

## Appendix 4G

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

Name of entity:

Hotel Property Investments Ltd

ABN / ARBN:

25 010 330 515

Financial year ended:

30 June 2015

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

☐ These pages of our annual report:

☒ This URL on our website: [http://www.hpitrust.com.au/cms/corporate\\_governance](http://www.hpitrust.com.au/cms/corporate_governance)

The Corporate Governance Statement is accurate and up to date as at 26 August 2015 and has been approved by the board.

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

Date: 26 August 2015

Name of Director or Secretary authorising  
lodgement: David Charles

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found. You can, if you wish, delete the option which is not applicable.

Throughout this form, where you are given two or more options to select, you can, if you wish, delete any option which is not applicable and just retain the option that is applicable. If you select an option that includes "OR" at the end of the selection and you delete the other options, you can also, if you wish, delete the "OR" at the end of the selection.

## 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 NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<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 <input type="checkbox"/> at these locations:  Responsible Entity <a href="http://www.hpitrust.com.au/cms/responsible_entity">http://www.hpitrust.com.au/cms/responsible_entity</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 <input type="checkbox"/> at these locations:	<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 <input type="checkbox"/> at these locations:	<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

<sup>4</sup> If you have followed all of the Council's recommendations in full for the whole of the period above, you can, if you wish, delete this column from the form and re-format it.

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
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</p> <p><input type="checkbox"/></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 type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input type="checkbox"/> at <i>[insert location]</i></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 type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> <p><input checked="" type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
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</p> <p><input type="checkbox"/> at <a href="http://www.hpitrust.com.au/cms/corporate_governance">http://www.hpitrust.com.au/cms/corporate_governance</a></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at this location:</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 NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
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 type="checkbox"/> in our Corporate Governance Statement under Principle 1 <b><u>OR</u></b></p> <p><input type="checkbox"/> at these locations:</p> <p>... and the information referred to in paragraph (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> <p><input checked="" 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 NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<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; or</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>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at [insert location]</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"/> at [insert location]</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ 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><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/></p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</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</p> <p><input type="checkbox"/> at these locations:</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 NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
2.3	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (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 (c) the length of service of each director.	... the names of the directors considered by the board to be independent directors: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input checked="" type="checkbox"/> at these locations: Directors' Report which is contained in the <a href="http://www.hpitrust.com.au/cms/annual-reports">http://www.hpitrust.com.au/cms/annual-reports</a> ... and, where applicable, the information referred to in paragraph (b): <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at this location:  ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at this location:	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
2.4	A majority of the board of a listed entity should be independent directors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at this location:	<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
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 fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement, <b>OR</b> <input type="checkbox"/> at this location:	<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
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.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input type="checkbox"/> at this location:	<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 NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY			
3.1	<p>A listed entity should:</p> <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</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>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING			
4.1	<p>The board of a listed entity should:</p> <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,</p> <p>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; or</p> <p>(b) if 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.</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</p> <p><input type="checkbox"/> at</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:  <a href="http://www.hpitrust.com.au/cms/corporate_governance">http://www.hpitrust.com.au/cms/corporate_governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</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>
4.2	<p>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.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</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>



Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
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 <input type="checkbox"/> at this location:	<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 <input checked="" type="checkbox"/> at these locations: Continuous Disclosure Policy <a href="http://www.hpitrust.com.au/cms/corporate_governance">http://www.hpitrust.com.au/cms/corporate_governance</a> Continuous Disclosure Policy for the Responsible Entity <a href="http://www.hpitrust.com.au/cms/responsible_entity">http://www.hpitrust.com.au/cms/responsible_entity</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<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.	... information about us and our governance on our website: <input checked="" type="checkbox"/> at these locations: <a href="http://www.hpitrust.com.au/cms/investor_information">http://www.hpitrust.com.au/cms/investor_information</a> , and <a href="http://www.hpitrust.com.au/cms/corporate_governance">http://www.hpitrust.com.au/cms/corporate_governance</a>	<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.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <input checked="" type="checkbox"/> at this location: Contact Us <a href="http://www.hpitrust.com.au/cms/contact">http://www.hpitrust.com.au/cms/contact</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 NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
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</p> <p><input type="checkbox"/> at this location: Shareholder Communication Policy of the Responsible Entity <a href="http://www.hpitrust.com.au/cms/responsible_entity">http://www.hpitrust.com.au/cms/responsible_entity</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 that does not hold periodic meetings of security holders and this recommendation is therefore not applicable</p>
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 checked="" type="checkbox"/> at these locations: Contact Us <a href="http://www.hpitrust.com.au/cms/contact">http://www.hpitrust.com.au/cms/contact</a> Shareholder Communication Policy of the Responsible Entity <a href="http://www.hpitrust.com.au/cms/responsible_entity">http://www.hpitrust.com.au/cms/responsible_entity</a></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 NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
PRINCIPLE 7 – RECOGNISE AND MANAGE RISK			
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 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; or</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>... 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</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>Under Risk Management Policy section  <a href="http://www.hpitrust.com.au/cms/corporate_governance">http://www.hpitrust.com.au/cms/corporate_governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at this location:</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:</p> <p><input type="checkbox"/> in our Corporate Governance Statement OR</p> <p><input type="checkbox"/> at [insert location]</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 NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>... the fact that 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 type="checkbox"/> in our Corporate Governance Statement</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>Risk Management Policy  <a href="http://www.hpitrust.com.au/cms/corporate_governance">http://www.hpitrust.com.au/cms/corporate_governance</a></p> <p>Risk Management Policy of the Responsible Entity  <a href="http://www.hpitrust.com.au/cms/responsible_entity">http://www.hpitrust.com.au/cms/responsible_entity</a></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input type="checkbox"/> in our Corporate Governance Statement</p> <p><input checked="" type="checkbox"/> at this location:</p> <p>2015 Annual Report  <a href="http://www.hpitrust.com.au/cms/annual-reports">http://www.hpitrust.com.au/cms/annual-reports</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(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>	<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 type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at these locations:</p> <p>Risk Management Policy  <a href="http://www.hpitrust.com.au/cms/corporate_governance">http://www.hpitrust.com.au/cms/corporate_governance</a></p> <p>Risk Management Policy of the Responsible Entity  <a href="http://www.hpitrust.com.au/cms/responsible_entity">http://www.hpitrust.com.au/cms/responsible_entity</a></p>	<p><input checked="" 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 NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
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</p> <p><input type="checkbox"/> at</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 NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
<b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>			
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; or</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 type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p> <p>... and a copy of the charter of the committee:</p> <p><input type="checkbox"/> at [insert location]</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"/> at [insert location]</p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ 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><input checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p><input type="checkbox"/> at this location:</p>	<p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
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.	<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 checked="" type="checkbox"/> in our Corporate Governance Statement under Principle 8</p> <p><input type="checkbox"/> at this location:</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 type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at [insert location]</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" 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>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have NOT followed the recommendation in full for the whole of the period above. We have disclosed ... <sup>4</sup>
ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES			
-	<p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p>	<p>... the information referred to in paragraphs (a) and (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement under Overview and Principle 1</p> <p><input type="checkbox"/> at these locations:</p> <p>Responsible Entity Compliance Framework  <a href="http://www.hpitrust.com.au/cms/responsible_entity">http://www.hpitrust.com.au/cms/responsible_entity</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
-	<p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>... the terms governing our remuneration as manager of the entity:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement in the Overview</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>



