

## Appendix 4G

### Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity

Australian Leisure and Entertainment Property Management Limited (ABN: 45 102 275 278) and  
Australian Leisure and Entertainment Property Trust (ARSN: 106 063 049)

ABN/ARBN

As above

Financial year ended

30 June 2016

Our corporate governance statement<sup>2</sup> for the above period above can be found at:<sup>3</sup>

these pages of our annual report: \_\_\_\_\_

this URL on our website: <http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance>

The Corporate Governance Statement is accurate and up to date as at 4 August 2016 and has been approved by the board.

The annexure includes a key to where our corporate governance disclosures can be located.

Date here: 4TH AUGUST 2016

Sign here:   
Director/company secretary

Print name: Michael Clarke

<sup>1</sup> Under Listing Rule 4.7.3, an entity must lodge with ASX a completed Appendix 4G at the same time as it lodges its annual report with ASX.

Listing Rule 4.10.3 requires an entity that is included in the official list as an ASX Listing to include in its annual report either a corporate governance statement that meets the requirements of that rule or the URL of the page on its website where such a statement is located. The corporate governance statement must disclose the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. If the entity has not followed a recommendation for any part of the reporting period, its corporate governance statement must separately identify that recommendation and the period during which it was not followed and state its reasons for not following the recommendation and what (if any) alternative governance practices it adopted in lieu of the recommendation during that period.

Under Listing Rule 4.7.4, if an entity chooses to include its corporate governance statement on its website rather than in its annual report, it must lodge a copy of the corporate governance statement with ASX at the same time as it lodges its annual report with ASX. The corporate governance statement must be current as at the effective date specified in that statement for the purposes of rule 4.10.3.

<sup>2</sup> "Corporate governance statement" is defined in Listing Rule 19.12 to mean the statement referred to in Listing Rule 4.10.3 which discloses the extent to which an entity has followed the recommendations set by the ASX Corporate Governance Council during a particular reporting period.

<sup>3</sup> Mark whichever option is correct and then complete the page number(s) of the annual report, or the URL of the web page, where the entity's corporate governance statement can be found.

## ANNEXURE – KEY TO CORPORATE GOVERNANCE DISCLOSURES

| Corporate Governance Council recommendation                                    | We have followed the recommendation in full for the whole of the period above. We have disclosed ...   | We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...   |  |
|--|--|---|--|
| <b><u>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</u></b> |  |   |  |
| 1.1  | <p>A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management.</p>  | <p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b> at this location:</p> <p><input type="checkbox"/> _____<br/><i>Insert location here</i></p> <p>... and information about the respective roles and responsibilities of our board and management (including those matters expressly reserved to the board and those delegated to management):</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance">http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance</a></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |
| 1.2  | <p>A listed entity should:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(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.</p> | <p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>   | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |
| 1.3  | <p>A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>   | <p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>   | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |

| Corporate Governance Council recommendation   | We have followed the recommendation in full for the whole of the period above. We have disclosed ...   | We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...  |
|---|--|--|
| <p>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.</p>  | <p>... the fact that we follow this recommendation:<br/> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br/> <input type="checkbox"/> at this location:<br/> <hr/> <i>Insert location here</i></p>  | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b><br/> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>            |
| <p>1.5 A listed entity should:</p> <p>(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;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(c) 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:</p> <p>(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</p> <p>(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> | <p>... the fact that we have a diversity policy that complies with paragraph (a):<br/> <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br/> <input type="checkbox"/> at this location:<br/> <hr/> <i>Insert location here</i></p> <p>... and a copy of our diversity policy or a summary of it:<br/> <input type="checkbox"/> at this location:<br/> <hr/> <i>Insert location here</i></p> <p>... the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with our diversity policy and our progress towards achieving them:<br/> <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br/> <input type="checkbox"/> at this location:<br/> <hr/> <i>Insert location here</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):<br/> <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br/> <input type="checkbox"/> at this location:<br/> <hr/> <i>Insert location here</i></p> | <p><input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b><br/> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |

| Corporate Governance Council recommendation  | We have followed the recommendation in full for the whole of the period above. We have disclosed ...   | We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...  |
|--|--|--|
| <p>1.6 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p> | <p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |
| <p>1.7 A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>                              | <p>... the evaluation process referred to in paragraph (a):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |

| Corporate Governance Council recommendation   | We have followed the recommendation in full for the whole of the period above. We have disclosed ...  | We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...   |
|---|---|---|
| <b>PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE</b>   |   |   |
| <p>2.1 The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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; <b>OR</b></p> <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>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance">http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance</a></p> <p><i>Insert location here</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a nomination committee and the processes we employ 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><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |

| Corporate Governance Council recommendation |  | We have followed the recommendation in full for the whole of the period above. We have disclosed ...  | We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...   |
|---|--|---|---|
| 2.2   | 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>... our board skills matrix:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>  | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |
| 2.3   | <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>... the names of the directors considered by the board to be independent directors:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... where applicable, the information referred to in paragraph (b):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... the length of service of each director:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>   |
| 2.4   | A majority of the board of a listed entity should be independent directors.  | <p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>  | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |

