor-centre/corporate-governance/board-charters-and-policies/</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
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Corporate  
Governance  
Statement 2018





# Corporate Governance Statement

The Board of Directors is responsible for the corporate governance of Aveo Group ('Aveo' or the 'Group') and leads by example in setting high standards of ethical behaviour and overseeing Aveo's culture and values. This statement outlines the main corporate governance practices that have been in place for the FY18 financial year, and the extent to which the Group has followed the recommendations of the 3rd Edition of the ASX Corporate Governance Council's (the 'Council') Corporate Governance Principles and Recommendations (the 'Guidelines').

The Guidelines set out the core principles and practices that the Council believes underlie good corporate governance, and all listed entities are required to disclose the extent to which they depart from the Guidelines. The Board of Directors continually reviews the governance framework and practices of the Group to ensure they meet the interests of securityholders. The Board is also monitoring emerging developments in corporate governance and, in particular, the proposed 4th Edition of the Guidelines. Aveo already has processes in place which address a number of these new developments, some of which are described below. The Board will continue to review these emerging developments as part of its on-going assessment of the Group's governance practices. A copy of this statement, as well as Aveo Group policies and Board & Committee Charters referred to in this statement are available from the Investor Centre on the Aveo website at [www.aveo.com.au/investor-centre/corporate-governance](http://www.aveo.com.au/investor-centre/corporate-governance).

## 1. THE BOARD AND MANAGEMENT

The primary role of the Aveo Group Board is the creation of long-term securityholder value while having regard for the interests of all stakeholders including customers, employees, suppliers and local communities, and the oversight of the Group's senior management and the corporate governance framework.

The Board has adopted a Board Charter that sets out the role, responsibilities, structure and operation of Aveo Group. This Charter also establishes and outlines the respective roles and responsibilities for Board and management.

The responsibilities retained by the Board include:

- strategic planning;
- capital management and financial reporting;
- approving and monitoring major capital expenditure, acquisitions and disposals;
- approving the appointment of directors to the Board;
- appointing or removing, or ratifying the appointment and terms of appointment or removal of, senior management;
- approving and monitoring the risk management framework; and
- overseeing the Group's accountability systems and code of conduct.

Further details of the specific philosophy, values and responsibilities of the Board are also contained in the Board Charter, which is available from the Investor Centre on the Aveo website.

The Board has delegated to the Executive Director and Chief Executive Officer responsibility for the day-to-day management of the Group and the implementation and delivery of the Board's strategic direction. The Board delegates authority and functions to the Executive Director and Chief Executive Officer, the Chief Financial Officer and senior management in accordance with a formal delegations of authority protocol (the 'Delegations'). The Delegations contain the business rules and authorities which govern the operations of the Group on a day-to-day basis. These Delegations are reviewed annually by senior management and presented to the Audit and Risk Committee. The Audit and Risk Committee recommends these Delegations to the Board for approval in June each year.

During the financial year, the Board comprised the Executive Director (who is also the Chief Executive Officer) and six Non-Executive Directors. The names, skills, experience and expertise of the Directors who held office as at the date of the Directors' Report, and the period of office of each Director, are set out in the Directors' Report.

### *Independence of Directors*

For the purposes of determining Director independence, the Board considers any material previous or current business relationships which could reasonably be perceived to interfere with or compromise each Director's independent judgement in accordance with the Guidelines.

The following factors and relationships are considered by the Board in assessing whether a Director is independent:

- whether the Director is a substantial securityholder of the Group or an officer of, or otherwise associated with, either directly or indirectly, a substantial securityholder of the Group;
- whether the Director is employed by the Group or has been employed in an executive capacity by the Group within the last three years;
- whether the Director has been a principal of a material professional adviser or a material consultant to the Group, or an employee materially associated with the service provided to the Group, within the last three years;
- whether the Director is, or is associated with, a material supplier or customer of the Group;
- whether the Director has a material contractual relationship with the Group other than as a Director of the Group; and
- whether the Director has any other interest or relationship that could materially interfere with the Director's ability to act in the best interests of the Group, and independently of management.

Materiality with respect to each of the above factors is reviewed on a case-by-case basis.

The Board judges the impact of a Director's tenure on independence on a case by case basis and has not set any tests as to the number of terms or years on the Board that would be regarded as undermining independent judgement.

The Board assesses the independence of Directors each year having regard to each Director's specific circumstances and the disclosures made by the Director. The Board undertakes this assessment more frequently if a Director discloses a new interest or relationship relevant to that Director's independence.

The Board considers the majority of the Directors who held office during the year to be independent. The Directors, their independence and length of tenure (as at the time of publication of this statement) are set out below.

Director	Position	Date appointed	Independence Status	Tenure
S.H. Lee	Non-Executive Chairman	February 2006*	No	12 years, 6 months
J.E.F. Frayne	Non-Executive Director	July 2008	Yes	10 years, 1 month
E.L. Lee	Non-Executive Director	December 2012	No	5 years, 8 months
K.K.W. Lo	Non-Executive Director	February 2017	Yes	1 year, 6 months
W.L. McDonald	Non-Executive Director	August 2012	Yes	6 years
D. P. Saw	Non-Executive Director	November 2016	Yes	1 year, 9 months
G. E. Grady	Executive Director and Chief Executive Officer	July 2013	No	5 years, 2 months

\* Appointed Chairman on 12 February 2009.

