



14 October 2015

The Manager  
Company Announcements Office  
ASX Limited  
Level 4, Exchange Centre  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

**Listing Rule 4.7.4**

In accordance with ASX Listing Rule 4.7.4, please see attached Federation Limited's Corporate Governance Statement.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Carolyn Reynolds", is written over a light blue horizontal line.

**Carolyn Reynolds**  
**General Counsel**



# Corporate Governance Statement 2015

Federation Limited and  
Federation Centres Limited



# Corporate Governance Statement

## BACKGROUND

Federation Centres is a stapled group comprising Federation Limited (the Company) and Federation Centres Trust No. 1 (the Trust). Shares in the Company and units in the Trust are “stapled” together and are traded collectively as stapled securities on the Australian Securities Exchange, under the ASX code ‘FDC’. Federation Centres Limited, a wholly owned subsidiary of the Company, is the Responsible Entity (the RE) of the Trust.

On 11 June 2015, Federation Centres and Novion Property Group (Novion) merged to create one of Australia’s leading Real Estate Investment Trusts (the Merger). Under the terms of the Merger, Federation Centres was the legal acquirer and Novion the legal acquiree. As such, this Corporate Governance Statement is required to detail Federation Centres’ compliance with the ASX Corporate Governance Council Principles and Recommendations (3rd edition) (the Principles).

The position of Federation Centres and Novion (the Group) following the Merger is outlined where appropriate.

Following the Company’s 2015 Annual General Meeting (AGM) and subject to the approval by securityholders of amendments to its constitution to allow additional Directors to be appointed to its Board, it is intended that all Directors of the RE will also be Directors of the Company. References to ‘the Board’ in this statement are references to the boards of the Company and the RE following the Merger.

### Our approach to Corporate Governance

The Group is committed to high standards of governance. The rights and interests of all of our investors underpin our decision making processes and are at the core of our corporate governance practices. These practices reflect that we operate in a robust regulatory environment and have corporate and managed investment scheme obligations under the *Corporations Act 2001* (Cth) (the Act) and Australian Securities Exchange (ASX) Listing Rules.

The Board has given consideration to the Principles in reviewing the governance practices of Federation Centres and Novion to develop best practice for the Group.

This statement is current as at 10 September 2015, and has been approved by the Board of Federation Centres. Where Federation Centres has not satisfied a recommendation under the Principles in FY15 the reasons why are outlined in this Corporate Governance Statement.

## PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

### Role of the Board

The Board is accountable to securityholders for the performance of the Group and is responsible for planning and overseeing the business and affairs of the Group for the benefit of securityholders.

Throughout the period, the board of the Company and the RE had in place a charter setting out the roles and responsibilities of the board. Following implementation of the Merger, the Board adopted a new Board charter for the Group.

The Board is responsible for developing the strategic direction for the Group, establishing goals for management and monitoring the achievement of these goals. In doing so, the Board aims to deliver superior long-term total returns for the Group’s securityholders and investors.

The Board is specifically responsible for:

- setting the values, standards of conduct and governance practices of the Group including evaluating the skills and experience required on the Board and planning Board succession;
- appointing, planning succession and setting the remuneration framework for the Chief Executive Officer (CEO) and senior executives;
- overseeing the processes for making appropriate, timely and balanced disclosure of all relevant material information concerning the Group;
- monitoring the integrity of financial reporting and corporate reporting, including the external audit;
- setting risk appetite and monitoring systems of risk management, internal control and ethical and legal compliance; and
- approving operating budgets and major capital expenditure, acquisitions and disposals.

Full details of the responsibilities and functions reserved for the Board are set out in the Board charter, which can be accessed in the ‘Corporate Governance’ section of the Group’s website. [Click here](#) to view the Board charter.



# Corporate Governance Statement

## Relationship of the Board with management

The Board charter defines the role of management as being responsible for implementing the Group's strategy and achieving the Group's business performance objectives and financial objectives, and for carrying out the day to day management and operations of the Group's affairs.

The CEO and Executive Committee (EC) must operate in accordance with the Board's approved policies and delegated limits of authority.

