

ARENA REIT CORPORATE GOVERNANCE STATEMENT 2020



This is the corporate governance statement for Arena REIT (Arena) for the financial year ended 30 June 2020. This statement sets out the extent to which Arena followed the Corporate Governance Principles and Recommendations (4th edition) set by the ASX Corporate Governance Council (Recommendations) during the period from 1 July 2019 to 30 June 2020 (Reporting Period).

OVERVIEW OF CORPORATE STRUCTURE

Arena REIT is a triple stapled entity comprising Arena REIT No. 1 (ARSN 106 891 641) (**ARF1**), Arena REIT No. 2 (ARSN 101 067 878) (**ARF2**) and Arena REIT Limited ACN 602 365 186 (**ARL**). Arena REIT Management Limited ACN 600 069 761 (**ARML**) is the responsible entity of ARF1 and ARF2. ARL is the ultimate holding company of ARML and its other wholly owned subsidiaries.

ARL and ARML have separate boards of directors (**Boards**). A co-ordinated approach is undertaken by ARL and ARML to the corporate governance of Arena. Arena applies the same corporate governance framework to the wholly owned subsidiaries of ARL and its employees.

This statement applies to and is issued by the Boards and was approved by the Boards effective 29 September 2020.

1. LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

A listed entity should clearly delineate the respective roles and responsibilities of its board and management and regularly review their performance.

ARL and ARML have adopted Board Charters which provide the framework for the operation of the Boards and set out the functions and responsibilities of the Boards, those matters expressly reserved to the Boards and those matters that are delegated to management. The Board Charters are available at www.arena.com.au/about/governance.

The Boards have delegated certain responsibilities to an Audit Committee and a Remuneration and Nomination Committee (**Committees**). The Committees are

comprised of the independent, non-executive directors of ARL and ARML. The scope of responsibilities delegated to the Committees is specified in the Audit Committee Charter and the Remuneration and Nomination Committee Charter, which are available at www.arena.com.au/about/governance.

Appropriate checks are undertaken prior to appointment of a director to the ARL and ARML Boards or putting forward to securityholders a candidate for election or re-election as a director of ARL. These include review of qualifications and experience, obtaining police and bankruptcy checks and considering the extent to which the interests, positions or relationships of the candidate may impact their independence. ARL provides securityholders with all material information in its possession relevant to a decision whether or not to elect or re-elect a director.

ARL and ARML both have written agreements with each director and senior executive setting out the terms of their appointment, including the requirement to comply with corporate policies. The agreements also include remuneration, confidentiality requirements, indemnity and insurance arrangements and other matters set out in the Recommendations.

The Company Secretary of ARL and ARML is accountable directly to the Boards, through the Chair, on all matters to do with the proper functioning of the Boards. This is set out in the Board Charters. The Company Secretary supports the effectiveness of the Boards by monitoring and reporting that policies and procedures are followed.

The Boards acknowledge the importance of diversity in contributing to growth, innovative thinking and overall success and are committed to fostering and maintaining an inclusive workplace that respects individuals. The

Table 1 | ARENA REIT DIVERSITY OBJECTIVES

Arena REIT Diversity Objectives		FY20 Outcomes	
Board composition	A minimum of 30% female directors by the end of FY24 A minimum of 30% male directors and 30% female directors, thereafter	Following appointment of Rosemary Hartnett on 13 August 2019, the ARL Board now has 20% female directors The ARML Board has 17% female directors The proportion of female non-executive directors is 25% for both Boards	In progress
Senior executive* composition	A minimum of 30% male senior executives and 30% female senior executives	60% male senior executives 40% female senior executives	Satisfied
Employee composition	A minimum of 40% male employees and 40% female employees	56% male employees 44% female employees	Satisfied
Employee feedback	All employees to participate in an annual feedback survey	Survey conducted in January 2020	Satisfied
Employee training	All employees to complete induction training in relation to diversity and equality	Three new employees commenced during FY20 and completed the required induction training	Satisfied
Employee recruitment	At least one male and one female candidate to be interviewed for any advertised position	Male and female candidates short-listed for each position	Satisfied

* For this purpose, the Boards have defined senior executive as a person who makes, or participates in the making of, decisions that affect the whole or a substantial part of the business

Boards have adopted a Diversity Policy and established measurable gender diversity objectives for the Boards, senior executives and employees. The Diversity Policy is available at www.arena.com.au/about/governance. The objectives and progress towards achieving them during the Reporting Period are noted in Table 1.

