

## ASX Announcement / Media Release

### GARDA Diversified Property Fund

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28 August 2015

#### Appendix 4G and Corporate Governance Statement

In accordance with the ASX Listing Rules, attached is a copy of the Appendix 4G and 2015 Corporate Governance Statement for the GARDA Diversified Property Fund.

#### For more information please contact:

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#### About GARDA Diversified Property Fund

GDF is an ASX listed Real Estate Investment Trust (REIT) which invests in commercial offices in city and suburban markets as well as industrial facilities along the eastern seaboard of Australia. GDF currently holds seven established property assets independently valued at \$140.7 million.

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#### About GARDA Capital Limited

GARDA Capital Limited is the responsible entity of GDF and is a member of the GARDA Capital Group and holds AFSL 246714 which permits it to act as responsible entity for GDF. Garda Capital Limited is a real estate investment and funds management group, with a Board and management team with considerable real estate and funds management experience. The GARDA Capital Group and its Associates have co-invested in GDF and hold a 10% strategic stake, in line with its co-investment strategy.

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## Appendix 4G

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

Name of entity:

GARDA Diversified Property Fund

ABN / ARBN:

17 982 396 608

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>

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These pages of our annual report:

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This URL on our website:

<http://investors.gardacapital.com.au/Home/?page=Corporate-Governance>

The Corporate Governance Statement is accurate and up to date as at 28 August 2015 and has been approved by the board.

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

Date:

28/08/2015

Name of Director or Secretary authorising  
lodgement:

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<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 <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i> ... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management): <input checked="" type="checkbox"/> at <a href="http://investors.gardacapital.com.au/Home/?page=Corporate-Governance">http://investors.gardacapital.com.au/Home/?page=Corporate-Governance</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
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 fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input checked="" 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>
1.5	<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 <b>OR</b></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 <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></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 are an externally managed entity and this recommendation is therefore not applicable</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></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 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>
PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE			
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 checked="" 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 the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://investors.gardacapital.com.au/Home/?page=Corporate-Governance">http://investors.gardacapital.com.au/Home/?page=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 <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></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 type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></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 are an externally managed entity and this recommendation is therefore not applicable</p>
2.2	<p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></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 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 <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i> ... and, where applicable, the information referred to in paragraph (b): <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i> ... and the length of service of each director: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<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 type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input checked="" 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 <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input checked="" 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 <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>			
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	... our code of conduct or a summary of it: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at <a href="http://investors.gardacapital.com.au/Home/?page=Corporate-Governance">http://investors.gardacapital.com.au/Home/?page=Corporate-Governance</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>
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>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://investors.gardacapital.com.au/Home/?page=Corporate-Governance">http://investors.gardacapital.com.au/Home/?page=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 <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</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>
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 <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
4.3	<p>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.</p>	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></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 are an externally managed entity that does not hold an annual general meeting 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 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<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 <a href="http://investors.gardacapital.com.au/Home/?page=Corporate-Governance">http://investors.gardacapital.com.au/Home/?page=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 <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at <i>[insert location]</i>	<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>
<b>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</b>			
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of 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>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://investors.gardacapital.com.au/Home/?page=Corporate-Governance">http://investors.gardacapital.com.au/Home/?page=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 <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></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 <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>
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 checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p> <p>... and that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></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>
7.3	<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):] ... 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 <i>[insert location]</i></p> <p>[If the entity complies with paragraph (b):] ... 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 <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>
7.4	<p>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>	<p>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></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 checked="" 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 checked="" type="checkbox"/> at <a href="http://investors.gardacapital.com.au/Home/?page=Corporate-Governance">http://investors.gardacapital.com.au/Home/?page=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 <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 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 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 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 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 type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b></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>
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 <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></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 <b>OR</b></p> <p><input type="checkbox"/> at <i>[insert location]</i></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>

**GARDA Capital Limited  
as responsible entity for the  
GARDA Diversified Property Fund**

## GDF Corporate Governance Statement

**Approved by the Board and current as at 28 August 2015**

GARDA Capital Limited (GARDA) as responsible entity of the GARDA Diversified Property Fund (**Fund**), its Board and management are committed to promoting and fostering a strong governance culture, for the benefit of the Fund and all stakeholders.