| Corporate Governance Council recommendation                     |   | We have followed the recommendation in full for the whole of the period above. We have disclosed ...  | We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...  |
|---|---|---|--|
| 2.5   | 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>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br><input type="checkbox"/> at this location:<br><hr/> <i>Insert location here</i>  | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b><br><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| 2.6   | 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>... the fact that we follow this recommendation:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br><input type="checkbox"/> at this location:<br><hr/> <i>Insert location here</i>  | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b><br><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable |
| <b>PRINCIPLE 3 – ACT ETHICALLY AND RESPONSIBLY</b>              |   |   |  |
| 3.1   | A listed entity should:<br>(a) have a code of conduct for its directors, senior executives and employees; and<br>(b) disclose that code or a summary of it.   | <p>... our code of conduct or a summary of it:</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br><input checked="" type="checkbox"/> at this location:<br><a href="http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance">http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance</a><br><i>Insert location here</i>   | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement   |
| <b>PRINCIPLE 4 – SAFEGUARD INTEGRITY IN CORPORATE REPORTING</b> |   |   |  |
| 4.1   | The board of a listed entity should:<br>(a) have an audit committee which:<br>(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and<br>(2) is chaired by an independent director, who is not the chair of the board, and disclose:<br>(3) the charter of the committee;<br>(4) the relevant qualifications and experience of the members of the committee; and<br>(5) in relation to each reporting period, the number of times the committee met | <p>[If the entity complies with paragraph (a):]<br/> ... the fact that we have an audit committee that complies with paragraphs (1) and (2):</p> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br><input type="checkbox"/> at this location:<br><hr/> <i>Insert location here</i> <p>... and a copy of the charter of the committee:<br/> <input checked="" type="checkbox"/> at this location:<br/> <a href="http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance">http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance</a> </p> | <input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement   |

| Corporate Governance Council recommendation  | We have followed the recommendation in full for the whole of the period above. We have disclosed ...   | We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ... |
|--|--|---|
| <p>throughout the period and the individual attendances of the members at those meetings; <b>OR</b></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><i>Insert location here</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have an audit committee and the processes we employ that independently verify and safeguard the integrity of our corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> |   |
| <p>4.2 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>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>   | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>             |



| Corporate Governance Council recommendation                 |  | We have followed the recommendation in full for the whole of the period above. We have disclosed ...   | We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...  |
|---|--|--|--|
| 4.3   | 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>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>   | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity that does not hold an annual general meeting and this recommendation is therefore not applicable</p> |
| <b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>    |  |  |  |
| 5.1   | A listed entity should:<br>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and<br>(b) disclose that policy or a summary of it. | <p>... our continuous disclosure compliance policy or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance">http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance</a></p> <p><i>Insert location here</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>  |
| <b>PRINCIPLE 6 – RESPECT THE RIGHTS OF SECURITY HOLDERS</b> |  |  |  |
| 6.1   | A listed entity should provide information about itself and its governance to investors via its website.   | <p>... information about us and our governance on our website:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance">http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance</a></p>   | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>  |
| 6.2   | A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.  | <p>... the fact that we follow this recommendation:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance">http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance</a></p>   | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>  |

| Corporate Governance Council recommendation           |   | We have followed the recommendation in full for the whole of the period above. We have disclosed ...  | We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...  |
|---|---|---|--|
| 6.3   | A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.   | <p>... our policies and processes for facilitating and encouraging participation at meetings of security holders:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>  | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity that does not hold periodic meetings of security holders and this recommendation is therefore not applicable</p> |
| 6.4   | 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>... the fact that we follow this recommendation:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance">http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance</a></p>   | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>  |
| <b><u>PRINCIPLE 7 – RECOGNISE AND MANAGE RISK</u></b> |   |   |  |
| 7.1   | <p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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; <b>OR</b></p> <p>(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.</p> | <p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a committee or committees to oversee risk that comply with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance">http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance</a></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>  |

| Corporate Governance Council recommendation  | We have followed the recommendation in full for the whole of the period above. We have disclosed ...  | We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ... |
|--|---|---|
|  | <p><i>Insert location here</i></p> <p>[If the entity complies with paragraph (b):]<br/> ... the fact that we do not have a risk committee or committees that satisfy (a) and the processes we employ for overseeing our risk management framework:<br/> <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br/> <input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>  |   |
| <p>7.2 The board or a committee of the board should:</p> <p>(a) review the entity’s risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>   | <p>... the fact that we follow this recommendation:<br/> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br/> <input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>  | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>             |
| <p>7.3 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; <b>OR</b></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>[If the entity complies with paragraph (a):]<br/> ... how our internal audit function is structured and what role it performs:<br/> <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br/> <input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>[If the entity complies with paragraph (b):]<br/> ... the fact that we do not have an internal audit function and the processes we employ for evaluating and continually improving the effectiveness of our risk management and internal control processes:<br/> <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b><br/> <input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>             |