Management is responsible for supplying the Board with accurate, timely and clear information as is reasonably necessary to enable the Board to perform its responsibilities.

The Company Secretary is accountable to the Board, through the Chairman, on all matters to do with the proper functioning of the Board.

## Appointment of Directors

Where a new appointment to the Board is being considered, the Group obtains detailed background information and undertakes screening of the potential nominee's character, experience, qualifications and criminal and bankruptcy history prior to that nominee being issued with an invitation to join the Board.

All new Director appointments for the Group are confirmed by letter of appointment, which sets out the terms of appointment and the obligations of the Director to comply with key policies and procedures. Upon appointment, Directors are issued with an induction pack.

## Election and re-election of Directors

The Board will provide securityholders with all material information in its possession relevant to a decision regarding the election or re-election of a Director.

## Access to information, independent advice and indemnification

Procedures agreed by the Board are in place whereby the Directors may seek independent professional advice at the expense of the Group to assist them in carrying out their duties as Directors. Upon appointment, each Director enters into a Deed of Access, Indemnity and Insurance to ensure access to documents and insurance arrangements during the term of their appointment and for a period following their retirement as a Director of the Group.

## Diversity and Inclusion Policy Statement

The Group strives to create a diverse and inclusive workplace, reflective of the extensive diversity of the communities in which we operate and where employee differences and diversity are valued and celebrated.

Diversity and inclusion practices enable the Group to optimise the full potential of our people and our business by harnessing the individual differences of thought, experience and background.

## Federation Centres Gender Diversity Objectives

The board of Federation Centres set a number of gender diversity objectives for FY15 prior to the Merger. As these objectives related to Federation Centres on a standalone basis, the objectives have been measured over the period from 1 July 2014 to 10 June 2015 (being the day prior to implementation of the Merger).

The following gender diversity objectives were set by Federation Centres for FY15:

- Continue to conduct quarterly Diversity Forums to capture cross company views about diversity issues and ensure traction with the implementation of the Federation Centres Diversity and Inclusion Action Plan;
- Implement the flexibility policy and guidelines and provide training to people leaders to ensure the number of people working flexibly increases and the retention of talented people is achieved;
- Conduct biannual pay equity analysis and implement strategies to address any pay equity gaps;
- Maintain the number of women in management<sup>(1)</sup> roles at a minimum of 40% to between 45% and 50% by end of FY15; and
- Attract diverse talent to the organisation through the FDC recruitment policy. From FY14, endeavour to ensure there is at least one female on each shortlist and a gender balanced interview panel for all appointments. Of the available vacancies, ensure 50% are filled by women by the end of FY15.

Progress against the targets and objectives set by Federation Centres in the period from 1 July 2014 to the date of the Merger included:

- Three Diversity Forums were held capturing views on diversity related issues and initiatives to facilitate change and momentum;
- Flexible working policy and guidelines were implemented within Federation Centres with a wide range of employees across all levels now engaged in the practice. Leaders have been supported to build an understanding of and to successfully implement flexible work practices within their teams;
- A pay equity analysis is being undertaken as part of the FY16 remuneration review process to be completed in September 2015;
- As part of the Property Male Champions of Change commitment, employee focus groups were held to focus on increasing the representation of women in leadership;

(1) Management is defined for this purpose as Executive Committee, Executive Committee direct reports and their senior direct reports.

# Corporate Governance Statement

- Gender balance has been embedded in recruitment short lists and interview panels. Internal and external talent mapping has also had a gender balance focus leading to a diverse range of talent being attracted to the organisation;
- A pilot in unconscious bias training was undertaken to help build an understanding of how implicit or unconscious bias can impact hiring and other talent management decisions;
- Available vacancies in the period prior to Merger were filled by 58% female candidates and 42% male candidates; and
- Federation Centres attracted a diverse pool of talent in this year's graduate recruitment program leading to a 67% female and 33% male cohort to commence in FY16.

During the year Federation Centres made several female appointments to management roles and actively promoted several high potential women. Throughout the re-organisation of the Group post Merger, the Group has also tracked gender balance across all structures to ensure our focus is maintained.

