

## CORPORATE GOVERNANCE STATEMENT

Axiom Properties Limited (**Company**) has established a corporate governance framework, the key features of which are set out in this statement. In establishing its corporate governance framework, the Company has referred to ASX Corporate Governance Council Principles and Recommendations 3rd edition (**Principles & Recommendations**). The Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. In compliance with the "if not, why not" reporting regime, where, after due consideration, the Company's corporate governance practices do not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

The following governance-related documents can be found on the Company's website at <https://www.axiompl.com.au/about> under the section marked "Corporate Governance":

### **Charters**

Board  
Audit Committee  
Nomination Committee  
Remuneration Committee

### **Policies and Procedures**

Policy and Procedure for Selection and (Re) Appointment of Directors  
Process for Performance Evaluations  
Policy on Assessing the Independence of Directors  
Diversity Policy (summary)  
Code of Conduct (summary)  
Policy on Continuous Disclosure (summary)  
Compliance Procedures (summary)  
Procedure for the Selection, Appointment and Rotation of External Auditor  
Shareholder Communication Policy  
Risk Management Policy (summary)  
Policy for Trading in Company Securities

The Company reports below on whether it has followed each of the recommendations during the 2019 financial year (**Reporting Period**). The information in this statement is current at 21 August 2019.

### **Board**

#### **Roles and responsibilities of the Board, Company Secretary and Senior Executives (Recommendations: 1.1, 1.4)**

The Company has established the functions reserved to the Board, and those delegated to senior executives and has set out these functions in its Board Charter, which is disclosed on the Company's website.

The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives, and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

Senior executives are responsible for supporting the Managing Director and assisting the Managing Director in implementing the running of the general operations and financial business of the Company in accordance with the delegated authority of the Board. Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Managing Director or, if the matter concerns the Managing Director, directly to the Chair or the lead independent director, as appropriate.

Under the Board Charter, the Company Secretary is accountable directly to the Board in relation to all matters to do with the proper functioning of the Board. Specific matters for the Company Secretary are set out in the Board Charter.

## **CORPORATE GOVERNANCE STATEMENT (continued)**

### **Election and (Re) Appointment of Directors (Recommendations: 1.2, 1.3, 2.6)**

The Board has adopted a Policy and Procedure for Election and (Re) Appointment of Directors. In accordance with this policy, the Board conducts appropriate background checks before a director is appointed or put forward as a candidate for election. This policy also outlines the material information the Board considers relevant to a decision on whether or not to elect or re-elect a director, to give to shareholders to make an informed decision regarding the election.

All new directors participate in an induction program on appointment. The Company has a written agreement with each director and senior executive setting out the terms of their appointment.

### **Skills, experience, expertise and period of office of each Director (Recommendation: 2.2)**

A profile of each Director setting out their skills, experience, expertise and period of office is set out in the Directors' Report on page 7 of the 2018 Annual Report.

The Board reviews the competencies of the existing Board regularly to ensure that its members have the mix of skills, experience, expertise and diversity that will best increase the Board's effectiveness. The Board is of the view that its current composition represents the mix of skills and diversity for which the Board is looking to achieve in membership of the Board. The Board comprises directors with the following skills and experience that the Board considers to be particularly relevant to the Company: strategic thinking; financial management and analytical skills; experience in business management; risk management knowledge and expertise; fund raising skills; industry knowledge and expertise; people management skills; change management skills and marketing and public relations experience.

### **Director independence (Recommendations: 2.3, 2.4, 2.5)**

The Board has a combination of independent and non-independent directors. The Board considers its composition is, and continues to be, appropriate for the Company's current operations. The Company considers that each of its directors possess the right combination of skills and experience suitable for building the Company. The Board will continue to monitor its composition as the Company's operations evolve, and will appoint further independent directors if considered appropriate.

The Board considers the independence of directors having regard to the relationships listed in Box 2.3 of the Principles & Recommendations and the Company's materiality thresholds and has adopted a Policy on Assessing the Independence of Directors. The Board has agreed on the following guidelines, as set out in the Company's Board Charter for assessing the materiality of matters:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, could affect the Company's rights to its assets, if accumulated would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.

Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost which triggers any of the quantitative tests, contain or trigger change of control provisions, are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

## CORPORATE GOVERNANCE STATEMENT (continued)

### Director independence (continued)

The independent directors of the Company during the Reporting Period were John Howe, Liu Ying Chun and Doris Chung Gim Lian (alternate director to Mr Liu). Mr Howe, Mr Liu and Ms Chung are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

The non-independent directors of the Company during the Reporting Period were Mr Ian Laurance (Chair) and Mr Ben Laurance (Managing Director).

The non-independent Chair of the Board is Mr Ian Laurance. Mr Laurance was an executive Chair, however his role became non-executive on 1 January 2013. Mr Laurance does not satisfy paragraph 2 of the independence criteria set out in Box 2.3 of the Principles & Recommendations.

The Board continues to believe that Mr Laurance is the most appropriate person to Chair the Board because of his industry experience, including as former State Minister for Housing, Tourism and Lands, former Chairman of the Midland Redevelopment Authority, former chair of rare earths company, Arafura Resources Limited and current director a number of not-for-profit boards. The Board (in the absence of Mr Laurance) believes that Mr Laurance makes decisions that are in the best interests of the Company. Mr Howe has been appointed lead independent director to take the role of Chair when Mr Laurance is unable to act as Chair due to any conflict of interest.

The Managing Director is Mr Ben Laurance who is not Chair of the Board.

### Board committees

#### Nomination Committee (Recommendations: 2.1)

The Board has not established a separate Nomination Committee. The role of the Nomination Committee is carried out by the full Board in accordance with the Company's Nomination Committee Charter. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Nomination Committee. Items that are usually required to be discussed by a Nomination Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Nomination Committee it carries out those functions which are delegated to it in the Company's Nomination Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Nomination Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board did not officially convene in its capacity as a Nomination Committee during the Reporting Period, however nomination-related discussions occurred from time to time during the year as required.

The Board has adopted a Nomination Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Nomination Committee. The Company's Nomination Committee Charter is disclosed on the Company's website.

#### Safeguard Integrity in Corporate Reporting (Recommendations: 4.1, 4.2, 4.3)

The Board has not established a separate Audit Committee and accordingly, is not structured in accordance with Recommendation 4.1. Given the size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate Audit Committee. Items that are usually required to be discussed by an Audit Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Audit Committee it carries out those functions which are delegated to it in the Company's Audit Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Audit Committee by ensuring that the director with conflicting interests is not party to the relevant discussions. Mr Howe chairs the meeting when the full Board meets in its capacity as the Audit Committee.

The Company has adopted an Audit Committee Charter which describes the role, composition, functions and responsibilities of the full Board in its capacity as the Audit Committee.

## CORPORATE GOVERNANCE STATEMENT (continued)

### Safeguard Integrity in Corporate Reporting (continued)

Details of director attendance at Audit Committee meetings during the Reporting Period are set out in a table in the Directors' Report on page 24 of the 2019 Annual Report. The full Board in its capacity as the Audit Committee held 2 meetings during the Reporting Period.

Details of each of the director's qualifications are set out in the Directors' Report on page 7 of the 2019 Annual Report. Each of the Board members considers themselves to be financially literate and have industry knowledge. Furthermore, Board members may seek external advice from the Company's auditors to assist with financial matters, if required. It should also be noted that the Company's Chief Financial Officer attends meetings if required to assist the full Board in its capacity as the Audit Committee.

The Company has established a Procedure for the Selection, Appointment and Rotation of its External Auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent).

Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

The Company's Audit Committee Charter and Procedure for Selection, Appointment and Rotation of External Auditor are disclosed on the Company's website. The Company's auditor is required to attend the Company's AGM and is required to answer questions from shareholders relevant to the audit.

### Certification of Financial Statements

#### (Recommendations: 4.2)

The Managing Director and the Chief Financial Officer have provided a declaration to the Board in accordance with section 295A of the Corporations Act and in respect of all financial statements of the Company and its consolidated entities that:

- the financial records of the Company have been properly maintained;
- the financial statements comply with appropriate accounting standards and give a true and fair view of the financial position and performance of the Company; and
- have stated to the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively.

### Remuneration Committee

#### (Recommendations: 8.1, 8.2, 8.3)

The Board has not established a separate Remuneration Committee. Accordingly, the Remuneration Committee is not structured in accordance with Recommendation 8.1. Given the size and composition of the Company, the Board believes that there would be no efficiencies gained by establishing a separate Remuneration Committee. Accordingly, the Board performs the role of Remuneration Committee. Items that are usually required to be discussed by a Remuneration Committee are marked as separate agenda items at Board meetings when required. When the Board convenes as the Remuneration Committee it carries out those functions which are delegated to it in the Company's Remuneration Committee Charter. The Board deals with any conflicts of interest that may occur when convening in the capacity of the Remuneration Committee by ensuring that the director with conflicting interests is not party to the relevant discussions.