The Board believes the mix of tenure of the Directors to be appropriate for the Group at this time; the longer term Directors bring knowledge of the history of the Group and its operations, whereas the Directors appointed more recently bring a fresh perspective to Board discussions.

Mr S.H. Lee and Mr E.L. Lee do not meet the independence test set out in the Guidelines as they are associated directly with Mulpha International Berhad Group, a substantial securityholder of the Group. Mr G.E. Grady does not meet the independence test as set out in the Guidelines, as he is the Chief Executive Officer of the Group.

To facilitate independent judgement in decision-making, each Director has the right to seek independent professional advice in relation to matters arising in the course of their Board duties. Such advice may be obtained at the Group's expense with prior approval of the Chairman, which will not be unreasonably withheld. Directors may share advice obtained with the other Directors where appropriate.

#### **Conflicts of Interest**

Where a Director has an actual or potential conflict of interest or material personal interest, the Board's governance procedures ensure:

- that the interest is fully disclosed to the Board and the disclosure is recorded in the Board minutes;
- unless the Directors resolve to the contrary in accordance with the Corporations Act 2001 (Cth) ('Corporations Act'), that the relevant Director is excluded from all considerations of the matter by the Board; and
- unless the Directors decide to the contrary, that the relevant Director does not receive any segment of the Board papers or other documents containing any reference to the matter.

A copy of the Board's Conflict of Interest Policy is available from the Investor Centre on the Aveo website.

#### **Role of Chairman**

Mr S.H. Lee was appointed Chairman of the Group on 12 February 2009. The Board considers that the Chairman facilitates the effective contribution of all Directors and promotes constructive relations between Directors and between the Board and senior management. Whilst the Chairman is not independent, the Board is comprised of a majority of independent Directors and all Directors exercise independent judgement in Board deliberations. The Board does not believe that it is necessary to appoint a lead independent Director at this stage, although this is actively monitored.

The roles of Chairman and Chief Executive Officer are not held by the same individuals. The Board recognises the importance of ensuring that the Chairman and the Chief Executive Officer have defined roles within the organisation and operate within clear functional lines. Further information in relation to the role of the Chairman is available in the Board Charter from the Investor Centre on the Aveo website.

#### **Company Secretary**

The Company Secretary is accountable directly to the Board, through the Chairman, for ensuring that Board processes and procedures operate efficiently and effectively. In addition, the Company Secretary is charged with facilitating the Group's corporate governance processes and providing counsel on corporate secretarial matters to ensure compliance with the Group's governance framework. Further details with respect to the role and accountability of the Company Secretary are contained in the Board Charter available from the Investor Centre on the Aveo website.



### ***Nomination and Remuneration Committee***

The Board has established a Nomination and Remuneration Committee, which is governed by a formal charter. Pursuant to its charter, the primary responsibilities of the Committee is to review and recommend for approval to the Board:

- procedures to assess the performance of Non-Executive Directors and the Board's committees;
- nomination and selection processes for appointment of Non-Executive Directors to the Board;
- candidates to fill casual vacancies (as they relate to non-executive vacancies) on the Board and those Non-Executive Directors who should be considered for election and re-election;
- the removal of Non-Executive Directors (as required);
- succession plans for both Directors and senior management which will detail a list of eligible candidates in circumstances where a vacancy arises;
- remuneration policies and practices which are consistent with the Group's strategic goals and which enable the Group to attract and retain senior management and Directors who will create value for securityholders;
- the quantum and structure of remuneration for Directors and senior management having regard to the performance of the Group, the performance of senior management and the general remuneration environment; and
- policies and procedures to attract, motivate and retain appropriately skilled persons to meet the Group's needs.

The Committee comprises three Non-Executive Directors, with a majority of Directors being independent. An independent Director who is not the Chairman of the Board chairs the Committee. The structure and functions of the Committee comply with Recommendations 2.1 and 8.1 in the Guidelines and therefore Listing Rule 12.8. The current members of the Nomination and Remuneration Committee are Mr W.L. McDonald, Mr J.E.F. Frayne, and Mr S.H. Lee, and the qualifications of each member are set out in the Directors' Report. The number of meetings of the Committee held during the year, and a record of attendance by each member of the Committee at those meetings are also set out in the Directors' Report. Minutes of all Committee meetings are provided to the Board, and the Chairman of the Committee reports to the Board after each Committee meeting.

### ***Performance Evaluation***

A formal Board evaluation process is carried out every three years. This may involve commissioning an external consultant who conducts one on one interviews with Directors and key executives and prepares a report that is considered by the Board. An external consultant undertook the last Board Evaluation in 2016.

### ***Director appointments***

The Nomination and Remuneration Committee considers when the appointment of a new Director is required and whether to recommend to the Board that the re-election of incumbent Directors be supported. The Committee is also responsible for the nomination process for new Directors and provides recommendations to the Board with respect to who should be invited to fill a casual vacancy. When a casual vacancy occurs or where it is considered that there is a gap in necessary expertise, the Committee reviews potential candidates, with advice from external consultants if necessary.

All prospective Directors under consideration are subject to screening policies to ascertain the good fame and character of those individuals before any appointment or nomination for election is made. Successful candidates appointed to the Board will then be subject to election by the Group's securityholders at its next Annual General Meeting ('AGM'). Formal written documentation is provided to all Directors upon commencement confirming the terms and conditions of their appointment. All current Directors are appointed in their personal capacity, rather than through any consultancy arrangement, as the Board believes this ensures greater accountability.

