

Australian Unity Office Fund

18 September 2018



Corporate Governance Statement

Issued by: Australian Unity Investment Real Estate Limited ('Responsible Entity') ABN 86 606 414 368, AFS Licence No. 477434

Australian Unity Investment Real Estate Limited (AUIREL) is the responsible entity of the Australian Unity Office Fund (Fund) In accordance with ASX Listing Rule 4.10.3, set out below are the ASX Corporate Governance Council's (Council) eight principles of good corporate governance (Principles), and the extent to which the Fund complies with the associated recommendations for each. The Principles have been modified by the Council when applied to externally managed listed trusts such as the Fund. While the Council has stated a number of the recommendations do not apply to externally-managed listed trusts, AUIREL has either directly or through its arrangements with the Australian Unity Limited group put in place procedures in relation to a number of those recommendations as they relate to the Fund and AUIREL as described below.

The Fund was admitted to the official list of the ASX on 20 June 2016.

This Corporate Governance Statement is current as at 30 June 2018 and has been approved by the board of AUIREL as the responsible entity of the Fund.

Contact Details

Responsible Entity

Australian Unity Investment Real Estate Limited
ABN 86 606 414 368 AFSL 477434

Registered Office

114 Albert Road
South Melbourne VIC 3205
Tel: 13 29 39

Website

www.australianunityofficefund.com.au

Australian Unity Office Fund Investor Services

Level 12, 225 George Street
Sydney NSW 2000
Tel: 1300 721 637 or +61 2 8016 2890 (outside Australia)

Principle 1: Lay solid foundations for management and oversight

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

Recommendation 1.1

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

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

The Fund will be managed under the supervision and direction of the Board of AUIREL.

Yes

The primary function of the Board of AUIREL is to ensure that the Fund is managed in the best interests of Unitholders. This involves monitoring the decisions and actions of the Fund's managers and the management team who are responsible for the day-to-day management of the Fund. The Board also monitors the governance and performance of the Fund through the committees established by it.

The Board has formalised its roles and responsibilities in the Board Charter. A copy of the Board Charter is available at www.australianunityofficefund.com.au.

All matters, unless specifically reserved for the Board, necessary for the day-to-day management of the Fund are delegated by the Board to the Fund's managers. Although the Board retains overall responsibility for the management of the Fund, under the Investment Management Agreement and the Property Management Agreement, AUIREL has engaged Australian Unity Funds Management Limited (AUFML) and Australian Unity Property Management Pty Limited (AUPM) to provide, or procure the provision of certain services and resources to AUIREL to enable it to carry out its obligations in respect of the Fund. A summary of the Investment Management Agreement and Property Management Agreement is available at www.australianunityofficefund.com.au.

Recommendation 1.2

A listed entity should:

- a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and
- b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

Prior to appointment, or recommendation for appointment, as a Director, appropriate background checks including police and bankruptcy background checks and the provision of business references are carried out.

Yes

As the Fund is externally managed, the shareholder of AUIREL appoints the directors of AUIREL. Australian Unity Limited is the shareholder of AUIREL.

Recommendation 1.3

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

Not applicable, as the Fund is externally managed.

N/A

However, AUIREL ensures that all Directors providing services to the Fund have a letter of appointment setting out the remuneration, right to the provision for a deed of access and indemnity, term of appointment and expectations regarding meetings and committees.

AUIREL has no employees. Services required by the Fund are undertaken pursuant to an Investment Management Agreement and Property Management Agreement.

Recommendation 1.4

The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The company secretary of AUIREL is accountable directly to the Board on all matters of governance and will inform the board of all relevant matters not otherwise brought to the attention of the Board.

Yes

ASX Corporate Governance Recommendation	Form and manner of compliance	Comply
<p>Recommendation 1.5</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; b) disclose that policy or a summary of it; and c) can disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: <ul style="list-style-type: none"> 1. the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or 2. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act. 	<p>Not applicable, as the Fund is externally managed. The board of AUIREL however is 60% male, and 40% female.</p>	<p>N/A</p>
<p>Recommendation 1.6:</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<p>Not applicable, as the Fund is externally managed.</p> <p>However, in accordance with the Board Charter of AUIREL, the performance of the Board will be evaluated each year in a manner determined by the chair of the Board. A copy of the Board Charter is available at www.australianunityofficefund.com.au. A performance evaluation was undertaken by the board during the year ended 30 June 2018.</p>	<p>N/A</p>
<p>Recommendation 1.7</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> a) have and disclose a process for periodically evaluating the performance of its senior executives; and b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process. 	<p>Not applicable, as the Fund is externally managed.</p> <p>However, the Board of AUIREL is responsible for reviewing the performance of AUFML and AUPM under the Investment Management Agreement and Property Management Agreement respectively.</p> <p>During the year ended 30 June 2018 the board regularly reviewed the performance of AUFML and AUPM.</p>	<p>N/A</p>

Principle 2: Structure the board to add value

A listed entity should have a board of an appropriate size, composition, skills and commitment to enable it to discharge its duties effectively.

