

## Appendix 4G

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

Introduced 01/07/14 Amended 02/11/15

Name of entity

**AVJennings Limited**

ABN / ARBN

**44 004 327 771**

Financial year ended:

**30 June 2018**

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:

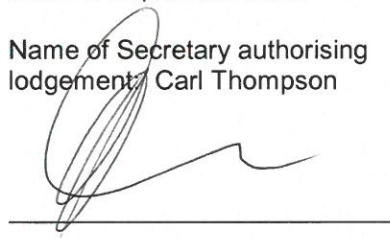
☒ This URL on our website: [www.avjennings.com.au/about-us/investor-centre/corporate-governance](http://www.avjennings.com.au/about-us/investor-centre/corporate-governance)

The Corporate Governance Statement is accurate and up to date as at 30 June 2017 and has been approved by the board.

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

Date: 5 September 2018

Name of Secretary authorising  
lodgement: Carl Thompson



<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.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement and</p> <p><input checked="" type="checkbox"/> at <a href="http://www.avjennings.com.au/about us/investor centre/corporate governance">http://www.avjennings.com.au/about us/investor centre/corporate governance</a></p> <p>... 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):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement and</p> <p><input checked="" type="checkbox"/> Board Charter at this location: <a href="http://www.avjennings.com.au/about us/investor centre/corporate governance">http://www.avjennings.com.au/about us/investor centre/corporate governance</a></p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>
1.2	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.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</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>
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	<p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement and</p> <p><input checked="" type="checkbox"/> in our remuneration report, which is contained in the Directors' Report in the 2018 Annual Financial Report</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>
1.4	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 <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 are an externally managed entity and this recommendation is therefore not applicable</p>

<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.

## Key to Disclosures Corporate Governance Council Principles and Recommendations

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 checked="" type="checkbox"/> in our Corporate Governance Statement</p> <p>... and a copy of our diversity policy or a summary of it:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.avjennings.com.au/about-us/investor-centre/corporate-governance">http://www.avjennings.com.au/about-us/investor-centre/corporate-governance</a></p> <p>... and the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement and attached Diversity Report</p> <p>... and the information referred to in paragraphs (c)(1) or (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement and attached Diversity Report</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>
1.6	<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>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</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>
1.7	<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</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"/> 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>

## Key to Disclosures Corporate Governance Council Principles and Recommendations

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 checked="" type="checkbox"/> in our Corporate Governance Statement <u>OR</u></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://www.avjennings.com.au/about us/investor centre/corporate governance">http://www.avjennings.com.au/about us/investor centre/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 and the Directors Report section of the Company's 2018 Annual Financial Report</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 <u>OR</u></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>
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.	<p>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

## Key to Disclosures Corporate Governance Council Principles and Recommendations

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  ... and, where applicable, the information referred to in paragraph (b): <input checked="" type="checkbox"/> in our Corporate Governance  ... and the length of service of each director: <input type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input checked="" type="checkbox"/> in the Directors Report, which is contained in the 2018 Annual Financial Report available at <a href="http://www.avjennings.com.au/about-us/investor-centre/ASX-Announcements">http://www.avjennings.com.au/about-us/investor-centre/ASX-Announcements</a>	<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 <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
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 type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
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"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u> <input 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 checked="" type="checkbox"/> in our Corporate Governance Statement <input checked="" type="checkbox"/> at <a href="http://www.avjennings.com.au/about-us/investor-centre/corporate-governance">http://www.avjennings.com.au/about-us/investor-centre/corporate-governance</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

## Key to Disclosures Corporate Governance Council Principles and Recommendations

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 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b>			
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</p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at <a href="http://www.avjennings.com.au/about us/investor centre/corporate governance">http://www.avjennings.com.au/about us/investor centre/corporate governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in the Directors Report, which is contained in the 2018 Annual Financial Report available at <a href="http://www.avjennings.com.au/about us/investor centre/ASX Announcements">http://www.avjennings.com.au/about us/investor centre/ASX Announcements</a></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 <u>OR</u></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>
4.2	<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"/> an explanation why that is so in our Corporate Governance Statement</p>



## Key to Disclosures Corporate Governance Council Principles and Recommendations

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"/> 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 <a href="http://www.avjennings.com.au/about us/investor centre/corporate governance">http://www.avjennings.com.au/about us/investor centre/corporate governance</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 <a href="http://www.avjennings.com.au/about us/investor centre/corporate governance">http://www.avjennings.com.au/about us/investor centre/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 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	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable
6.4	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement and <input checked="" type="checkbox"/> at <a href="http://www.avjennings.com.au/about us/investor centre/Investor Services">http://www.avjennings.com.au/about us/investor centre/Investor Services</a>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