In accordance with ASX Listing Rule 4.10.3, set out below are the ASX Corporate Governance Council's (**Council**) eight principles of good corporate governance – 3<sup>rd</sup> edition 2014 (**Principles**), and the extent to which the Fund complies with each of the Recommendations. The Principles have been modified to apply to externally-managed listed trusts. The Fund has also lodged an Appendix 4G (Key to disclosures – Corporate Governance Principles and Recommendations) with the ASX.

To the extent they are applicable and appropriate for the Fund's size and nature compliance with the Principles by the Fund and the Responsible Entity are summarised in the table below and detailed further under that. There is also a glossary at the end of this document to assist..

ASX Recommendations (summarised)		Compliant	Reference	Disclosed	Page
1.1 Mod	arrangements between responsible entity ( <b>RE</b> ) and the Fund for managing the affairs of the Fund	Yes	Board Charter, PDS	Website	3-4
	role and responsibility of the board of the RE for overseeing those arrangements	Yes	Board Charter, PDS	Website	
1.2	undertake appropriate checks before appointing a director	N/A - Ext manager (Yes)	Nomination & Remuneration Committee Charter	Website	4
	provide security holders with material information on election or re-election of a director	N/A - Ext manager	N/A – External manager		-
1.3	written agreement with directors and senior executives with terms of their appointment	N/A - Ext manager (Yes)	Appointment letters	N/A	5
1.4	company secretary accountable to the board, through the chair, on all matters to do with the proper functioning of the board	N/A - Ext manager (Yes)	Appointment letter	N/A	5
1.5	have a diversity policy	N/A - Ext manager	N/A - External manager		5
	disclose that policy or a summary				
	disclose the measurable objectives and progress towards achieving them, and				
	the proportions of men and women on the board, in senior executive positions and the organisation				
1.6	have and disclose process for evaluating the board, its committees and individual directors	N/A - Ext manager (Yes)	Nomination & Remuneration Committee Charter, Statement	Website	5
	disclose whether a performance evaluation was undertaken			Website	

ASX Recommendations (summarised)		Compliant	Reference	Disclosed	Page
1.7	have and disclose a senior executive evaluation process	N/A - Ext manager (Yes)	Nomination & Remuneration Committee Charter	Website	6
	disclose whether a senior executive evaluation was undertaken				
2.1	nomination Committee of at least 3 independents, chaired by independent director	N/A - Ext manager	Nomination & Remuneration Committee Charter	Website	6
	disclose the charter, membership, and attendances				
2.2	have and disclose a board skills matrix	N/A - Ext manager	Nomination & Remuneration Committee Charter	N/A	7
2.3	names of the independent directors	Yes	Statement, PDS	Website	7
	explain why a Director is independent	Yes	Statement, PDS	Website	
	the length of service of each director	Yes	Statement	Website	
2.4	majority of the board as independent directors	N/A - Ext manager	Statement	Website	7
2.5	Independent Chair, not CEO	N/A - Ext manager (Yes)	Nomination & Remuneration Committee Charter	Website	8
2.6	induction for new directors and ongoing professional development opportunities	N/A - Ext manager (Yes)	Nomination & Remuneration Committee Charter	Website	8
3.1	Code of Conduct for directors, senior executives and employees	Yes	Code of Conduct	Website	8
	disclose that Code of Conduct	Yes	Code of Conduct	Website	
4.1	Audit Committee of at least 3 independents chaired by independent director (not Board Chair)	Yes	Audit & Risk Committee Charter	Website	9
	Disclose the charter, membership, and attendances	Yes	Audit & Risk Committee Charter	Website	
4.2	receive from CEO and CFO an annual accounts declaration	Yes	Statement	N/A	10
4.3	external auditor attends AGM and available for questions	Yes	Statement	N/A	10
5.1	have a continuous disclosure policy	Yes	Disclosure & Communications Policy, Trading Policy	Website, ASX	10
	disclose a copy of the continuous disclosure policy	Yes			
6.1	provide information about itself and its governance to investors via its website	Yes	Disclosure & Communications Policy	Website	11
6.2	design and implement an investor relations program	Yes	Statement	N/A	11
6.3	disclose the policies and processes it has in place to facilitate and encourage participation at meetings of unitholders	Yes	Statement	Website, ASX	11
6.4	give security holders an electronic communications option	Yes	Statement, Registry	Website	11
7.1	Risk Committee of at least 3 independents chaired by independent director	Yes	Audit & Risk Committee Charter	Website	12
	disclose risk committee charter, membership, and attendances	Yes			