## **2015 Corporate Governance Statement and ASX Appendix 4G Key to Disclosures of Corporate Governance Principles and Recommendations**

Hotel Property Investments Limited (ASX: HPI) is pleased to attach the Company's 2015 Corporate Governance Statement and ASX Appendix 4G (Key to Disclosures of Corporate Governance Principles and Recommendations).

The Company has chosen to adopt the Corporate Governance Principles and Recommendations (3rd Edition, March 2014) issued by the ASX Corporate Governance Council in respect of the financial year ended 30 June 2015.

Accordingly, the Company can lodge its Corporate Governance Statement on ASX and need not include it within its 2015 Annual Report.

The Company's 2015 Corporate Governance Statement, ASX Appendix 4G (Key to Disclosures of Corporate Governance Principles and Recommendations) and other ancillary corporate governance related documents can also be found at the following URL on the Company's Internet website:

[www.hpitrust.com.au](http://www.hpitrust.com.au)

For further information contact:

**David Charles**

**Company Secretary**

**03 9038 1774**



## **CORPORATE GOVERNANCE STATEMENT**

### **INTRODUCTION**

The HPI Group consists of the HPI Trust, HPI Limited and their controlled entities. The Trust Company (RE Services) Limited is the "Responsible Entity" for the Trust.

The Company and the Responsible Entity have entered into a Stapling Deed pursuant to which they have agreed to the shares in the Company being stapled to the units in the Trust, and being quoted together as a single stapled security on the ASX (Australian Securities Exchange). The stapled securities are quoted on the ASX, trading under the code HPI.

The Stapling Deed governs the co-operation between the entities in relation to the stapled securities. The Stapling Deed also sets out common parameters in relation to the HPI Group, including the HPI Group's investment strategy, borrowings, distribution policy, financial reporting and compliance with relevant laws. Under the terms of the Stapling Deed, the Company and the Responsible Entity are obliged to notify and co-operate with each other in relation to the exchange of relevant information and coordination of the release of announcements to ASX.

While the stapling arrangements are in force, and subject to the Corporations Act the Directors of the Company must have regard to the interest of the HPI Group and holders of the stapled securities as a whole and not only the interests of the Company and the Securityholders.

The Responsible Entity and the Company have entered into a Management Agreement pursuant to which the Company has agreed to be responsible for the oversight and day-to-day management of the HPI Group. The initial term of the Management Agreement is 3 years.

Separately, while the Company and the Responsible Entity each remain responsible for the financial and operating policies, and management of the HPI Group, the Company has delegated and subcontracted substantially all of its administrative, operational and management obligations under the Management Agreement to the Services Manager (Redcape Services Pty Ltd) pursuant to the Administrative Services Agreement (ASA).

This Corporate Governance Statement (CGS) relates to the stapled, listed securities in the HPI Group. As previously mentioned The Trust Company (RE Services) Limited is the Responsible Entity for the Trust. The structure of the HPI Group requires that both the Company and the Responsible Entity disclose their corporate governance framework and practices against the ASX Corporate Governance Principles and Recommendations

Details of the HPI Group's key policies, practices and the charter for the HPI Company Board are available at [www.hpitrust.com.au](http://www.hpitrust.com.au).

The HPI Boards comprise the Company Board and the Responsible Entity Board. Responsibility for HPI's proper corporate governance rests with the HPI Boards. The HPI Boards' guiding principle in meeting this responsibility is to act honestly, in good faith and in the best interests of HPI as a whole, in accordance with the law and HPI's code of conduct. The HPI Boards, with reliance upon the Services Manager, will monitor the operational and financial position and performance of HPI and oversee its business strategy, including considering and approving the operating budget and strategic plan of HPI. The HPI Boards are committed to maximising performance, generating appropriate levels of Securityholder value and financial return, and sustaining the growth and success of HPI. In conducting HPI's business with these objectives, the HPI Boards seek to ensure that HPI is properly managed to protect and enhance Securityholder interests, and that the HPI Directors operate in an appropriate environment of corporate governance.

Accordingly, the HPI Boards have created a framework for managing HPI, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for HPI's business and which are designed to promote the responsible management and conduct of HPI. Under the Administrative Services Agreement, the Services Manager agrees to assist HPI to comply with all relevant laws, including the Listing Rules and the Corporations Act.

In addition, the Corporations Act, Listing Rules, Constitutions, Stapling Deed and general law regulate the operations and responsibilities of HPI and its officers. As HPI's Stapled Securities comprise Shares in the Company and Units in the Trust, the Company and the Responsible Entity of the Trust have entered into the Stapling Deed to govern the co-operation between the entities in relation to the Stapled Securities.

The Stapling Deed also sets out common parameters in relation to HPI, including HPI's investment strategy, borrowings, distribution policy, financial reporting and compliance with relevant laws. Under the terms of the Stapling Deed, the Company and the Responsible Entity are obliged to notify and co-operate with each other in relation to the exchange of relevant information and coordination of the release of announcements to ASX.