**Appendix 4G**

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

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 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://www.avjennings.com.au/about-us/investor-centre/corporate-governance">http://www.avjennings.com.au/about-us/investor-centre/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 and the Directors Report section of the Company's 2018 Annual Financial Report</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>... 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</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>



## Key to Disclosures Corporate Governance Council Principles and Recommendations

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	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.	<p>[If the entity complies with paragraph (a):] ... how our internal audit function is structured and what role it performs: <input checked="" type="checkbox"/> in our Corporate Governance Statement</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: <input type="checkbox"/> in our Corporate Governance Statement <u>OR</u> <input type="checkbox"/> at <i>[insert location]</i></p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
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: <input checked="" type="checkbox"/> in our Corporate Governance Statement</p>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

## Key to Disclosures Corporate Governance Council Principles and Recommendations

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 <u>OR</u></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://www.avjennings.com.au/about-us/investor-centre/corporate-governance">http://www.avjennings.com.au/about-us/investor-centre/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 and the Directors report section of the Company's 2018 Annual Financial Report</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 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 <u>OR</u></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 <u>OR</u></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</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <u>OR</u></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>

## Key to Disclosures Corporate Governance Council Principles and Recommendations

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>
8.3	A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it.	... our policy on this issue or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement and the Directors report section of the Company's 2018 Annual Financial Report <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 type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES</b>			
-	<i>Alternative to Recommendation 1.1 for externally managed listed entities:</i> The responsible entity of an externally managed listed entity should disclose: (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.	... the information referred to in paragraphs (a) and (b): <input 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
-	<i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i> An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.	... the terms governing our remuneration as manager of the entity: <input 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 Statement For the year ended 30 June 2018

This Corporate Governance Statement indicates the Company's conformance with the Australian Securities Exchange's ("ASX") Corporate Governance Council's, "Corporate Governance Principles and Recommendations" (3rd Edition), as required by the ASX Listing Rules.

The AVJennings Corporate Governance Statement is structured with reference to the ASX recommendations and discloses, where the Board considers the recommendations to be appropriate benchmarks for the Company's corporate governance practices, the extent to which the Company follows the recommendations. In compliance with the "if not, why not" regime, areas of non-compliance are disclosed under the relevant principle, with an explanation as to why a recommendation has not been followed and what, if any, alternative practices the Company has adopted. All corporate practices within this Report were in place for the entire year unless otherwise indicated. This Statement refers to documents that support the Company's Corporate Governance framework and it is posted on the Investors-Corporate Governance section on the Company's website: [www.avjennings.com.au](http://www.avjennings.com.au).

### **Principle 1: Lay Solid Foundations for Management and Oversight**

#### ***Role of Board and Management***

The ASX Corporate Governance Council Principles and Recommendations require the Company to disclose the respective roles and responsibilities of the Board and management and matters expressly reserved for the Board and those delegated to management. The roles and responsibilities of the Company's Board, Board Committees and senior management have been established through Board approved Charters, which have been operational throughout the period and are disclosed on the Company's website at [www.avjennings.com.au](http://www.avjennings.com.au).

Key accountabilities and matters reserved for the Board include:

- Ensuring that the Company is financially sound and meets its regulatory, prudential and other requirements, and has appropriate financial reporting practices;
- Approval of a strategic plan, which is designed to meet stakeholders' needs and manage business risk. The strategic plan is a dynamic document and the Board is actively involved in developing and approving it;
- Approval of initiatives and strategies designed to ensure the continued growth and success of the entity;
- Approval of, and implementation of, operating plans and budgets by management and monitoring of progress against budget
  - This includes the establishment and monitoring of key performance indicators (both financial and non-financial) for all significant business processes;
  - The establishment of committees or management reporting mechanisms and policies to manage and report on regulatory requirements such as occupational health and safety;
  - The establishment of financial delegations by the Board, applying to management and staff;
  - The review and ratification of systems of risk management and internal compliance and control, codes of conduct and legal compliance;
  - The approval of and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures; and
  - The approval and monitoring of financial and other reporting.

- The establishment of appropriate Board Committees to advise, review and approve management actions to ensure they are in line with company policy;
- To select and appoint (and if appropriate, remove from office) the Chief Executive Officer and determine his/her conditions of service; and
- To ratify the appointment and removal of senior executive positions and determining whether the terms and conditions (including remuneration) are appropriate.

To assist it in carrying out its responsibilities, the Board has established several standing Board Committees of its members. Director appointments to Board Committees are by formal resolutions of the Board. The Chairman of each Committee reports on any matters of substance at the next full Board Meeting. Membership of Board Committees and attendance at Board and Committee meetings is tabulated in the *Director's Report* section of the Company's 2018 Annual Financial Report.