ASX Recommendations (summarised)		Compliant	Reference	Disclosed	Page
7.2	review risk management framework annually	Yes	Audit & Risk Committee Charter	Website	12
	Disclose if review occurred	Yes	Statement	N/A	
7.3	if there is no internal audit function, that fact and the processes for evaluating and improving effectiveness of risk management and controls	Yes	Statement	Website	12-13
7.4	disclose any material exposure to economic, environmental and social sustainability risks and how it manages those risks	Yes	Statement	Website	13
8.1 Mod	an externally managed listed entity to disclose the terms for remuneration of the manager	Yes	Statement, Financial Statement	Website, ASX	13-14
Glossary					14

### The Fund was quoted on ASX in FY16

The Fund was quoted on the ASX on 2 July 2015. The governance arrangements in this August 2015 Statement are in place, but because the Fund is relatively new to the listed environment, this Statement largely mirrors the statements made in the PDS of 22 May 2015 and will necessarily be a 'prospective' document in some respects (because annual reviews, for example, are not due for some time).

### The Fund is externally managed

The Fund is *externally managed*, by GARDA Capital Limited as its responsible entity.

As an *externally managed listed entity*, pages 35-6 of the Principles make specific exclusions and modifications, which have been incorporated into the Fund's governance regime and are detailed in this Statement. While the units in the Fund are listed, the shares in the Responsible Entity are not, and some investors are relying on the management expertise of the Responsible Entity. Some of the Recommendations apply to the Fund itself, others apply to the Responsible Entity in its corporate capacity. A number of Recommendations are stated by the ASX to not apply at all, and those are marked 'N/A' in the table above and noted in the description below (for example, a number of the Recommendations in Principle 1 (Board and Management) and Principle 2 (Board Structure)).

Where it is possible to provide additional disclosures to demonstrate the Responsible Entity's compliance in any case and commitment to governance, these have been included in the Statement.

The Board notes specifically that the Fund and the Responsible Entity largely complies with those Recommendations which are marked 'N/A' (despite the Principles not requiring the Fund to comply).

## PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### Recommendation 1.1 (for externally managed entities)

***The responsible entity of an externally managed listed entity should disclose:***

- the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; and***
- the role and responsibility of the board of the responsible entity for overseeing those arrangements.***

The Constitution of the Fund and the Corporations Act sets out the duties and responsibilities of the Responsible Entity. It is the responsibility of the Board of GARDA to ensure those duties and responsibilities are met. The Fund pays a management fee to the Responsible Entity, as disclosed in the Financial Statements.

The Fund is managed under the supervision and direction of the Board of the Responsible Entity. The Board comprises:

Name	Independent	Rem and Nomination Committee	Audit and Risk Committee	Disclosure Committee
Mr David Usasz (Joined May 2015)	Y - Independent Chairman	Chair	Y	N
Mr Matthew Madsen (Since Sept 2011)	N - Managing Director	N	N	Y
Mr Mark Hallett (Since Jan 2011)	N - Non-executive Director	Y	Y	N
Mr Philip Lee (Joined May 2015)	N - Non-executive Director	Y	Chair	N
Mr Leylan Neep (Since July 2014)	N - Executive Director	N	N	Y

The Board meets regularly (usually at least monthly), and considers critical compliance and risk management issues as they arise. The Board ensures that the Fund is managed in the best interests of Unitholders. This involves monitoring the decisions and actions of the Responsible Entity and its management team, through the Managing Director, who are responsible for the day-to-day management of the Fund.

The Board retains overall responsibility for the management of the Fund. There is a clear separation between executive management and the Board. The Board monitors the governance and performance of the Fund through various committees established by it (and described further below).

