

# GDI Property Group

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## Corporate Governance Statement

GDI Property Group comprises GDI Property Group Limited ACN 166 479 189 (the Company) and its subsidiaries and GDI Property Trust ARSN 166 598 161 (the Trust) and its subsidiaries. The responsible entity of the Trust is GDI Funds Management Limited ACN 107 354 003, AFSL 253 142, a wholly owned subsidiary of the Company.

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GDI Property Group through its Board, Board Committees and executive management team believes sound corporate governance practices enhance stakeholder outcomes. GDI Property Group is therefore committed to meeting the expectations of all stakeholders in relation to corporate governance.

The 3<sup>rd</sup> Edition of the ASX Corporate Governance Council Principles and Recommendations (**ASX Recommendations**) was released on 27<sup>th</sup> March 2014. GDI Property Group has adopted the ASX Recommendations and all governance practices outlined in the Corporate Governance Statement applied for the entire reporting period. Where a Recommendation has not been followed, the reason for not following the Recommendation and the alternative governance practices GDI Property Group has adopted in respect of that Recommendation are disclosed.

This Corporate Governance Statement is current as at 30 June 2016. It was approved by the Board and is available on GDI Property Group's website.

#### Overview of corporate structure

GDI Property Group comprises the stapled entities GDI Property Group Limited (ACN 166 479 189) and GDI Property Trust (ARSN 166 598 161). GDI Funds Management Limited (ACN 107 354 003, AFSL 253 142), a wholly owned subsidiary of GDI Property Group Limited, is the responsible entity of GDI Property Trust. The Boards of GDI Property Group Limited and GDI Funds Management Limited each have common membership. Pursuant to an Investment Management Agreement, GDI Investment Management Pty Limited (ACN 126 353 820), a wholly owned subsidiary of GDI Property Group Limited, is the Investment Manager of GDI Property Trust.

GDI Funds Management Limited and GDI Investment Management Pty Limited, either directly or through wholly owned subsidiaries, also act as trustees and Investment Managers (as the case may be) of the unlisted unregistered managed investment schemes operated by GDI Property Group.

#### Principle 1: Lay solid foundations for management and oversight

The Boards of GDI Property Group Limited and GDI Funds Management Limited each have common membership (collectively the Board). The Board has adopted a Board Charter which details the composition, values and functions of the Board and those matters delegated to various committees and to the executive management team. The Board Charter is reviewed at least annually. A copy of the Board Charter is available on GDI Property Group's website. The key responsibilities of the Board are:

- reviewing, approving and monitoring corporate strategy;
- overseeing management;
- promoting and facilitating effective communication with security holders;
- establishing and monitoring policies governing GDI Property Group's relationship with other stakeholders;
- establishing, maintaining and promoting ethical and responsible decision-making;
- overseeing financial and capital management; and
- compliance and risk management.

The Board holds at least eight scheduled monthly meetings during the year and additional meetings are convened as required. Board papers are designed to focus Board attention on key issues and standing items, including corporate governance, compliance, asset performance and initiatives and financial performance.

Day-to-day management of the Group's affairs and implementation of corporate strategy and policy initiatives are delegated by the Board to management under the direction of the Managing Director.

Prior to any new Board appointment, GDI Property Group will undertake numerous steps to qualify a candidate as appropriate for election. Such steps include the use of third party consultants, conduct interviews, stakeholder consultation and referencing. In addition, appropriate checks such as a person's character, experience, education, criminal record and bankruptcy checks will be undertaken. This was undertaken for all current directors as part of the IPO process during FY2014. As GDI Property Group did not appoint a new Board member during FY16, such steps have not been undertaken.

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In accordance with GDI Property Group Limited's Constitution and the ASX Listing Rules, at each annual general meeting there must be an election of directors, even if there is neither a director who has served three years nor a director filling a casual vacancy. In relation to directors seeking re-election, GDI Property Group provides security holders with biographical details, details on other material directorships, the term of office currently served, a statement from the Board that confirms the Board's view of that director's independence and its support of the re-election.