The Board supports the Corporate Governance Principles and Recommendations (3rd Edition, released in March 2014) (ASX Recommendations) developed by the ASX Corporate Governance Council (Council). The Company has chosen to adopt the 3rd Edition of the ASX Recommendations in respect of the financial year ended 30 June 2015 (Reporting Period).

The Company's practices are largely consistent with the ASX Recommendations. The Board uses its best endeavours to ensure that exceptions to the ASX Recommendations do not have a negative impact on the Company and the best interests of Securityholders as a whole.

As required by the ASX Listing Rules, this Corporate Governance Statement discloses the extent to which the Company has followed the ASX Recommendations during the Reporting Period, as summarised below:

<b>ASX Corporate Governance Principles and Recommendations</b>	<b>CGS Reference</b>
Principle 1 – Lay solid foundations for management and oversight	1.1 - 1.8
Principle 2 – Structure the Board to add value	2.1 - 2.8
Principle 3 – Act ethically and responsibly	3.1
Principle 4 – Safeguard integrity in corporate reporting	4.1 - 4.3
Principle 5 – Make timely and balanced disclosure	5.1
Principle 6 – Respect the rights of security holders	6.1 - 6.2
Principle 7 – Recognise and manage risk	7.1 - 7.4
Principle 8 – Remunerate fairly and responsibly	8.1 - 8.3

The Company has also prepared an ASX Appendix 4G – Key to Disclosures of Corporate Governance Principles and Recommendations (which reports on the Company's compliance with each of the ASX Recommendations) – which has been lodged with the CGS on ASX.

A copy of the ASX Recommendations can be found on the ASX website at the following URL:

<http://www.asx.com.au/documents/asx-compliance/cgc-principles-and-recommendations-3rd-edn.pdf>.

The Company's latest Annual Report (and other ASX market announcements and media releases) may be viewed and downloaded from the Company's website at the following URL: [http://www.hpitrust.com.au/cms/corporate\\_governance](http://www.hpitrust.com.au/cms/corporate_governance).

The Corporate Governance page of the HPI website contains the charters, codes and policies which are referred to in this CGS, at the following URL: [http://www.hpitrust.com.au/cms/corporate\\_governance](http://www.hpitrust.com.au/cms/corporate_governance)

The names of the Independent and Non-Executive Directors currently in office and their qualifications and experience are stated in the Company's latest Annual Report.

## **Responsible Entity Compliance Framework**

The Responsible Entity holds AFSL No. 235150. The Responsible Entity has the primary responsibility to operate the Trust (as a registered managed investment scheme) and to perform functions conferred on it by the Corporations Act, the Trust Constitution, the Stapling Deed and the Compliance Plan. The Responsible Entity is also subject to duties including duties to act in the best interests of the Unitholders, act honestly, exercise care and diligence, and treat Unitholders holding the same class of Units equally. While the Stapling Deed is in force, and subject to the Corporations Act, the Responsible Entity Board must have regard to the interests of HPI and holders of the Stapled Securities as a whole and not only the interests of the Trust and its Unitholders.

In order to ensure compliance with the Constitution and the Corporations Act, the Responsible Entity has adopted a Compliance Plan which sets out the key processes that the Responsible Entity will apply in operating the Trust. The Compliance Plan also comprises an extensive compliance management and reporting structure.

The Responsible Entity is a wholly owned subsidiary of Perpetual Limited and has a Compliance Committee which acts as the compliance committee of the Trust for the purposes of Part 5C of the Corporations Act. The committee is responsible for monitoring and reporting on the Responsible Entity's compliance with the Compliance Plan.

The committee comprises the following members:

- (i) John Richardson (Chairman).
- (ii) Michelene Collopy
- (iii) Virginia Malley

## **Principle 1 Lay Solid foundations for management and oversight**

### **1.1. Board of Directors - Role and Responsibilities**

The Company Board has adopted a Board charter (which will be kept under review and amended from time to time as the Company Board considers appropriate) to give formal recognition to the role of the Company Board, its committees, Board composition requirements and the Company's policy for the selection, nomination, appointment, retirement and rotation of its Company Directors.

The Company's Board Charter requires that the Company Board comprise a minimum of three Directors and comprise a majority of independent Directors. The Chairman of the Company Board must be an independent, non-executive Director.

The composition of, and terms of reference for, the Company Board will be reviewed annually by the Company Board.

The Company Directors are responsible for protecting the rights and interest of the Company, its Securityholders and other stakeholders, including creditors and employees, and are accountable for the overall management of the Company.

The Company Board's responsibilities include:

- a) protecting and enhancing the value of the assets of the Company;
- b) setting the strategies and directions and monitoring and reviewing against these strategic objectives;
- c) reviewing and ratifying risk management systems, internal controls, codes of conduct and legal compliance;
- d) reviewing the Company's accounts;
- e) reporting to Securityholders;
- f) approval of the charters of the Committees;
- g) approval and review of the operating budget for the Company;
- h) development and review of the strategic plan for the Company;
- i) evaluating performance and determining the remuneration of senior management (if any);
- j) exercising all rights conferred on it and performing all obligations imposed on it under the ASA;
- k) reviewing the ASA, and the performance of the Services Manager, at regular intervals;
- l) ensuring the significant risks facing the Company have been identified and adequate control, monitoring and reporting mechanisms are in place;
- m) approval of transactions relating to acquisitions, divestments and capital expenditure;
- n) setting and approving financial and dividend policy;
- o) considering and (if thought appropriate) authorising dividends; and
- p) co-operating with the directors of the Responsible Entity in relation to the consideration and authorisation of distributions of the Trust to the extent permitted by the Stapling Deed.

To assist in the execution of these responsibilities, the Company Board has in place a Board Audit and Risk Committee and the Company Board may establish other committees from time to time.

The Responsible Entity has not adopted a formal Board charter in relation to the Trust. The Responsible Entity's constitution sets out procedures for the appointment, removal and remuneration of Directors as well as the powers of the RE Board, which include to borrow money, charge any of the property or business of the Responsible Entity and appoint attorneys on terms the RE Board sees fit.