The Board of the Responsible Entity has formalised its roles and responsibilities in a Board Charter. The Board Charter sets out the roles and responsibilities of each of the Board positions, as well as the framework for delegating its authority to management and others. The Board Charter confirms that the Board will consist of a majority of non-executive directors, and that the Chair must be an independent non-executive director. The Board will periodically review and evaluate its own performance, the performance of individual directors and that of the senior executives against both measurable and qualitative indicators.

A copy of the Board Charter is available at [www.gardacapital.com.au](http://www.gardacapital.com.au).

The Board has formed certain committees and delegated various responsibilities to them. This includes the Audit and Risk Committee which is discussed in further detail below. The Board also oversees the external compliance officer.

## **Recommendation 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.***

*Not applicable, as the Fund is externally managed.*

The election of directors of an external manager are not required to be put to unitholders for approval or ratification. However, before formally appointing a Director to the Board, appropriate background checks as required by law are undertaken, through the external compliance function.



### **Recommendation 1.3**

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

*Not applicable, as the Fund is externally managed.*

However, the Responsible Entity ensures that all Directors and senior executives providing services to the Fund have formal agreements setting out the material terms of their appointment, on industry-standard terms and conditions.

### **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.***

*Not applicable, as the Fund is externally managed.*

However, the Company Secretary of the Responsible Entity is accountable directly to the Board on all matters to do with the proper functioning of the Board.

### **Recommendation 1.5**

***A listed entity should:***

- 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;***
- b. disclose that policy or a summary of it; and***
- 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 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).***

*Not applicable, as the Fund is externally managed.*

While the Responsible Entity takes account of gender and broader diversity issues in its dealings, it has relatively few employees and its size does not presently warrant a formal diversity policy or targets.

### **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, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.***

*Not applicable, as the Fund is externally managed.*

However, in accordance with the Board Charter of the Responsible Entity, the performance of the Board will be evaluated periodically in a manner determined by the chairperson, against both measurable and qualitative indicators. The Responsible Entity will disclose, for each reporting period, if a review was undertaken. Two new non-executive Board members recently joined in May 2015, so no review was undertaken during this limited reporting period.

A copy of the Board Charter is available at [www.gardacapital.com.au](http://www.gardacapital.com.au).

### **Recommendation 1.7**

***A listed entity should:***

- a. have and disclose a process for periodically evaluating the performance of its senior executives; and***
- b. disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.***

*Not applicable, as the Fund is externally managed.*

However, senior executives of the Responsible Entity are accountable to the Managing Director, and ultimately the Board. While the appointment and remuneration of executives servicing the Fund will be undertaken by GARDA, which will consult with the Responsible Entity regarding the setting and evaluation of performance goals for key executives. The non-executive Directors of the Responsible Entity will have input into the remuneration and performance goals of the key executives of GARDA.

## **PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE**

### **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 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.***

*Not applicable, as the Fund is externally managed.*

However, the Board has established a Nomination and Remuneration Committee for the Responsible Entity. This Committee has three members (see the table at Recommendation 1.1), all of whom are non-executive directors, and none of which has an interest which would materially influence his or her independent judgement.

The Nomination and Remuneration Committee aims to ensure that remuneration and incentive schemes of the GARDA Group are appropriate given both the short and long term objectives of the Responsible Entity and the Fund. The Committee approves the annual remuneration report, and liaises with the Audit and Risk Committee. It may delegate, and has full access to management and advisors as it considers appropriate.

This Committee operates under a Nomination and Remuneration Committee Charter, which sets out the authority delegated to the Nomination and Remuneration Committee, which assists the Board to fulfil its obligations by dealing with:

- Board succession planning;
- Managing Director or Chief Executive Officer succession planning;
- induction and professional development of Directors;
- evaluation of Board and key management candidates;
- remuneration structures and employee benefits within the Responsible Entity; and
- recruitment and evaluation generally.

A copy of the Nomination and Remuneration Committee Charter is available at [www.gardacapital.com.au](http://www.gardacapital.com.au).

As at the date of this Statement, the Nomination and Remuneration Committee has not met.

The Responsible Entity notes that the remuneration of the Board and of senior executives is a matter for GARDA, as the remuneration of the Board and senior executives is not paid by the Fund.