The Board Committees are:

- Audit Committee
- Nominations Committee
- Remuneration Committee
- Investments Committee
- Risk Management Committee (incorporating the Occupational Health, Safety and Environment sub-committee)

Responsibility for the day to day operation and administration of the Company and the entities it controls is delegated by the Board to the Chief Executive Officer, assisted by his direct reports. The Board ensures that the Chief Executive Officer is appropriately qualified and experienced to discharge his responsibilities and has in place procedures to assess his performance.

The Chief Executive Officer is accountable to the Board for the authority that is delegated to the Chief Executive Officer and reports routinely to the Board on the Company's progress on achieving the short, medium and long terms plans of the Company.

The Board has also approved financial delegations and personnel delegations which cover specific areas of delegated responsibility to the Chief Executive officer and senior management.

### **Appointment of New Directors**

The Board has established a Nominations Committee, which is charged in the terms of its Charter with the review of Board composition, recommending the appointment or removal of directors and assisting in identifying, interviewing and recruiting candidates for appointment as Directors. As part of its role, the Nominations Committee ensures that appropriate background checks are performed before directors are appointed to the Board. When putting forward to shareholders a candidate for election as a director, the Company provides shareholders with all material information in its possession relevant to a decision on whether or not to elect that candidate as a director.

All persons who are invited and agree to act as a Director of the Company do so by a formal letter of consent. The Company has a written agreement with each of its Directors and senior executives, setting out the terms of their appointment. Details of remuneration of Directors and Key Management Personnel are disclosed in the *Remuneration Report* in the Company's 2018 Annual Financial Report.

### **Company Secretary**

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board, including advising on governance matters, monitoring that Board policies and procedures are followed, coordinating all Board business, including meetings, agendas, Board papers and minutes, and monitoring the completion of actions arising from Board meetings. The Company Secretary is also responsible for lodgements with relevant regulators, management of dividend payments

and/or dividend reinvestment plan allotments and management of the relationship between shareholders and the share registry.

Directors have access to the Company Secretary at all times. Details of the Company Secretary's experience and qualifications are set out in the *Directors' Report* section of the Company's 2018 Annual Financial Report.

### **Diversity**

In accordance with the ASX recommendations, the Board has established a Diversity Policy and has set measurable objectives to achieve its goals on diversity. The Diversity Policy is available for viewing on the Company's website at [www.avjennings.com.au](http://www.avjennings.com.au).

The Company's approach to diversity, measurable objectives it has set and progress towards achieving these objectives, together with details of the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board, are shown in the attached Diversity Report.

### **Board and Committee Performance Evaluation**

The Nominations Committee Charter provides that the Committee should establish a performance evaluation process and evaluate the performance of the Board and its Committees at least annually. In November 2017, through the Nominations Committee, the Directors reviewed the performance of the whole Board and Board Committees. The review considered each Director's expertise, skill and experience, along with their understanding of the company's business, preparation for meetings, relationships with other Directors and management, awareness of ethical and governance issues, and overall contribution. The outcomes of the review were discussed and considered by all the Directors and the general conclusion was that the Board and each of the Board Committees were operating well. The Company had experienced a challenging year with production maintained at high levels and several new projects reaching advanced stages of production. The Board had provided good oversight of management's actions and strategic direction to those activities. It was also considered that the respective committees had done likewise within their spheres of responsibility.

### **Senior Executive Performance Evaluation**

The roles and responsibilities of the Chief Executive Officer and senior management are established through key performance objectives. They are assessed against those objectives on an annual basis, or more frequently if that is considered necessary.

The Remuneration Committee monitors the performance of the Chief Executive Officer. It also monitors the performance of the Chief Financial Officer and the Company Secretary in consultation with the Chief Executive Officer. The Chief Executive Officer assesses the performance of senior management and these assessments are reviewed by the Remuneration Committee. During the reporting period, an evaluation of the Chief Executive Officer and senior executives has taken place, with the Board pleased with their performance.

## **Principle 2: Structure the Board to Add Value**

### **Composition of the Board**

The Company's Constitution and Section 201A of the *Corporations Act 2001* stipulate that a public company must have at least three Directors.

The Board has adopted guidelines concerning its composition, which are disclosed in the Board Charter. For the time being, the Board has determined that there shall be at least five Directors, increasing where additional expertise is required.