A comprehensive induction program is provided for new Directors and senior executives, which includes the opportunity to meet with key management personnel; and the provision of detailed information in relation to the Group, its financial, strategic, operational and risk management position, and its policies and procedures. The opportunity to participate in further education is provided through Director Briefings, training presentations within formal Board meetings and external professional development, as required. The continuing education program provided for Directors is periodically reviewed to assess whether there are any emerging governance issues or other professional development areas that would be useful in order for Directors to maintain the requisite skills and knowledge to perform their roles effectively.

In addition, in accordance with the Constitution of Aveo Group Limited one third of Directors, excluding the Executive Director, retire from office at each AGM, but may stand for re-election. The Board confirms to securityholders whether it supports the re-election of each retiring Director and provides all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director, in a statement that accompanies the Notice of Meeting for the AGM (with the next Notice of Meeting to be published in October 2018).

The Chief Executive Officer is responsible for the induction of senior management. Each year, the Chief Executive Officer, and the Nomination and Remuneration Committee, undertake a formal process of reviewing the performance of senior management by reference to key performance indicators identified annually for each executive. The measures generally relate to the performance of the Group, the performance of the executive's division and the performance of the executive individually. Performance evaluations for senior management have taken place during the financial year in accordance with the approved processes of the Group. Each member of the senior management team has a written agreement setting out the terms of their appointment. Further details relating to assessment criteria for senior management remuneration are disclosed in the Remuneration Report.

### ***Diversity***

The Group is committed to an inclusive workforce that embraces and promotes diversity and equality in the workplace, as it adds value to the organisation by actively creating opportunities for all employees to use their knowledge, skills and abilities.

In line with the ASX Guidelines, the Board has adopted measurable objectives for achieving gender diversity, addressed in the Diversity Policy. For the purpose of this Policy, diversity includes gender, age, family status, nationality, ethnicity, religion, impairment or disability and all other unique differences.

Aveo seeks to recruit from a rich, diverse pool of qualified candidates at all levels. By doing so, it enables Aveo to attract people with the best skills and attributes and shape an environment where true talent shines. Appointment is non-discriminatory, merit based and takes into account a number of factors such as achievements, experience, qualifications and the value an individual could bring to a role.

Aveo is committed to creating opportunities for employees to grow and develop their careers within Aveo. As such, all positions are advertised internally, so that all employees are provided with equal opportunity for advancement.

The key diversity objective for Aveo is to increase the number of females in senior management roles to 35% of females, subject to identification of candidates with appropriate skills.

As at 30 June 2018, the proportion of women employees in the whole Group, women in senior positions (excluding Directors) was **38%** thereby achieving the diversity target of the number of females in senior management roles.

In addition, as at 30 June 2018, the number of women employed by Aveo Group was **75%**.

The Board continues to recognise the importance of gender diversity and is committed to appointing further female Directors to the Board, at the next available opportunity.

Reporting in respect of the Diversity Policy is a periodic item on the Nomination and Remuneration Committee and Board agendas. The Board has adopted a Diversity Policy that is available from the Investor Centre on the Aveo website and reviewed annually.

As Aveo is a 'relevant employer' under the *Workplace Gender Equality Act 2012* (Cth), the most recent Gender Equality Indicators are available from the Investor Centre on the Aveo website.

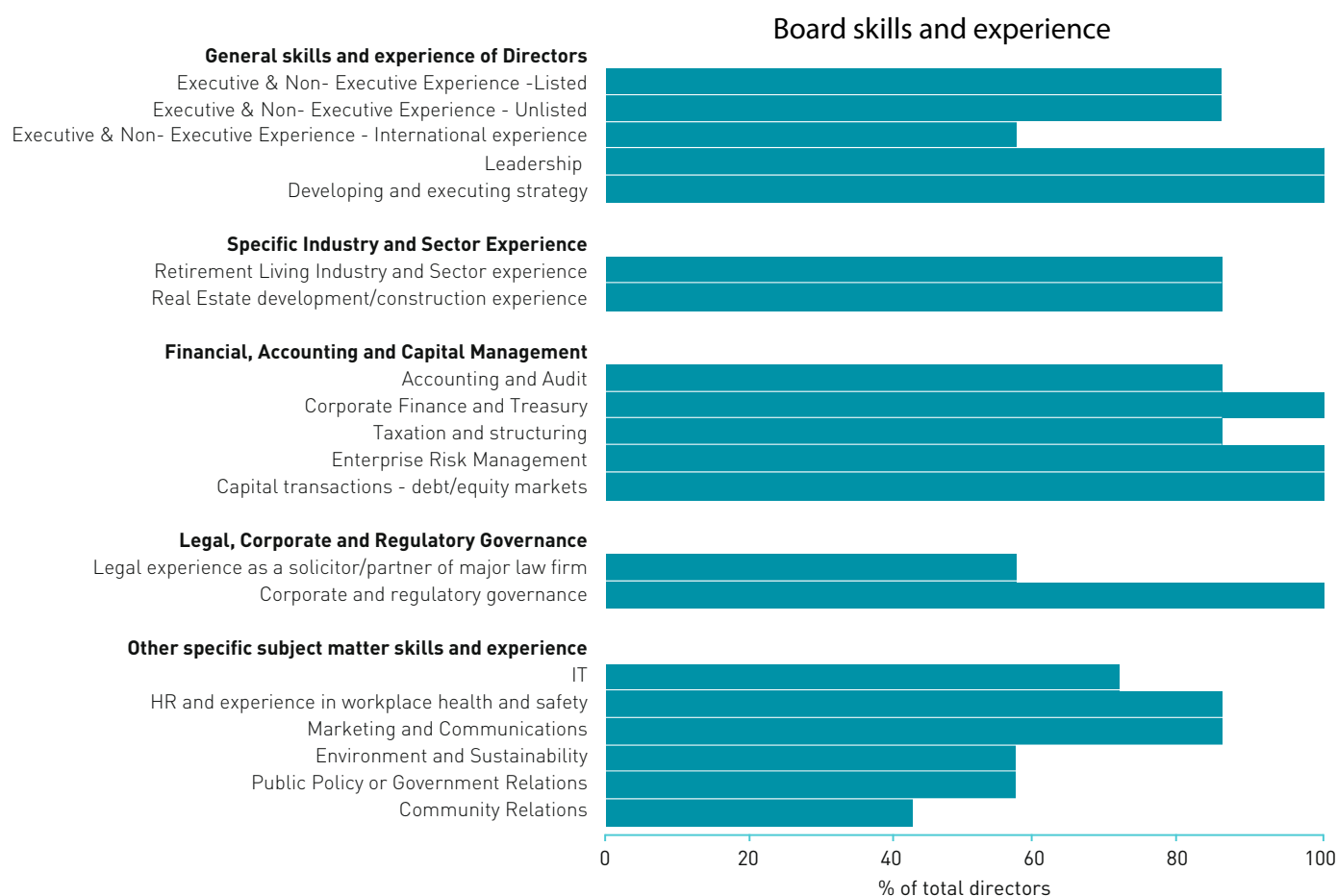
The Group believes diversity extends beyond gender and the Diversity Policy has evolved on this basis. The Board recognises the value in it having a mix of relevant business, executive and professional experience, and the benefits of diversity. With respect to diversity of the Board, 37% of Aveo Directors (including alternates) are from an ethnically diverse background.