### **Recommendation 2.2**

***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.***

*Not applicable, as the Fund is externally managed.*

However, the Board has historically developed an internal board skills matrix, which will be reviewed and implemented by the Nomination and Remuneration Committee. As a Board, the directors have a wide range of professional skills with particular experience in property and funds management, investment management and governance which are seen as the appropriate mix of skills required for their role as Directors of the Responsible Entity. Two new non-executive appointments were made in May 2015, which recently expanded the Board skills.

### **Recommendation 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.***

See the table at Recommendation 1.1.

The rules and regulations relating to managed investment schemes such as the Fund, require sufficient independence at the Board of the Responsible Entity.

It is the policy of the Responsible Entity that the majority of the Board will be non-executive directors. The Directors must act in the best interests of the Fund generally. In determining the independence of its Directors, the Responsible Entity has had regard to the guidelines provided by the ASX Corporate Governance Council in Principle 2.

Mr David Usasz is considered by the Board to be an Independent Director. Mr Usasz is also the Chairman. He holds a non-material stake in the Fund through an associated entity.

Mr Philip Lee and Mr Mark Hallett are non-executive Directors of the Responsible Entity. Mr Lee holds a non-material stake in the Fund through an associated entity, as does Mr Hallett directly. They are not considered to be 'independent', but the Board considers that their relationships do not interfere with their ability to give independent judgement to issues before the Board.

The Board have mechanisms to identify and consider potential conflicts. Directors may take independent professional advice, at the expense of the Responsible Entity.

The Responsible Entity and GARDA will implement training programs to ensure that all relevant staff and the Board receive annual training on conflicts of interest, and under the Trading Policy.

### **Recommendation 2.4**

***A majority of the board of a listed entity should be independent directors.***

*Not applicable, as the Fund is externally managed.*

The Board comprises one independent Chairman, Mr David Usasz. There are two non-executive Directors, Mr Philip Lee and Mr Mark Hallett, as well as two executive directors. The Board consider this to be the optimal Board composition given the current size and business of the Responsible Entity.

**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.***

*Not applicable, as the Fund is externally managed.*

The Chair of the Board of the Responsible Entity is Mr David Usasz who is an Independent Director. Mr Madsen is the Managing Director of the Responsible Entity, with ultimate executive responsibility.

**Recommendation 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.***

*Not applicable, as the Fund is externally managed.*

All Directors appointed by the Responsible Entity receive an induction training program which includes information on the Responsible Entity's values and Code of Conduct.

Ongoing training for the Directors includes site visits to familiarise themselves with the Fund's properties, and making available professional education programs to enhance skills and knowledge, and presentations on developments impacting the Fund.

**PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY****Recommendation 3.1**

***A listed entity should:***

- a. have a code of conduct for its directors, senior executives and employees; and***
- b. disclose that code or a summary of it.***

Each Director and employee of the Responsible Entity involved in the management or operation of the Fund has agreed to comply with the Code of Conduct.

The Code of Conduct is a statement of commitment to honesty and integrity in the dealings of the GARDA Group, including the Responsible Entity. It sets our core values, commitments and moral standards, and applies to the Board, management and employees of GARDA Group, as well as extending to persons who act on behalf of the Responsible Entity. It sets guidelines and reinforces our commitment to dealing with many important business aspects and in dealings with the Fund, including:

- conflicts of interest;
- anti-bribery and gifts, and political dealings;
- confidentiality and privacy;
- fair dealings;
- discrimination, harassment and bullying;
- health and safety;
- compliance with laws and regulations; and
- whistleblower protection.

A copy of the Code of Conduct is available at [www.gardacapital.com.au](http://www.gardacapital.com.au).

## PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

### 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 nonexecutive directors and a majority of whom are independent directors; and***
  - ii. is chaired by an independent director, who is not the 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.***

The Board has established a combined Audit and Risk Committee to relevantly assist the Board in overseeing the integrity of the Fund's external financial reporting, the appointment and independence of the auditor, internal financial controls, financial procedures and policies, and the risk management and compliance framework. The Audit and Risk Committee will report to the Board on all matters relevant to the Audit and Risk Committee's roles and responsibilities.

The Audit and Risk Committee must comprise at least three non-executive directors, and include between them sufficient financial expertise. The Chair of the Responsible Entity cannot (and does not) also chair the Risk and Audit Committee.