<p>Recommendation 2.1</p> <p>The board of a listed entity should:</p> <p>a) have a nomination committee which:</p> <ol style="list-style-type: none"> 1. has at least three members, a majority of whom are independent directors; and 2. is chaired by an independent director, and disclose: 3. the charter of the committee; 4. the members of the committee; and 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or <p>b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>Not applicable, as the Fund is externally managed.</p>	<p>N/A</p>
<p>Recommendation 2.2</p> <p>A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>Not applicable, as the Fund is externally managed.</p> <p>However, the Board of AUIREL is made up of Directors with a broad range of skills, expertise and experience and from a diverse range of background, including gender, which is appropriate to achieve the Fund's objective.</p>	<p>N/A</p>
<p>Recommendation 2.3</p> <p>A listed entity should disclose:</p> <p>a) the names of the directors considered by the board to be independent directors;</p> <p>b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>c) the length of service of each director.</p>	<p>Peter Day and Don Marples are independent Directors of AUIREL.</p> <p>In determining the independence of its Directors, AUIREL has had regard to the guidelines provided by Principle 2 of the ASX Guidelines.</p> <p>Each director was appointed to the AUIREL board in August 2015, and has therefore been a director of AUIREL for two years and 10 months to 30 June 2018.</p>	<p>Yes</p>

ASX Corporate Governance Recommendation	Form and manner of compliance	Comply
<p>Recommendation 2.4</p> <p>A majority of the board of a listed entity should be independent directors.</p>	<p>Not applicable, as the Fund is externally managed.</p> <p>The Board of AUIREL has two independent Directors, one of whom is the independent Chairman, Peter Day. In addition to the two independent Directors, two of the three remaining Directors are non-executive Directors (Eve Crestani and Greg Willcock). The Board considers this to be the optimal Board composition given the current size and business of AUIREL.</p>	N/A
<p>Recommendation 2.5</p> <p>The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity</p>	<p>The Chairman of the Board is Peter Day who is an independent Director.</p>	Yes
<p>Recommendation 2.6</p> <p>A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<p>Not applicable, as the Fund is externally managed.</p> <p>However all Directors of AUIREL received information regarding Australian Unity Group's policies and structure and information on AUIREL's values and knowledge and skills appropriate to their role.</p> <p>Ongoing training for the Directors includes site visits to familiarise themselves with the Properties, and making available professional education programs to enhance skills and knowledge, and presentations on developments impacting the Fund and industry.</p>	N/A
<p>Principle 3: Act ethically and responsibly</p> <p>A listed entity should act ethically and responsibly.</p>		
<p>Recommendation 3.1</p> <p>A listed entity should:</p> <ul style="list-style-type: none"> a) have a code of conduct for its directors, senior executives and employees; and b) disclose that code or a summary of it. 	<p>Each Director and employee of the Australian Unity Group involved in the management or provision of services to the Fund has agreed to comply with the Code of Conduct.</p> <p>The Code of Conduct aims to ensure that all Directors and employees of the Australian Unity Group meet the highest ethical and professional standards in the conduct of their duties and obligations and in dealing with other employees and officers, as well as the investors of the Fund. This is to ensure that trust and confidence is maintained to the highest standards with all stakeholders, including Unitholders, regulators, stakeholders, service providers, tenants and the public.</p> <p>A copy of the Code of Conduct is available at www.australianunityofficefund.com.au.</p>	Yes
<p>Principle 4: Safeguard integrity in corporate reporting</p> <p>A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.</p>		
<p>Recommendation 4.1</p> <p>The board of a listed entity should:</p> <ul style="list-style-type: none"> a) have an audit committee which: <ul style="list-style-type: none"> 1. has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and 2. is chaired by an independent director, who is not the chair of the board, and disclose: <ul style="list-style-type: none"> 3. the charter of the committee; 4. the relevant qualifications and experience of the members of the committee; and 5. in relation to each reporting period, 	<p>The Board of AUIREL has established an Audit and Risk Committee to assist the Board in overseeing the integrity of the Fund's financial reporting, risk management framework and the independence of external auditors, and monitoring compliance with legal, regulatory and policy requirements.</p> <p>The Audit and Risk Committee's members are appointed by the Board and must comprise at least three members, the majority of whom are independent. The chair of the Audit and Risk Committee is required to be an independent Director (but must not be the chair of the Board). Don Marples has been appointed by the Board to chair the Audit and Risk Committee, with independent director Peter Day and non-executive director, Eve Crestani serving as members of the Audit and Risk Committee.</p> <p>The qualifications and experience of the members of the Committee are available at www.australianunityofficefund.com.au.</p> <p>The Audit and Risk Committee has a formal charter which sets out the</p>	Yes