### Directors' skills and experience

The Board considers that its Directors and senior management have the combined skills and experience to discharge their respective obligations. The Board reviews its composition annually, including the mix of skills, experience, expertise and diversity of Directors and the Board to meet their ongoing obligations.

Further details of skills, experience expertise and Committee membership of each Director are included in the Directors Report and on our website.

The current board skills matrix is set out below.



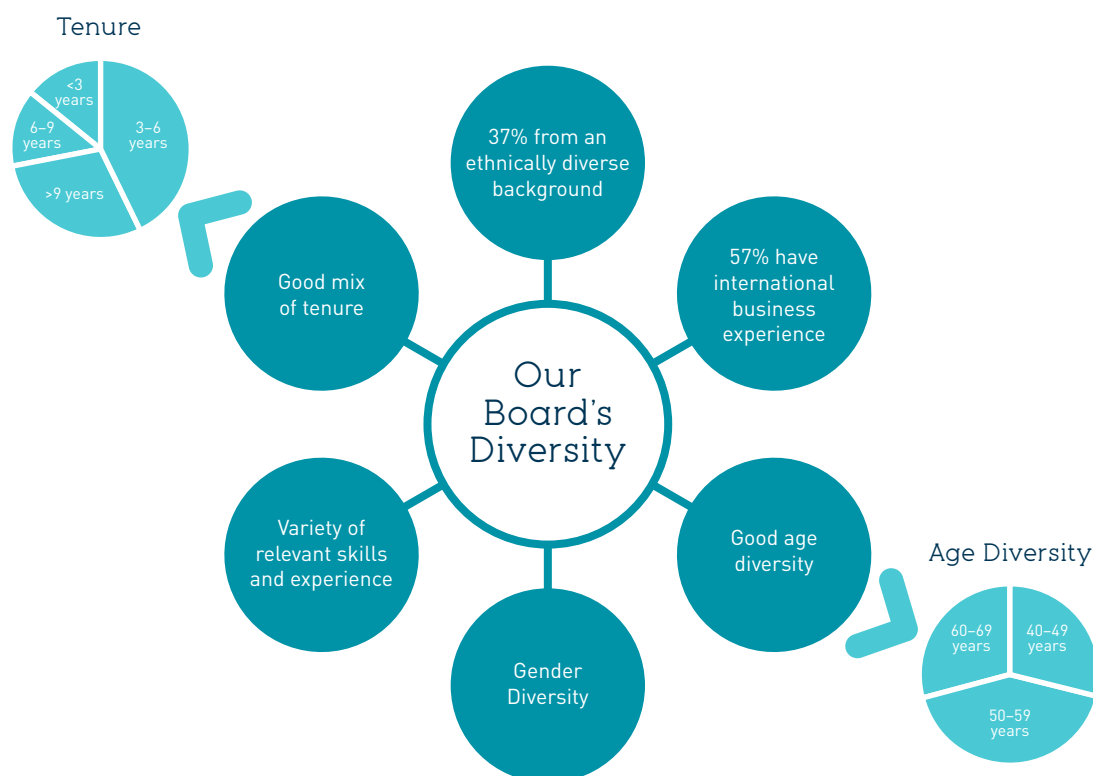
The executive and professional experiences of the Aveo Directors are varied, with a mix of financial, accounting, risk, healthcare and legal backgrounds. Each of the skills that the Board believes are required are represented in the bar graphs and summary below.

In preparing the current board skills matrix, the Board has considered the level of experience of each Director in each category. While each Director has varying levels of skills, and every Director does not possess each skill, the Board believes that collectively it possesses the skills required to discharge its duties to the Group. However, as the strategy for the Group evolves, the Board will annually review the skills and experience required. This will be supported through further education and training of Directors.