The role of the RE Board is generally to set objectives and goals for the operation of the Responsible Entity and the Trust/Schemes, to oversee the Responsible Entity's management, to regularly review performance and to monitor the Responsible Entity's affairs acting in the best interests of the unitholders of each of the Trust/Schemes. The RE Board is accountable to the unitholders of each of the Trust/Schemes, and is responsible for approving the Responsible Entity's overall objectives and overseeing their implementation in discharging their duties and obligations and operating the Trust/Schemes.

The role of the Responsible Entity's management is to manage the business of the Responsible Entity in operating the Trust/Schemes. The RE Board delegates to management all matters not reserved to the RE Board, including the day-to-day management of the Responsible Entity and the operation of the Trust/Schemes. To assist the RE Board in carrying out its functions it has regard to the Code of Conduct developed by Perpetual to guide the Directors, management and staff in the performance of their roles.

The RE Board ensures that the performance of the Responsible Entity's management is evaluated against agreed plans and the key performance indicators that are set annually as part of Perpetual's performance management process. The performance of all management and staff of Perpetual (which includes those staff involved in managing the Trust/Schemes) is evaluated on a six monthly basis against their key performance indicators that have been set annually and cover both financial and non-financial aspects of each person's role. For the Responsible Entity, as part of Perpetual, the performance management process plays a key role in developing high performance teams and aligning employee and organisational behaviour with Perpetual's cultural values as set out in the Code of Conduct and The Way We Work Principles. The performance evaluation of the Responsible Entity's Directors, management and staff has taken place in accordance with the above process.

The Responsible Entity has also delegated responsibility to the Company to provide certain management services under the Management Agreement.

Whilst the Company and the Responsible Entity each remain responsible for the financial and operating policies, and management of the HPI Group, the Company has delegated and subcontracted substantially all of its administrative, operational and management obligations under the Management Agreement to the Services Manager (Redcape Services Pty Ltd) pursuant to the ASA.

## **1.2. Company Board Appointments**

The HPI Group is committed to upholding the highest standards in corporate governance. The HPI Group's corporate governance framework is underpinned by the appointment of high quality Board members with the pre-requisite experience in overseeing listed entities. Specifically, the HPI Boards, in consultation with the Services Manager, will be actively involved in developing appropriate governance arrangements and implementing a regime to monitor these arrangements continually

The detailed background information will be obtained for a potential candidate to the Board and appropriate checks will be undertaken prior to appointment or before putting forward to the Securityholders for election. The identification of the potential director may be assisted by the use of an external search organisation as appropriate. An offer of a Board appointment must be made by the Chair only after having consulted all directors.

The Company will provide Securityholders with any material information in the Company's possession which is relevant to a decision on whether or not to elect or re-elect a director.

## **1.3. Terms of Appointment – Directors**

All directors of the Company are required to sign a letter of appointment outlining the material terms of their appointment and the key roles based on their experience and skills. The level of remuneration for Non-Executive Directors primarily reflects the experience, time commitment, level of responsibilities and complexity shouldered. The remuneration of the directors of the Company are outlined in the Remuneration Report in the Company's latest Annual Report.

The Company's constitution requires that no director (who is not the managing director) may hold office without re-election beyond the third annual general meeting following the meeting at which the director was last elected or re-elected.

## **1.4 The Company Secretary**

The Company Secretary is appointed by the Board and is responsible for developing and maintaining the information systems and processes that are appropriate for the Board to fulfil its role. The Company Secretary is responsible to the Board for ensuring compliance with Board procedures and governance matters. The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board. The Company Secretary is also responsible for overseeing and coordinating disclosure of information to the ASX as well as communicating with the ASX.

## **1.5. Diversity**

The Company and the Responsible Entity do not have any employees and HPI is managed externally by the Services Manager. Accordingly, the HPI Boards consider that the ASX Guidelines relating to establishing a diversity policy containing measurable objectives for achieving gender diversity is not relevant to HPI's business and, as such, have chosen not to adopt a diversity policy in relation to HPI at this time.

Perpetual has a diversity policy and this policy applies to Perpetual employees who provide services to the Responsible Entity.

## **1.6. Performance Review and Evaluation**

During the year the Board undertook an interview between the Chair and each director to discuss the performance of the Board and review the contribution, attendance and role of each director. The Chair of the Board Audit and Risk Committee conducted similar interviews in respect of the performance of the Chair with each director individually. The Chair then provided individual feedback to each director and the Chair of the Board Audit and Risk Committee provided feedback to the Chair of the Board. The Board then undertook a session in which the performance of the Board was discussed with all directors present.

## **1.7. Performance and Review and Evaluation of Senior Management**

The Company Board monitors and evaluates the performance of the Services Manager (with reference to the Administrative Services Agreement) and any members of the executive management of the Company that may be appointed from time to time.

The Directors and employees (if any) of the Responsible Entity are remunerated by Perpetual Limited and not out of the assets of the Trust. Therefore, the performance of the Responsible Entity Board and any employees of the Responsible Entity will be evaluated by Perpetual Limited and not by the Responsible Entity directly.

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

### **2.1. Nomination for Board Appointment**

The Company Board has chosen not to establish a nomination committee at this time. The Company Board will consider nomination matters from time to time at its regularly scheduled meetings. As stated in the Company Board charter, in considering additional candidates for directorship, the Company Directors will consider the skills, knowledge and experience of the candidate and the extent to which those skills are represented by the then current Company Directors.

The Responsible Entity adds value in terms of the best interests of the Trust's unitholders through being completely independent of the Manager it has engaged in relation to the Trust. There are no common directors and no related party interests between the Responsible Entity and the Manager. This independent structure avoids any conflicts of interest between the Responsible Entity and the Manager whenever discretionary decisions are required of either entity in their respective capacities

The Responsible Entity Board will not establish a remuneration and nomination committee as the Directors of the Responsible Entity are appointed and remunerated by companies within the Perpetual Limited Group.

### **2.2. Skills, Knowledge and Experience**

The Board considers the present composition, size and balance in respect of qualifications and experience of the Board to be appropriate and effective for the control and direction of the Group's business. Each director is expected to bring to the Company their experience and skills in the respective fields in particular their considerable industry experience, to add value to the performance of the Company.