| Corporate Governance Council recommendation  | We have followed the recommendation in full for the whole of the period above. We have disclosed ...  | We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...   |
|--|---|---|
| 7.4 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>... whether we have any material exposure to economic, environmental and social sustainability risks and, if we do, how we manage or intend to manage those risks:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>  | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>   |
| <b>PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY</b>   |   |   |
| 8.1 The board of a listed entity should: <p>(a) have a remuneration committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(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; <b>OR</b></p> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p> | <p>[If the entity complies with paragraph (a):]</p> <p>... the fact that we have a remuneration committee that complies with paragraphs (1) and (2):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>... and a copy of the charter of the committee:</p> <p><input checked="" type="checkbox"/> at this location:</p> <p><a href="http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance">http://www.alegroup.com.au/About-ALE/?page=Corporate-Governance</a></p> <p><i>Insert location here</i></p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> <p>[If the entity complies with paragraph (b):]</p> <p>... the fact that we do not have a remuneration committee and the processes we employ for setting the level and</p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |

| Corporate Governance Council recommendation | We have followed the recommendation in full for the whole of the period above. We have disclosed ...   | We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...  |  |
|---|--|--|--|
|   |  | <p>composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>  |  |
| 8.2   | <p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>  | <p>... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p>   |
| 8.3   | <p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p> | <p>... our policy on this issue or a summary of it:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>  | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b><u>OR</u></b></p> <p><input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable</p> |

| Corporate Governance Council recommendation                                    | We have followed the recommendation in full for the whole of the period above. We have disclosed ...   | We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...   |   |
|--|--|---|---|
| <b>ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES</b> |  |   |   |
| -  | <p><i>Alternative to Recommendation 1.1 for externally managed listed entities:</i></p> <p>The responsible entity of an externally managed listed entity should disclose:</p> <p>(a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity;</p> <p>(b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.</p> | <p>... the information referred to in paragraphs (a) and (b):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p>         | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |
| -  | <p><i>Alternative to Recommendations 8.1, 8.2 and 8.3 for externally managed listed entities:</i></p> <p>An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.</p>  | <p>... the terms governing our remuneration as manager of the entity:</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><i>Insert location here</i></p> | <p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p> |

**CORPORATE GOVERNANCE**

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**The Board of Directors of Australian Leisure and Entertainment Property Management Limited is accountable to stapled securityholders for the performance of ALE**

ALE remains committed to maintaining high standards of corporate governance. The Board considers that ALE's corporate governance framework and practices continue to substantially comply with the requirements of the ASX Corporate Governance Council's (ASXCGC) Principles of Good Corporate Governance Principles and Recommendations, 3rd Edition (Principles and Recommendations) and meet the interests of all stakeholders. A range of policies have been developed and implemented in this regard and may be viewed on our website ([www.alegroup.com.au](http://www.alegroup.com.au)). This Corporate Governance Statement is effective as at 4 August 2016 and has been approved by the Board.

## **Principle 1 – Lay solid foundations for management and oversight**

### **Roles of the Board and Management**

The Board Charter sets out the principles for the operation of the Board. The Board's responsibilities encompass the following:

1. Input to and approving management's development of corporate strategy and performance objectives;
2. Appointing and, where appropriate, removing the Chief Executive Officer and Company Secretary;
3. Ratifying the appointment of and, where appropriate, the removal of the Capital Manager, Asset Manager and Finance Manager;
4. Overseeing the operation of ALE, including its controls and accountability systems;
5. Identifying, assessing and ratifying plans to control and manage risks facing ALE, including interest rate risk, liquidity risk and financial covenant compliance, as well as overseeing all systems of risk management, including risk reporting;
6. Approving the Annual Review, Annual Report, annual budgets and financial plans;
7. Overseeing and monitoring organisational performance and the achievement of ALE's strategic goals and objectives;

**CORPORATE GOVERNANCE**

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8. Monitoring financial performance and liaising with ALE's external auditor;
9. Reviewing and ratifying systems of internal compliance and control, codes of conduct and legal compliance and ensuring systems are in place to deliver compliance with laws, leases, ASX rules and internal policies and procedures as well as reviewing their effectiveness and the causes of identified breaches (if any);
10. Reviewing capital management strategy formulation including debt and equity raisings, hedging, buybacks and refinancing arrangements;
11. Approving all new policies and procedures relating to the proper functioning of ALE, including all financial and operational matters;
12. Monitoring senior management performance and implementation of strategy as well as ensuring appropriate resources are available and succession plans are in place;
13. Approving and monitoring the progress of major strategic initiatives, including capital expenditure, capital management, acquisitions and divestitures;
14. Enhancing and protecting the reputation of ALE;
15. Reporting to, and communicating with, ALE's securityholders;
16. Approving and monitoring financial and other reporting; and
17. Establishing and maintaining ethical standards.