## **Nominations Committee**

The Board has a Nominations Committee, comprising three Independent Directors, Mr R J Rowley, Mr B G Hayman and Mr B Chin (appointed 14 August 2018) and two Non-Executive Directors, Mr S Cheong and Mrs E Sam, who is also Chairperson of the Committee. The Board is of the view that the Committee, which consists entirely of Non-Executive Directors and since August 2018 with an independent majority, is structured appropriately to perform its functions and the fact that Mrs Sam is the Chairperson does not compromise that view. The Committee meets at least annually.

The Nominations Committee Charter sets out its role, responsibilities, composition, structure, membership requirements and guidelines and is posted on the Corporate Governance section of the Company's website. Details of the number of meetings held and attendance at the meetings during the financial year are disclosed in the *Directors Report* of the Company's 2018 Annual Financial Report.

The Nominations Committee assists the Board in identifying, evaluating and recommending candidates to the Board, having regard to the relevant skills, experience, personal attributes, diversity, availability and time commitments required of new Directors. The Committee may make use of external consultants if that is deemed appropriate.

## **Board Structure and Skills**

The Board seeks to achieve a balance in its structure to best reflect the needs of the Company at any particular time. Appointment to the Board will be dependent on candidates demonstrating an appropriate breadth of experience in a field of expertise that is relevant to the ongoing supervision of the Company's affairs. A Board skills matrix has been developed and is used to assess the skills and experience available on the Board and to identify gaps in skills, if any. Development of strategy and policy, financial literacy, industry experience, banking and finance, risk management, compliance oversight, sales and commercial experience are some of the desirable skills identified in the matrix and these are collectively available on the Board.

## **Director Independence**

The Board includes both Executive and Non-Executive Directors with a majority of Non-Executive Directors. The Non-Executive Directors include both independent and non-independent Directors. As at 30 June 2018, the Board comprised of eight Directors, with four of the seven Non-Executive Directors, namely Messrs Jerome Rowley, Bruce Hayman, Bobby Chin, and Teck Poh Lai being independent, as determined in accordance with the ASX guidelines on independence.

The other three Non-Executive Directors, namely Mr Simon Cheong, Chairman, Mrs Elizabeth Sam and Mr Boon Leong Tan represent SC Global Developments Pte Ltd, a substantial shareholder, but have no involvement in the operational management of the Company. The Managing Director is an Executive Director.

Messrs Bruce Hayman and Bobby Chin have been Directors of the Company since 18 October 2005. Mr Jerome Rowley has been a Director of the Company since 22 March 2007. They have no involvement in the operational management of the Company and after giving due consideration to the relationships listed in Box 2.3 of the ASX guidelines on independence, the Board has determined that their status as independent Directors has not been compromised.

Directors are required to ensure that they immediately advise the Board of any relevant new or changed relationships, to enable the Board to consider and determine the materiality of those relationships.

The *Directors' Report* section of the Company's 2018 Annual Financial Report provides a brief description of each Director's qualifications, experience, length of service, special responsibilities and status as Executive, Non-Executive or Independent Director.

## **Chairman**

The Chairman of the Board is selected by the full Board. The current Chairman of the Board, Mr Simon Cheong, is also Chairman of the Board of a substantial shareholder, SC Global Developments Pte Ltd and is not considered an Independent Director. The Board believes that notwithstanding Mr Cheong's role as an officer of a substantial shareholder, the Company was best served with his acting as Chairman due the strength of his skills, business contacts, acumen as well as his experience and commitment to that role. The roles of Chairman and Chief Executive Officer are exercised by different individuals.

## **Director Induction and Education**

New Directors are inducted individually on the Company's financial, strategic, operational and risk management positions, the culture and values of the Company and meeting arrangements. Directors have access to Company records and information through the Company Secretary and other relevant senior officers. They receive regular detailed reports on financial and operational aspects of the Company's business and may request elaboration or explanation of those reports at any time.

In order to achieve continuing improvement in Board performance, all Directors are encouraged to undergo continual professional development. Directors also have the right to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required but this may not be unreasonably withheld. Any advice obtained is made available to the Chairman.

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

### **Code of Conduct**

The Company is committed to promoting good corporate conduct grounded by strong ethics and responsibility. The Company has established a Code of Conduct which sets out the behaviour required of all Board members, senior management, employees and contractors throughout the period. The content of the Code is integrated into management practices and forms part of the terms of employment of all Company employees. The Code, which is disclosed on the Company's website, provides a mechanism for employees to report breaches of the Code without fear of retribution. Senior management deals with breaches of the Code and monitors compliance. The Company Secretary and the Chief Executive Officer report to the Board and the Audit Committee on various aspects of Code compliance.