The chart below depicts the skills matrix of the Board on the Reporting Period.

Director's Background and Experience	Name of Director who falls within the categories
a. Accounting and Finance	Michael Tilley, Ray Gunston, Lachlan Edwards, John Russell
b. Gaming, leisure and Hospitality	Ray Gunston, John Russell, Mike Tilley
c. Hotel Property Management	John Russell,
d. Risk, Management and Board Governance	Michael Tilley, Ray Gunston, John Russell, Lachlan Edwards

The Responsible Entity has appointed four Directors; Andrew Cannane, Christopher Green, Michael Vainauskas and Glen Foster and Gillian Larkins, and one alternate director. Anna O'Sullivan. The Responsible Entity is a member of the Perpetual Limited Group ("Perpetual"), the Responsible Entity Directors are appointed by Perpetual.

The RE Board meets regularly and considers that the composition and mix of skills of directors is appropriate for the directors to understand the Responsible Entity's business and to discharge their duties. The RE Board also ensures that it maintains independent judgement in Board decisions.

## 2.3 Director Independence and service

Name of Director	Date Appointed	Independent
Mike Tilley	19 <sup>th</sup> November 2013	Yes
Ray Gunston	19 <sup>th</sup> November 2013	Yes
Lachlan Edwards	19 <sup>th</sup> November 2013	Yes
John Russell	13 <sup>th</sup> May 2013	No

## 2.4 Director Independence

Except for John Russell, the Company Board is comprised of independent directors (Michael Tilley, Raymond Gunston and Lachlan Edwards).

None of the directors on the Responsible Entity Board are independent directors.

## 2.5. Chairman

The Board Chairman is responsible for the leadership, operations and governance of the Board and Board Committees. The Chairman shall also undertake the role as leader in chairing all Board and shareholder's meeting. A profile of the Chairman of the Company, Michael Tilley (appointed on 19 November 2013), is stated in the Company's latest Annual Report. Michael Tilley is an independent non-executive director.

A chairman of the Responsible Entity is selected by the Directors at the start of each Board meeting. The chairman of the Responsible Entity Board is not an independent director.

## 2.6. Induction and Professional Development

To ensure that Directors of the Company are equipped with the knowledge and information they need to discharge their responsibilities effectively and that individual and collective performance is regularly and fairly reviewed the Company has a programme for inducing new Directors.

The induction process is set out in the Board Charter;

- (a) The Board will ensure that any new Director is appropriately introduced to the Company and amongst other things, will provide to any new Director:

- (i) a copy of the Company's Constitution;
  - (ii) a copy of this Board Charter;
  - (iii) the most recent Annual Report of the Company;
  - (iv) a draft of the deed of indemnity, insurance and access given by the Company to each Director; and
  - (v) where appropriate, a summary of the most recent strategic plan of the Company.
- (b) The Board will also ensure that any new Director is acquainted with:
  - (i) knowledge of the industry within which the Company operates;
  - (ii) visits to specific Company operations when appropriate;
  - (iii) briefings with the Services Manager, Senior Management (if any) and industry experts where appropriate.

## **Principle 3 Promote ethical and responsible decision-making**

### **3.1 Code of Conduct**

The Company Board has adopted a code of conduct to provide a set of guiding principles which are to be observed by all Company personnel (including Company Directors, any other officers and employees of the Company (if any)) and officers and employees of the Services Manager acting under the Administrative Services Agreement.

The code of conduct was developed to reflect the fundamental principles of HPI, including ethical behaviour, honesty, integrity and respect.

The code sets out the consequences for a breach of the code of conduct, including the possibility of legal or disciplinary action. The code of conduct was developed to reflect the fundamental principles of the HPI Group, including ethical behaviour, honesty, integrity and respect. The code includes obligations relating to matters including (without limitation):

- a. responsibilities to Securityholders and financial markets;
- b. compliance with laws, policies and procedures;
- c. relationships with politicians and government officers;
- d. confidential information, privacy and maintenance of business records;
- e. conflicts of interest; and
- f. sustainability.

The code also sets out the consequences for a breach of the code of conduct, including the possibility of legal or disciplinary action. A copy of the HPI's Code of Conduct is available at [www.hpitrust.com.au](http://www.hpitrust.com.au).

The Responsible Entity, has a Code of Conduct and espoused Core Values and a further values framework known as the "Way we Work" within which it carries on its business and deals with its stakeholders. These apply to all directors and employees of Perpetual, and the Responsible Entity. The Code of Conduct and Core Values supports all aspects of the way the Responsible Entity conducts its business and is embedded into Perpetual's performance management process.

Perpetual's Diversity Policy recognises the contribution of people with differences in background, experiences and perspectives. The policy encompasses but is not limited to gender, age, ethnicity and cultural background. Perpetual's Board has established a measurable objective related to gender diversity to achieve 38% representation of woman in senior management roles.

Perpetual has a Share Trading Policy that applies to the Responsible Entity in relation to trading in units in any of the Schemes. Directors, management and staff of Perpetual, and the Responsible Entity, are required to seek prior approval of any trading in units in any of the Schemes. The RE Board and management ensure that any actual or potential conflicts are appropriately identified, managed and disclosed. The Responsible Entity maintains a declaration of interests register which is confirmed by the RE Board at the start of each board meeting.



## **Principle 4 Safeguard integrity in financial reporting**

### **4.1 Audit and Risk Committee**

The HPI Boards have established the Board Audit and Risk Committee.

The role of the Company's Board Audit and Risk Committee, as set out in the committee's charter, is to assist the Company Board in fulfilling its corporate governance and oversight responsibilities relating to:

- (i) the integrity of the Company's financial reporting;
- (ii) the effectiveness of the Company's systems of financial risk management and internal control;
- (iii) the external audit functions;
- (iv) the Company's risk profile and risk policy; and
- (v) the effectiveness of the Company's risk management framework and supporting risk management systems.

While the Stapling Deed is in force, the Company and the Responsible Entity will cooperate with regard to their financial reporting obligations such that the primary form of financial reporting for the Company and the Trust is in the form of consolidated financial statements for HPI.