The Board delegates to the CEO the responsibility for implementing strategic direction and managing the day-to-day operations of ALE. The CEO consults with the Chairman, in the first place, on matters which are sensitive, extraordinary or of a strategic nature.

In carrying out its responsibilities, the Board undertakes to serve the interests of stapled securityholders, employees, and the broader community honestly, fairly, diligently and in accordance with applicable laws.



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

### **Board composition**

The full Board determines the Board's size and composition, subject to limits imposed by the Company's Constitution, the Board Charter and the Corporations Act.

The Board has determined that it is currently appropriate to have a minimum of six directors, the majority of whom (four), including the Chairman, are independent non-executive directors.

The four non-executive directors, Peter Warne, Pippa Downes, Paul Say and Nancy Milne, are independent directors as defined under section 601JA of the Corporations Act, and satisfy the principles of independence as outlined in the Principles and Recommendations. A review of each director's independence is undertaken by tabling any changes in director interests at each and every Company Board meeting and more formal assessments of independence are undertaken from time to time. Details of the members of the Board, their experience, expertise, qualifications, terms of office, relationships affecting their independence and their independent status are set out in the Directors' Report under the heading "Information on Directors".

The Chairman is selected by the full Board annually at the first meeting following the annual general meeting (AGM), and is to be an independent director in accordance with the Board Charter and ASX Corporate Governance guidelines.

The Company Secretary reports directly to the Board.

New directors are provided with an induction process to enable them to actively participate in Board decision making as soon as possible. The process ensures that the new directors fully understand ALE's financial position, strategies, operations and risk management policies and explains the respective rights, duties, responsibilities and roles of the Board and senior executives.

All new directors have appropriate checks done prior to appointment.

The Company has a written agreement with each director setting out the terms of their appointment.

The Board has implemented an annual performance evaluation process for management, directors, the Board and its committees. Part of this process is to also ensure that the Board and its committees maintain an appropriate balance of skills, experience and expertise.

Details of the performance evaluation process for management are set out in the Directors' Report in the Annual Report.

The Board appoints a specialist governance adviser every three years to review the performance of the Board and that of directors. The Board has commissioned an independent review which is currently in progress and is anticipated to be completed prior to 31 December 2016.

Under the Company's Constitution and the ASX Listing Rules, a director may not hold office for a continuous period in excess of three years or past the third annual general meeting following the director's appointment, whichever is the longer, without submitting for re-election.

If no director would otherwise be required to submit for re-election, but the ASX Listing Rules require that an election of directors be held, the director to retire at the AGM is the director who has been longest in office since their last election.

### **Independence and materiality thresholds**

The Board considers that a director is independent if the director is a non executive director and:

1. Is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
2. Within the last three years has not been employed in an executive capacity by the Company or another Group member, or been a director after ceasing to hold any such employment;
3. Within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another Group member, or an employee materially associated with the service provided;
4. Is not a material supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
5. Has no material contractual relationship with the Company or another Group member other than as a director of the Company;
6. Has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; or

**CORPORATE GOVERNANCE**

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7. Is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act in the best interests of the Company.

Peter Warne is also a non executive director and Chairman of Macquarie Group Limited (Macquarie). Macquarie has provided banking services and corporate advice to ALE in the past and may continue to do so in the future. Mr Warne does not take part in any decisions to appoint Macquarie in relation to banking services and corporate advice provided by Macquarie to the Company.

The following table detail the length of service of each director as at the date of this report:

| Name                                | Appointed         | Length of service (Years) |
|-------------------------------------|-------------------|---------------------------|
| P H Warne (Chairman)                | 8 September 2003  | 12.8                      |
| P G Say                             | 24 September 2014 | 2.1                       |
| N Milne                             | 5 February 2015   | 1.5                       |
| P J Downes                          | 26 November 2013  | 2.3                       |
| A F O Wilkinson (Managing Director) | 16 November 2004  | 11.6                      |
| J T McNally                         | 26 June 2013      | 13.0                      |

**Independent professional advice**

After prior approval of the Chairman, directors may obtain independent professional advice at the expense of ALE on matters arising in the course of their Board duties.

**Board committees**

The Board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Currently the Board has three standing committees; these are the Remuneration Committee, Nominations Committee, and the Audit, Compliance and Risk Management Committee.

The committees operate principally in a review or advisory capacity. Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis. All matters determined by committees are submitted to the full Board as recommendations for Board decisions.

All Directors are entitled to attend meetings of the standing committees. Minutes of committee meetings are tabled at the subsequent Board meeting. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

### **Audit, Compliance and Risk Management Committee (ACRMC)**

The ACRMC is a standing committee that is currently composed of five members, being four non-executive independent directors and an independent consultant. Membership of the committee is based on directors' qualifications, skills and experience.

Pippa Downes, an independent director, has been appointed as Chair of the Committee. The other members of the Committee are Peter Warne, Paul Say and Nancy Milne, all independent directors, and independent consultant David Lawler.

The ACRMC meets at least four times a year.

