

Charter Hall Social Infrastructure REIT Corporate Governance Statement

For the year ended 30 June 2020



Our commitment to corporate governance

Charter Hall Social Infrastructure REIT (“REIT”) is a registered managed investment scheme listed on the ASX (ASX ticker code CQE). The Responsible Entity is Charter Hall Social Infrastructure Limited (“CHSIL”), a member of the Charter Hall Group (“Charter Hall”/ “Group”). CHSIL’s role is defined by the REIT’s Constitution, the Corporations Act and Regulations and the general law.

The CHSIL Board of Directors (“Board”) provide the leadership and direction for the REIT, including setting the tone in relation to good governance, which is critical to achieving the REIT’s objectives.

The REIT’s governance framework – summarised in this Corporate Governance Statement (“Statement”), ensures that the REIT itself is effectively managed, that we continue to meet our statutory obligations, that we reinforce our culture and integrity, and that we always act in the best interests of our Unitholders.

The governance framework in turn takes its lead from the Corporate Governance Principles and Recommendations (4th Edition) published in February 2019 by the ASX Corporate Governance Council, (ASX Corporate Governance Principles), and any departure from these Principles is noted below.

This Statement provides a summary of the key governance practices in place (unless stated otherwise) which were followed throughout the financial year ended 30 June 2020.

Copies of key policies can be found on our website at www.charterhall.com.au.

Principle 1: Lay solid foundations for management and oversight

Roles of the Board and management

ASX Recommendation 1.1 – A listed entity should disclose a board charter setting out:

- (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.*

CHSIL as Responsible Entity of the REIT has various management arrangements in place with the REIT. A summary of these arrangements can be found on our website at www.charterhall.com.au under the ‘Corporate Governance’ section. In addition, CHSIL as Responsible Entity of the REIT, has also appointed a wholly owned subsidiary in the Charter Hall Group to provide various property and asset management services for the REIT. The CHSIL Board regularly receives reports from Charter Hall executives and senior managers that have responsibility for the business activities of the REIT in relation to the services provided by Charter Hall and any other material matters that the Board should be aware of. The overarching responsibility of the Board is to add long-term value to all Unitholders. As such, the Board is accountable to Unitholders for how the REIT is

managed and for its overall strategy, governance and performance. The Board, in overseeing the services provided by Charter Hall and the Charter Hall executives and senior managers who have responsibility for the business activities of the REIT, endeavours to create a culture of challenge and accountability in the way which Board meetings are conducted, to ensure the REIT is managed in a way that is consistent with its strategy.

Certain matters are reserved for the Board, however there are some matters that the Board can delegate to Board Committees and management. The Board’s functions and responsibilities are set out in the Board Charter, which is available on our website in the ‘Corporate Governance’ section. Those Charter Hall executives and senior managers that have responsibility for the business activities of the REIT have delegated authority to make decisions in respect of the day to day management of the REIT and its assets.



You can find copies of our key corporate policies on our website at www.charterhall.com.au

Information regarding directors

ASX Recommendation 1.2 – A listed entity should:

- (a) undertake appropriate checks before appointing a director or senior executive, or putting someone forward for election as a director; and*
- (b) provide unitholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.*

Directors of this Board are appointed by Charter Hall, as it is a member of the Group. Senior executives, who provide services to the REIT are also employed by Charter Hall and CHSIL does not have any employees. In this regard Recommendation 1.2 does not apply, however before anyone can be nominated to the Board as a Non-Executive Director (“NED”), their experience and background is reviewed by a subcommittee of the Charter Hall Nomination Committee and an independent CHSIL Director. An independent comprehensive background check is conducted on all prospective directors and senior executives, who will be providing services to the REIT, prior to their appointment, including reference checks, assessment of experience, employment history, directorships and shareholdings, education, criminal record and bankruptcy history.

Non-Executive Directors and Senior Executives to have written agreements setting out terms of appointment

ASX Recommendation 1.3 – A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Non-Executive Directors are appointed under a formal letter which sets out the key terms and conditions of their appointment, including the term, time commitment and details of remuneration along with information on their requirement to disclose directors’ interests and comply with key corporate policies, when they can seek independent professional advice, indemnity and insurance arrangements and their rights of access to corporate information, as well as ongoing confidentiality obligations.

The Executive Directors and each senior manager with responsibility for the business activities of the REIT also have a formal job descriptions and letters of appointment from Charter Hall which sets out their duties and obligations, rights and responsibilities and entitlements.





Governance framework

The table below summarises the REIT's governance framework, including the functions reserved for the Board and those carried out by the standing Board Committees.

CHSIL Board

The Board formally delegates certain functions to Board Committees and to Management via formal Board and Committee charters.

The Board directly retains responsibility for a range of matters including:

- overseeing the REIT's strategic direction;
 - monitoring the operational and financial position and performance of the REIT;
 - overseeing the REIT's risk management framework;
 - setting the financial and informational reporting requirements from management to the Board;
 - reporting to Unitholders and the ASX;
 - monitoring the effectiveness of and compliance with
- policies governing the operation of the REIT;
 - reviewing and approving the annual operating budgets;
 - determining distribution policy and approving distributions; and
 - approving decisions concerning the capital of the REIT.