In addition, biographical details of all directors are provided on GDI Property Group's website in the 'About GDI' section.

Each director has received a letter of appointment which details the key terms of their appointment, including such issues as performance expectations, conflicts of interest, disclosure obligations, remuneration and GDI Property Group policies. The Managing Director and all other members of the executive management team have a formal job description and letter of appointment outlining the terms of their employment.

The Company Secretary is accountable directly to the Board on all matters to do with the proper functioning of the Board. The Company Secretary's role includes advising the Board and its Committees on governance matters, monitoring that the Board's and its Committees' policies and procedures are followed, co-ordinating Board papers and ensuring minutes accurately capture the business of the Board's and Committees' meetings. The Company Secretary also facilitates the professional development of directors. The Chair of the Board and each Committee provides feedback to both the Managing Director and the Nomination and Remuneration Committee on the effectiveness of the Company Secretary in performing these duties and this feedback forms an important component of the Company Secretary's annual performance review and remuneration outcomes.

The Board has approved a Diversity Policy which sets out the framework GDI Property Group has in place to achieve appropriate diversity in its Board, executive management team and broader workplace. Diversity in the context of GDI Property Group's Diversity Policy covers gender, age, language, ethnicity, cultural background, sexual orientation, religious belief, educational levels, life and work experiences, socio economic background, personality and marital status and family responsibilities. A copy of the Diversity Policy is available on GDI Property Group's website.

The Board has established measurable objectives in relation to gender diversity for FY2016:

<b>Objective</b>	<b>Compliant</b>	<b>Progress / Commentary</b>
At least one female director	✓	One of the three independent directors (33%) is female.
At least one female is interviewed for greater than 75% of vacant roles	✓	During FY16, GDI Property Group employed one additional employee. GDI Property Group engaged the services of an independent placement agency and instructed it to shortlist at least two females. GDI Property Group then interviewed a shortlist of five (of which three were female), but employed a male for the role on merit.
Parents (or carers) are offered flexible working arrangements	✓	Parent (or carers) are offered flexible working arrangements via a number of means, including: <ul style="list-style-type: none"><li>• additional non-cumulative annual leave;</li><li>• working from home arrangements;</li><li>• a generous maternity leave policy; and</li><li>• flexible working hours.</li></ul>

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Over a three year period, hire at least one female senior executive and at least one female in the asset side of the business

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During FY2016, GDI Property Group hired one analyst to the asset side of the business. Although the employee hired was a male, three females were shortlisted and interviewed by GDI Property Group, with a male being successful on merit.

There were no senior executive appointments made during FY16.

The table below outlines the proportion of permanent women and men employed by GDI Property Group as at 30 June 2016:

	Women		Men	
	Number	%	Number	%
Board	1	20	4	80
Senior Executives <sup>1</sup>	0	0	4	100
Whole organisation	5	42	7	58

Although the above objectives will apply for FY17 and be reported in the 2017 Corporate Governance Statement, GDI Property Group does not intend to make any additional hires during FY17.

The Nomination and Remuneration Committee oversees a Board performance evaluation program, which addresses the performance of individual directors, as well as the overall performance of the Board and its Committees. The program runs on a two year evaluation cycle. The performance evaluation program was completed during FY16 and demonstrated the Board's competencies and effectiveness, but did highlight the requirement to focus on both Board and executive succession planning. A process has now been put in place.

GDI Property Group has an established process for the performance review of all staff. The performance of the executive management team is evaluated at least annually, in addition to regular feedback during the performance period. At the reviews, the professional development of the executive is also discussed, along with any training which could enhance their performance. Both qualitative and quantitative measures are used in the evaluation. Prior to its Initial Public Offer in 2013, GDI Property Group engaged the services of an independent consultant to assist with establishing key performance indicators that align performance to securityholder returns. This remains relevant and formed the framework for the evaluation process of the executive management team, including the Managing Director, which was undertaken in the year ending 30 June 2016.