As the Board comprises 50% or more independent directors, an independent compliance committee has not been appointed. The Board has, however, determined that the ACRMC fulfil this role.

Details of the members of the ACRMC and their attendance at meetings are set out in the Directors' Report in the Annual Report.

Given the small number of staff within the Company, the Company does not have an internal audit function. To ensure appropriate levels of internal control, ALE commissions an annual controls review. Following the completion of the annual review the appointed auditor reports to the Board. Grant Thornton reported to the Board in August 2015 that the standard of controls was assessed as strong.

### **Remuneration Committee**

The Remuneration Committee is currently composed of four non-executive independent directors. Paul Say has been appointed as chairman of the committee. The other members of the committee are Peter Warne, Pippa Downes and Nancy Milne.

The Remuneration Committee is responsible for evaluating the performance of the Company's key management personnel. Each six months the Remuneration Committee meets to formally review the performance of each senior executive against predetermined criteria of goals and objectives.

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We confirm that such reviews were undertaken for the year ending 30 June 2016 and the results of those reviews are outlined within the Remuneration Report (Section 9) which forms part of the Directors' Report in the Annual Report.

Details of committee members and their attendance at meetings held are set out in the Directors' Report in the Annual Report.

**Nominations Committee**

The Nominations Committee is currently composed of four non-executive independent directors. Paul Say has been appointed as chairman of the committee. The other members of the committee are Peter Warne, Pippa Downes and Nancy Milne.

One of the committee's responsibilities is to monitor ALE's policies in respect of Board renewal, appointment of directors and diversity for the ALE Property Group. Over the last three years the Board renewal process has resulted in the appointment of Pippa Downes, Paul Say and Nancy Milne. Peter Warne, chairman of the Board, has advised that he intends to retire from the Board once a suitable replacement chairman has been appointed. The committee is currently conducting a search for a suitable replacement for Peter.

**Board and executive remuneration**

Details of Board and executive remuneration are set out in the Directors' Report in the Annual Report.

**Director skills and experience**

The skills, experience and expertise of each Director are described on pages 2 to 4 in the Directors' Report of the 2016 Annual Report.

The Directors possess a range of skills which, as a group, enable the Board to discharge its obligations effectively.

The Board regularly reviews its composition and succession plans. In doing so it uses the skills matrix set out below to guide its assessment of the skills and experience of current directors and to identify any gaps in the collective skills of the Board. The Board currently comprises six directors – four non-executive directors and two executive directors.

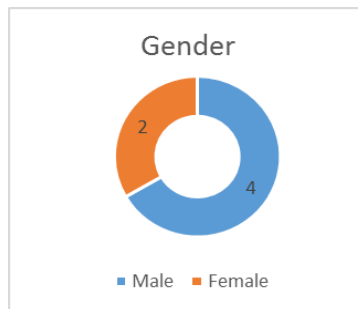
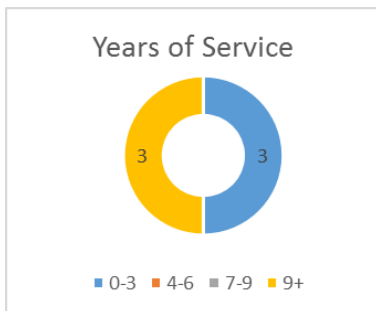
Given the nature and extent of the skills required and having regard to the complexity of the business it has been determined the key skills necessary for the Board are described in the table below.

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The following table summarises the key skills of the directors as a group:

| <b>Skills and Experience</b>   |
|--|
| <b>Financial acumen</b> – senior experience in finance, including financial accounting and reporting to assist the Board in understanding of financial reporting requirements and best practice                      |
| <b>Real Estate</b> - experience in real estate management, property development and property valuations to assist the Board in reviewing property related matters  |
| <b>Capital and Funds Management</b> – senior experience in capital management strategies, corporate finance and capital markets to assist the Board in reviewing debt and equity strategies and related transactions |
| <b>Human Resources</b> – people management and human resources experience to assist the Board in management of executive development, remuneration and succession planning   |
| <b>Governance and Risk Management</b> – experience with governance within a listed environment to assist the Board in developing a rigorous governance environment and risk management framework                     |
| <b>Strategy</b> – experience in developing and directing strategy and implementing strategic business plans to assist the Board in reviewing strategy related matters  |
| <b>Law</b> – legal qualifications or experience to provide assistance to the Board in meeting its legal and compliance obligations and consideration of a range of legal risks                                       |

**Diversity of Directors**



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

### **Code of Conduct**

In accordance with ALE's Code of Conduct, all directors and employees are expected to perform their duties professionally and act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of ALE.

### **Trading in securities**

ALE has a Trading Policy with which all directors and employees must comply. Directors, employees and their associates may not utilise information obtained by their position for personal gain or for gain of another person. Each director and employee must ensure that any information in their possession that is not publicly available and which may have a material effect on the price or value of ALE's stapled securities or any derivatives based on these (ALE Securities) is not provided to anyone who may be influenced to subscribe for, buy or sell ALE Securities.