As shown in the table at Recommendation 1.1, Mr Lee has been appointed by the Board to chair the Audit and Risk Committee, with Mr Usasz and Mr Hallett serving as members. Accordingly, the Audit and Risk Committee is comprised solely of non-executive Directors, but due to Board composition:

- is not comprised of a majority of independent Directors; and
- the chairperson of the Committee is not an independent Director.

(See Recommendations 2.3 and 2.4 for a discussion on independence and judgement.)

The Audit and Risk Committee had its first meeting on 18 August 2015, and will meet as frequently as required to undertake its role effectively. The Managing Director and the CFO are expected to attend, and there is a standing invitation to external auditors (and internal auditors, if and when engaged). The Committee may require attendance of any member of management, has full access to documents and records, and can engage external advisors or counsel where considered necessary or appropriate.

The Board has approved an Audit and Risk Committee Charter. This document sets out the authority delegated by the Board to the Audit and Risk Committee, whose purpose is generally to ensure that the Responsible Entity satisfies its statutory and regulatory responsibilities. The Charter covers:

- accounting, auditing and financial reporting responsibilities;
- assessing and recommending the appointment and remuneration of the external auditor;
- reviewing and recommending procedures of the Fund and the Responsible Entity;
- assessing the financial position and performance of the Fund;
- ensuring compliance with the Corporations Act, and Listing Rules;
- reviewing systems to ensure that conflicts do not occur; and
- preparing and reviewing a risk management profile to determine and manage key risks to both the Responsible Entity and to the Fund.

A copy of the Audit and Risk Committee Charter is available on the website [www.gardacapital.com.au](http://www.gardacapital.com.au).

See also Recommendation 7.1.

#### **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.***

To the extent that the financial statements of the Fund are approved by the Board each financial year, the Managing Director and the CFO of the Responsible Entity will provide the declarations required by Section 295A of the Corporations Act.

#### **Recommendation 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.***

This Recommendation applies as the Fund will hold annual general meetings (AGMs). The first will be following the first full quotation year, ending 30 June 2016. The Fund's external auditor will attend and be available at the Fund's AGM to answer questions from Unitholders relevant to the audited accounts of the Fund.

### **PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE**

#### **Recommendation 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.***

The Responsible Entity is committed to fair and open disclosure, so that investors (or potential investors) can expect to see information which would have a material effect on the price or value of the units. The Responsible Entity aims to ensure that announcements are factual, balanced and expressed in a clear and objective manner, and timely in order to assist investors with investment decisions.

The Responsible Entity has established a Disclosure Committee, comprising the Executive Directors as shown in the table at Recommendation 1.1 and the General Counsel of GARDA. It meets on an ad-hoc basis, as required for significant and continuous disclosure.

A Disclosure and Communications Policy has been adopted to ensure the Responsible Entity meets its disclosure obligations. This Policy deals generally with continuous disclosure requirements of the ASX, and best practice in communications with Unitholders and stakeholders generally. It applies to the Board, officers, employees and consultants. It sets out the circumstances where it would apply, and puts in place a framework for addressing issues as and when they arise, in a timely and adequate manner. It also sets out where there are exceptions to disclosure of information, and encourages the adoption of electronic communications and other technologies through the website or the Registry.

The Board has also adopted a Trading Policy in relation to the Fund's units, which applies to all Directors, executive and staff of GARDA. It also applies to "Designated Individuals", who may come across information in assisting a member of the GARDA Group. It makes it clear that dealing or trading on insider information is illegal, and sets out what is insider information as against information which is generally available. It deals with restrictions and prohibited periods, and prohibited transactions such as margin lending, short selling or hedging, with very limited defined exemptions.

A copy of both the Disclosure and Communications Policy, and the Trading Policy, is available at [www.gardacapital.com.au](http://www.gardacapital.com.au).



## **PRINCIPLE 6: RESPECT THE RIGHTS OF UNITHOLDERS**

### **Recommendation 6.1**

***A listed entity should provide information about itself and its governance to investors via its website.***

The Responsible Entity has adopted a Disclosure and Communications Policy (as noted in Recommendation 5.1 above). The Responsible Entity provides all relevant information about itself, the policies and charters, the Fund and the governance of the Fund at [www.gardacapital.com.au](http://www.gardacapital.com.au), as required by the Principles and the Listing Rules.