Audit, Risk and Compliance Committee (ARCC)

The key functions of the ARCC is to oversee and review:

- the internal control and accounting systems;
- the financial reporting process, including significant accounting issues and judgements;
- the internal systems of risk management and control (ensuring that material business risks are identified);
- compliance processes to meet legislative and regulatory requirements; and
- actions taken by management to address key risks delegated to this Committee.

Board Committees

The Board has established an Audit Risk & Compliance Committee (“ARCC”) to assist the Board in the execution of its responsibilities. The ARCC operates under a specific charter, which can be found in the ‘Corporate Governance’ section on our website.

The charter states that the ARCC must have at least three non-executive members (a majority of ‘independent’ directors) and be chaired by an ‘independent’ Non-Executive Director.

The membership of the ARCC this year was as follows:

Board Committee	Membership
Audit, Risk and Compliance Committee	Michael Johnstone (Chair), Grant Hodgetts, Kate Melrose

Committee memberships change from time to time, depending on what the Board requires and the directors’ rotation policy.

Details of the number of Board and Committee meetings held during the year and the number of meetings attended by each director are set out in the Directors’ Report.



We’ll succeed based on our abilities to foster a diverse and inclusive workforce capable of delivering on the Trust’s goals.

Company Secretary

ASX Recommendation 1.4 – The Company Secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary plays an important role in supporting the effectiveness of the Board. The Company Secretary ensures that Board policy and procedures are followed, that the Board agenda and briefing material are despatched in a timely manner and that Board and Committee meetings are captured accurately in the minutes. They are also responsible for advising the Board and Committees on all governance matters.

The Company Secretary also retains any independent professional advisors that the Board or Board Committee have asked for and helps to organise and facilitate the induction and professional development of directors.

All directors have direct access to the Company Secretary.

The appointment and removal of the Company Secretary is a matter for decision by the Board as a whole.

Diversity

ASX Recommendation 1.5 – A listed entity should:

- (a) have and disclose a diversity policy;
- (b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and
- (c) disclose in relation to each reporting period:
 - (1) the measurable objectives set for that period to achieve gender diversity; and
 - (2) either:
 - (i) the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined “senior executive” for these purposes) or
 - (ii) 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.

CHSIL does not employ staff directly, all employees working within the REIT’s business are provided by Charter Hall. For this reason, employees working within the REIT’s business are governed by Charter Hall policies.

Charter Hall’s approach to diversity is summarised below:

People with different experiences, backgrounds and perspectives provide unique viewpoints, which is key to Charter Hall forging innovative solutions and unlocking hidden value.

Diversity is all about respecting and valuing difference, whether it be gender identity, sexual orientation, religion,

disability, age, ethnicity, or first peoples, as well as diversity of thought and experience. It requires inclusive leadership and a proactive commitment to helping everyone feel included and valued.

By promoting greater gender diversity, Charter Hall is able to broaden the pool of high quality directors and employees to choose from, and more likely to keep the people as well as encourage greater innovation. Just as importantly, a market-leading approach to diversity and inclusion allows Charter Hall to connect with its diverse customer base and ensures it brings balanced perspectives to our decisions. It’s a socially and economically responsible governance practice.

Charter Hall’s Diversity and Inclusion Policy aims to promote a culture of openness matched by a safe, equitable and inclusive environment for its employees, customers and the communities they serve. To help those Charter Hall engages to realise their aspirations. Charter Hall has executed specific initiatives around three pillars:

- Employee: Creating dynamic environments where people feel they belong and have the confidence and support to excel;
- Customer: Creating inclusive spaces and experiences that generate value for our customers, enhance their well-being and build a deeper sense of connection; and
- Community: Creating strong and inclusive communities through meaningful employment opportunities.

A copy of Charter Hall’s Diversity and Inclusion Policy can be found on our website. The Charter Hall Board has agreed targets for female participation on the Group Board, with the REIT’s Board having a female director since 11 March 2020.

Charter Hall Group	2020 Actual	2022 Target	2025 Target
Female participation on Group Board (Executive and Non-Executive Directors)	28.6%	≥ 35%	≥ 40%
Female participation in senior executive positions*	30.4%	≥ 35%	≥ 40%
Female participation in the workplace	54.6%	50.0%	50.0%

*Female participation in senior executive positions is defined as senior management.

Charter Hall Pillars	Objectives	FY20 Achievements
<p>Employee Creating dynamic environments where people feel they belong and have the confidence and support to excel.</p>	<ul style="list-style-type: none"> - Create an environment that mirrors our diverse customer base and the communities we serve (Gender, Age, LGBT+, First Nations People, Disability and Ethnicity). - Support everyone, at all levels, to model inclusive leadership and foster an environment where people with diverse backgrounds, skills and experiences feel trusted, valued and respected. 	<ul style="list-style-type: none"> - Recognising that diversity and inclusion starts at the top, our Managing Director and Group CEO formally champions this and is actively involved in the Property Male Champions of Change. He is also a WGEA Pay Equity Ambassador. - The Executive Committee and other senior leaders are held accountable for embedding diversity and inclusion through performance measures related to leadership, culture and collaboration. - Divisional action plans track progress against key diversity measures. - Inclusive leadership is a core capability which is developed as part of our leadership and management programs, as well as onboarding and online unconscious bias modules. - We are committed to ensuring pay equity for comparable roles and use gender pay analysis as an input to the remuneration review process to address any gaps and unconscious bias. - 97% employees say that they are inspired to help Charter Hall succeed. - 97% of employees say that Charter Hall takes a zero tolerance approach to sexual harassment. At an industry level we have supported the National Inquiry into Sexual Harassment in Australian Workplaces and other initiatives such as a toolkit to address everyday sexism.