ASX Corporate Governance Recommendation	Form and manner of compliance	Comply
-----------------------------------------	-------------------------------	--------

<p>the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>Committee’s responsibilities and functions. A copy of the Audit and Risk Committee Charter is available at www.australianunityofficefund.com.au.</p> <p>The Audit and Risk Committee will meet as necessary but, at a minimum four times per financial year (in each full financial year). The Audit & Risk Committee met five times during the year to 30 June 2018 with all Committee members attending each meeting.</p>	
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

<p>Recommendation 4.2</p> <p>The board of a listed entity should, before it approves the entity’s financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>To the extent that the financial statements of the Fund are approved by the Board each financial year, the General Manager Operations and Enterprise Services for Australian Unity Wealth & Capital Markets and Group Executive for Australian Unity Wealth & Capital Markets will provide the declarations required by Section 295A of the Corporations Act.</p> <p>The positions of Group Executive Australian Unity Wealth & Capital Markets and General Manager Operations and Enterprise Services for Australian Unity Wealth & Capital Markets are equivalent to the functions ordinarily performed by a CEO and CFO.</p>	Yes
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----

<p>Recommendation 4.3</p> <p>A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<p>The Fund’s external auditor will attend and be available at the Fund’s AGM to answer questions from Unitholders relevant to the audited accounts of the Fund.</p>	Yes
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----

Principle 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.

<p>Recommendation 5.1</p> <p>A listed entity should:</p> <p>a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>b) disclose that policy or a summary of it.</p>	<p>AUIREL is committed to fair and open disclosure and its policy has been adopted to ensure AUIREL meets its disclosure obligations under the Corporations Act and the ASX Listing Rules in relation to the Fund.</p> <p>The overriding principle of the Fund’s Continuous Disclosure Policy is to ensure that the Fund complies with the ASX Listing Rules and provides equal access to information and to promote quality communication between the Fund and third parties, such as Unitholders, the investment community, the media and the ASX.</p> <p>AUIREL’s company secretary is responsible for ensuring the Fund complies with the continuous disclosure requirements of the ASX Listing Rules and the Corporations Act.</p> <p>The communication policy and continuous disclosure policy are available at www.australianunityofficefund.com.au.</p>	Yes
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----

ASX Corporate Governance Recommendation	Form and manner of compliance	Comply
-----------------------------------------	-------------------------------	--------

Principle 6: Respect the rights of security holders
A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively

<p>Recommendation 6.1</p> <p>A listed entity should provide information about itself and its governance to investors via its website.</p>	<p>AUIREL has adopted a communication policy and continuous disclosure policy. AUIREL provides all relevant information about itself, the Fund and the governance of the Fund at www.australianunityofficefund.com.au, as required by the ASX Guidelines and the Listing Rules.</p>	Yes
<p>Recommendation 6.2</p> <p>A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p>AUIREL provides clear and effective communications with stakeholders on matters affecting the Fund and the Units, in accordance with the communication policy and continuous disclosure policy.</p> <p>Announcements in respect of the Fund and AUIREL are:</p> <ul style="list-style-type: none"> ● released to ASX as required by the Listing Rules; ● posted to the Fund's website; and ● distributed to major media and investor contacts. <p>AUIREL also regularly communicates with Unitholders, including through the publication of:</p> <ul style="list-style-type: none"> ● audited annual financial reports; ● reviewed half-yearly financial reports; ● distribution statements; ● annual taxation statements; and ● investor presentations. <p>AUIREL also presents its financial results to investors every six months via a teleconference, and also holds an AGM. At each of these events unitholders can ask questions of AUIREL about the Fund and provide feedback.</p> <p>The Fund's website also has accessible information on the Fund, half-yearly and annual reports, and Distribution information.</p>	Yes
<p>Recommendation 6.3</p> <p>A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	<p>The Fund holds an AGM of Unitholders. Each meeting will cover formal business and will provide Unitholders with an opportunity to be updated on the activities of AUIREL and the Fund, and to also ask questions of the Board of AUIREL and management of the Fund. The auditor of the Fund will attend to answer questions on the audited accounts of the Fund at each AGM.</p> <p>Notices of meeting and explanatory memoranda for Unitholder resolutions are provided to Unitholders in accordance with the Constitution and the Corporations Act, and are accessible on the Fund's website, as well as being lodged with ASX.</p> <p>Unitholders who are unable to attend an AGM are able to vote by proxy.</p>	Yes
<p>Recommendation 6.4</p> <p>A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	<p>AUIREL provides Unitholders with the option of receiving communications from the Fund electronically.</p>	Yes