### **Recommendation 6.2**

***A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.***

The Responsible Entity will provide clear and effective communications with stakeholders on matters affecting the Fund and the units, in accordance with the Disclosure and Communications Policy.

Announcements in respect of the Fund and the Responsible Entity are:

- released to ASX as required by the Listing Rules;
- posted to GARDA Group's website; and
- distributed to major media and investor contacts.

The Responsible Entity will also regularly communicate with Unitholders, including through the publication of:

- audited annual financial reports;
- reviewed half-yearly financial reports;
- half-yearly distribution statements; and
- annual taxation statements.

GARDA's website also has (or will have) accessible information on the Fund, including policies and charters, the current Unit price, half-yearly and annual reports, and distribution information.

### **Recommendation 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.***

The Fund will hold an AGM of Unitholders. Each meeting will cover formal business, but also provide Unitholders with an opportunity to be updated on the activities of the Responsible Entity and the Fund, and to ask questions of the Board and management of the Fund. The auditor will also attend to answer questions on the audited accounts of the Fund.

Notices of meeting and explanatory memoranda for Unitholder resolutions will be provided to Unitholders in accordance with the Constitution and the Corporations Act, and will be accessible on the Fund's website, as well as being lodged with ASX.

Unitholders who are not able to attend an AGM are able to vote by proxy.

### **Recommendation 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.***

The Responsible Entity provides Unitholders the option of receiving communications from the Fund electronically (through the registry), as well as a portal for receipt of communications from Unitholders.

General information on the Responsible Entity, and matters relating to the Fund as well as continuous disclosures are accessible on the Fund website at [www.gardacapital.com.au](http://www.gardacapital.com.au).

## **PRINCIPLE 7: RECOGNISE AND MANAGE RISK**

### **Recommendation 7.1**

***The board of a listed entity should:***

- a. have a 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.***

The Audit and Risk Committee must only comprise of non-executive directors, with at least three members. Mr Lee has been appointed by the Board to chair the Audit and Risk Committee, with Mr Usasz and Mr Hallett also serving as members. Accordingly, the Audit and Risk Committee is comprised of non-executive members but not a majority of independent Directors, and the chairperson of the Committee is not an independent Director. (See the discussion at Recommendations 2.3 and 2.4 on independence.) The Chair of the Audit and Risk Committee reports deliberations and findings back to the next meeting of the full Board. It met for the first time on 18 August 2015, and will meet as frequently as required to undertake its role effectively.

The Board have adopted a Risk Management Policy, which expresses the Responsible Entity's commitment to a sound system of risk oversight and control throughout its business. It is based on the Principles, and the international standard on risk management. It applies to the Board, the executives and all staff. The Policy recognises that risk identification and monitoring is a dynamic process, and is designed to provide information to deal with uncertainty on the Responsible Entity's objectives and on the Fund itself. The Audit and Risk Management Committee assists the Board in setting and monitoring the risk management framework. The Risk Management Policy is to be reviewed at least annually

A copy of the Charter of the Audit and Risk Committee, and the Risk Management Policy, is available on the website [www.gardacapital.com.au](http://www.gardacapital.com.au).

See also Recommendation 4.1.

### **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.***

The Audit and Risk Committee oversees and reviews the effectiveness of the Responsible Entity's risk management framework annually, and reviews the framework to ensure its application to the Responsible Entity and the Fund. The Audit and Risk Committee have not yet undertaken that review, but will disclose in each reporting period whether a review has been undertaken.

### **Recommendation 7.3**

***A listed entity should disclose:***

- a. if it has an internal audit function, how the function is structured and what role it performs; or***
- 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.***

The Responsible Entity does not have an internal audit function. Risk management is a continuous process. The Managing Director and the senior executive of the Responsible Entity interact with staff and external stakeholders, and are free to raise risks which impact on the Fund at any time.



As a majority of the Board are non-executive external directors, there is no requirement for a formal compliance committee. Material risks are elevated to the Board for inclusion in the risk section at their monthly meetings. The external compliance officer also focuses on risk and control processes as a critical part of the compliance function.