The performance of the Boards, their Committees and the individual directors is subject to annual review. The process for review of the performance of the Boards and individual directors is determined by the relevant Boards, with the assistance of the Remuneration and Nomination Committee. The Committees undertake self-evaluation in accordance with their Charters and the Chair of each Committee presents the results of these assessments to the Boards.

During the Reporting Period, the Boards and their Committees completed annual performance evaluation questionnaires, which included consideration of:

- ▶ terms of reference and board/committee composition;
- ▶ Board/Committee management and effectiveness;
- ▶ governance, risk and control;
- ▶ Chair and director effectiveness; and
- ▶ requirement for professional development.

These evaluations concluded that the overall performance of the Boards and Committees was effective and appropriate to the size and operation of Arena REIT.

The performance of senior executives is reviewed annually against agreed key performance indicators. The annual performance evaluation of senior executives of

Arena for FY20 was conducted following the end of the Reporting Period.

2. STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE

The board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.

The Boards have established a Remuneration and Nomination Committee which reports to the Boards and its Charter extends to the remuneration and nomination activities, controls and procedures of Arena. The Committee assists and advises the Boards on director selection and appointment practices, board composition and succession planning for the Boards and senior executives to ensure that the Boards are of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of Arena as a whole.

The composition of the Boards and Committees as at the date of this report is noted in Table 2.1. The number of meetings held and attendance by directors during the Reporting Period is disclosed in the Directors' Report included in the Arena REIT 2020 Annual Report.

Annually each non-executive director completes a certification regarding their independence with reference to the principles enunciated in the Recommendations.

Table 2.1 | COMPOSITION OF THE BOARDS AND COMMITTEES

Director	Age	ARL Board	ARML Board	Audit Committee	Remuneration & Nomination Committee
David Ross Independent, non-executive director <i>Appointed October 2014</i>	60	Chair	Chair	Member	Chair
Dennis Wildenburg Independent, non-executive director <i>Appointed October 2014</i>	73	Member	Member	Chair	Member
Rosemary Hartnett Independent, non-executive director <i>Appointed August 2019</i>	54	Member	Member	Member	Member
Simon Parsons Independent, non-executive director <i>Appointed October 2014</i>	65	Member	Member	Member	Member
Rob de Vos Executive Director / Managing Director <i>Appointed February 2019</i>	45	Member	Member	Attendee	Attendee
Gareth Winter Executive Director / Company Secretary <i>Appointed December 2014</i>	48	Attendee	Member	Attendee	Attendee

The terms of appointment for directors include an obligation to disclose current or potential conflicts of interest and directors are required to declare any conflicts of interest prior to consideration of matters at the meetings of the Boards. The Boards consider David Ross (Chair), Dennis Wildenburg, Rosemary Hartnett and Simon Parsons to be independent directors in respect of each Board, as they do not have an interest, position, association or relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the independent exercise of their judgment. As such, the majority of the directors of ARL and ARML are independent, non-executive directors. Independent judgement is maintained by allowing directors to seek independent professional advice.

Each Board regularly reviews its composition to ensure that collectively it maintains appropriate skills to discharge its obligations effectively. The skills matrix is used to inform the ongoing professional development of the directors and succession planning for the Boards, which included the appointment of Ms Hartnett as a non-executive director during the Reporting Period. An assessment of the relative skills and experience of each director, with reference to the criteria noted in Table 2.2, was conducted following the Reporting Period and concluded that the directors collectively have appropriate skills and experience across all categories. As required, the Boards use external consultants and advisors to inform decision making and director training sessions are held to support the development of existing and emerging skills which are considered to be relevant to Arena's business.

Induction for newly appointed directors, senior executives and employees is held as required. New directors meet with other directors and senior executives during the recruitment process and are provided with details on Arena's governance arrangements. Directors are expected to be adequately informed in respect of relevant industry and regulatory issues and changes. Training sessions are scheduled around meeting dates of the Boards to develop and maintain skills and knowledge. Directors may raise other training requirements with the Company Secretary as they consider necessary or desirable for their continued professional development.

3. INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

A listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.