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

GDI Property Group recognises that independent directors are important in reassuring securityholders that the Board properly fulfils its role. The Board comprises a majority of independent directors. The independent directors (including the Chair) are considered to meet the test of independence under the ASX Guidelines and those contained in the Board Charter. Each year, their independence is assessed and the independent directors also confirm to the Board, in writing, their continuing status as an independent director. They have each undertaken to inform the Board as soon as practical if they think that their status as an independent director has or may have changed.

The Board comprises of five members, three independent non-executive directors, including an independent non-executive Chair, a non-executive Director (not independent) and the Managing Director. The Board considers that its members comprise individuals with an appropriate mix of skills, personal attributes and experience that allow the directors individually, and the Board collectively, to discharge their duties effectively and efficiently. The Board comprises individuals who understand the business of GDI Property Group and the environment in which it operates and who can effectively assess the executive management team's

<sup>1</sup> Senior Executives includes all executives reporting directly to the Managing Director.

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performance in meeting agreed objectives and goals. A summary of each director's qualifications and experience is provided on GDI Property Group's website.

If warranted, the Board may resolve to obtain professional advice about the execution of the Board's responsibilities at GDI Property Group's expense and an individual director may, subject to the Chair's approval, also at GDI Property Group's expense, seek professional advice.

The Board has established two Board committees to assist in the execution of the Board's responsibilities, a Nomination and Remuneration Committee and an Audit, Risk and Compliance Committee. Each Committee consists of a majority of independent directors, is chaired by an independent director, other than the Chair, and has a separate charter which includes a description of its duties and responsibilities; copies of which are available on GDI Property Group's website. The Board's membership, length of service and attendance record for both the Board and its committees is as follows:

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Name	Description	Years of service since IPO	Board		Audit, Risk and Compliance Committee		Nomination and Remuneration Committee	
			Meetings held	Meetings attended	Meetings held	Meetings attended	Meetings held	Meetings attended
Mr. G Kelly	Independent Chair	2.5 years	8	8	Member	4		
Ms. G Anderson	Independent	2.5 years	8	8			Chair	3
Mr. L Towell	Independent	2.5 years	8	7	Chair	4	Member	3
Mr. T Veale	Non-executive	2.5 years	8	8	Member	4	Member	3
Mr. S Gillard	Managing Director	2.5 years	8	8				

In addition, Mr Veale (20+ years), Mr Gillard (10+ years) and Mr Towell (10+ years) were appointed directors of GDI Property Group subsidiaries or predecessor companies prior to the incorporation and listing of GDI Property Group Limited. As a founder and substantial shareholder of GDI Property Group (5+%), Mr Veale is not independent. However, the Board has assessed Mr Towell as independent, notwithstanding his tenure as an independent director of GDI Funds Management Limited for 10 years.

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The Nomination and Remuneration Committee oversees the Board performance evaluation program, which addresses the performance of individual directors, as well as the overall performance of the Board and committees. The program runs on a two year evaluation cycle. The Nomination and Remuneration Committee also make recommendations to the Board in relation to board succession planning generally, board induction programs and professional development, board recruitment, re-election of directors and Managing Director and the executive management team succession planning.

If the appointment of another independent director was being considered, or should a director vacancy occur, the Board, through the Nomination and Remuneration Committee, by reference to the Board Skills Matrix (see below) would firstly identify any gaps or weaknesses in the skills and experience of the existing directors and then identify the particular skills, experience and expertise that would best complement Board effectiveness.

Candidates would be identified using both established professional networks and professional intermediaries. The extent to which each candidate would address any identified gaps or weaknesses and provide an appropriate cultural and values fit for the Group would be the main factors taken into account in the selection process. Any relevant gender diversity objectives set by the Board would also be taken into account when identifying appropriate candidates. However, selection and appointment would occur on the basis of merit.