### **Conflicts of Interest**

Directors are required to keep the Board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. All Directors are required to disclose to the Board details of transactions which may create a conflict of interest for them in the decisions placed before the Board, in accordance with the *Corporations Act 2001*.

Directors do not participate in discussions and abstain from voting on any decisions in which they have, or may be perceived to have, a material personal interest.

## **Principle 4: Safeguard integrity in Corporate Reporting**

### **Audit Committee**

The Company has an Audit Committee comprising of three Independent Directors, Mr B Chin (who is a Chartered Accountant and is also the Chairman of the Committee), Mr R J Rowley, Mr Teck Poh Lai. The Chairman of the Committee is a different individual to the Chairman of the Board. The qualifications of members and their attendance at meetings during the financial year are provided in the *Directors Report* of the Company's 2018 Annual Financial Report.

The Audit Committee Charter sets out its role, responsibilities, composition, structure and membership requirements and is posted on the Investor Centre - Corporate Governance section of Company's website.

All other members of the Board are invited to attend Audit Committee meetings as observers and in a non-voting capacity. The Chief Executive Officer, Chief Financial Officer, Company Secretary and External Auditor are also invited to attend. The Audit Committee papers, including the minutes of the previous Committee Meetings, are sent to all Board members and other invitees. The Internal Auditor attends Audit Committee meetings at the discretion of the Committee and it is usual for the Internal Auditor to attend Committee meetings.

The Committee meets at least three times during the year and the Chairman of the Committee is available to report on or answer questions about the Committee's conclusions and recommendations to the Board. As disclosed in the *Directors' Report* section of the Company's 2018 Annual Financial Report, the Committee held three meetings during the year.

#### *Audit Governance*

The Company has a policy on the provision of auditing and related services. The Committee is satisfied with the independence of the External Auditor. The Company's External Auditor, Ernst & Young, has provided the Audit Committee with half yearly and annual certification of its continued independence, in accordance with the requirements of the *Corporations Act 2001*.

On an annual basis, the Committee meets privately with the External Auditor without management in attendance, to discuss any matters that the Committee Members or Auditor believe should be discussed privately.

#### ***Financial Report and CEO/CFO Declarations***

The Board receives regular reports about the financial condition and operational results of the Company throughout the year. In relation to the half year and annual financial statements, Senior Management is required to sign off on the systems and processes within their area of responsibility. This procedure supports the Managing Director and Chief Financial Officer in their certification to the Board in effect stating that:

- the Company's financial statements comply with the appropriate accounting standards and give a true and fair view, in all material aspects, of the Company's financial position and performance; and
- the opinion has been formed on the basis of a sound system of risk management and internal compliance and control, which is operating effectively,

During the 2018 financial year, the Board received declarations and statements referred to above in relation to the half year ending 31 December 2017 and the full year ending 30 June 2018.

#### ***Auditor Attendance at AGM***

The Company's External Auditor, Ernst & Young is required to attend the AGM and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the independent audit report. Representatives of Ernst & Young attended the Company's 2017 Annual General Meeting and were available to answer questions from shareholders present at the meeting.

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

#### ***Continuous Disclosure Policy***

A continuous disclosure regime operates throughout the Group. The Company has in place a formal disclosure policy, contained within the Shareholder Communication Policy, to ensure matters that a person

could reasonably expect to have a material effect on the share price are announced to the ASX and Singapore Exchange (SGX) in a timely manner. This policy has been formally communicated to all relevant staff. The Company Secretary is the nominated Continuous Disclosure Officer. The Board is advised of any notifiable events. The Board approves, or is advised of, all releases that are made to the ASX and the SGX. The Shareholder Communication Policy and all announcements made by the Company are posted in the “Investor” section of the Company’s website [www.avjennings.com.au](http://www.avjennings.com.au).

The policy addresses:

- Compliance with continuous disclosure obligations;
- Maintenance of confidentiality where appropriate;
- Timely and factual release of information where appropriate;
- Clarity and balance in reporting; and
- Equal and timely access to information.

## **Principle 6: Respect the Rights of Shareholders**

### ***Shareholder Communication***

The Company endeavours to keep its Shareholders fully informed of matters likely to be of interest to them. The Shareholder Communication Policy outlines the process through which the Company will endeavour to ensure timely and accurate information is provided equally to all shareholders. Information is communicated to shareholders through:

- Reports to the ASX, SGX and the press;
- Half and full year profit announcements;
- Annual Reports;
- Investor briefings and information provided to analysts, (which are released to the ASX and SGX prior to being provided to the analysts);
- Continuous disclosure to the ASX pursuant to the ASX Listing Rules and notification of the same information to the SGX; and
- Posting all the above and any other notifications made by the Company to Shareholders, on its website.