The committee will comprise a minimum of three Company Directors and comprise a majority of independent Directors. All members must be non-executive Directors. The chairperson will be a non-executive independent Director appointed by the Company Board who is not the chairperson of the Company Board. Each member must be financially literate, have familiarity with financial management and an understanding of the industries in which HPI operates. At least one member will have relevant qualifications and experience.

The composition of the Audit and Risk Committee will be reviewed annually by the Company Board. The committee currently comprises the following members:

- (i) Raymond Gunston (Chairman); B.Com (Hons), Dip Ed, FCPA, GAICD.
- (ii) John Russell; B.Ec (Hons), MBA, GAICD.
- (iii) Lachlan Edwards; B.Ec, GradDip Applied Fin and Inv, GAICD

Under its charter, the committee will meet at least four times per annum. The Number of meetings held of the Audit and Risk Committee and the individual attendances of the members at those meetings is set out in the Annual Report of the Company. A copy of the Charter is available at: [www.hpitrust.com.au/cms/corporate\\_governance](http://www.hpitrust.com.au/cms/corporate_governance)

The Audit and Risk Committee has unrestricted access to the Services Manager, management of the Company (if any) and the external auditor and may conduct or direct investigations into any matters within its charter.

### **4.2. CEO and CFO Declarations**

While the Stapling Deed is in force, the Company and the Responsible Entity will cooperate with regard to their financial reporting obligations such that the primary form of financial reporting for the Company and the Trust is in the form of consolidated financial statements for the HPI Group.

In fulfilling its responsibilities, the Audit and Risk Committee:

- i. receives regular reports from management and the external auditors,
- ii. regularly meets with the external auditor,
- iii. reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved,
- iv. meets separately with the external auditors at least once a year without the presence of management; and
- v. provides the external auditors with a clear line of direct communication at any time to either the Chair of the Board Audit and Risk Committee or the Chair of the Board.

Perpetual Limited (ultimate parent of the Responsible Entity) has a Compliance Committee. The Compliance Committee is comprised of three members. The members of the Compliance Committee are John Richardson, Michelene Collopy and Virginia Malley. The Compliance Committee meets at least quarterly. The Compliance Committee may have such additional meetings as the Chairman may decide in order to fulfil its role. The Compliance Committee Charter sets out its role and responsibilities. The Compliance Committee reports to the Board of the Responsible Entity after each meeting under its charter.

The declarations under section 295A of the Act ('CEO and CFO declarations') provide formal statements to the RE Board in relation to each of the Schemes that are listed on the ASX (refer to Principle 7). The declarations confirm the matters required by the Act in connection with financial reporting. The Responsible Entity receives confirmations from the service providers involved in financial reporting and management of the Trust, including the Manager, which assist its staff in making the declarations provided under section 295A.

The Responsible Entity manages the engagement and monitoring of independent 'external' auditors in conjunction with the Company representatives. The RE Board receives periodic reports from the external auditors in relation to financial reporting and the compliance plans for each of the Schemes.

#### **4.3. External Auditor**

The HPI Group's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually.

The Company's external auditor (Auditor) is selected for its professional competence, reputation and the provision of value for professional fees. Within the audit firm, the partner responsible for the conduct of the Company's audits is rotated every 5 years. A representative of the external auditor will attend the annual general meetings and is available to answer securityholder questions about the conduct of the auditor and preparation and content of the audit report.

### **Principle 5 – Make Timely and Balanced Disclosure**

#### **5.1. Continuous Disclosure to ASX**

HPI is committed to ensuring that Securityholders and the market are provided with price sensitive information relating to HPI in a meaningful and timely manner in accordance with its obligations under the Corporations Act and the Listing Rules.

The HPI Boards have adopted a joint Continuous Disclosure Policy to take effect from listing which establishes procedures which are aimed at ensuring that HPI Directors and management are aware of and fulfil the obligations of the Company and the Responsible Entity in relation to the timely disclosure of material price-sensitive information. Furthermore, the Responsible Entity has a Continuous Disclosure Policy which governs the operation of its business generally.

In accordance with the Management Agreement, the Services Manager has assumed:

- responsibility for preparing all investor communications in respect of the Trust (subject to the approval of the Responsible Entity); and
- responsibility for providing the Responsible Entity with such reports and information concerning the Trust as required in connection with the Responsible Entity's continuous disclosure obligations relating to the Trust.

However, while the Stapling Deed is in force, the joint Continuous Disclosure Policy requires the Services Manager to comply with the procedures in the joint Continuous Disclosure Policy adopted by the HPI Boards to ensure compliance with the continuous disclosure obligations of the Company and the Responsible Entity. Further, while the Stapling Deed is in force, the joint Continuous Disclosure Policy requires the Company and the Responsible Entity to cooperate with regard to their continuous disclosure obligations under the ASX Listing Rules and the Corporations Act.

HPI also intends to communicate all important information relating to HPI to its Securityholders. Additionally, HPI recognises that potential investors and other interested stakeholders may wish to obtain information about HPI from time to time. To achieve this, HPI intends to communicate information to Securityholders and other stakeholders through a range of forums and publications, including the HPI website, at the annual general meeting, through the annual report and ASX announcements. HPI also has in place a securityholder communication policy to facilitate communication with Securityholders."

A copy of HPI's and Responsible Entity's Continuous Disclosure Policies are available at [www.hpitrust.com.au](http://www.hpitrust.com.au).

## **Principle 6 Respect the rights of Securityholders**

### **6.1 Market and Shareholder Communications**

The Investor Centre on the HPI Website contains information about it including media releases, key policies and the terms of reference of the Board committees. All relevant announcements made to the market and any other relevant information will be posted in the Investor Centre on the website as soon as they have been released to ASX.

### **6.2 Investor Relations**

The HPI Boards have adopted a communications policy setting out the means by which HPI will communicate information to Security holders. The HPI Boards' aim is to ensure that Security holders are informed of all major developments relating to HPI in a timely and effective manner. Information will be communicated to Securityholders through the lodgement of all relevant financial and other information with ASX and publishing information on the website.

The Responsible Entity handles any complaints received from unitholders in accordance with Perpetual's Complaints Handling Policy. The Responsible Entity is a member of the Financial Ombudsman Service, an independent dispute resolution body, which is available to unitholders in the event that any complaints cannot be satisfactorily resolved by the Responsible Entity.