Once appointed, a director would be provided with induction materials to familiarise themselves with GDI Property Group. The existing directors were either long term participants in GDI Property Group's predecessor companies, or provided with induction via participation in the IPO process.

The Nomination and Remuneration Committee, in conjunction with the Company Secretary, reviews the relevant skill areas required by the Board both individually and as a whole for the proper functioning of GDI Property Group's Board utilising a Board Skills Matrix. The Board Skills Matrix benchmarks the individuals skills against pre-determined minimal requirements, which when reviewed with the Board's Diversity Policy identifies any skill gaps within the Board as a whole, development requirements of individual board members and focus areas to achieve the Board's diversity objectives. GDI Property Group encourages its Board members to participate in on-going training to both keep their skills relevant and develop their individual skills and, where appropriate, provides in-house training to Board members. During the year ended 30 June 2016, the Board had briefings on office market conditions and attended numerous presentations held by brokers.

GDI Property Group considers the individual outcomes of the Board Skills Matrix confidential, but provides securityholders with the following summary output. Skills "ticked" are where the Board believes it has exceeded, as a collective, the pre-determined minimal requirements.

<b>Skill</b>	<b>Board</b>
Experience as a director and senior executive	✓
Commercial expertise	✓
Strategic thinking	✓
Risk, compliance and governance	✓
Stakeholder engagement	✓
Personal attributes	✓

The Board does not weight any particular requirement higher than any other, but does strive to have the right mix of strategic thinking and commercial expertise within a sound risk, compliance and governance framework. The Board currently believes it has the mix right and that, coupled with a harmonious working relationship, has resulted in what it believes to be a very effective Board.

**Principle 3: Promote ethical and responsible decision making**

GDI Property Group directors and staff are required to maintain high ethical standards of conduct. The various practices and policies of GDI Property Group reinforce this, in particular the Code of Conduct which, amongst other things, states all directors and staff must:

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- act fairly, honestly and with integrity in all GDI Property Group matters;
- perform their duties to the best of their ability;
- never take advantage of the property or information of GDI Property Group, or their individual position for personal gain;
- never act in a manner which is likely to harm the reputation of GDI Property Group; and
- always abide by applicable laws.

A copy of the Code of Conduct is available on GDI Property Group's website.

The Code of Conduct also includes a whistleblower policy to ensure that concerns regarding unethical, unlawful or improper conduct may be raised without fear of reprisal. Employees are encouraged to report any genuine matter or behaviour that they honestly believe contravenes GDI Property Group's Code of Conduct, policies or the law. A report on any whistleblower activity is provided to the Audit, Risk and Compliance Committee.

The Board has adopted a Securities Trading Policy. Whilst the Board encourages its members and all staff to own securities, any trading in those securities is governed by the Securities Trading Policy. The key provisions of the Securities Trading Policy include insider trading prohibitions, Board and employee trading restrictions and approval processes, margin lending restrictions, media and analyst briefings and the requirements of Directors to notify the Company Secretary in the event of any trading in securities. A copy of the Securities Trading Policy is available on GDI Property Group's website.

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

While responsibility for GDI Property Group's financial accounts rest with the Board, it has established an Audit, Risk and Compliance Committee as an efficient and effective mechanism to oversee the corporate reporting process. The responsibilities, roles, composition and structure of the Audit, Risk and Compliance Committee are set out in its charter and include:

- oversight of the integrity of GDI Property Group's financial reporting;
- oversight of the effectiveness of GDI Property Group's risk management and internal controls;
- oversight of GDI Property Group's systems and procedures for compliance with applicable legal and regulatory requirements;
- monitoring the extent of compliance with GDI Property Trust's Compliance Plan;
- reporting any breaches of the Corporations Act or GDI Property Trust's Constitution;
- assessing the adequateness of the Compliance Plan; and
- reporting to the Board.