Arena has articulated its values as follows:

- ▶ We act with integrity and honesty, embracing accountability for our decisions and actions.
- ▶ We engage and collaborate with our stakeholders, our team and the community.
- ▶ We aim to deliver beneficial and sustainable outcomes through the dynamic pursuit of opportunities.

Arena has a code of conduct for its directors, senior executives and employees. The Code of Conduct (Code) outlines how Arena expects directors and employees to behave and conduct themselves in a responsible manner,

Table 2.2 | BOARD SKILLS MATRIX

Category	Skill	Requirement	No. of directors with developed or advanced skills
Leadership	CEO or senior executive	▶ Executive experience with a significant enterprise.	6
Sector	Property	▶ Particular experience and knowledge of the sector in which the business operates.	6
	Funds Management	▶ Experience in funds management and managed investment schemes.	6
Functional and Operational	Strategy	▶ Experience in developing, implementing and delivering business objectives.	5
		▶ Ability to contribute actively to the formulation, testing and approval of business strategy to drive long term securityholder value.	
		▶ Alert to opportunities, risks and trends which require a strategic response.	
	Financial Acumen	▶ Corporate finance knowledge and skills to effectively analyse management accounts and financial statements, oversee the financial audit process, assess the ongoing viability of the business and review the annual budget.	6
		▶ Understanding of the financial drivers of the business.	
	Capital Management	▶ Experience in capital management strategies, including debt management and equity capital raisings.	6
	Mergers & Acquisitions	▶ Experience in relation to mergers and acquisitions, demergers and capital reconstructions.	4
	Risk, Compliance & Governance	▶ Sound understanding of risk management and relevant experience developing policy frameworks to manage business risk.	5
		▶ Experience monitoring the effectiveness of risk management frameworks and controls.	
		▶ Knowledge of public policy and the regulatory framework within which the business operates (including ASX Listing Rules, Corporations Act).	
	Technology	▶ Awareness of and experience in relevant technology areas, including IT strategy and system implementation, digital disruption and innovation.	3
	Remuneration & Culture	▶ Experience in influencing organizational culture. ▶ Ability to contribute actively to the setting of management performance goals, the oversight of management performance and the development of Board and executive succession plans.	6
	Social Responsibility	▶ Experience monitoring programs for social responsibility, sustainability, workplace health and safety.	5
	Communications & Stakeholder Engagement	▶ Experience in customer service including engagement and building positive relationships with external stakeholder groups (securityholders, debt providers, proxy advisers, regulators, tenants).	3

consistent with Arena's values, current community standards and in compliance with all relevant legislation. It includes guidelines on appropriate ethical standards, responsible business practices and policy regarding anti-bribery and corruption.

The objective of the Code is to:

- ▶ provide a benchmark for professional behaviour;
- ▶ support Arena's business reputation and corporate image within the community; and
- ▶ make directors and employees aware of the consequences if they breach the code.

The Code reinforces Arena's commitment to honest, ethical and law abiding conduct and supports an open and transparent culture. Breaches or suspected breaches of the Code of Conduct, Arena's policies or the law more generally are required to be reported to the Boards.

The terms of Arena's Code of Conduct are addressed during induction for new director and employee appointments. The Boards review the Code annually to ensure that it is operating effectively and to consider whether any changes are required. Employees complete an annual certification that they have read and understood the terms of the Code, as amended. The Code of Conduct is available at www.arena.com.au/about/governance.

The Boards have approved a Whistleblower Policy, the purpose of which is to:

- ▶ promote an open and transparent culture at Arena;
- ▶ assist in the prevention and detection of disclosable matters;
- ▶ outline the process by which disclosable matters may be disclosed;
- ▶ inform eligible whistleblowers about the protections available to them and how Arena will support and protect them from any detriment;
- ▶ outline the process by which Arena will investigate protected disclosures; and
- ▶ outline the process for fair treatment of Arena Personnel about whom a protected disclosure relates or who is mentioned in a protected disclosure.

To ensure that the Boards remain informed about any matters which may indicate concerns about culture, eligible whistleblower incidents will be reported as soon as practicable and not less than quarterly to the Boards (on a 'no names' basis to maintain the confidentiality of matters raised).

In accordance with the policy, employees received training on their rights and obligations under whistleblower legislation during the Reporting Period. The Whistleblower Policy is available at www.arena.com.au/about/governance.

4. SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

A listed entity should have appropriate processes to verify the integrity of its corporate reports.