The Company’s website – [www.avjennings.com.au](http://www.avjennings.com.au) has a section titled “Investor Centre” with sub sections on:

- The Company’s previous Annual Reports and Half Yearly Reports;
- The Company’s share price on the ASX- provided by a link to the ASX web site;
- Announcements made to the ASX and SGX;
- Copies of investor presentations;
- Corporate Governance Charters and Policies including a Shareholder Communication Policy;
- Terms and conditions of the Company’s Dividend Reinvestment Plan; and
- Media releases.

### ***Investor Relations***

The Company engages with institutional investors, research analysts and individual investors on a scheduled (release of half and full year results) or ad-hoc basis. The Board places importance on these interactions as it allows the Company to articulate its strategy and also to receive feedback from investors on its strategy, financial performance and governance. Advance notification of scheduled teleconference results briefings are provided to shareholders via an announcement on the ASX and SGX. Presentation slides relating to the briefings are lodged with the ASX and SGX prior to the briefings.

## **Meetings of Shareholders**

All Shareholders are encouraged to attend AVJennings' AGM in person or participate by sending a proxy as their representative. At the Annual General Meeting, the Chairman encourages questions and comments from Shareholders and seeks to ensure the Meeting is managed to give the maximum number of Shareholders an opportunity to participate. In the interests of clarity, questions on operational matters may be answered by the Chief Executive Officer or another appropriate member of senior management. The External Auditor attends the Company's Annual General Meeting and is available to respond to questions about the conduct of the audit and the preparation and content of the Independent Audit Report.

Shareholders can also contact the Company and the share registry via the contact details provided on the Company's website.

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

The Board has ultimate responsibility for risk management, compliance and control functions across the Group. These functions are aligned with the Company's strategy and business objectives.

The Company has in place internal controls intended to identify and manage significant business risks. These include the review of development proposals and the management of their ongoing performance. Management prepares the Risk Management Plan and the Board is responsible for reviewing and approving it.

### **Risk Management Committee**

The Board has established a Risk Management Committee, which incorporates a sub-committee responsible for occupational health, safety and environmental matters. The Risk Management Committee Charter sets out its role, responsibilities, composition, structure and membership requirements and is posted on the Corporate Governance section of Company's website. The Committee comprises two Independent Directors Mr R J Rowley (Chairman) and Mr B G Hayman and generally meets both formally and on an ad-hoc informal basis as circumstances require. The Committee is supported by the Managing Director/Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and the Company Secretary. The Board has determined that it is satisfactory to have two Independent Australian based Directors as members of the Committee, supported by the Managing Director, because the practical outcome is that there are three Directors present at Committee Meetings. The Risk Management Committee is responsible for identifying and considering new risks and for monitoring management's implementation of the Risk Management Plan, taking the Internal Auditor's review into account.

The Company's assets and main potential liabilities are insured under a comprehensive insurance program which is reviewed annually.

The Company also has an Investments Committee comprising two Non-Executive Directors, Mr S Cheong and Mr B L Tan and three Independent Directors, Mr B G Hayman, Mr R J Rowley and Mr T P Lai. The Committee considers all major land development acquisition and disposal proposals that are over monetary limits delegated to management. It also conducts a pre-commencement review and ongoing project reviews during the life of all development projects.

### **Review of Risk Management Framework**

The Board meets in April each year to review the strategic direction of the Company and to consider initiatives and strategies designed to ensure the continued growth and success of the Company. At this meeting, the Board also reviews the Company's risk management framework to satisfy itself that it continues to be sound, to determine whether there have been any changes in the material business risks the Company faces and to ensure the Company is operating within the risk appetite set by the Board.

Subject to review and recommendation from the Risk Management Committee, the Board approves the Annual Risk Management Plan.

## **Internal Audit**

The Company has an internal audit function which is overseen by the Audit Committee. The Committee is responsible for reviewing the adequacy of the annual internal audit scope and detailed plan, the appropriateness of the structure and competencies of the internal audit department, all major issues noted in the Internal Auditor's reports, the independence of the internal audit process and performance of the Internal Auditor. The Internal Auditor has direct access to the Audit Committee on all matters of control of business risk, audit and accounting. The Committee and the CEO may also request the Internal Auditor to perform special audits whenever the case arises. The Committee meets privately with the Internal Auditor at least once per year.

## **Risks related to the Company's Property Development Business**

*Property Market Risk* – These include fluctuations in general economic conditions globally and locally, resulting in changes in prevailing market conditions such as a sustained downturn in property markets, change in consumer sentiment, reduced demand for the Company's product and reduction in the value of the Company's land bank. The Board and management seek to minimise these adverse impacts by monitoring markets in which the Company operates on an ongoing basis, adopting strategies to minimise adverse impact, regularly reviewing the value of its land bank, monitoring competitor activity and tailoring commercial decisions (such as land acquisition, volume of work etc) to the forecast commercial environment.