The charter includes information on the procedures for selection and appointment of the external auditor and for the rotation of external audit engagement partners. Details of the risk monitoring duties of the Audit, Risk and Compliance Committee are set out in Principle 7 below. A copy of the Audit, Risk and Compliance Committee Charter is available on GDI Property Group's website.

The Audit, Risk and Compliance Committee consists of three non-executive directors, two of which are independent, with the chair being one of those independent directors who is not the Chair of the Board. All members of the Audit, Risk and Compliance Committee are financially literate and understand GDI Property Group's business. The names of the members of the Audit, Risk and Compliance Committee are provided in Principle 2 above and their qualifications are as described on GDI Property Group's website.

The Audit, Risk and Compliance Committee meets at least quarterly, including with external auditors at least twice each year (and more frequently if required) to review the adequacy of existing external audit arrangements and the scope of the audit. The external auditors will have a direct line of communication at any time to either the Chair of the Audit, Risk and Compliance Committee or the Chair of the Board. The chair will report the activities of the Audit, Risk and Compliance Committee to the Board after each meeting. The external auditors, GDI Property Group's Managing Director, the Risk Manager and Chief Financial Officer will



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be invited to attend Audit, Risk and Compliance Committee meetings at the discretion of the Committee. The external auditor also attends the AGM.

Prior to approving GDI Property Group's financial statements at half and year end, the Board receives a declaration from the Managing Director and Chief Financial Officer that, in their opinion, the financial records of GDI Property Group 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 GDI Property Group and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

#### **Principle 5: Make timely and balanced disclosure**

GDI Property Group is committed to complying with both the letter and spirit of its continuous disclosure obligations and providing securityholders with comprehensive, timely and equal access to information about its activities to enable them to make informed decisions.

GDI Property Group has established a number of policies designed to ensure compliance with the ASX Listing Rule disclosure requirements including its Continuous Disclosure Policy and its Media and External Communication Policy, both of which are on GDI Property Group's website. These policies ensure that information required to be disclosed to the ASX is firstly identified and then secondly disclosed in a full, timely and accurate manner. The policies include a vetting and authorisation process and in relation to the Media and External Communication Policy, strict limitation on anyone other than the nominated person, usually the Managing Director, making any public comments.

All directors and employees are aware of their obligations to ensure GDI Property Group complies with the ASX Listing Rules and the limits of their respective authority.

#### **Principle 6: Respect the rights of securityholders**

GDI Property Group recognises that securityholders, in addition to their rights to be informed in a timely manner of all major developments affecting GDI Property Group, should have ready access to information that is balanced and understandable about results, proposals or meetings.

Generally, information will be provided to securityholders through:

- releases to the ASX in accordance with the continuous disclosure obligations;
- GDI Property Group's website: [www.gdi.com.au](http://www.gdi.com.au);
- Annual Reports; and
- General meetings to be held at least annually.

GDI Property Group's website is a key source of information for securityholders and is used to complement the official release of company information to the market. GDI Property Group encourages securityholders to receive information electronically by registering their email address with GDI Property Group's security registry, Link Market Services.

GDI Property Group has also designed and implemented an investor relations program to facilitate effective two way communication with securityholders. The program has been designed to maximise the opportunities for securityholder engagement without over burdening GDI Property Group's small executive management team. This is achieved through active engagement at the AGM, post yearly and half yearly result briefings, meeting with investors on request and responding to any enquiries, and participation at broker sponsored conferences. GDI Property Group also recognises the benefit of independent research (including broker research) and the Managing Director and CFO have as an objective increasing independent research coverage. However, in accordance with the Continuous Disclosure Policy and the Securities Trading Policy, no selective information is provided to any analysts.

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GDI Property Group has also adopted a Securityholder Communication Policy, a copy of which can be found on GDI Property Group's website. The Securityholder Communication Policy includes processes GDI Property Group has in place to facilitate and encourage participation at meetings, including the AGM.