The full Board did not officially convene in its capacity as a Remuneration Committee during the Reporting Period, however remuneration-related discussions occurred from time to time during the year as required.

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report and commences on page 16. The Company's policy on remuneration clearly distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives.

## CORPORATE GOVERNANCE STATEMENT (continued)

### Remuneration Committee (continued)

Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. From time to time, the Company may grant options to non-executive directors. The grant of options is designed to attract and retain suitably qualified non-executive directors.

Executive pay and reward consists of a base salary and long and short performance incentives, based upon length of service, experience and performance of the Company. Short term performance incentives may include cash bonuses. Long term performance incentives may include options granted at the discretion of the Board and subject to obtaining the relevant approvals. The grant of options is designed to recognise and reward efforts as well as to provide additional incentive and may be subject to the successful completion of performance hurdles. Executives are offered a competitive level of base pay at market rates (for comparable companies) and are reviewed annually to ensure market competitiveness.

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Board has adopted a Remuneration Committee Charter which describes the role, composition, functions and responsibilities of the Remuneration Committee. The Company's Remuneration Committee Charter includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes. The Company's Remuneration Committee Charter is disclosed on the Company's website.

### Performance evaluation

#### Senior executives

(Recommendations: 1.7)

The Managing Director in consultation with the Board reviews the performance of the Senior Executives. The current size and structure of the Company allows the Managing Director to conduct informal evaluation of the Company's senior executives regularly. Open and regular communication with senior executives allows the Managing Director to ensure that senior executives meet their responsibilities as outlined in their contracts with the Company, and to provide feedback and guidance, particularly where any performance issues are evident. Annually, individual performance may be more formally assessed in conjunction with a remuneration review. As the Company grows, it will review the need for a more formalised approach to senior executive performance evaluation.

During the Reporting Period, a performance evaluation of the Company's senior executives took place in accordance with the process disclosed above.

#### Board, its committees and individual directors

(Recommendations: 1.6, 2.6)

The Chair evaluates and monitors the performance of the Board on an ongoing regular basis. The Chair meets with each individual director at least annually and also meets with the Board as a whole to discuss performance of directors. Measures against which the performance of the Board and its individual directors are measured include:

- assessment of the skills, performance and contribution of individual members of the Board;
- the performance of the Board as a whole;
- awareness of directors of their responsibilities and duties as directors of the Company and of corporate governance and compliance requirements;
- awareness of directors of the Company's strategic direction;
- understanding by the directors of the Company's business and the industry and environment in which it operates;
- avenues for continuing improvement of Board functions and further development of director skill base.

Given the current size and structure of the Company, the performance of the Managing Director is evaluated informally through open and regular communication with the Board during which feedback, guidance and support is provided. In addition, the Managing Director's performance is reviewed by the Board by meeting and discussion annually based on observations and interactions during the previous 12 months.

## CORPORATE GOVERNANCE STATEMENT (continued)

### Board, its committees and individual directors (continued)

During the Reporting Period, an evaluation of the Board, individual directors and the Managing Director took place in accordance with the process disclosed above. The Company also provides appropriate opportunities for professional development of directors to develop and maintain their skills and knowledge needed to perform their roles effectively.

The Company's Process for Performance Evaluation is disclosed on the Company's website.

### Ethical and responsible decision making

#### Code of Conduct

(Recommendations: 3.1)

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, the practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Company's Code of Conduct is disclosed on the Company's website.

### Diversity

(Recommendations: 1.5)

The Company has established a Diversity Policy. However, the policy does not include a requirement for the Board to establish measurable objectives for achieving gender diversity. Rather, the policy states that the Board may set measurable objectives that are appropriate for the Company, which will be disclosed if established.

The Board has not set measurable objectives for achieving gender diversity as the Board does not consider it practical at this stage to do so. The Board will review its position on establishing measurable objectives as the Company's circumstances change, and the number of employees and level of activities of the Company increase to a level that the Board considers will enable it to set meaningful and achievable objectives.