*Regulatory Risk* – The Company's operations span five States in Australia and New Zealand. Legislation and regulations governing the Company's activities vary in each state. The Company is dependent on various State Regulatory Bodies and Councils granting the requisite licenses and approvals required for it to carry on its business. Changes and developments in legislation, regulation and policy in the jurisdictions in which the Company operates, land resumptions by government authorities and major infrastructure projects may impact the Company's operations. Developing relationships with regulatory bodies, making representations through various industry groups of which the Company has membership and having processes to expeditiously deal with issues, including staff with specialised skills and knowledge in town planning, building regulation and other related disciplines are some of the measures used to mitigate potential risks.

*Operational Risk* – These include impact on profitability as a result of delays or non-completion of Company projects, legal proceedings arising from operations leading to losses and delays, dependence on key personnel and loss of such personnel affecting the Company's results and operations. The Company has processes in place to monitor and assess project performance on an ongoing basis. State Management is required to provide quarterly reports to the Board on ongoing and potential legal issues in their respective States, so that the impact of such issues, if any, can be monitored and managed. Development and maintenance of an inclusive group culture, recognition systems, compensation and benefit arrangements, training and development are some of the measures used to retain high calibre management and staff to address these risks.

*Financial Risk* – Variations in interest rates and inflation impacting the Company's earnings, the inability to obtain funding to finance current and future development activities, potential uninsured losses or under-insurance and changes in commodity prices resulting in increased cost of works, fluctuations in exchange rate and foreign currency risk which could result in a loss, counterparty risks such as purchaser or other third party defaults, insolvencies or financial distress, which could lead to reduced financial liquidity or loss are some of the risks the Company faces. Some of the ways in which the Board seeks to mitigate these risks include increasing and diversifying its sources of funding (along with the established multi-currency Medium Term Note issuance program), insuring the company's assets, main potential liabilities and personnel under a comprehensive insurance program tailored to the Company's business activities and entering into fixed or guaranteed maximum price construction and supply contracts to mitigate fluctuations in prices.

*Environmental Risk* – Changes in climatic conditions affecting the Company's business activities (including adverse weather conditions), soil and water contamination or runoff from project land and the presence of



previously unidentified threatened flora and fauna species on project land (which may influence the amount of land available for development) are some of the risks the Board seeks to manage in this area. State management is required to provide regular reports on potential environmental issues affecting development projects under their purview, so that any potential adverse impact can be assessed and managed. Work is also done to minimise any adverse effect on the environment through environmental management plans and other measures, including use of efficient design, planning and procurement practices.

*Workplace Health and Safety Risks*- Accidents at work sites resulting in claims and penalties are potential risks the Company faces in this area. These are managed by the implementation of stringent workplace health and safety practices, education and training of employees in safe work methods (initiatives such as safe work month, workshops, tool box meetings and similar mechanisms) and regular review and monitoring.

*Construction Activity Related Risks* – These include the inability of sub-contractors to perform their work in accordance with their obligations, defective work and latent defects arising from incorrect design or poor workmanship, liquidated damages for late delivery, cost overruns and professional liability claims arising from allegations of negligence. The Company has in place guidelines for the engagement of suitably licensed and insured sub-contractors and trades people and, to the extent possible, also has in place indemnity insurance to cover any potential claims.

## **Principle 8:**

### **Remunerate Fairly and Responsibly**

#### ***Remuneration Committee***

The Board has established a Remuneration Committee to review and determine, among other things, remuneration policies and packages applicable to any Executive Directors, the Company Secretary and direct reports to the CEO. It also reviews remuneration of senior managers of the Company and the remuneration policies of the Company. The Committee meets at least annually and usually twice per year and its Charter is available on the Company's website under the Corporate Governance Section.

The Committee consists of two Non-Executive Directors, Mrs E Sam (Chairperson) and Mr S Cheong, and two Independent Directors, Mr B G Hayman and Mr T P Lai. The Board is of the view that the Committee, which consists entirely of Non Executive Directors, albeit without an independent majority or Chairperson, is structured appropriately to perform its functions in reviewing the remuneration of Company executives and staff.

The Committee reviews and reports to the Board on:

- Conditions of service and remuneration of the Chief Executive Officer and his direct reports;
- Performance of the Chief Executive Officer;
- Remuneration of the Chief Financial Officer and the Company Secretary;
- Remuneration policies for the Company, which include the performance review of all employees, senior management and Board members;
- Proposals for reward initiatives;
- Succession plans for senior management; and
- Other related matters as directed by the Board.