#### **Principle 7: Recognise and manage risk**

GDI Property Group's Board believes risks arise at every level of business, from the implementation of high-level strategies through to the physical security and safety of any working environment. As such, it is the responsibility of every person within GDI Property Group to be aware of enterprise risks and to provide feedback with respect to perceived risks, either through informal staff feedback or within the context of more formal risk identification processes.

GDI Property Group's risk management framework is documented in its Enterprise Risk Management Policy. This policy is reviewed at least annually by the Board, including in the last year.

Ultimately it is the responsibility of the Board and executive management team to ensure that risk is managed appropriately within GDI Property Group. It is also a function of the Board and executive management team to develop overall risk management awareness across GDI Property Group.

GDI Property Group has established an Audit, Risk and Compliance Committee, one objective of which is to assist the Board in managing the risks within GDI Property Group and fulfilling its corporate governance responsibilities. The duties and responsibilities of the Audit, Risk and Compliance Committee are contained in the Audit, Risk and Compliance Committee Charter. The duties and responsibilities specifically in relation to risk management include:

- overseeing the identification, evaluation and implementation of measures to deal with any actual or perceived Conflicts of Interest;
- monitoring and reviewing management of GDI Property Group's enterprise risks;
- reviewing the adequacy of GDI Property Group's processes for managing risk;
- considering any incident involving fraud or other break down of internal controls;
- reviewing GDI Property Group's insurance program;
- monitoring and reviewing the effectiveness of GDI Property Group's internal control environment, including the effectiveness of internal control procedures; and
- monitoring the adequacy and effectiveness of compliance systems in relation to the legal exposures of GDI Property Group.

The Audit, Risk and Compliance Committee meets at least quarterly, with the chair reporting the activities to the Board after each meeting. A copy of the Audit, Risk and Compliance Committee Charter is available on GDI Property Group's website.

The Board has delegated specific risk related responsibilities to the Risk Manager, who is responsible for, amongst other things:

- establishing and implementing the Risk Management Program and the policies and procedures that are required to effectively manage risk within GDI Property Group;
- promoting a risk management culture within GDI Property Group;
- establishing clear delineations of lines of responsibility for managing the end to end risk process;
- continuously monitoring changes in GDI Property Group's activities and ensuring that risks arising from any significant changes are considered within the risk framework;
- maintaining GDI Property Group's risk register;
- ensuring that risk controls and treatment plans are carried out efficiently and effectively; and
- preparing risk management reports for management and the Board.

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GDI Property Group utilises a workflow management tool that enables the Board and employees to manage and monitor GDI Property Group's risks and its overall compliance performance. GDI Property Group's Risk Manager has the principal responsibility of co-ordinating GDI Property Group's Risk Management Program. Within its operations the Risk Management Program requires GDI Property Group to review its risks and to consider risks arising from the relationships with key stakeholders, including other group entities, as well as those arising from external events that are beyond its control. Each identified risk event is loaded onto the workflow management tool, assessed as to its likelihood and consequence, ranked in priority and linked to existing controls and/or treatment plans. The workflow management tool is supported by day-to-day monitoring of risks by GDI Property Group staff, who are trained to be aware of risk issues and raise them with the Risk Manager as they arise.

During the reporting period, management reported to the Board (through the Audit, Risk and Compliance Committee) on the effectiveness of the management of the material risks faced by the Company during FY2015. The Board/Audit, Risk and Compliance Committee has reviewed the risk management framework and is satisfied that it continues to be sound

In the absence of an internal audit function, the Audit, Risk and Compliance Committee reviews and evaluates GDI Property Group's risk management framework quarterly and such review and evaluation is a standing agenda item at Committee meetings. The Audit, Risk and Compliance Committee also receives a degree of assurance from the fact that compliance by GDI Funds Management Limited, the Responsible Entity of GDI Property Trust, with GDI Property Trust's Compliance Plan is also audited by an external auditor.