Charter Hall Pillars	Objectives	FY20 Achievements
		<ul style="list-style-type: none"> <li data-bbox="863 315 1485 405">– Recognised in the Women’s Index – Australia as one of the leading ASX listed companies to demonstrate gender diversity. <li data-bbox="863 427 1485 645">– Continued participation in the Property Council of Australia’s Property Mentoring Program, 500 Women in Property, Emerging Leaders Program, Girls in Property and Grow the Talent Pool initiative to accelerate the development of female talent and attract young females into the industry. <li data-bbox="863 667 1485 884">– Expanded the industry body ‘Women in Industrial’, of which Charter Hall is one of the founding members, beyond New South Wales to Victoria and Queensland to provide a broader networking platform for women in the industry and raise awareness of the sector as an employer of choice for women. <li data-bbox="863 907 1485 996">– Member of the Australian Network on Disability offering awareness modules for employees and undergraduate employment opportunities. <li data-bbox="863 1019 1485 1160">– Member of Pride in Diversity and InterBuild; continuing to grow our network of allies and LGBT+ employees nationally, as well as move up the ranks in the Australian Workplace Equality Index.

Charter Hall Pillars	Objectives	FY20 Achievements
<p>Customer Creating inclusive spaces and experiences that generate value for our customers, enhance their well-being and build a deeper sense of connection</p>	<ul style="list-style-type: none"> - Invest in innovative ways to connect with our customers and add value to their experience in our spaces. - Embed our purpose and values into the way we partner with customers to bring their aspirations to life. 	<ul style="list-style-type: none"> - Leading adopter of the WELL Building Standard and ongoing commitment to creating better buildings that enhance customer health and well-being. - Australia's largest Green Star footprint with 212 assets achieving a Green Star Performance rating. - Developed a 'return to work' guide to help tenants actively manage and ease the period of transition during the pandemic. - Launched our workplace experience app Charli to 30 properties and over 8,000 users across the Office portfolio to deliver wellbeing, learning and cultural initiatives in our tenant communities nationally. - Implemented a Place Creation framework to co-curate meaningful workplaces and engaging experiences for tenant customers. - Launched the first shopping centre 'Quiet Hour' in South Australia in August 2019 to enhance the shopping experience for people with sensory disabilities. - Received 3 awards in this year's Shopping Centre Council of Australia Awards. These were for Tenant Innovation, Compelling Customer Experience and Community Initiatives. - Keeping customers safe in our buildings with cutting-edge safety and well-being technology for those returning during the pandemic. Complementing this was the launch of a virtual 'order-in' program to enable tenants to purchase snacks and meals and support local cafes. - Bringing aspirations to life for investors through extended partnerships and top-rated pooled funds performance over 1, 3 and 5 years.

Charter Hall Pillars	Objectives	FY20 Achievements
<p>Community Creating strong and inclusive communities through meaningful employment opportunities</p>	<ul style="list-style-type: none"> - Address social issues such as homelessness, domestic violence and social exclusion in our communities through inclusion and meaningful employment. - Support prosperity and economic well-being within local communities by providing skills development and on-the-job experience. 	<ul style="list-style-type: none"> - \$930,000 donated to the community through our partnerships. This investment included \$500,000 for bushfire relief and recovery, which was distributed to organisations like the Australian Red Cross, WIRES and the Foundation for Rural and Regional Renewal to strengthen communities and enhance environmental sustainability. - 60% of employees engaged in volunteering (note engagement rates impacted by COVID-19). - 45,000 sqm in Pledge 1% space, valued at \$1.9 million. - Partner of the Foundation for Young Australians Innovation Nation Program and Young Social Pioneers Program with a view to driving innovation and encouraging young talent into the industry. - Making a positive difference for the next generation of engineers and innovators with a world-leading innovation hub at Paramatta in partnership with Western Sydney University and UNSW. This year we also supported Western Sydney University with much needed resources to participate in the Bridgestone World Solar Challenge, which plays a huge role in shaping the future of sustainable technologies and green energy in the built environment. - Office partnership with Foodbank’s ‘Give a Feed’ campaign to pack and deliver hundreds of festive food hampers to families in need across Western Australia. - Industrial partnership with the PAYCE Foundation’s ‘Kick Start’ program to train and employ youth in need, as well as provide sites and utilities for their trailer cafés. - Continued partnership with TwoGood to seed fund the development of bathroom dispensers throughout our offices nationally, distribute 5,000 care packs to domestic violence shelters, support over 2,000 hours of employment for survivors and distribute 6,800 cookbooks to shoppers across our retail centres.

Board Performance

ASX Recommendation 1.6 – A listed entity should:

- (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and
- (b) disclose, for each reporting period, whether a performance evaluation was undertaken in accordance with that process, during or in respect of that reporting period.