There is one woman in the organisation. The proportion of women employees in the whole organisation, women in senior executive positions and women on the Board as at the date of this statement are set out in the following table:

	<b>Proportion of women</b>
Whole organisation	1 out of 7 (14%)
Senior Executive positions	0 out of 2 (0%)
Board	1 out of 5 (20%)

A summary of the Company's Diversity Policy is disclosed on the Company's website.

### Continuous Disclosure

(Recommendations: 5.1)

The Company has established written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and accountability at a senior executive level for that compliance.

A summary of the Company's Policy on Continuous Disclosure and Compliance Procedures are disclosed on the Company's website.

### Shareholder Communication

(Recommendations: 6.1, 6.2, 6.3, 6.4)

The Company has designed a communications policy for promoting effective communication with shareholders, informing shareholders about itself via its website and encouraging shareholder participation at general meetings.

As part of the Company communications policy, the Company also facilitates effective two-way communication with investors and encourages investors to use the Company's website and to receive and send communications electronically. The Company's Investor Relations Policy is disclosed on the Company's website.

## CORPORATE GOVERNANCE STATEMENT (continued)

### Risk Management

(Recommendations: 7.1, 7.2, 7.3, 7.4)

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Managing Director, who is responsible for identifying, assessing, monitoring and managing risks. The Managing Director is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board. Given the current size and composition of the Board, the Board believes that there would be no efficiencies gained by establishing a separate risk committee.

In fulfilling the duties of risk management, the Managing Director may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established authority limits for management, which, if proposed to be exceeded, requires prior Board approval;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has reviewed its corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices.

The Company has formalised its approach to risk management by documenting all material business risks in a risk map and allocating ownership for material business risks to the Managing Director and management of individual material business risks to senior management and individuals within the organisation. The risk map is reviewed by management and updated on a quarterly basis and presented to the Board. All risks identified in the risk map are reviewed and assessed by management and the Board at least annually. The Board however does not have an internal audit function given the current size and composition of the Board.

The categories of risk reported on as part of the Company's risk management systems are: reputational; strategic; corporate governance; new investment; existing investment control; development projects; sale of investments; finance; operational risk; compliance and regulatory; legal; tax, environmental, economic, social sustainability and personnel.

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. The Board has received a report from management as to the effectiveness of the Company's management of its material business risks for the Reporting Period.

A summary of the Company's Risk Management Policy is disclosed on the Company's website.

**CORPORATE GOVERNANCE STATEMENT (continued)**

<b>Skills and experience</b>	<b>Board</b>
<b>Total Directors</b>	<b>5 Directors</b>
<b>Executive leadership</b> Sustainable success in business at a very senior executive level in a successful career.	5
<b>Global experience</b> Senior management or equivalent experience in multiple global locations, exposed to a range of political, cultural, regulatory and business environments.	5
<b>Governance and people management</b> Commitment to the highest standards of governance, including experience with a major organisation that is subject to rigorous governance standards, and an ability to assess the effectiveness of senior management.	5
<b>Strategic thinking and risk management</b> Track record of developing and implementing a successful strategy, including appropriately probing and challenging management on the delivery of agreed strategic planning objectives. Track record in developing an asset or business portfolio over the long term that remains resilient to systemic risk.	5
<b>Financial management and acumen</b> Senior executive or equivalent experience in financial accounting and reporting, corporate finance and internal financial controls, including an ability to probe the adequacies of financial and risk controls.	5
<b>Industry knowledge and fund raising</b> Experience working in property and infrastructure industry with projects involving capital outlays and long-term investment horizons. Ability to raise funds from various sources domestically and internationally.	5
<b>Health, safety and environment</b> Experience related to workplace health and safety, environmental and social responsibility, and community.	5
<b>Remuneration</b> Board Remuneration Committee membership or management experience in relation to remuneration, including incentive programs and pensions/superannuation and the legislation and contractual framework governing remuneration.	5
<b>Marketing</b> Senior executive experience in marketing and a detailed understanding of the Group's corporate purpose to create long-term shareholder value through the discovery, acquisition, development and marketing of property development and investment opportunities.	5
<b>Public and government policy</b> Experience in public, government and regulatory policy, including how it affects corporations.	5

<b>Geographic experience</b>	<b>Number of Directors</b>
Australia and New Zealand	5
China	3
Middle East	3