As at 10 June 2015, the proportion of females and males across the Group was as follows:

	Female	Male
Board	25%	75%
Senior Executive <sup>(1)</sup>	33%	67%
Management	40%	60%
Across the whole organisation	61%	39%

(1) Senior Executive is defined for this purpose as Executive Committee and Executive Committee direct reports.

As at 10 June 2015, the number of women in management roles was 40% compared with 42% as at 30 June 2014. In preparation for the Merger with Novion, organisational change was minimised and during this time there were limited opportunities for recruitment or promotion across Federation Centres. Therefore the stretch target of 45% was not achieved by the end of FY15. Federation Centres did however meet its target to achieve 50% of available vacancies filled by women by the end of FY15.

The Group is committed to the principles of diversity and will continue to focus on initiatives to support female representation in management roles. The diversity objectives to apply to the Group from FY16 are being developed by the Board. Details will be made available on the Group's website in due course.

## Evaluation of Board performance

The Board supports the principle of regular reviews of Board and Committee performance and effectiveness. Such reviews include a review of individual Director performance and contribution.

Given the Merger and the consequential reconstitution of the Board, no formal Board review was undertaken during FY15. A formal evaluation of the newly constituted Board and its Committees will be undertaken in FY16 once the Board and Committees have been in operation for an appropriate time.

Board performance reviews will be conducted by an internal assessment by way of questionnaire, including self-assessment. The Board may periodically engage an external consultant to facilitate the Board performance review.

## Evaluating performance of senior management

Throughout the financial year, there has been in place a performance evaluation system that includes the setting of annual key performance indicators for each employee, including senior management, which are measurable, quantifiable and assessed on a semi-annual basis. During FY15, employees participated in a mandatory performance evaluation in accordance with this process.

On an annual basis, the Remuneration and Human Resources Committee, and subsequently the Board, will formally review the performance of the CEO. The assessment criteria include both qualitative and quantitative measures and include profit performance, other financial measures, achievement of strategic priorities, risk management measures and people measures.

The annual performance measures established for the CEO are cascaded appropriately to the Executive Committee and all employees.

An integral part of the performance structure is the Group's Right Way framework which acts as a gateway to individual performance outcomes. Right Way is a mechanism to reduce or cancel incentive payments in the event of non-compliance with the Group's policies or standards of behaviour.

Further details on the reward framework, performance measures and the assessment criteria for the CEO and the Executive KMP (including equity-based plans) that were in place for Federation Centres during FY15 are set out in the Remuneration Report which forms part of the Directors' Report within the 2015 Financial Report. [Click here](#) to view the 2015 Financial Report.

Following the Merger, the Remuneration and Human Resources Committee and the Board reviewed and approved the remuneration framework to apply for the Group for FY16.

# Corporate Governance Statement

## PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

### The Composition of the Board

The Board comprises a majority of independent Directors and satisfies the requirements of Principle 2.4.

As at the date of this report, the composition of the Board<sup>(1)</sup> and Committees is as follows:

**Table 2.1**

Board	Group Audit Committee	Group Remuneration & HR Committee	Group Risk & Compliance Committee	Group Nominations Committee
<b>Peter Hay</b> Appointed 11 June 2015 Independent Non-executive Chairman				C
<b>Angus McNaughton</b> Appointed 3 August 2015 Chief Executive Officer (Managing Director of Federation Centres Limited)	A	A	A	
<b>Trevor Gerber</b> Appointed 11 June 2015 Independent Non-executive Director and alternate for Richard Haddock	M	M		
<b>Richard Haddock</b> Appointed 11 June 2015 Independent Non-executive Director	M		M	
<b>Tim Hammon</b> Appointed 15 December 2011 Independent Non-executive Director		M	C	M
<b>Peter Kahan</b> Appointed 11 June 2015 Non-executive Director	M	M		M
<b>Charles Macek</b> Appointed 15 December 2011 Independent Non-executive Director		C		M
<b>Karen Penrose</b> Appointed 11 June 2015 Independent Non-executive Director	C		M	
<b>Debra Stirling</b> Appointed 15 December 2011 Independent Non-executive Director and alternate for Charles Macek		M	M	
<b>Wai Tang</b> Appointed 30 May 2014 Independent Non-executive Director	M		M	
<b>David Thurin</b> Appointed 11 June 2015 Non-executive Director			M	

C = Chair, M = Member, A = Attendee

(1) The above table displays the composition of the board of the RE. The Company's constitution contains a limit on the maximum number of Directors being 8. Given this limit, from 11 June 2015, Mr Trevor Gerber and Ms Debra Stirling were appointed to the board of the Company as Alternate Directors. The Board intends to appoint Mr Angus McNaughton as Managing Director of the Company immediately after the Company's 2015 Annual General Meeting. The boards of the Company and the RE meet concurrently.