The following business experience and skills have been identified as being required to enable the Board to discharge its duties effectively and enable Aveo to deliver on its Strategy. The Board will endeavour to maintain this mix of skills on the Board and build on them over time.

Skills/experience	Detail	Board Skills
Accounting and Audit	Experience with accounting and audit functions, including understanding the impact of accounting policies on Aveo	Yes
Corporate Finance and Treasury	Experience in managing finance and treasury functions	Yes
Enterprise Risk Management	Experience in identifying, monitoring and managing key risks to the organisation	Yes
Capital Transactions	Experience in managing capital transactions	Yes
Mergers, acquisitions and divestments	Experience in identifying and managing the process for mergers, acquisitions and divestments, including integration	Yes
Aged care and allied health services provision	Understanding of the sector in which Aveo operates	Yes
Retirement village operations	Understanding of retirement village operations	Yes
Corporate and Regulatory governance	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.	Yes
Human resources and remuneration	Experience in managing staff and developing remuneration and human resource frameworks	Yes

In addition to skills and experience, the Board also actively seeks to have a diverse Board representation, and reviews diversity on a regular basis. The chart below demonstrates the diversity of the Board. While the Board is considering opportunities to improve its gender diversity, it has determined that it otherwise possesses a strong diversity mix to meet the needs of its current business and its strategy.



## 2. ACTING ETHICALLY AND RESPONSIBLY

### *Code of conduct*

The Group has well-established policies, procedures and codes of conduct which seek to promote ethical standards of behaviour by all employees and a culture of compliance that is risk-aware and embraces good governance practices, underpinned by knowledge of the law and relevant corporate and community expectations.

The Board supports the need for Directors, senior management and all other employees to observe the highest standards of behaviour and business ethics. All Directors and employees are expected to act with integrity, striving at all times to enhance the reputation and performance of the Group. The Board's policies reflect its requirements in relation to the promotion of ethical and responsible decision-making. Appropriate training programs on the Group's internal policies support the policies.

A formal Code of Conduct, which requires employees to act honestly and in good faith, not disclose confidential information, avoid conflicts of interest, observe all relevant laws and maintain a culture of lawful and ethical behaviour, is available from the Investor Centre on the Aveo website. The Code of Conduct is supported by various internal policies, including those dealing with avoiding conflicts of interest and ensuring that privacy is respected. To further support Aveo's business activities, Aveo also has a Fraud, Bribery and Corruption ('FB&C') control framework, strengthened by the Aveo Whistleblower Policy. The FB&C control strategy focuses on addressing the elements of awareness, prevention, detection and investigation with continuous monitoring.

The Board Charter sets out the Board's philosophy for driving the creation of long-term securityholder value through high ethical standards of behaviour, respect for employees' aspirations, and acting as a good corporate citizen in the community in which the Group operates. The Board Charter also articulates the Board's values, which include a commitment to a climate of trust and candour, fostering a culture of open constructive dissent and ensuring individual accountability.

The Board has established written guidelines, detailed in its Securities Trading Policy, that restrict dealings in certain circumstances by Directors and employees in the Group's securities, and in securities of customers and other entities with which Directors or employees may deal in the course of their duties.

The Securities Trading Policy complies with Listing Rules 12.9 and 12.12. It identifies certain periods when, even in the absence of knowledge of unpublished price-sensitive information, Directors and all employees may not buy or sell securities.

A copy of the Securities Trading Policy is available from the Investor Centre on the Aveo website.

## 3. INTEGRITY IN CORPORATE REPORTING

The Group has an established Audit and Risk Committee which operates under written terms of reference approved by the Board and embodied in the Audit and Risk Committee Charter. The Audit and Risk Committee assists the Board to verify and safeguard the integrity of the Group's financial reporting, internal control structures and risk management systems, and oversees the independence of both the internal and external auditors.

The Audit and Risk Committee is also responsible for making recommendations to the Board in relation to the selection,

appointment and rotation of the external audit engagement partners, and overseeing and appraising the quality and effectiveness of audit work performed by the external auditor.

The Audit and Risk Committee comprises three Non-Executive Directors, with a majority of Directors being independent. The Audit and Risk Committee is chaired by an independent Director who is not the Chairman of the Board. The structure and functions of the Audit and Risk Committee comply with the recommendations in the Guidelines (ASX Recommendations 4.1 and 7.1), and therefore Listing Rule 12.7.

The primary responsibilities of the Audit and Risk Committee are to provide oversight of, review and recommend for approval to the Board:

- the integrity of the Group's financial reports, including oversight of the external auditor, approval of the external audit plan and compliance with auditor independence requirements;
- the appropriateness of the Group's accounting policies;
- the effectiveness of the Group's financial reporting controls and procedures;
- the effectiveness of the Group's internal control environment, including oversight of the internal audit function, approval of the annual internal audit plan and reviewing the results of internal audit engagements;
- the adequacy and effectiveness of the Group's risk management framework and FB&C control activities; and
- compliance with relevant laws and regulations.

The current members of the Audit and Risk Committee are Mr J.E.F. Frayne (Chairman), Mr E.L. Lee and Mr K.K.W. Lo and the qualifications of each member are set out in the Directors' Report. The Chairman, Mr J.E. Frayne is a chartered accountant with extensive experience in audit, accountancy and corporate services, Mr Lee has significant experience in finance and accounting and Mr Lo is a solicitor and significant experience in accounting and finance. Together the Audit and Risk Committee has extensive accounting and financial expertise and knowledge of the industry in which Aveo operates to discharge the role of the Audit and Risk Committee effectively.