Even though this Recommendation does not apply to the REIT, the Board considers it good governance and therefore each Non-Executive Director must complete an annual performance evaluation. This is collated and summarised by the Company Secretary. The Chair then distributes the summarised and anonymous results to all the Directors. The performance evaluation process was undertaken during the year.

Access to information

Each Director receives Board reports in advance of Board meetings containing sufficient information for them to participate in meaningful discussions on all agenda items.

This information is mainly supplied by the Fund Manager, Senior Executives and the Company Secretary. Directors can request additional information if they feel they need it to make informed decisions.

Independent professional advice

Directors are entitled to ask for independent professional advice at the cost of CHSIL, and in some instances, at the cost of the REIT.



See 'Board Committees' earlier in this Statement and the Directors' Report for details of the Committee's meetings for the year, and who attended each meeting. You can find the Committee's Charter under the 'Corporate Governance' section on our website.

Performance of Senior Executives

ASX Recommendation 1.7 – A listed entity should:

- (a) have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and
- (b) disclose, for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that reporting period.

Executives and senior managers who have responsibility for the business activities of the REIT are employees of Charter Hall, and, as part of Charter Hall's framework, undergo a formal assessment on at least an annual basis against performance criteria (Key Performance Indicator-based financial and non-financial measures). The Board provides informal feedback, periodically as well as on an annual basis coinciding with Charter Hall's framework, on the performance of the Fund Manager and other senior managers, but does not participate in their formal appraisal. This performance evaluation process was undertaken during the year. Senior Executives can participate in continuing education to update and enhance their skills and knowledge.

An induction program for new Senior Executives ensures each person understands the REIT's financial position, strategies, operations and risk management policies as well as the responsibilities and roles of the Board and management.



Principle 2: Structure the Board to add value

Nomination Committee

ASX Recommendation 2.1 – The Board of a listed entity should:

- (a) *Have a nomination committee which:*
- (i) *has at least three members, a majority of which are independent directors; and*
 - (ii) *is chaired by an independent director;*
- and disclose:*
- (iii) *the charter of the committee;*
 - (iv) *the members of the committee; and*
 - (v) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (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.*

Whilst the ASX Corporate Governance Principles recommend the establishment of a nomination committee, this Board does not consider it is necessary or appropriate to constitute a nomination committee for CHSIL, given that CHSIL is a subsidiary of Charter Hall.

The Board of Charter Hall (utilising a sub-committee of its Nominations Committee) together with an independent director of the CHSIL Board is responsible for overseeing the appointment of Directors to the Responsible Entity of the REIT. However, the CHSIL Board sets the composition and membership criteria as well as the guidelines for director selection and nominates candidates to the Board of Charter Hall for approval.

In making sure the Board discharges its responsibilities effectively it has set the following membership criteria:

- the Board is to comprise a minimum of three and a maximum of ten directors;
- directors nominated for election require approval by the Charter Hall Board via its Nominations Committee;
- a majority of the directors must be independent;
- the Board is to comprise directors with an appropriate range of qualifications and expertise; and
- the Chair of the Board will be appointed by the Charter Hall Board via its Nominations Committee.



Board Skills Matrix

ASX Recommendation 2.2 – A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.

Our Board is made up of directors with a broad range of skills, expertise and experience who are able to effectively understand and manage the REIT's business issues, review and challenge the performance of management and optimise overall performance.

Directors must meet specific guidelines in order to be selected and nominated. The most important of these are:

- integrity;
- particular expertise (sector and functional);
- how their skills complement those of the existing Board members;
- reputation and standing in the market; and
- in the case of prospective independent directors, actual and perceived independence from Charter Hall.

As the REIT is an externally managed entity, it is not required to develop a Board skills matrix. Notwithstanding this however, the Charter Hall Group's Nomination Committee has developed a Board skills matrix. This matrix is used to identify any gaps in the skills and experience of the Directors on the Board for the purposes of identifying the search and assessment criteria for new Directors. Please view our matrix under the 'Corporate Governance' section on our website.

Director Independence

ASX Recommendation 2.3 – A listed entity should disclose:

- the names of the directors considered by the board to be independent directors;*
- if a director has an interest, position, association or relationship of the type described on the right, but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and*
- the length of service of each director.*

ASX Recommendation 2.4 – A majority of the board of a listed entity should be independent directors.

The Board considers that a director is independent if they are independent of management and free of any

business or other relationship that could prevent them, or could reasonably be perceived to prevent them, making objective and independent judgements. Any interests or relationships that could be perceived to compromise independence are reviewed on a case by case basis.

Up until 26 November 2019, the Board was made up of two Executive Directors and three Non-Executive Directors. Following 26 November 2019, the Board was made up of one Executive Director and three Non-Executive Directors. Each of the Non-Executive Directors is an independent Director. Grant Hodgetts is Chair of the Board and is an independent Non-Executive Director.

Factors relevant for assessing the independence of a Director:

Examples of interests, positions and relationships that might raise issues about the independence of a director or an entity include if the director:

- is, or has been, employed in an executive capacity by the entity or any of its child entities and there has not been a period of at least three years between ceasing such employment and serving on the board;
- receives performance-based remuneration (including options or performance rights) from, or participates in an employee incentive scheme of, the entity;
- is, or has been within the last three years, in a material business relationship (eg as a supplier, professional adviser, consultant or customer) with the entity or any of its child entities, or is an officer of, or otherwise associated with, someone with such a relationship;
- is, represents, or is or has been within the last three years an officer or employee of, or professional adviser to, a substantial holder;
- has close personal ties with any person who falls within any of the categories described above; or
- has been a director of the entity for such a period that their independence from management and substantial holders may have been compromised.