# Corporate Governance Statement

## Board skills and experience

The composition of the Board acknowledges the size and scale of the Group and the skills and expertise required to discharge the Board's duties.

The Directors of the Group collectively have skills and experience in relevant areas of property, retail, strategy, accounting, finance and capital markets, legal, funds management, and corporate governance. The qualifications, skills and experience of the Directors, and other directorships held by them are available on the Group's website: [www.federationcentres.com.au/about/our-board](http://www.federationcentres.com.au/about/our-board).

The Federation Centres board had in place a skills matrix which was reviewed by the Board on a regular basis. The skills matrix for the Group is being updated to reflect the new composition of the Board and will identify the mix of skills and diversity, experience and areas of expertise which the merged Board considers relevant and necessary to support the Group's strategic plan. The Group intends to publish the Board skills and experience matrix on its website prior to the Company's 2015 AGM.

## Board Committees

In the period prior to the Merger, the Federation Centres board had in place an Audit and Risk Committee, a Remuneration and Human Resources Committee and a Nominations Committee.

Following implementation of the Merger the Board formed an Audit Committee, a Risk and Compliance Committee, a Remuneration and Human Resources Committee and a Nominations Committee.

Further details of Board and Committee membership and attendance at meetings for the FY15 reporting period, including for both Federation Centres and Novion for the period prior to the implementation of the Merger, are set out in the Directors' Report within the 2015 Financial Report. [Click here](#) to view the 2015 Financial Report.

## Nominations Committee

Throughout the period, Federation Centres and the Group had in place a Nominations Committee which satisfied the requirements of Principle 2.1.

The Committee operates under a charter adopted by the Board. The charter can be accessed in the 'Corporate Governance' section of the Group's website. [Click here](#) to view the Nominations Committee charter.

## Independence

Board composition and the independence of Directors are determined in accordance with the Board charter and having regard to the Principles. All Non-executive Directors, other than Mr Peter Kahan and Dr David Thurin both of whom are connected with The Gandel Group, are Independent Non-executive Directors. The Chairman, Mr Peter Hay, is an Independent Non-executive Director.

## Director Induction and Education

Federation Centres had in place a process to induct new Directors regarding the nature of the Group's business, including current issues, the corporate strategy and the expectations of the Group concerning Directors' performance. This process has been adopted by the Group. All Directors have the opportunity to visit the assets of the Group and meet with management to gain a better understanding of business operations. Periodic Director education sessions are held to ensure that Directors are kept abreast of any changes to the regulatory and legislative environment.

## PRINCIPLE 3 – PROMOTING ETHICAL AND RESPONSIBLE DECISION MAKING

### Code of conduct

Federation Centres had a Code of Conduct (the Code) in place throughout FY15. The Code requires the Group and its employees to act in a manner which will enhance the reputation of Federation Centres and comply with the law at all times. The Code details expected behavioural standards and ethical expectations and outlines key legal requirements. As part of the Group's performance review process, employees are assessed against the values outlined in the Code.

The Group is presently reviewing and updating the Code to reflect any changes required as a consequence of the Merger.

### Conflicts of interest

The Group has in place conflict of interest policies and procedures to ensure that the personal interests of employees and Directors do not interfere with, and are not perceived to interfere with, the interests of the Group. Additional protocols have been implemented upon the Merger for wholesale funds managed by the Group.

### Trading in securities and hedging

Under the Group Securities Trading Policy, trading in FDC securities by employees, Directors, and contractors is prohibited in blackout periods between:

- 1 January and one day after the release of the Group's interim results; and
- 1 July and the day after the release of the Group's full year results.