Meetings of the Audit and Risk Committee are attended, by invitation, by the Chief Financial Officer, the Company Secretary, the engagement partner from the Group's external auditor, and such other senior staff or professional advisers as may be appropriate from time to time. The number of meetings of the Audit and Risk Committee held during the year, and a record of attendance by each member of the Audit and Risk Committee at those meetings, is set out in the Directors' Report. Minutes of all Audit and Risk Committee meetings are provided to the Board, and the Chairman of the Audit and Risk Committee reports to the Board after each Audit and Risk Committee meeting.

When considering the Audit and Risk Committee's review of financial reports at half year and full year, the Board also receives a written statement in accordance with section 295A of the Corporations Act signed by the Executive Director and Chief Executive Officer, and the Chief Financial Officer, affirming that the Group's Financial Report gives a true and fair view of the Group's financial position, and complies with relevant accounting standards.

The Audit and Risk Committee Charter is available from the Investor Centre on the Aveo website.

The Group's external auditor has declared its independence to the Audit and Risk Committee during the year. The Audit and Risk Committee has examined detailed material provided by the external auditor and by management and has satisfied itself that the standards for auditor independence and associated issues have been complied with.

#### 4. TIMELY AND BALANCED DISCLOSURE

The Group has established a Continuous Disclosure Policy and a Communications Policy which are intended to enhance the Group's compliance with the continuous disclosure requirements of the Corporations Act and the ASX Listing Rules. These documents set out procedures to identify relevant material information, report material information to the Company Secretary for review, and ensure compliance with the continuous disclosure requirements. A copy of the Continuous Disclosure Policy is available from the Investor Centre on the Aveo website.

The Company Secretary has primary responsibility for communications with the ASX, including responsibility for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules and overseeing information sent to the ASX and securityholders.

The Directors have obligations under a Disclosure of Interests and Transactions in Securities Agreement, entered into by each of them with the Group, to inform the Group of any trading by them in the Group's securities and of any other interests in contracts the Director may have with a Group entity.

All announcements made by the Group to the ASX are available from the Investor Centre on the Aveo website.

#### 5. SECURITYHOLDER ENGAGEMENT

The Group aims to keep securityholders informed of the Group's performance and all major developments in an ongoing manner. The investor relations program for the Group is governed by a formal Communications Policy to facilitate the protocols for the effective two-way exchange of information between the Group and securityholders.

All of the Group's corporate governance materials (including the Communications Policy) are available from the Investor Centre on the Aveo website.

The Group communicates with securityholders in the following manner:

- the Company's website which, aside from the Investor Centre detailed below, provides information about the business, its history, latest news and management team;
- utilising the Investor Centre on the Aveo website to publish:
  - all media releases made by the Group;
  - announcements made to the ASX during the course of the year;
  - the corporate calendar;
  - the Group's Constitutions and Stapling Deed;
  - biographies of the Directors;
  - Annual Reports;
  - Notices of Meetings and details of Annual and General Meetings;
- the Annual Report, which is available for distribution to all securityholders;

- the Half Year Financial Report, which contains summarised financial information and a review of the operations during the period since the Annual Report; and
- other correspondence to securityholders as required.

In addition, management presents at relevant investor conferences and ensures copies of any presentations are released to the ASX for access by all securityholders.

Securityholders are also encouraged to participate in the AGM to ensure a high level of accountability and identification with the Group's strategies and goals. The AGM provides the opportunity for the Group to update securityholders on the Group's performance and provides a valuable opportunity for securityholders to ask questions of the Board and senior management. Securityholders can also submit questions to the Chairman and the Executive Director and Chief Executive Officer by mail to the Group's registered office prior to the AGM, in accordance with the procedures outlined in the Notice of Meetings.

All formal resolutions to be considered at AGM 'sto a poll of securityholders. In this way, the outcome of the vote will more accurately record the will of securityholders as a whole when compared to voting on a show of hands.

The senior engagement partner of the Group's external auditor attends the Group's AGM and is available to answer questions from securityholders about the conduct of the audit and the preparation and content of the auditor's report.

In addition, the AGM and the half-year and full year results presentations, and a summary of the transcript of the Chairman's address from the AGM, are available from the Investor Centre on the Aveo website.

Computershare, the Group's registry services provider, has assisted the Group to facilitate electronic communication with securityholders. This involves the ability of securityholders to register for email notifications when relevant information, including ASX announcements, are posted to the Investor Centre on the Aveo website. Initiatives that have been implemented by the Group include the offering of an enhanced user experience on the Computershare Investor Centre (including features such as proactive alerts), which has been responsible for an increase in the number of securityholders providing an email address, payment instructions and tax details to receive and send communications electronically.

Contact details are included on the Aveo website for securityholders to contact Aveo or Computershare with any queries.

#### 6. RECOGNISING AND MANAGING RISK

##### *Oversight of the risk management function*

The Group recognises the importance of managing risk and controlling its business activities in a manner which enables it to maximise profitable opportunities, avoid or reduce risks which may cause injury or loss, ensure compliance with applicable laws and regulations, and enhance resilience to external events.

In pursuing its strategy, the Group has established an Enterprise Risk Management Framework ('Framework') encompassing an entity-wide risk policy and appetite statement, roles and responsibilities for the oversight and management of risk, and formalised risk management and reporting processes.