In each case, the materiality of the interest, position or relationship needs to be assessed by the board to determine whether it might interfere, or might reasonably be seen to interfere, with the director's capacity to bring an independent judgement to bear on issues before the board and to act in the best interests of the entity as a whole rather than in the interests of an individual security holder or other party.



You will find the matrix under the 'Corporate Governance' section on our website.

All Directors are expected to meticulously disclose any relevant / material personal or family contract or relationship. Directors must also meet the requirements of our own policies and the Corporations Act 2001 (Cth) (“Corporations Act”) as to when they can and cannot participate and vote around matters in which they may have an interest.

The Board assesses on an annual basis, or more regularly if required, whether directors are independent, and each director is required to provide information about this.

Name	Position	Independent (Yes/No)	Appointed
Grant Hodgetts	Chair, Non-Executive Director	Yes	24 October 2012
Michael Johnstone	Non-Executive Director	Yes	22 December 2004
Kate Melrose	Non-Executive Director	Yes	11 March 2020
Sean McMahon	Director, and Chief Investment Officer (Charter Hall Group)	No	17 December 2018

Please refer to the Directors’ Report for further details on the Directors, for example background, qualifications and expertise.

As stated earlier, Directors can seek independent professional advice at the expense of CHSIL, or in some cases the REIT, in order for them to carry out their duties and functions (including their Board Committee functions) properly. An estimate of costs though must first be approved by the Chair as reasonable.

Non-Executive Directors of the Board meet regularly without management present, in order to consider matters independently.

The Chair of the Board

ASX Recommendation 2.5 – The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

The Chair is responsible for leadership of the Board and for the efficient organisation and conduct of the Board. Their role is to contribute to a culture of openness and constructive challenge that allows for diversity of views to be considered by the Board and to ensure all directors contribute in an effective and respectful manner.

The current Chair is Grant Hodgetts, an independent Non-Executive Director.

Induction Program for Directors

ASX Recommendation 2.6 – A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.

Charter Hall supports its Directors including CHSIL Directors, by offering:

- an induction program for new Directors;
- a formal annual performance self-assessment of the Board, ARCC, and individual Directors; and
- access for Directors to continuing professional development, including Board briefings on material developments in law, regulation, accounting standards etc.



Principle 3: Instil a culture of acting lawfully, ethically and responsibly

Purpose and Values

ASX Recommendation 3.1 – A listed entity should articulate and disclose its values.

As part of the Charter Hall Group, the Board endorses the overarching Charter Hall purpose and values.

Charter Hall's purpose is to create better futures by bringing aspirations to life. This is underpinned by its values, which guide what Charter Hall believes in and how it behaves. They sit at the heart of Charter Hall's culture and drive its reputation:

Active Partnership – we believe that if everyone benefits, we benefit.

Genuine Insight – we use expertise to unlock resilient growth.

Inventive Spirit – we create with purpose and discipline.

Powered by Drive – we put our passion into action.

The Charter Hall purpose and values are applied to interactions with all customers and stakeholders.

Investors: having an unwavering commitment to our fiduciary duty, always thinking deeply about the widest repercussions of our decisions on institution, individuals and their futures.

Tenants: taking a partnership approach to proactively provide spaces and inventive solutions that anticipate evolving needs and business growth.

Communities: embodying a philosophy of sharing success to contribute to thriving local communities.

Our people: creating an environment where people flourish and grow in line with their aspirations.

Charter Hall also measures how effectively it engages with customers and conduct annual customer surveys, using these insights to develop actionable improvements.

Charter Hall believes that everyone in the organisation is responsible for bringing the purpose to life and portraying its values. The Board monitors the performance of the REIT against its strategy and how Senior Executives deliver on that strategy against the backdrop of Charter

Hall's overarching purpose and values. The Board also expect Senior Executives to lead by example and set the tone from the top.

Code of Conduct

ASX Recommendation 3.2 – A listed entity should:

- (a) *have and disclose a code of conduct for its directors, Senior Executives and employees; and*
- (b) *ensure that the board or a committee of the board is informed of any material breaches of that code.*

Charter Hall has Codes of Conduct for employees and directors that are periodically reviewed and endorsed by our Board. The Codes ensure that those who provide services to the REIT conduct its business honestly and in accordance with ethical values and practices.

The Code for Charter Hall employees sets out how its employees are to deal with each other, investors, customers, regulatory bodies and the financial and wider community. In addition to the Codes of Conduct, Charter Hall also has various policies that deal specifically with each person's responsibilities and accountabilities around reporting and investigating unethical behaviour, for example Anti-Bribery, Fraud & Corruption, Risk Management Policy and Whistleblower Policy. Copies of these policies and the Codes are on our website under the 'Corporate Governance' section.

Charter Hall employees are trained regularly on matters pertaining to ethical behaviour in the workplace. Topics covered during the year ending 30 June 2020 included key aspects of the Groups' governance policies, such as the Code of Conduct for employees, as well as Money Laundering and Terrorism Financing, Whistleblowing and Modern Slavery. Any material breaches of the Codes or governance policies are reported to the Board.