Directors, employees and their associates may buy or sell ALE Securities only during the four week periods commencing the day after:

- the release of the half-year results;
- the release of the full year results; and
- the AGM.

Outside these four week periods are closed periods for trading in ALE Securities, unless exceptional circumstances apply.

All directors and employees are precluded from buying or selling ALE Securities at any time if they are aware of price sensitive information that has not been made public, or at any time while ALE is undertaking a general issue or buyback of that particular type of ALE Security.

All directors or employees are entitled to participate in the Distribution Reinvestment Plan on the same terms as other securityholders, except where the Distribution Reinvestment Plan is partly or wholly satisfied by an on-market buyback of ALE Securities, in which case directors and employees are precluded from participating.

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In accordance with provisions of the Corporations Act 2001 and the Listing rules of the ASX, ALE advises the ASX of any transaction conducted by directors in ALE Securities.

All directors, officers and employees must disclose their financing arrangements relating to their ALE Securities to the Chairman and must advise if the following circumstances apply:

- the director, officer or employee holds ALE Securities that have been lent, mortgaged or charged to a financier;
- circumstances have arisen in which the financier is entitled or is likely to become entitled to exercise a right under the finance arrangement to demand payment; and
- the director, officer or employee expects that the demand will not be able to be satisfied without the disposal of securities representing 2.5% or more of the total number of issued stapled securities in ALE.

Directors, officers and employees who enter into margin loans or other financing arrangements over ALE Securities are directed to ensure that they have sufficient available cash or other acceptable collateral to meet margin calls, including during a period of extreme sudden market downturn. Directors, officers or employees may not be provided with a clearance by the Company to dispose of ALE Securities that are subject to a margin call.

Details of directors, key management personnel and their associates holdings in ALE Securities are set out in the Directors' Report in the Annual report.

**Diversity**

The Board has adopted a Diversity Policy for the ALE Property Group, which includes details on how the Board and Nominations Committee take into account the diversity criteria when identifying and assessing potential Director candidates and members of the senior management team.

To the best of its abilities and recognising that the Company has a small team of directors and employees, ALE has attempted to introduce diversity standards to ensure the workplace is fair and flexible, promotes personal and professional growth and enables employees to enhance their contributions to the Company by drawing from their different backgrounds, beliefs and experiences. The Company notes the Principles and Recommendations, however, because the Company comprises a small team of directors and employees, the Board has determined that it will not be setting benchmarks for achieving a certain level of gender diversity, and will not be reporting against its progress to achieve any measurable objective.



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Nonetheless, the Company is committed to ensuring that the best candidates both at a Board and employee level are appointed as opportunities arise regardless of gender, beliefs or racial background. The Company believes that while this is departure from the Principles and Recommendations, it does not diminish the Group's commitment in principle and fact to ensuring gender diversity.

As at 30 June 2016, the Company's gender diversity may best be summarised as follows:

| Name                                       | Women in role | Total Positions | Percentage |
|--|---------------|-----------------|------------|
| Independent Board positions                | 2             | 4               | 50%        |
| All Board positions                        | 2             | 6               | 33%        |
| ACRMC positions                            | 2             | 5               | 40%        |
| Other committee positions                  | 2             | 4               | 50%        |
| Senior management positions                | -             | 4               | -          |
| Total women employed in whole organisation | 6             | 14              | 43%        |

**Principle 4: Safeguarding integrity in financial reporting**

As mentioned above, the Audit, Compliance and Risk Management Committees consist of five independent non-executive Directors and one external consultant.

Members of the Audit, Risk and Compliance Committee are financially literate and have an appropriate understanding of the industries in which the Company operates.

The Audit, Compliance and Risk Management Committee operates in accordance with a charter. The role of the Committee is to assist the Board in:

- Reviewing ALE's financial statements and financial information to be distributed externally;
- Monitoring the internal control framework, procedures that are designed to ensure compliance with statutory responsibilities and other external reporting requirements, and the adequacy of ALE's risk management framework; and
- Liaising with the external auditor.

In fulfilling its responsibilities, the Committee:

- Receives regular reports from management and the external auditors;
- Regularly meets with the external auditor;
- Reviews the processes the Managing Director and Company Secretary & Finance Manager have in place to support their certifications to the Board;

**CORPORATE GOVERNANCE**

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- Reviews any significant disagreements between the auditors and management, irrespective of whether they have been resolved;
- Meets separately with the external auditors at least once a year without the presence of management; and
- Provides the external auditors with a clear line of direct communication at any time to either the Chair of the Audit, Compliance and Risk Management Committee or the Chair of the Board.

The Board receives a declaration from the CEO and Company Secretary & Finance Manager prior to its approval of the ALE Property Group's half yearly and annual financial statements that confirms that in their opinion, the financial records of the ALE Property Group have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the ALE Property Group, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. This is also a requirement under the Corporations Act.

### **External Auditors**

ALE's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually.