The Group's Framework centres on a clear mandate and commitment to the effective and efficient management of risk in the achievement of objectives. Critical to the delivery of this commitment is the development of a risk aware culture that encourages the proactive identification and management of risk in day-to-day activities and strategic decision making. The Framework establishes a systematic approach to the identification, assessment and management of risk, in addition to relevant and timely reporting of risk information to those charged with governance.

The Board is ultimately responsible for reviewing and approving the Group's Framework, including its risk management strategy, risk appetite and policy. The Board is assisted by the Audit and Risk Committee. The proactive identification of risks (both financial and non-financial) and the design and implementation of the Framework are the responsibilities of senior management; while business units are responsible for integrating the Framework within their business processes and systems.

Through the measures referred to below, senior management reports regularly to the Board as to the effectiveness of the Group's management of its material business risks:

- annual budgets, divisional business plans and the Group's strategic plan are prepared for approval by Directors;
- actual trading results for each division and the Group are presented to the Board at each Board meeting and compared against budget and forecasts;
- comprehensive Board papers containing relevant operational, strategic, financial and legal information are prepared by senior management and circulated to Directors before each Board meeting;
- monthly project reviews are attended by senior management to monitor the progress of each individual project and the risk environment applicable. Material developments or changes are reported to the Board at the next Board meeting;
- financial authority limits have been set by the Board (which are reviewed annually) to delegate the Board's approval process for various matters, including site acquisitions and developments. Where the cost is above those delegated authorities, the approval of the full Board is required;
- insurance cover appropriate to the size and nature of the Group's operations is carried out to reduce the financial impact of any significant insurable losses;
- bi-annual reporting on the Group's risk profile and material business risks as identified by management and captured in divisional risk registers is carried out; and
- independent appraisal of the Group's system of risk management and control is undertaken by the internal audit function or other external party.

Within the Framework, and in addition to the daily management of business activities, each business unit is required to profile its risk environment. A detailed risk register captures risk items, their classification and description, risk ratings, an assessment of mitigating controls and any action plans and responsible owner(s).

Risk registers are reviewed and updated regularly, and form the basis for periodic reporting to the Audit and Risk Committee and Board as to the Group's risk profile and material business risks.

Senior management and the Audit and Risk Committee review the Group's Enterprise Risk Management (ERM) Framework annually. In FY18, the Audit and Risk Committee concluded that the ERM activities of the Group remain appropriate; that suitable and sufficient risk information is provided to those charged with governance; and that the Group's material business risks are being properly managed. The Board will continue to review the ERM Framework and information flows from management to the Board.

With the assistance of senior management, the Audit and Risk Committee also commenced an in-depth review of the Group's risk management activities and tolerance, as they pertain to cyber security and disaster recovery. This review will be finalised during FY19, with a copy of the findings and recommendations provided to the Board.

The ASX Recommendations define "material exposure" in relation to economic, environmental or social sustainability risks, as a "real possibility that the risk in question could substantially impact the listed entity's ability to create or preserve value for securityholders over the short, medium or long term". At this time, through a thorough Group wide ERM identification and assessment process, the Group does not consider that it faces any new material exposure to economic, environmental or social sustainability risks.

The Board and management acknowledge the negative public scrutiny at the conclusion of FY17, and the remedial action undertaken by management during FY18. This included a programme of work to review, revise, improve and strengthen the Group's complaint and incident management handling procedures, along with the implementation of a centralised incident management system in December 2017.

During the course of FY18, the Board received periodic updates from management on the progress of this work and continues to be appraised of the operating effectiveness of Aveo's complaint and incident management processes by virtue of ERM reporting and various internal audit engagements; the results of which are reported to and discussed at the Audit and Risk Committee.

In addition, as a member of its leadership committee, Aveo has continued to work with the Property Council of Australia's Retirement Living Council on implementing all eight resolutions aiming at raising standards in the industry, including the imminent new Code of Conduct, which will lead to significant improvements in industry standards.

Furthermore, Aveo has continued to implement measures designed to address the needs of our consumers, including better pre-contract disclosure, independent mediation for all outstanding serious complaints and regular Resident Satisfaction Surveys.

The Group operates in accordance with industry practice and complies with all relevant State and Commonwealth legislation. The Group continues to monitor its risk profile and associated exposure through management's regular review of the risk environment and risks registers and, if necessary, the development of plans to address any identified or emerging risks. Responses to any identified risks would likely include appropriate reporting and escalation processes, inclusion on the enterprise risk register, development of risk mitigation strategies and monitoring of risk indicators to assess the effectiveness of these mitigation strategies.

The Group's exposure to economic and financial risks that could have an impact on the Group's financial performance and the management of these risks is detailed in the financial statements on pages 65-69 and further information with respect to the Group's compliance with environmental regulation can be found on page 17 in the Directors' Report.

The Board also views that the factors likely affecting the current discount to NTA (risks around sustainable sales levels including the current state of the residential market, further regulatory risk and the class action) are outweighed by the strong medium to long-term growth prospects for the sector and the position that Aveo occupies within it.

Senior management are responsible for updating and regularly reviewing the enterprise risk register. Furthermore any extreme risks must be reported promptly to the Chief Executive Officer and the Chairman for consideration. If considered necessary, the Chairman will convene a meeting of the Board to consider and provide direction on how the risk should be managed.