ASX Recommendation 3.3 – A listed entity should:

- (a) *have and disclose a whistle-blower policy; and*
- (b) *ensure that the board or a committee of the board is informed of any material incidents reported under that policy.*

ASX Recommendation 3.4 – A listed entity should:

- (a) *have and disclose an anti-bribery and corruption policy; and*
- (b) *ensure that the board or a committee of the board is informed of any material breaches of that policy.*



Openness and relationships based on trust are very important to the Board. As a Board we are committed to a culture in which everyone is responsible and accountable for their actions and where anyone can raise matters that concern them. Charter Hall also values employees as a source of information about whether everyone at Charter Hall are living up to its values, and therefore Charter Hall employees are encouraged to speak up about any unlawful, unethical or irresponsible behavior in Charter Hall.

Our Board has endorsed the Charter Hall Whistleblower and Anti Bribery, Fraud and Corruption Policies. Copies of these policies can be found on our website under the 'Corporate Governance' section.

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The Codes ensure that we conduct our business honestly and in accordance with ethical values and practices.

Principle 4: Safeguard integrity of corporate reports

Audit Committee

ASX Recommendation 4.1 – The board of a listed entity should:

- (a) have an audit committee which:
 - (i) has at least three members, all of whom are Non-Executive Directors and a majority of whom are independent directors; and
 - (ii) is chaired by an independent director, who is not chair of the board,and disclose:
 - (iii) the charter of the committee;
 - (iv) the relevant qualifications and experience of the members of the committee; and
 - (v) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) *it does not have an audit committee, disclose that fact and the processes it employs that 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.*

The Audit, Risk and Compliance Committee (“ARCC”) oversees the quality and integrity of our accounting, audit, financial and risk management practices. It is made up of independent directors, and is chaired by an independent director, who is not the Chair of the Board.

A charter sets out the Committee’s role, responsibilities, composition, structure and membership requirements. Those responsibilities, in summary, are to:

- review the internal control and compliance systems of the REIT;
- monitor the integrity of the financial statements of the REIT;
- consider significant financial reporting issues and judgements made in connection with the REIT’s financial statements;
- review and inform the Board on matters relating to the Auditor;
- monitor compliance by the REIT with legal and regulatory requirements; and
- assess at regular intervals whether the REIT’s internal financial control systems and risk management framework are adequate.

See ‘Board Committees’ earlier in this Statement for details of ARCC members. There are details of the Committee’s meetings this year, and who attended, in the Directors’ Report.

The Board believes that the current members of the ARCC collectively have an appropriate level of financial and property industry expertise to discharge their responsibilities.

CEO and CFO Declaration

ASX Recommendation 4.2 – The board of a listed entity should, before it approves the entity’s financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained, and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

In accordance with section 295A of the Corporations Act, the Fund Manager and Head of Finance – Diversified have declared that the REIT’s consolidated financial statements are based on sound risk management and internal control processes and that everything is operating as it should to govern financial reporting risks. This declaration is supported by a review and sign-off process from senior managers on the key items that make up the financial risk management and control systems.

Periodic Reporting

ASX Recommendation 4.3 – A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

Non-audited periodic corporate reports released to the market include the results presentations which accompany half year and full year financial reports and Directors Report.

Management adhere to verification protocols with regard to public disclosures for listed entities including (but not limited to):

- Internal annual review conducted of the disclosures contained in the Operating and Financial Review in the Directors Report considering any changes to the Corporations Act, ASIC regulatory guides, and peer disclosures, including consultation with in-house legal where appropriate;
- Directors Report contents reviewed and approved semi-annually through the ARCC, with management attestations to the accuracy of its contents;
- Half and Full Year Results presentations verified against the Audited Financial Statements; and
- For all releases not subject to audit, financial information and statistics are verified by the relevant internal team.

All reports released to the ASX are reviewed and approved by the Managing Director and Group CEO, the Board and Head of Investor Relations, as well as the General Counsel as appropriate. As part of this process, all Directors get an opportunity to provide input on the language, with a view to the report being balanced, and providing appropriate information in order for investors to be well informed.

Principle 5: Make timely and balanced disclosure

Continuous Disclosure

ASX Recommendation 5.1 – A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under the Listing Rule 3.1.

ASX Recommendation 5.2 – A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

ASX Recommendation 5.3 – A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.

The REIT strives to provide timely, open and accurate information to all stakeholders, including Unitholders, regulators and the wider investment community.

To achieve a balanced approach to disclosure, the Board has adopted a Continuous Disclosure and Communications Policy to ensure compliance with ASX Listing Rules and Australian law around continuous disclosure. Charter Hall management also established a Continuous Disclosure Committee to assist the Board, as required, to review any relevant matters and to determine whether disclosure is required, and then to make appropriate recommendations to the Board.

The Policy sets out various procedures, including dealing with potentially price-sensitive information.

Our Company Secretary is our ASX liaison person and disseminates all material market announcements to the Board upon its release to the ASX. Our Company Secretary also ensures that where any new and substantive investor or analyst presentations are being made, that they are released to the ASX prior to the presentation.

A copy of the Continuous Disclosure and Communications Policy is available under the 'Corporate Governance' section on our website.