# Corporate Governance Statement

The policy is subject to the overriding prohibition against trading while in possession of inside information.

Additional restrictions apply to restricted officers, including Directors, senior executives and their associates, whereby pre-trade approval must be obtained before they deal in FDC securities. Each Director has also agreed to provide notice to Federation Centres of any dealings in securities within five business days of approved dealings so that the Group can comply with its obligation to notify the ASX.

The policy prohibits senior executives from hedging or otherwise limiting their exposure to risk in relation to unvested FDC securities issued or acquired under any applicable equity arrangements.

## PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

### Audit Committee

In the period prior to the Merger, the Federation Centres board had in place an Audit and Risk Committee. Following the Merger, the Board has constituted an Audit Committee which operates under a charter that sets out the objectives, responsibilities and functions of the Committee in relation to audit, financial reporting, tax and treasury. The charter can be accessed in the 'Corporate Governance' section of the Group's website. [Click here](#) to view the Audit Committee charter.

Throughout the period, the Audit Committee composition satisfied the requirements of Principle 4.1.

Details of the current membership of the Audit Committee are outlined in Table 2.1. Details of Committee composition and attendance at Committee meetings throughout FY15 are set out in the Directors' Report within the 2015 Financial Report. [Click here](#) to view the 2015 Financial Report.

The Audit Committee has the responsibility for recommending the appointment and, as required the replacement, of the external auditor. In considering appointment or reappointment of the external auditor, the Audit Committee reviews the performance and experience of the incumbent auditor and engagement partner, including their continuing independence. For rotation and succession of audit and review partners, the Audit Committee will have regard to the experience, ability and independence of the proposed audit and review partners and the approach to managing the transition.

The Audit Committee meets regularly with the external auditor and separately with the internal auditor, in both cases without the presence of management. The Audit Committee regularly reports to the Board in respect of matters within its responsibilities.

### Appointment of auditor

Ernst & Young is the current auditor for the Company, the Trust and their controlled entities, with the exception of:

- the wholesale fund managed investment schemes for which Novion RE Limited is the Responsible Entity or trustee; and
- the compliance plans for the managed investment schemes for which Novion RE Limited is the Responsible Entity or trustee;

where PricewaterhouseCoopers is the current auditor.

Ernst & Young has been the appointed auditor for Federation Centres since June 2009. The Audit Partner rotated at the commencement of FY15.

### Integrity in financial reporting

In accordance with Section 295A of the Act and the ASX Principles, for each financial period the Board receives from the CEO and Chief Financial Officer a declaration that, in their opinion, the financial records of the 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 the Group, that the opinion has been formed on the basis of a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial risks.

## PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

### Continuous Disclosure

Upon implementation of the Merger, the Board adopted an updated Disclosure and External Communications Policy. The policy sets out the objectives, responsibilities and functions of the Group in relation to its continuous disclosure requirements under the Act and ASX Listing Rules to ensure that all securityholders have equal and timely access to the Group's information.

The Group has established comprehensive processes and procedures to ensure that all market sensitive information is disclosed to the ASX in accordance with its continuous disclosure obligations. All information provided to the ASX is posted to the Group's website.

The Group has adopted an internal decision-making regime with respect to its disclosure obligations. This regime includes the operation of a Disclosure Committee, comprising senior executives of the Group, who have primary responsibility regarding the Group's disclosure obligations. Under the Disclosure and External Communications Policy, the Group has developed a guide to assist the Group's officers and employees to understand the Group's continuous disclosure obligations. The policy also deals with disclosures and communications with the media and with analysts and investors.



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## PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

### Investor Communications

The Group's Disclosure and External Communications Policy is also designed to ensure investors are fully informed about all major developments in the operations of the Group. The Group has a dedicated Investor Relations team to manage investor enquiries on a daily basis.