An analysis of fees paid to the external auditors, including a breakdown of fees for non audit services, is provided in the Directors' Report and in note 4.5 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the Board and the Audit, Compliance and Risk Management Committee.

A representative of the external auditor attends the Annual General Meeting and is available to answer securityholder questions about the conduct of the auditor and the preparation and content of the audit report.

## **Principle 5 and 6: Make timely and balanced disclosures and respect the rights of securityholders.**

ALE has a Continuous Disclosure Policy which is consistent with the continuous disclosure obligations under the Corporations Act and ASX Listing Rules. The Policy focuses on continuous disclosure of any information concerning ALE that a reasonable person would expect to have a material effect on the price of ALE securities.

### **Investor relations**

ALE is committed to the provision of timely, full and accurate disclosure of material information concerning ALE.

ALE has a Communications Policy that ensures securityholders have equal access to ALE's information and has procedures to ensure that all price sensitive information is disclosed to the ASX in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the Listing Rules of the ASX.

The Board encourages full participation of securityholders at the Annual General Meeting (AGM) and provides adequate notice and a suitable venue in Sydney for those Securityholders wishing to attend the AGM or any other securityholder meeting.

The rights of ALE's securityholders are set out in the constitution, legal and regulatory requirements. ALE's Communication Policy allows securityholders to effectively exercise these rights through the provision of high quality, relevant and useful information in a timely manner. In this regard securityholders are informed about strategic objectives and major developments through:

- ASX announcements;
- ALE publications including the Annual Review and Annual Report;
- Annual General Meeting;
- ALE Website; and
- The website of ALE's security register, Computershare Investor Services Pty Limited, including a facility for securityholders to amend their particulars.

## **ALE website**

All information provided to the ASX is also posted on the ALE website, [www.alegroup.com.au](http://www.alegroup.com.au). ALE's website includes various corporate governance documents and policies, such as the Board's Charter, ALE's Code of Conduct and the Audit, Compliance and Risk Management Committee's Charter.

Securityholders are encouraged to make their views known to ALE and to directly raise matters of concern. Securityholders are encouraged to attend the AGM and use this opportunity to ask questions. The AGM remains the main opportunity for securityholders to comment and to question ALE's Board and management.

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

### **Recognise and manage risks**

The Board, through the Audit, Compliance and Risk Management Committee, is responsible for ensuring there are adequate policies in relation to risk management compliance and internal control systems. In summary, ALE's policies are designed to ensure that strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of ALE's business objectives.

The Board and Audit, Compliance & Risk Management Committee reviews ALE's risk management framework on an annual basis to ensure that it continues to be sound. The risk management framework is currently undergoing a comprehensive review to coincide with next formal review in September 2016.

On a quarterly basis the Audit Compliance & Risk Management Committee receives reports on risk management matters and monitor ALE's risk management framework.

An annual review of ALE Risk Management Framework is normally undertaken in the September quarter, with the last formal review completed in the September 2015 quarter.

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As at the date of this statement, ALE is subject to the following identified risks:

| <b>Risk Type</b> | <b>Identified Risk</b>  |
|------------------|---|
| Economic         | Property valuation<br>Interest rate<br>Refinancing<br>Regulatory<br>Single tenant |
| Environmental    | Property contamination  |
| Social           | No significant risks  |

Property valuation risk - the properties that ALE own have values that are exposed to movements in the Australian commercial property markets as well as the general levels of long and short term inflation and interest rates. ALE is unable to control the market forces that impact ALE's property values however ALE constantly monitors the property market to assess general trends in property values. ALE undertakes on-going condition and compliance audits of our properties and has independent valuers perform valuations on one third of the property portfolio on an annual basis. Declines in ALE's property values will reduce NTA and could also reduce headroom on debt covenants. At 30 June 2016 the closest debt covenant would be triggered by a decline of around 26% in property values and a resultant average capitalisation rate of 7.40%. By way of comparison it should be noted that in the last 10 years the highest average capitalisation rate of ALE properties has been 6.60%. ALE therefore considers its exposure to property valuation risk is appropriate.

Interest rate risk - ALE currently has \$479 million of outstanding borrowings and consequently faces the risk of reduced profitability and distributions should interest rates on borrowings increase materially. To mitigate this risk ALE uses fixed rate borrowings and hedges variable rate borrowings for the medium and long term. Existing hedging arrangements effectively fix ALE's debt to November 2025 at an average base interest rates of between 3.26% and 3.54%.

Refinancing risk - ALE currently has outstanding borrowings representing a gearing level of 44.9% and has a medium term policy of maintaining gearing within a range of 50% to 55%. ALE consequently faces refinancing risk as and when borrowings mature and require repayment. Failure, delays or increased credit margins in refinancing borrowings could subject ALE to an number of risks that could potentially impact future earnings. To mitigate these risks ALE proactively staggers debt maturities, continually monitors debt markets, actively seeks to maintain ALE's current credit rating of Baa2 and maintains relationships with diverse funding markets to ensure multiple funding options are available. ALE has a long track record of consistently approaching debt markets for refinancing well in advance of the scheduled debt maturity dates.