A copy of HPI's communications policies are available at [www.hpitrust.com.au](http://www.hpitrust.com.au).

### **6.2. Shareholder Participation at meetings**

Securityholders have the ability to communicate with Directors through various means including:

- having the opportunity to ask questions of Directors at all general meetings;
- the presence of the Auditor at AGMs (in person or by teleconference, as practicable and appropriate) to take shareholder questions on any issue relevant to their capacity as Auditor;
- the Company's policy of expecting Directors to be available to meet Securityholders at the AGM; and
- the Company having Directors available to answer shareholder questions submitted by telephone, email and other means (where appropriate).

Traditionally, the key forum for two-way communication between the Company and its Securityholders is its AGM. The Board encourages shareholder participation at the Company's AGM and other general meetings of Securityholders and the Chairman encourages questions and comments from Securityholders and seeks to ensure that Securityholders are given ample opportunity to participate. Securityholders who are unable to attend the AGM or a general meeting may submit questions and comments before the meeting to the Company and or to the Auditor (in the case of the AGM).

### **6.4 Electronic Communications**

The Investor Centre on the HPI's website [www.hpitrust.com.au](http://www.hpitrust.com.au) contains the following information for the benefit of Securityholders:

- (a) all market announcements and related information (posted immediately following release to the ASX);
- (b) details relating to the Company's Directors and key executives;
- (c) Board and Board Committee Charters and other corporate governance documents.

The Investor Centre also contains a link enabling Securityholders (including beneficial owners) to register to receive email updates and electronic securityholder materials.

In order to facilitate Securityholder engagement, the Company may webcast and/or provide copies of Investor presentations, general meetings results and selected analyst and media briefings within the Investor Centre on the Company's website.

A copy of HPI's communications policies are available at [www.hpitrust.com.au](http://www.hpitrust.com.au).

## **Principle 7 – Recognise and Manage Risk**

The HPI Group's business of investing directly in freehold property exposes it to certain risks which the HPI Group actively monitors and seeks to manage. The Company's Board Audit and Risk Committee assists the Company and Responsible Entity Board's in fulfilling their responsibilities relating to overseeing the HPI Group's risk profile, policy and the effectiveness of the HPI Group's risk management framework. During the period the Board Audit and Risk Committee and the Company's Board reviewed and updated the risk management framework, including the risk matrix in 2014. They determined that two risks previously identified, namely interest rate risk and regulatory risk pertaining to liquor laws in Queensland (where the majority of the HPI Group property portfolio is concentrated) remained the key risks for the HPI Group, with further risks including ongoing credit availability, tenant credit risk, valuation risk, property liquidity risk, reliance on external management, and the possible adverse impacts of high inflation. The Company's Board concluded that the risks to which the HPI group is exposed remain consistent with those previously identified and continues to maintain a level of interest rate hedging to mitigate interest rate risk, and to continually monitor the Queensland regulatory environment.

The HPI Group considers risk management fundamental to maintaining efficient and effective operations and generating and protecting securityholder value. For the HPI Group, the management and oversight of risk is an ongoing process integral to the management and corporate governance of its business.

The HPI Group has adopted risk management policies which aim to establish a consistent approach to identifying, reporting and addressing material business risks throughout the organisation. As the HPI Group does not have any employees, the risk management policies and any risk management systems established under the policies will be administered by the Company Board in consultation with the Services Manager.

The Company Board will have primary responsibility for ensuring that the significant risks facing the HPI Group have been identified and adequate control, monitoring and reporting mechanisms are in place.

The Company Board has ensured the adoption of the Service Manager's controls, monitoring and reporting mechanisms into the provision of services under the ASA.

The Responsible Entity of the Trust values the importance of robust risk management systems and has established a Compliance Committee pursuant to part 5C of the Act, to assist the RE Board to discharge its risk management and compliance responsibilities. This Compliance Committee is responsible for the oversight of risk management, internal control systems and compliance matters for the Responsible Entity. It also reviews internal and external audit processes and reports. The Compliance Committee meets regularly with the Responsible Entity's Executive Team, senior management and external advisers. The Responsible Entity's management (as well as the risk and compliance function) regularly report any material business risks to the RE Board and to the Compliance Committee through its quarterly risk and compliance reporting process. Significant matters arising during a quarter are addressed by management and escalated as appropriate

Perpetual has a Risk Management Framework in place, which is supported by a Risk Appetite Statement. The framework includes policies and procedures to identify and address material financial and non-financial risks. The Perpetual Board and ARCC are responsible for overseeing compliance with the risk management program and its continuous evolution. Perpetual also historically maintained an independent 'internal' audit function which reported directly to Perpetual's ARCC and Perpetual's Board if necessary.

A copy of HPI's risk management policies are available at [www.hpitrust.com.au](http://www.hpitrust.com.au).

### **7.1. Risk Committee**

The Company Board does not have a stand-alone Risk Committee. However, the Company's Board Audit and Risk Committee has an important risk management and compliance function, with key responsibilities being to ensure that an appropriate risk management framework is in place and is operating properly and reviewing and monitoring legal and policy compliance systems and issues as follows:

- (a) Having regard to the information received from the Services Manager, review, recommend to the Board, and oversee the operation of, risk management policies and procedures, so that there is, amongst other things:

- (i) A procedure for identifying risks relevant to the Company's business and controlling their impacts on the Company;
- (ii) An adequate system of internal control, risk management and safeguarding of assets;
- (iii) A system of reporting and investigating breaches of risk management policies and procedures;
- (iv) A review of internal control systems and the operational effectiveness of risk management policies and procedures;
- (v) A culture of risk management and compliance throughout the Company; and
- (vi) Adequate resources to support the risk management function and enable proper remedial action to be taken to address areas of weakness.
- (b) Review and monitor the Company's risk management performance of the Company, including conducting specific investigations where necessary.
- (c) Assess the effectiveness of assurance activities and review assurance reports.
- (d) Evaluate the structure and adequacy of the Company's insurances.
- (e) Recommend to the Board any corrective action resulting from its review and assessment.

The Board Audit and Risk Committee Charter may be viewed and downloaded from the Company's website.