Information is communicated to securityholders in a number of ways:

- The Group's website contains all market announcements, presentations and current key financial information;
- All securityholders have the right to attend the Group's AGM. Securityholders will be provided with a Notice of Meeting and an explanatory statement of the resolutions proposed. A copy of the Notice of Meeting is lodged with the ASX and also posted on the Group's website;
- The Annual General Meeting provides an opportunity for securityholders to ask questions of the Board and Management, express views and respond to Board proposals. The Group's external auditor attends the Annual General Meeting to answer any questions about the conduct of the audit and the content and preparation of the audit report;
- The Group publishes an Annual Report which includes an overview of operations and financial results for the year. The Board encourages securityholders to access the Annual Report online to assist with the Group's commitment to the environment, as well as being more cost effective for the Group. A printed copy of the Annual Report will only be sent to those securityholders who have elected to receive it in this format. Otherwise, securityholders will be notified when the Annual Report is available to be accessed online; and
- Each six months, to coincide with the release of the annual and half-year financial statements and reports, the Group holds an analyst briefing. Facilities are available for securityholders to participate in these briefings should they wish to do so through a variety of media, including telephone conference call and webcast.

Additionally, the presentations from these briefings are available on the Group's website after confirmation of release from the ASX in accordance with the disclosure practices noted in Principle 5.

Management meets with investors throughout the year. Typically meetings follow the release of our annual and half-year results or other material announcements and also occur at investor conferences. From time to time, Directors attend meetings with investors.

The Group's website has further information on securityholder communications, including contact details for any investor relations queries.

### Electronic communication with securityholders

The Board encourages all securityholders to receive communications from, and send communications to, the Group's security registrar electronically.

In addition, the Group communicates with securityholders through its website which is regularly updated and contains all market announcements, presentations and key current financial information.

The types of communication available on the Group's website include:

- all disclosures made to the ASX;
- Annual Reports;
- investor presentations;
- correspondence from the Chairman or CEO sent to all securityholders;
- policies and charters;
- sustainability activities and achievements;
- key dates and events; and
- current and archived webcasts of annual and half-year results briefings.

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

### Risk and Compliance Committee

Federation Centres had in place an Audit and Risk Committee in the period prior to the Merger. Following the Merger, the Group has constituted a Risk and Compliance Committee. Throughout the period the Committee satisfied the requirements of Principle 7.1.

Details of the current membership of the Risk and Compliance Committee are outlined in Table 2.1. Details of Committee composition and attendance at Committee meetings throughout FY15 are set out in the Directors' Report within the 2015 Financial Report. [Click here](#) to view the 2015 Financial Report.

The Risk and Compliance Committee operates under a charter that sets out the objectives, responsibilities and functions of the Committee in relation to risk management, Group compliance, AFSL compliance, work health and safety and environment practices. The charter can be accessed in the 'Corporate Governance' section of the Group's website. [Click here](#) to view the Risk and Compliance Committee charter.

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## Risk management and internal controls

The Board and management recognise that effective risk management and internal controls are an integral part of sound management practice and good corporate governance.

Throughout the reporting period, Federation Centres had in place a risk management framework and system of internal controls to ensure that assets are protected and that material risks are proactively identified, managed and reported. Federation Centres undertook a review of the risk management framework in FY15.

The risk management framework was further supported by Federation Centres' compliance framework which operated in the period to identify and manage regulatory and statutory risk.

Federation Centres' compliance framework is consistent with the Australian Standard for Compliance Programs (AS/NZS 3806:2006) and Australian Securities and Investments Commission (ASIC) regulatory guidance for meeting general obligations and licence conditions. The compliance framework is integrated with the risk management framework which has been designed to meet the guidance within AS/NZS ISO 31000:2009 Risk Management – Principles and Guidelines.

The Group has identified the key areas of risk that have an influence on its operations and reputation post Merger. These include asset risk, people and safety, financial including gearing, property and operational, environmental, legal and regulatory. Risks relating to the Merger have also been identified and are being proactively managed. These risk areas include failure to realise anticipated cost savings, risks associated with integrating operating and management systems such as IT, information or accounting systems and the risk of loss of key personnel/tenants.

The Group has dedicated Risk and Compliance teams that are responsible for reviewing and monitoring the efficiency of compliance and risk management systems on an ongoing basis, and ensuring that appropriate compliance and risk mitigation measures are in place.