The Boards have established an Audit Committee which assists the Boards with processes to independently verify and safeguard the integrity of Arena's corporate financial reporting. The relevant qualifications and experience of the members of the Audit Committee are described at www.arena.com.au/about/board.

Before approving the Arena REIT financial statements, the Boards receive from the Chief Financial Officer and the Managing Director a declaration that, in their opinions, the financial records of Arena REIT were 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 Arena REIT, and those opinions were formed on the basis of a sound system of risk management and internal control which operates effectively. All periodic corporate reporting is approved by the Boards, following internal verification and review by management.

5. MAKE TIMELY AND BALANCED DISCLOSURE

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Arena has adopted a Continuous Disclosure Policy, which incorporates the continuous disclosure framework as set out in Chapter 3 of the ASX Listing Rules and ASX Listing Rules Guidance Note 8. The policy deals with:

- ▶ what information needs to be disclosed to the market;
- ▶ responsibility for responding to market rumours or speculation;
- ▶ communications with analysts and major investors, including the review of their forecasts;
- ▶ the communication procedures that are to be adopted when dealing with the media; and
- ▶ the procedures for communicating with the Australian Securities Exchange (ASX).

The Continuous Disclosure Policy is available at www.arena.com.au/about/governance.

A communications sign off is completed for all material market announcements to document the verification process and to ensure that new and substantive investor or analyst presentations are released to the ASX ahead of the presentation.

To ensure that the Boards receive timely copies of material market announcements, each director is subscribed to an automatic notification of the release of any announcement regarding Arena REIT to the ASX.

6. RESPECT THE RIGHTS OF SECURITY HOLDERS

A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

Arena is committed to providing all stakeholders with accessible, accurate and timely information on its activities and performance. Arena has established a website which includes detailed information in relation to Arena REIT and its governance arrangements and an online portal called InvestorServe for securityholders to manage all aspects of their investment online. Information about Arena, including all of the information suggested in the Recommendations, is available at www.arena.com.au. Information about Arena's governance arrangements, including the Boards and senior management is available at www.arena.com.au/about/governance.

Arena has designed and implemented an investor relations program that facilitates effective two-way communication with securityholders. The program currently includes:

- ▶ a Communications Policy available at www.arena.com.au/about/governance which is committed to providing all stakeholders with accessible, accurate, clear and timely information on all matters which are relevant or material to the financial performance and activities of Arena REIT;
- ▶ update letters sent to securityholders on a regular basis providing a summary of Arena REIT's recent activities;
- ▶ half-yearly conference calls to which all investors and interested parties are invited, and are able to participate by submitting questions to management;
- ▶ results presentations as an accompaniment to the annual and interim financial reports, which are released to the ASX;
- ▶ information provided on Arena's website, including the latest available Arena REIT security price (typically delayed by 20 minutes), overview of the group, ASX announcements, key dates and a contact form for questions, feedback or complaints;
- ▶ options for all securityholders to receive communications from, and send communications to, Arena and the registry electronically; and
- ▶ an online portal called InvestorServe for securityholders to manage all aspects of their investment online, including holding information and forms. Securityholders can register for InvestorServe at www.arena.com.au/investor-centre or by calling 1800 008 494.

Arena engages with institutional and private investors, analysts, proxy advisers and the financial media to provide information about the governance practices and financial performance of Arena REIT. Discussions are restricted to explanations of information already disclosed to the market or which deal with non-price sensitive information.

Arena recognises that meetings of securityholders represent an excellent opportunity for Arena to provide information to its securityholders and encourages attendance and participation at annual general meetings. The annual general meeting provides a forum for securityholders to express views and ask questions of the Boards and management and securityholders are also encouraged to send questions prior to the meeting. Arena's external auditor attends the annual general meeting and is available to answer questions about the conduct of the audit and the content of the audit report.

The Boards are committed to the principle of 'one security one vote' and all resolutions considered at the annual general meeting held during the Reporting Period were determined by a poll.

Arena includes information about options for electronic communications in the securityholder welcome letter and the quarterly investor updates. Targeted campaigns were conducted during the Reporting Period to convert existing securityholders with a registered email address to electronic communications, to:

- ▶ facilitate secure and timely receipt of reports, notices, statements and announcements by email; and
- ▶ reduce printing and mailing costs, which is both kinder to the environment and a direct benefit for securityholders.