## 7.2. Internal Control and Risk Management

The Company Board considers risk management fundamental to maintaining efficient and effective operations and generating and protecting Shareholder value. For the Company, the management and oversight of risk is an ongoing process integral to the management and corporate governance of the business.

The Company Board determines the company's tolerance for risk and is committed to a risk management system that balances the need to preserve long term value, prudently manages the properties, maintain good relationships with tenants, and facilitates a culture of innovation. The Company's risk management system is designed to assist the company to achieve its strategic and operational objectives. It aligns with the vision, strategy, processes, technology and governance of the Company and provides for:

- (i) appropriate levels of risk taking;
- (ii) an effective system for the management of risk across the Company;
- (iii) protection against incidents causing personal injury and property damage;
- (iv) development of risk management and control plans to reduce or minimise unforeseen or unexpected costs;
- (v) an ability to identify, prioritise and respond to risk in a manner that maximises opportunities;
- (vi) reliable financial reporting and compliance with laws, regulations and standards;
- (vii) sound insurance management practice;
- (viii) protection of assets from planned and unplanned events.

## 7.3. Internal Audit

HPI does not have an independent internal audit function due to the size of the organisation, and relies on the controls testing and recommendations to the Board from the external auditor.

The HPI Board will have primary responsibility for ensuring that the significant risks facing the HPI Group have been identified and adequate control, monitoring and reporting mechanisms are in place.

The HPI Board has ensured the adoption of the Service Manager's controls, monitoring and reporting mechanisms into the provision of services under the ASA.

Perpetual has an Internal Audit framework that is an integral part of Perpetual's governance and risk management culture and aims to protect Perpetual's earnings, reputation and customers by:

- Providing independent and objective assurance designed to add value and improve Perpetual's operation;
- Bringing a systematic, disciplined approach to the assessment and improvement of risk management control and governance processes;
- Delivering high quality audit reports and findings through execution of the Internal Audit plan; and
- Monitoring and reporting on how the business is responding to audit findings and recommendations for improvement.

Internal Audit also provides control related advisory services, particularly in relation to key projects and change initiatives, designed to add value and ensure that operations are conducted in a manner that is within Perpetual's risk appetite.

Perpetual's Internal Audit (IA) function, for administrative purposes, forms part of Corporate Services and reports to the Chief Risk Officer. The General Manager IA functionally reports directly to the Chairman of the Perpetual Limited Board Audit Risk & Compliance Committee (ARCC).

The Perpetual Internal Audit team currently comprises 7 dedicated staff members. Resourcing requirements are determined as part of the annual risk assessment and audit planning process which drives the resourcing needs, competencies and skill requirements.

Perpetual Internal Audit establishes an audit plan each year that is approved formally by the ARCC, and executes internal audits of Perpetual Business Units in accordance with the plan. The plan is re-assessed quarterly and reviewed to ensure that it is dynamic and continues to address the key risks faced by the Group. Progress against the plan, changes to the plan, and the results of audit activity are reported quarterly to the ARCC."

## **7.4 Risk Exposures**

The risk management function is supported by the Board Audit and Risk Committee. The Board Audit and Risk Committee have reviewed the overall risks to the Company and have reported to the Board that there are in their opinion no material un-mitigated exposures to economic, environmental or social sustainability risks that would have an impact on the Company or its operations.

Whilst the HPI Group is not subject to significant environmental regulation in respect of its property activities, the Company directors are satisfied that adequate systems are in place for the management of its environmental responsibility and compliance with the various licence requirements and regulations. Further, the Company directors are not aware of any material breaches of these requirements.

## **Principle 8 – Remunerate Fairly and Responsibly**

### **8.1. Nomination & Remuneration Committee**

The Company Board has chosen not to establish a remuneration committee at this time as there are no employees of the Company.

The Company Board will consider remuneration and nomination matters, including the following, from time to time at its regularly scheduled meetings:

- criteria for Company Board membership and identify specific individuals for nomination;
- processes for the review of the performance of individual Company Directors, Company Board committees and the Company Board as a whole;
- succession plans; and
- remuneration packages and policies applicable to Company Directors.

The company engages independent remuneration advisors to provide it with recommendations regarding Directors individual and aggregate remuneration.

The Responsible Entity Board will not establish a remuneration committee as the Directors of the Responsible Entity are appointed and remunerated by Perpetual Limited. Further, the remuneration of the Responsible Entity, as responsible entity of the Trust, is dealt with comprehensively under the Trust's constitution.

### **8.2. Remuneration Policy**

As the Company Board has chosen not to establish a remuneration committee and as there are no employees of the Company at this time, the Company Board considers remuneration matters from time to time at its regularly scheduled meetings including reference to the Board Charter which states as follows:

- a) The fees payable to non-executive Directors are determined by the Board within the aggregate amount approved by Securityholders.
- b) Non-executive Directors (including the Chairman) will collectively be paid from a fixed sum out of the funds of the Company as remuneration for their services as Directors. The fixed sum has been set by the Board at a maximum of \$600,000 per annum. Following listing on the ASX, this amount can only be increased by the passing of an ordinary resolution of Securityholders.

The fees and expenses which the Responsible Entity is permitted to pay out of the assets of the Trust/Schemes are set out in the constitution and offer documents, if applicable, for each of the Trust/Schemes. Fees and expenses for the benefit of the Responsible Entity are required to be considered and disclosed as related party transactions. Fees and expenses paid out of the assets of the Schemes are unrelated to the remuneration of the Responsible Entity's Directors, management and staff which is separately determined by Perpetual. Therefore, the performance of the RE Board and any employees of the Responsible Entity will be evaluated by Perpetual Limited and not by the Responsible Entity.

Perpetual has remuneration policies in place to maintain and attract talented and motivated directors and employees. The policies are designed to improve performance and are supported by a People and Remuneration Committee. The People and Remuneration Committee is comprised of three independent non-executive directors, with a Chairman who is different to the Chairman of the Board.

### **8.3. Equity Based Remuneration Scheme**

The Company and the Responsible Entity do not have any employees and HPI is managed externally by the Services Manager under the ASA. Accordingly, the HPI Boards have not established an equity-based remuneration scheme.