The Group is currently undertaking a review of its risk and compliance management frameworks to reflect the changes associated with the Merger and to take into account the new Australian Standard - Compliance Management System – Guidelines AS ISO 19600:2015. This includes the integration and implementation of a revised risk management framework, re-assessment of the Group's risk appetite statement, risk processes, compliance policies, compliance plans, monitoring, reporting and training. A review of the specific risks related to the Group is also underway. The review is being overseen by the Risk and Compliance Committee.

## Economic, Environmental and Social Sustainability Risks

The Board and management recognise that managing material economic, environmental and social risks (Sustainability risks) is key to driving long-term sustainable returns for our investors. During the year and prior to the Merger, both Federation Centres and Novion undertook formal assessments to identify material Sustainability risks. Both entity's assessments derived similar which has helped to form a view of the material Sustainability risks for the Group post Merger and will be built upon to create a sustainability strategy for the Group going forward.

The Group's disclosures regarding the material economic, environmental and social sustainability risks to which the Group is exposed and how it manages or intends to manage those risks are contained in the Risks section of the Group's Operating and Financial Review for FY15 which form part of the Directors' Report within the 2015 Financial Report. [Click here](#) to view the 2015 Financial Report.

Throughout the reporting period, each of Federation Centres' and Novion's risk management frameworks and systems of internal controls operated to ensure that material sustainability risks were proactively managed and reported. As noted above the Group is developing an integrated risk management framework post the Merger.

## Managed Investments Compliance Plan

Each registered managed investment scheme in the Group has in place a Compliance Plan in accordance with the Act, which provides a framework to review and monitor the investment risk for investors in those schemes. The Head of Compliance is responsible for ensuring reviews of the Group's compliance with the provisions of the compliance plan are completed.

## Internal Audit

Internal Audit provides independent objective assurance and makes recommendations to assist the Group in improving its internal control framework. It also tests compliance with internal controls.

The Audit Committee is responsible for the appointment and, as required, the replacement of the internal auditor. The Audit Committee reviews and approves the risk-based Strategic Internal Audit Program each financial year. The Audit Committee and, where appropriate, the Risk and Compliance Committee also review the outcomes of internal audits performed to ensure that appropriate actions are taken to treat identified risks.

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## PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

### Remuneration and Human Resources Committee

Throughout the reporting period the Federation Centres board had in place a Remuneration and Human Resources Committee which satisfied the requirements of Principle 8.1. Following the Merger, the Board reviewed and adopted a revised charter for the Remuneration and Human Resources Committee.

The charter sets out the objectives, responsibilities and functions of the Remuneration and Human Resources Committee in relation to remuneration principles for all Group employees, reviewing the remuneration arrangements of senior executives and the Non-executive Directors and overseeing the annual performance review process for the CEO and senior executives. The charter can be accessed in the 'Corporate Governance' section of the Group's website. [Click here](#) to view the Remuneration and Human Resources Committee charter.

In discharging its responsibilities with respect to remuneration, the Remuneration and Human Resources Committee has regard to market surveys and engages independent consultants as necessary.

The Remuneration and Human Resources Committee also advises the Board with regard to management programs in use to optimise the contributions of the Group's human resources to support and further corporate objectives, particularly for succession and development planning, attraction and retention, performance management, diversity, culture and engagement programs.

Details of the current membership of the Remuneration and Human Resources Committee are outlined in Table 2.1. Details of Committee composition and attendance at Committee meetings throughout FY15 are set out in the Directors' Report within the 2015 Financial Report. [Click here](#) to view the 2015 Financial Report.

### Remuneration policy

Following the Merger the Remuneration and Human Resources Committee and the Board reviewed and approved the remuneration framework to apply for the Group for FY16.

Federation Centres' remuneration framework that was in place throughout FY15 is detailed in the Remuneration Report section of Federation Centres' Annual Report. In accordance with Principle 8.2, details of the remuneration of Non-executive Directors and Key Management Personnel are set out in the Remuneration Report, which forms part of the Directors' Report within the 2015 Financial Report. [Click here](#) to view the 2015 Financial Report.

The Group through its employing subsidiaries has in place a written agreement with each senior executive setting out the terms of their appointment.