GDI Property Group recognises that all businesses have some level of exposure to risks and these are disclosed in the Directors Report contained in the Annual Financial Report. The specific economic, environmental and social sustainability risks that GDI Property Group is exposed to are:

Risk	Effect	Mitigant(s)	Management
Economic	<ul style="list-style-type: none"> <li>• Lower rents and increase vacancy;</li> <li>• Lower property valuations;</li> <li>• Capital scarcity increasing its availability and cost</li> <li>• Rapid inflation increasing costs of interest rates</li> </ul>	<ul style="list-style-type: none"> <li>• Well located, multi tenanted buildings</li> <li>• No large exposure to a single tenant or major near term lease expiries</li> <li>• Conservative balance sheet with no near term debt expiries</li> <li>• Annual revaluations</li> <li>• Interest rate hedging</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring of asset performance and asset markets</li> <li>• Monitoring of capital availability</li> <li>• Monitoring of capital structure, debt expiries</li> </ul>
Environmental	<ul style="list-style-type: none"> <li>• Increased cost of occupancy, decreasing appeal of assets to existing and potential tenants</li> </ul>	<ul style="list-style-type: none"> <li>• NABERS ratings for all assets</li> <li>• Utility audits and formal monitoring programs</li> <li>• Energy procurement improvements</li> </ul>	<ul style="list-style-type: none"> <li>• "Go-Green" program</li> </ul>

GDI Property Group does not believe that it has any material exposure to social sustainability risks.

### Principle 8: Remunerate fairly and responsibly

The following principles shape GDI Property Group's remuneration strategy:

- creating and enhancing value for all GDI Property Group stakeholders;
- emphasising the 'at risk' component of total remuneration to increase alignment with security holders and encourage behaviour that supports both entrepreneurship and long term financial soundness within the confines of GDI Property Group's risk management framework;
- rewarding outperformance; and

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- providing a competitive remuneration proposition to attract, motivate and retain the highest quality individuals.

The Board has established a Nomination and Remuneration Committee operating under an approved written charter that incorporates various responsibilities, including reviewing and recommending compensation arrangements for the directors, the Managing Director and key executives and setting remuneration policy. Minutes of all committee meetings are available to the Board and the Chair of the committee reports to the Board after each committee meeting. The committee has three members, all of which are non-executive directors. A copy of the Nomination and Remuneration Committee Charter is available on GDI Property Group's website.

GDI Property Group's remuneration policy is determined by the Nomination and Remuneration Committee which makes recommendations to the Board in relation to remuneration:

- in the case of non-executive directors, for consideration of any increase by securityholders at the AGM; and
- in the case of the executive management team, for decision.

External professional advice is sought from experienced consultants, where appropriate, to assist in the Committee's and the Board's deliberations.

GDI Property Group's remuneration policy links the nature and amount of Managing Director and the executive management team's remuneration to GDI Property Group's financial and operational performance.

GDI Property Group operates a Performance Rights Plan and issues performance rights to a number of executives. GDI Property Group does not currently pay any other form of security-based remuneration. The Board has on-going and absolute discretion to cancel unvested performance rights at any time where the Board considers such cancellation is necessary to protect the financial soundness of GDI Property Group, or if the Board subsequently considers that having regard to information which has come to light after the grant of performance rights, the granting of performance rights was not justified. GDI Property Group's Security Trading Policy and the terms of the Performance Rights Plan prohibit any holder of performance rights from entering into transactions in associated products which limit the economic risk of participating in unvested entitlements. A copy of the Security Trading Policy is available on GDI Property Group's website.

The structure, policies and practices in relation to non-executive directors', the Managing Director and senior executive remuneration is described in the Remuneration Report (within the Directors' Report). Details of the nature and amount of each element of the remuneration of each director of GDI Property Group and other Key Management Personnel (KMP) are also disclosed in the relevant section of the Directors' Report. Non-executive directors receive a fixed fee, are not entitled to participate in any performance related compensation and there is no retirement benefit scheme for non-executive directors other than payment of statutory superannuation.