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Regulatory risk – changes to liquor licence regulation or gaming licence regulation could significantly impact the trading performance of the operating businesses of our tenant and therefore impact the EBITDA of our tenant. EBITDA is a key determining factor for market rent reviews and therefore could impact on ALE's long term profitability. ALE is unable to control regulatory changes that may impact on our properties but monitors potential changes and liaises with ALH to understand the potential impact on hotel profitability.

Single tenant risk - all 86 of ALE's properties are leased to a single tenant, ALH which is owned by Woolworths Limited and the Mathieson family. In event of a default in rental payments by the tenant, ALE may be unable to pay interest on borrowings and distributions to securityholders. ALE manages this risk by monitoring the operating performance of each of the hotels and ALH on a regular basis. ALE also has the option of selling properties and/or issuing equity to meet its obligations.

Environmental risk - ALE has systems in place for the management of its environmental responsibilities and compliance with various regulations associated with this. ALE owns a number of hotel properties some of which in previous years have had either a petrol station or petrol pump on site or at a neighbouring property which may have led to contamination of the land. ALE currently has three properties where it manages environmental matters through ongoing testing, monitoring and minor remediation works if required. However in most cases ALE is indemnified by third parties for costs associated with any environmental matters. As outlined above, ALE's exposure to any environmental risks is not material.

### **Corporate Reporting**

With respect to the year ending 30 June 2016, the Board has received a declaration from the Managing Director and the Finance Manager, that:

- The financial records for the financial period have been properly maintained in accordance with the Corporations Act;
- ALE's financial reports are complete and present a true and fair view of the financial condition and performance of the Group and are in accordance with relevant accounting standards; and
- The above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- That ALE's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

## **Principle 8: Remunerate fairly and responsibly**

Details of the Remuneration Committee are outlined in the 2016 Annual Report. The Remuneration Committee operates in accordance with its charter and is responsible for developing and making recommendations to the Board on a remuneration framework for the Chairman, the Board Committees, non-executive Directors, ALE's remuneration and incentive policies and practices for the Managing Director, direct reports to the Managing Director and other senior executives.

Under ALE's Executive Stapled Security Scheme (ESSS), executives may be granted rights to a certain number of Stapled Securities as part of their remuneration package, which usually vest after a period of three years, subject to the forfeiture and clawback provisions described below.

### ***Clawback***

At the end of the vesting period, the vesting of the ESSS Rights remains subject to the following clawback tests. ESSS Rights will be forfeited in whole or in part at the discretion of the Remuneration Committee if before the end of the vesting period:

- the Remuneration Committee becomes aware of any executive performance matter which, had it been aware of the matter at the time of the original award, would have in their reasonable opinion resulted in a lower original award. These executive performance matters are restricted to those that had a materially adverse financial impact on ALE Property Group; or
- the executive engages in any conduct or commits any act which in the Remuneration Committee's reasonable opinion, adversely affects the ALE Property Group including, and without limitation, any act which:
  - results in the ALE Property Group having to make any material financial restatements; or
  - causes the ALE Property Group to incur a material financial loss.

### ***Cessation of employment***

If the executive ceases to be an employee of the Group within six months of the grant of ESSS Rights, the ESSS Rights will lapse, subject to the Board's discretion to accelerate vesting of the ESSS Rights in the event of the executive becoming incapacitated due to health, permanent disability or death.

If the executive ceases to be an employee of the Group before his ESSS Rights vest because his employment is terminated for cause, all ESSS Rights held by him will lapse.

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If the executive ceases to be an employee of the Group before his ESSS Rights vest due to termination without cause, he (or his estate) will continue to hold his ESSS Rights and they will vest in the usual course subject to the ESSS Rules.

Where the executive resigns, the Board retains a discretion to lapse any of his ESSS Rights. If the Board does not exercise this discretion, the ESSS Rights will remain on foot and vest in the usual course subject to the ESSS Rules.

***Other Board discretions***

The Board may determine that all or a proportion of the ESSS Rights “early-vest” in exceptional circumstances which include, but are not limited to:

- taxation consequences that could cause or which have caused financial hardship for the executive;
- the executive becoming incapacitated due to his health, permanent disability or death; and
- any other disadvantage that, in the opinion of the Board, could result or has resulted in financial hardship or an unintended outcome for the executive or his family.

In accordance with ALE’s ESSS executives are not allowed to enter into derivatives or deal with any rights granted in any manner that would limit the economic risk of participating in the ESSS.

Once the rights have vested and the executive has been issued with Stapled Securities, the executive is required to also comply with ALE’s Trading Policy.

Further information on Directors' and executives' remuneration, including principles used to determine remuneration, is set out in the Directors' Report under the heading "Remuneration report". In accordance with ALE’s Trading in Securities Policy, participants in equity based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements. Details of this policy can be found on ALE’s website.