Principle 6: Respect the rights of unitholders

Provide information to investors

ASX Recommendation 6.1 – A listed entity should provide information about itself and its governance to investors via its website.

ASX Recommendation 6.2 – A listed entity should have an investor relations program that facilitates effective two-way communication with investors.

ASX Recommendation 6.3 – A listed entity should disclose how it facilitates and encourages participation at meetings of unitholders.

ASX Recommendation 6.4 – A listed entity should ensure all substantive resolutions at a meeting of unitholders are decided by a poll rather than by a show of hands.

ASX Recommendation 6.5 – A listed entity should give unitholders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The REIT provides information to Unitholders, including:

- *the right for Unitholders to receive an annual report and updates which keep them informed of the REIT's performance and operations;*
- *placement under the 'News and Media' section of our website of market-sensitive information in the form of ASX announcements, media releases or webcasts;*
- *placement under the 'Investor Centre' section of Charter Hall's website of distribution and tax information, unit price performance, financial results information including the results webcast, investor presentations, past and current reports to Unitholders and past Unitholder meeting information; and*
- *presentations to investor roadshows that are required to be lodged with the ASX are uploaded to the 'News and Media' section of Charter Hall's website.*

The REIT's dedicated Investor Relations team provides a structured Investor Relations program to communicate relevant matters to investors effectively, concisely and clearly. A dedicated website, www.charterhall.com.au, also gives Unitholders access to current and historic information around their current or potential investment in our REIT.

On the site, you'll also find all the relevant ASX announcements, reports, results presentations and other media announcements.

Unitholders can choose to communicate with us and our registry provider electronically.

As well as the investor website, we also offer:

- Annual and Half Year results presentations and financial reports which include detailed information on the REIT's business activities and performance;
- a live web-cast of our annual and half-year results presentations, with web-casts also available for review via our website;
- an annual Charter Hall Sustainability Report that provides an overview of our key objectives and performance around important sustainability matters; and
- engagement, communication and dialogue with major Unitholders by the Independent Non-Executive Board Directors separately from senior management.

Consulting firms are also engaged to provide independent specialist market feedback through surveying our major Unitholders and seeking their opinions on our business activities, performance, the effectiveness of our communications and investor relations program and also general opinions on the REIT and our team overall.

The REIT did not have an Annual General Meeting for the year ending 30 June 2020, however from time to time an Extraordinary General Meeting is convened. Where the REIT holds an Extraordinary General Meeting of Unitholders, all resolutions put to Unitholders for consideration are decided by way of a poll, rather than by a show of hands. Unitholders are encouraged, where possible, to attend our Extraordinary General Meetings in person, where Unitholders can ask questions or raise matters to the Board and Senior Executives. For those Unitholders who cannot attend the Extraordinary General Meeting, they can submit questions to the Chair in advance of the meeting, which will be addressed during the course of the meeting.

Principle 7: Recognise and Manage Risk

Risk Committee

ASX Recommendation 7.1 – The board of a listed entity should:

- (a) have a risk committee or committees to oversee risk, each of which:
 - (i) has at least three members, a majority of whom are independent directors; and
 - (ii) is chaired by an independent director;

and disclose:

- (iii) the charter of the committee;
 - (iv) the members of the committee; and
 - (v) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- (b) if it does not have a risk committee, disclose the fact and the processes it employs for overseeing the entity's risk management framework.

ASX Recommendation 7.2 – The board or a committee of the board should:

- (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

Charter Hall management has implemented a risk management framework under the oversight of the ARCC (see also earlier sections in relation to the ARCC) and the Board. A summary of the ARCC's responsibilities in relation to risk management include:

- regularly reviewing the Enterprise Risk Management Framework ("Framework") including the REIT's Risk Appetite Statement, for recommendation to the Board;
- reviewing at least annually, the REIT's Strategic Risk Register where the REIT's key strategic and operational risks mitigating controls are recorded;
- monitoring Management's performance against the Risk Appetite Statement;

- review the allocation of key risks to the relevant Board or Management committee for approval by the Board; and
- review compliance with the Framework and receive reports from Management in relation to the adequacy of the Framework.

The ARCC has undertaken a review of the Framework, including a Risk Appetite Statement, and the REIT's compliance in this regard during the year.

The key components of the Framework include, but are not limited to:

- Risk workshops – where managers identify risks and mitigating controls within their business unit or sectors;
- Policies and procedures – which provide direction on minimum acceptable standards of business practice;
- Compliance certifications and attestations – where employees provide ongoing attestations regarding the identification of risks and the robustness of controls;
- Timely breach and incident reporting – highlights areas of heightened risk and future focus for Risk & Compliance;
- Internal audit – where Charter Hall's key controls and processes are subject to independent validation;
- Training programs – where employees receive targeted risk and compliance training appropriate to their roles and responsibilities;
- Stress and scenario testing – where key business assumptions are tested; and
- Independent review – where the Framework is assessed by an independent party to confirm its effectiveness.

Managing conflicts

The Board has adopted the Charter Hall Conflicts of Interest Policy (“COI Policy”) for managing conflicts that arise in the course of the REIT’s business so that the interests of its investor and tenant customers are protected.