The Audit and Risk Committee is responsible for the preparation and maintenance of a risk profile for financial and non-financial matters, and will receive and review reports on the Fund as required from the auditor, management and external consultants regarding material business risk and any internal control processes and compliance activities.

#### **Recommendation 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.***

The Fund is exposed to certain economic risks. Section 8 of the PDS listed those in great detail, but the main risks can be summarised as follows:

- concentration – the Fund invests in real property only;
- geographic – the Fund invests predominantly on the eastern seaboard of Australia;
- leasing – properties may become vacant if tenants do not renew, and it may be difficult to find new tenants; also, defaults, and incentives in the marketplace;
- valuation – valuations may go up or down depending on external circumstances and the market generally, and the Fund may not sell a property at the valuation amount;
- litigation – the Fund and Responsible Entity may have to sue third parties, and may be sued;
- buildings and maintenance – there may be latent defects in buildings which are not apparent when acquired, and there may be high maintenance costs;
- banking – covenants and interest rates;
- competition – there are many other property funds competing for the pool of buildings and tenants, some of which have significantly more scale and resources;
- personnel – key management may leave, and may be hard to replace;
- market conditions – the price of units may generally rise or fall with the ASX, for matters not associated with the property sector; and
- natural phenomena – storms, floods, fires and other natural disasters may damage buildings.

Those risks are managed and reviewed regularly by the Responsible Entity in accordance with its risk management framework and the Risk Management Policy, under the supervision of the Audit and Risk Committee.

### **PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY**

#### **Recommendation 8.1 (for externally managed entities)**

***An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.***

The fees payable by the Fund to the Responsible Entity and its associated entities are set out in detail in the Constitution and in Section 10.2 of the PDS and in the Financial Statements.

In summary:

- both the Management Fee (0.65%) and the Capital Expenditure Fee (5% of capital works) are payable monthly in arrears.
- the Responsible Entity is indemnified for all expenses and expenditures properly incurred in relation to managing the Fund; and
- GARDA's subsidiary GRES is entitled to certain leasing and property management services fees, on an arms-length basis.

Other GARDA entities may also earn additional fees in relation to other services which the Fund engages a member of the GARDA Group entities to undertake on an arms-length basis (subject to the Corporations Act), such as financing or project management fees.

Directors and employees are not provided with any remuneration from or through the Fund, and do not receive units in the Fund as a form of remuneration.

## **GLOSSARY**

Key terms used in this Corporate Governance Statement:

<b>ASX</b>	Australian Securities Exchange.
<b>Board</b>	The directors of the Responsible Entity acting as a board.
<b>Constitution</b>	The Constitution of the Fund most recently amended and restated on 12 May 2015.
<b>Corporations Act</b>	<i>Corporations Act</i> 2001 (Cth).
<b>Director</b>	A director of GARDA.
<b>Financial Statements</b>	The audited financial statements of the Fund, the most recent being 28 August 2015.
<b>Fund</b>	GARDA Diversified Property Fund ARSN 104 391 273, ASX Code: GDF.
<b>GARDA</b>	GARDA Capital Limited ACN 095 039 366, Australian financial services licence 246714.
<b>GARDA Group</b>	GARDA, and its subsidiaries.
<b>GRES</b>	GARDA Real Estate Pty Ltd, which provides property management services to the Fund for a fee.
<b>Listing Rules</b>	The official listing rules of the ASX from time to time.
<b>PDS</b>	The product disclosure statement dated 22 May 2015 issued by GARDA Capital Limited in relation to an offer of units in GARDA Diversified Property Fund.
<b>Principles</b>	ASX Corporate Governance Principles and Recommendations – 3 <sup>rd</sup> edition March 2014.
<b>Recommendations</b>	The recommendations listed in the Principles (as modified for externally managed listed entities in accordance with pages 35-6 of the Principles).
<b>Registry</b>	Link Market Services Limited, the external registry for the Fund.
<b>Responsible Entity</b>	GARDA, in its capacity as responsible entity of the Fund.
<b>Statement</b>	This Corporate Governance Statement approved by the Board and dated 28 August 2015.
<b>Unitholders</b>	A registered holder of units in the Fund.