Principle 7: Recognise and manage risk

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

Recommendation 7.1

The board of a listed entity should:

- a) have a committee or committees to oversee risk, each of which:
 - 1. has at least three members, a majority of whom are independent directors;
 - 2. is chaired by an independent director, and disclose:
 - 3. the charter of the committee;
 - 4. the members of the committee; and
 - 5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or
- b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

The Board of AUIREL has established the Audit and Risk Committee to assist the Board in overseeing and reviewing the effectiveness of AUIREL's risk management framework which applies to AUIREL and the Fund.

The Audit and Risk Committee's members are appointed by the Board and must comprise at least three members, the majority of whom are independent. The chair of the Audit and Risk Committee is required to be an independent director (but must not be the chair of the Board). The Audit and Risk Committee is chaired by Don Marples, who is an independent director, with independent director, Peter Day and non-executive director, Eve Crestani serving as members of the Audit and Risk Committee.

The Board has adopted a formal charter setting out the main responsibilities and functions of the Audit and Risk Committee. A copy of the Audit and Risk Committee Charter is available at www.australianunityofficefund.com.au.

The Audit and Risk Committee's specific responsibilities relating to risk management include:

- overseeing and reviewing the effectiveness of the risk management framework at least annually;
- approving and reviewing the quality and adequacy of risk management policies, systems, procedures, controls and practices that apply to the Fund, including business continuity management;
- promoting a greater awareness and commitment to risk management practices in relation to the Fund; and
- providing a forum for review of changes to regulatory and statutory requirements with regard to risk management.

The Audit and Risk Committee will meet as necessary but at a minimum, four times per financial year (in each full financial year).

The Audit & Risk Committee met five times during the year to 30 June 2018 with all Committee members attending each meeting.

Yes

Recommendation 7.2

The board or a committee of the board should:

- a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and
- b) disclose, in relation to each reporting period, whether such a review has taken place.

The Audit and Risk Committee oversees and reviews the effectiveness of AUIREL's risk management framework annually.

Additionally, the Audit and Risk Committee must review the Audit and Risk Committee Charter annually and obtain the approval of the Board in respect of any amendments to the Audit and Risk Committee Charter.

AUIREL's risk management framework was reviewed during the year ended 30 June 2018.

Yes

ASX Corporate Governance Recommendation	Form and manner of compliance	Comply
<p>Recommendation 7.3</p> <p>A listed entity should disclose:</p> <p>a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>AUIREL does not have an internal audit function. However, as a wholly-owned subsidiary of Australian Unity Limited, AUIREL and the Fund have been incorporated into the annual Australian Unity Limited audit plan. The Audit and Risk Committee will receive and review reports provided by the Australian Unity Group internal audit function on issues relevant to AUIREL or the Fund and consider any major findings of internal audit reports and review management’s response in terms of content and timeliness.</p>	<p>Yes</p>
<p>Recommendation 7.4</p> <p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p>The Fund is exposed to certain risks including economic and environmental risks. Refer to Section 9 of the Product Disclosure Statement dated 23 May 2016 (PDS) for more information in respect of those risks, and risks associated with holding Units generally. Those risks are managed and reviewed regularly by AUIREL in accordance with its risk management framework, under the supervision of the Audit and Risk Committee.</p> <p>A copy of the PDS is available at www.australianunityofficefund.com.au.</p>	<p>Yes</p>
<p>Principle 8: Remunerate fairly and responsibly</p>		
<p>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.</p>		
<p>Recommendation 8.1, 8.2 and 8.3</p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>	<p>Section 11 of the PDS sets out the fees payable to AUIREL under the Constitution. A summary of the Constitution is at Section 13.1 of the PDS.</p> <p>In addition, summaries of the fees payable to other Australian Unity Group entities who provide management services to the Fund are contained in Section 11.5 of the PDS.</p> <p>A copy of the PDS is available at www.australianunityofficefund.com.au.</p>	<p>Yes</p>