The COI Policy provides a transparent framework for managing conflicts of interest to enable compliance with:

- our legal and regulatory obligations,
- operate within the Board’s stated risk appetite in relation to conflicts of interest and related party transactions, and
- provide / receive services that are not compromised or diminished by conflicts of interest.

The Charter Hall Related Party Transaction Policy (“RPT Policy”), as adopted by the Board, provide guidance on the management of related party transactions between Charter Hall-managed vehicles and their related parties and requires that:

- related party transactions be identified and conducted on arm’s length terms;
- related party transactions be tested by reference to whether they meet market standards; and
- decisions about transactions between the REIT and other Charter Hall-managed vehicles or its affiliates, be made by independent members of the Board.

The REIT has also established protocols for the Board in identifying and managing conflicts, including:

- Board members must declare their interests as required under the Corporations Act, ASX Listing Rules and other general law requirements; Board members with a material personal interest in a matter are not to be present at a Board meeting during the consideration of the matter and subsequent vote unless the Board (excluding the relevant Board member) resolves otherwise; and
- Board members with a conflict not involving a material personal interest may be required to absent themselves from the relevant deliberations of the Board.

The Policies are available to view under the ‘Corporate Governance’ section of our website.

Charter Hall also has a conflicts protocols for dealing with competing acquisitions and divestments as well as leasing transactions. Such transactions may arise out of the fact that Charter Hall is also the manager of other listed and unlisted vehicles, and the REIT may transact with them from time to time, or share employees or information with other Charter Hall companies or

managed vehicles.

Personal conflicts that might arise generally for directors and employees are covered by the Codes of Conduct referred to earlier in this Statement.

Internal Audit

ASX Recommendation 7.3 – A listed entity should disclose:

- if it has an internal audit function, how the function is structured and what role it performs; or*
- 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 governance, risk management and internal control processes.*

The Board places considerable importance on those Charter Hall employees or entities providing services to the REIT maintaining a strong control environment through an organisation structure with clearly documented lines of accountability and authority. Charter Hall has outsourced the internal audit function to an appropriately qualified third party to provide an independent appraisal function for management and the ARCC based on systematic review and evaluation of the risk management and internal control processes of Charter Hall. The role and responsibilities of the internal auditor is documented in the Charter Hall Internal Audit Charter.

Sustainability

ASX Recommendation 7.4 – A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.

The REIT is committed to playing its role as part of the Charter Hall Group in achieving a sustainable future. To this end the Board has adopted Charter Hall’s Sustainability Policy which forms the basis for integrating environmental and social governance issues into the REIT’s activities. This Policy is available to view under the ‘Corporate Governance’ section of our website. In addition, the Board has also endorsed Charter Hall’s Sustainability Report, which covers the REIT including the environmental and social risks faced by the REIT as part of the Charter Hall Group, and is also available on our website, together with the Group’s sustainability objectives. You can also find more information about our achievements and objectives in our Annual Report.

Principle 8: Remunerate fairly and responsibly

Remuneration Committee

ASX Recommendation 8.1 – The board of a listed entity should:

- (a) *have a remuneration committee which:*
- (i) *has at least three members, a majority of whom are independent directors; and*
 - (ii) *is chaired by an independent director;*

and disclose:

- (iii) *the charter of the committee;*
 - (iv) *the members of the committee; and*
 - (v) *as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or*
- (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.*

ASX Recommendation 8.2 – 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.

Whilst the ASX Corporate Governance Principles recommend the establishment of a remuneration committee, this Board does not consider it necessary or appropriate as the REIT does not employ staff directly.

The Charter Hall Remuneration and Human Resources Committee helps oversee the Group's human resources strategies and remuneration framework.

This Charter Hall Committee is responsible for reviewing and making recommendations to the Charter Hall Board in respect of: remuneration and incentive frameworks; short- and long-term incentive plans; diversity and inclusion objectives; talent management and succession planning; and people strategies and policies.

The Executive Directors of CHSIL, and senior managers of Charter Hall that have responsibility for the business activities of the REIT, are not paid by CHSIL or the REIT. They are remunerated by Charter Hall.

The REIT pays fees to CHSIL for carrying out its responsible entity duties for the REIT (which includes 'Manager' fees as defined under the REIT's Constitution). These fees are described further in a separate section 'REIT's Management Arrangements' which you can find in our Corporate Governance Section of our website.

Whilst the REIT's Management is comprised of Charter Hall employees, there is a strong alignment of interest between those employees and the REIT's investors. This is evidenced by Charter Hall's remuneration system which ensures that a significant amount of remuneration is at risk and solely dependent on performance.

Fees of the Non-Executive Directors of CHSIL are paid by the REIT.

Non-Executive Directors of CHSIL are not entitled to Charter Hall options or securities or to retirement benefits as part of their appointment.

ASX Recommendation 8.3 – A listed entity which has an equity based remuneration scheme should:

- (a) *have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and*
- (b) *disclose that policy or a summary of it.*

The Charter Hall Securities Trading Policy regulates how directors, Senior Executives and employees involved in the management of the REIT can deal in CQE units. The Policy specifies when personal trading is permitted, the restrictions that apply to directors, Senior Executives and employees, and the procedures for obtaining prior clearance for trading during a trading window.

Charter Hall also monitors employee compliance with this Policy as part of its risk management framework. The Securities Trading Policy is available under the 'Corporate Governance' section of our website.