7. RECOGNISE AND MANAGE RISK

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Effective risk management is a core component of Arena's corporate governance. Arena has documented policies and procedures to identify, assess, manage, monitor and report key risks. The risk management framework (**Framework**) is designed to assist Arena achieve its objectives through competent strategic decision making and the conduct of efficient, effective and robust business processes that allow Arena to take up opportunities while meeting required standards on accountability, compliance and transparency. A summary of the Risk Management Framework is available at www.arena.com.au/about/governance.

Because of the small size of the Boards, Arena does not have a dedicated risk management committee. The Boards have ultimate responsibility for ensuring Arena has effective and adequate risk management systems in place and for monitoring compliance with Arena's agreed risk appetite. The Managing Director has responsibility for day to day management of the risks facing Arena, and is supported by senior executives.

The Framework, which includes a risk register, is designed to ensure that business risks are identified, assessed, managed and monitored. Compliance procedures have been developed which address the regular reporting and monitoring of risks in the day to day management of the business. The Boards receive a quarterly risk report on all extreme and high assessed risks.

Management prioritises material business risks and develops mitigation strategies. The impact of COVID-19 on the Australian and global economy, resulted in significant market volatility in securities trading on the ASX (including the price of Arena REIT securities) during the Reporting Period. The materiality of this social risk to Arena's ongoing operations and financial performance is dependent on future factors which are uncertain and will largely be affected by government support and the extent to which Arena's tenants, and their ability to pay rent, is impacted by COVID-19. Arena does not have material exposure to environmental risks.

Each year, the Boards review the Framework to assess that it continues to operate effectively and to consider whether any changes are required. An independent review of the Framework was completed during the Reporting Period, which concluded that Arena had demonstrated good knowledge of its risk management obligations and has in place a well-documented risk management framework. In response to the review, enhancements are being progressively introduced to the Framework in relation to the documentation of Arena's risk appetite and tolerance, risk identification techniques and response strategies for risks where control effectiveness requires improvement.

Arena does not have a dedicated internal audit function due to the relatively small number of employees and the nature and scale of operations. The Head of Risk and Compliance conducts risk-based compliance reviews on the operations of Arena and reports to the Boards on a quarterly basis with recommendations for any changes to Arena's processes and systems in accordance with legal and regulatory requirements.

8. REMUNERATE FAIRLY AND RESPONSIBLY

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders and with the entity's values and risk appetite.

The Remuneration and Nomination Committee assists the Boards with oversight of the remuneration governance framework. The Boards have adopted a remuneration framework that recognises the need to motivate, attract

and retain employees to deliver sustainable and superior business performance. The remuneration framework is underpinned by the following principles:

- ▶ Remuneration is externally competitive in terms of quantum, mix and design to support the attraction and retention of employees and takes into account the relative size and nature of Arena's business and its ability to pay and the role and experience of employees.
- ▶ The remuneration framework supports the delivery of Arena's business strategy.
- ▶ Remuneration is made up of fixed and variable reward.
- ▶ Variable reward is used to recognise performance in both the short and longer term.

Executive and employee reward comprises fixed remuneration, and for eligible employees at the discretion of the Boards, variable short term and long term incentives, which may include equity based remuneration. The terms of the Securities Trading Policy, which forms part of Arena's remuneration governance framework, prohibit employees who participate in the equity based remuneration scheme from entering into arrangements which operate to limit the economic risk of exposure to Arena REIT securities and accordingly the economic risk of participating in the scheme. The Securities Trading Policy is available at www.arena.com.au/about/governance.

The Remuneration and Nomination Committee reviews the remuneration framework on an annual basis, or more frequently as necessary, to ensure the remuneration arrangements are driving business performance and are aligned with the long term strategy of Arena. The Remuneration and Nomination Committee is able, as required, to appoint external remuneration advisers to review and advise on aspects of the framework.

During the Reporting Period the Boards approved a policy for director security ownership to assist in aligning the interests of the directors with the financial interests of Arena REIT securityholders. The policy specifies a minimum security holding, equivalent to 50% of the gross annual base director fee, to be acquired generally within three years of a director's appointment; all directors are currently Arena REIT securityholders.

Further details of the remuneration of Arena's senior executives and non-executive directors are included in the Remuneration Report which forms part of the Directors' Report of the Arena REIT 2020 Annual Report.



For more information contact us on 1800 008 494 or online at www.arena.com.au

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