The Board also receives regular updates from the Chief Executive Officer, the Chief Financial Officer, other senior managers and, where relevant, external parties on material risks faced by the Group and the effectiveness of strategies in place to manage the identified risks.

The Chief Financial Officer reports in writing to the Board and attends all Board meetings. The Chief Financial Officer also attends all meetings of the Audit and Risk Committee and provides written reports to the Audit and Risk Committee, as required.

In addition, the Audit and Risk Committee reviews and reports to the Board in relation to the integrity of the Group's financial reporting, internal control structures and risk management systems with regard to financial risks and the internal and external audit functions.

The Group has established a Risk Management Policy and a Treasury and Financial Risk Management Policy. These policies and underlying procedures are reviewed annually by the Board to ensure their continued application and relevance.

#### **Internal audit**

The Group has established an in-house internal audit function that operates pursuant to a Board approved charter. The function is internally resourced, and led by the Group Head of Audit and Risk, with supplemental resourcing provided by specialist third parties.

The internal audit function provides the Board with assurance over the adequacy, effectiveness and efficiency of risk management and control and governance processes employed across the Group. Internal audit also assists in the achievement of the Group's strategy by providing insight and recommendations on business process improvement and the management of material business risks.

The internal audit function has no direct authority or responsibility for the activities it reviews. The Group Head Audit and Risk reports functionally to the Chair of the Audit and Risk Committee and administratively to the Chief Financial Officer. The Group Head Audit and Risk retains and exercises the right to meet with the Audit and Risk Committee and its Chair in the absence of management.

The Audit and Risk Committee approves the annual internal audit plan and assurance programme, which is determined using a structured, risk-based approach. The Audit and Risk Committee also determines the scope and budget of the function, on recommendation from management and the Group Head Audit and Risk.

While internal and external audit work closely together, they are separate functions. Aveo's external audit firm does not provide internal audit services to the Group.

The internal audit function conducts its activities in accordance with the Group's policies and other relevant professional standards, including the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

Further details regarding the structure and role of the internal audit function can be found in the Internal Audit Charter, which is available from the Investor Centre on the Aveo website.

#### **Monitoring Group Compliance**

The Board, with the focus of the independent Directors, oversees the operation of the Managed Investment Schemes ('Schemes') associated with the Group. On a quarterly basis, the Board monitors compliance with the Schemes' risk management systems and compliance plans. Aveo Funds Management Limited, the Responsible Entity of the Schemes, also has a Risk Management Policy in place, which sets out the procedures required to be followed to ensure compliance with its risk management obligations under the Corporations Act and its Australian Financial Services Licence.

During FY18, further detail was incorporated into the Group's Risk Management Policy to ensure Aveo complies with the new requirements on Risk Management for Responsible Entities under ASIC Regulatory Guide 259.

#### **Certification of risk management controls**

The Chief Executive Officer and the Chief Financial Officer state in writing to the Board each half year and end of financial year that the declarations made by them in accordance with section 295A of the Corporations Act in relation to the integrity of the Group's Financial Report are founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

The declarations from the Chief Executive Officer and the Chief Financial Officer are based on a formal sign-off framework established throughout the Group and reviewed by the Audit and Risk Committee as part of the financial reporting process.

#### **Sustainability**

Our sustainability approach is aligned with our strategy to create long-term value for our key stakeholders: our residents, our people, communities and the environment.

In support of this strategy, we have established a Sustainability Committee made up of Senior Executives of Aveo, which reports quarterly to the Board through the Company Secretary.

The role of the Committee is to assist the Board and executive management of Aveo Group in formulating the strategy, policy and actions required to achieve the Group's aspirations to be a sustainable organisation.

Sustainability encompasses how the Group conducts business, now and in the future, through:

- the pursuit of workplace safety;
- a commitment to corporate social responsibility;
- employing environmentally sustainable solutions in its business and the communities it serves;
- outcomes which ensure sustainable lifestyles of its residents and the communities it develops and serves; and
- safeguarding the diversity and development of its workforce and providing opportunity.

Aveo is committed to achieving commercial success in ways that honour ethical values; treats people and communities with kindness, care and respect; and protects the natural environment. We are committed to having our first sustainability report completed in compliance with a global recognised standard for FY19 onwards.

## 7. REMUNERATING FAIRLY AND RESPONSIBLY

The Nomination and Remuneration Committee assists the Board in fulfilling its corporate governance and oversight responsibilities in relation to the remuneration and incentive framework for the Group's senior executives and Directors. The structure of the Committee is included on page 3 of this Corporate Governance Statement.

The Committee may invite any executives of the Group and other external advisers to attend any meetings of the Committee; however, no person is responsible for assessing their own performance or solely responsible for recommending the quantum or structure of their own remuneration for Board approval.

The structure of Non-Executive Directors' remuneration and that of senior management is set out in the Remuneration Report within the Directors' Report. Remuneration packages for senior management involve a balance between fixed and incentive-based remuneration, via participation in the Aveo Group Long-Term and Short-Term Incentive Plans (collectively 'the Plans'), reflecting short and long-term performance objectives appropriate to the Group's circumstances and goals.

Non-Executive Directors' remuneration is clearly distinguished from that of senior management, with remuneration solely by way of Directors' fees and statutory superannuation entitlements.

Details of the nature and amount of each element of the remuneration of each Director and the key management personnel for the financial year are also disclosed in the Remuneration Report.

***The 2018 Aveo Group Corporate Governance Statement was approved by the Aveo Group Board and the practices are current as of 15 August 2018.***