The Chief Executive Officer attends meetings of the Remuneration Committee by invitation when required to report on, and discuss, senior management performance and remuneration matters. He is excluded from Committee deliberations relating to his position.

The Committee is empowered to seek external professional advice on any matter within its terms of reference.

## **Remuneration of Directors and Senior Executives**

Director's fees paid to Non-Executive Directors and Independent Non-Executive Directors are determined by the Board, and are within the aggregate limits approved by Shareholders. The Independent Non-Executive Directors currently receive fees paid by the Company. The Committee has available to it data on fees paid to independent directors by a wide range of Companies. The remaining three Non-Executive Directors do not receive fees, however the Company pays a consulting fee to the substantial Shareholder, SC Global Developments Pte Ltd.

Senior managers of the Company receive a balance of fixed and variable (at risk) remuneration. The proportions vary at different levels within the Company, reflecting the capacity of the senior managers to influence the overall outcome of the Company's operations and returns to Shareholders. The bonuses (if any) to executives are based on a review of individual executive performance as well as the Company's overall financial performance.

The Company's LTI Plan Rules prohibit executives from entering into arrangements to protect the value of unvested LTI awards. This prohibition includes entering into hedging arrangements in relation to the Company's shares.

AVJennings' Remuneration Report is set out on pages 10 to 20 of the *Directors' Report* section of the Company's 2018 Annual Financial Report.

## AVJennings Limited

### 2018 Diversity Annual Report

This Diversity Annual Report of AVJennings Limited ("AVJennings") is issued in compliance with ASX Corporate Governance Council Principles and Recommendations.

#### Approach to Diversity

AVJennings aims to embed equity and diversity principles in its work practices and organisational environment. To ensure that these practices remain appropriate and foster an inclusive environment, AVJennings annually reviews its workforce diversity profile, its policies and any relevant external developments.

To enhance efficiency and productivity, employment decisions such as selection, promotion and training are made based on merit rather than personal attributes (gender, race, marital status, age and other characteristics (which can vary based on the jurisdiction)). AVJennings also actively takes steps to eliminate discriminatory behaviour and harassment in the work place.





#### Responsibility for Diversity




Employees at all levels of employment are responsible for the creation and implementation of a diverse, inclusive and tolerant workplace, and for elimination of discriminatory practices.




The Board is responsible for monitoring the development and implementation of diversity initiatives, policies and practices. The Board reports annually on these matters.

#### Diversity Targets

This report reflects AVJennings' focus during the reporting period on the reporting on gender diversity as required under the ASX Corporate Governance Council Principles and Recommendations.

Measurable Objective		Progress	Response
1.	At least one female Board Director		One (1) female Board Director of eight (8) as at the reporting date.
2.	At least one female Senior Management Member		Three (3) female Senior Management Members of sixteen (16), including the CEO, as at the reporting date.
3.	Non-Discriminatory Recruitment		<p>The Company's Recruitment, Selection and Appointment to Role policies reflect our position on diversity.</p> <p>All recruitment, internal and external, identifies that AVJennings is an Equal Opportunity Employer.</p>
4.	Non-Discriminatory Selection		<p>Selection is based on merit and the recruitment process requires that the Selection Advisory Committee (Interview Panel) comprise both genders.</p> <p>External recruitment suppliers, where applicable, are requested to provide a balanced short list.</p> <p>During the reporting period, 57% of all new hires were female (40% in previous reporting period).</p>

Measurable Objective		Progress	Response
5.	Data Collection		<p>Diversity information is sought from employees when they commence employment. It is provided on a voluntary basis and includes information on disability, ethnic origin and proficiency in languages other than English. The diversity statistics are based primarily on this data. During the reporting period, all employees had the opportunity to review and update their profile. Data collection is an ongoing process.</p> <p>Data that is collected is reviewed and action taken as appropriate. During the reporting period, with a focus on gender diversity, female participation was reviewed across the different job families in the business, pay equity and female attrition rates.</p>
6.	WGEA Reporting		<p>2018 report submitted to WGEA was reviewed by the Board.</p> <p>Women accounted for 49.7% of employees as at 31 March 2018.</p>
7.	No Cultural Impediments		No impediments identified during reporting period.

KEY:  met or above target    on track to meet target    below target

As at 30 June 2018, women accounted for 48% of total current permanent employees and the proportion of women at various levels of the Company was:

#### Level and Role

	% Female 2018	% Female 2017
Non-executive Director	12%	12%
Senior Management Team	21%	21%
Company	48%	47%