



**Aveo Group**

**2016 Appendix 4G**

**Key to Disclosures**

**Corporate Governance Council Principles  
and Recommendations**

# Appendix 4G

## Key to Disclosures Corporate Governance Council Principles and Recommendations

Name of entity

Aveo Group consisting of Aveo Group Limited and Aveo Group Trust, the responsible entity of which is Aveo Funds Management Limited ABN 17 089 800 082 ('AOG')

ABN/ARBN

Aveo Group Limited  
ABN 28 010 729 950  
Aveo Group Trust  
ABN 92 067 392 292

Financial year ended

30 June 2016

Our corporate governance statement for the above period is available from the Investor Centre on the Aveo Group (**Aveo**) website at the following URL:

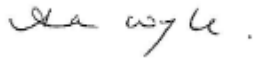
<http://www.aveo.com.au/investor-centre/corporate-governance>

The Corporate Governance Statement is accurate and up to date as at 17 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: 17 August 2016

Sign here:



Print name: Anna Wyke- Company Secretary

## 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 <b>NOT</b> followed the recommendation in full for the whole of the period above. We have disclosed ...	
<b>PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT</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>OR</b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p><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>in our Corporate Governance Statement.</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>
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>AND</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>1.2(a) Corporate Governance Statement;</p> <p>1.2(b) All material information relevant to a decision on whether or not to elect or re-elect a director is found in Aveo's AGM Notice of Meetings and Explanatory Notes.</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>
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>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 <b>NOT</b> 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:  <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b>  <input type="checkbox"/> at this location:  <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>  <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):  <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b>  <input type="checkbox"/> at this location:</p> <p>... and a copy of our diversity policy or a summary of it:  <input checked="" type="checkbox"/> at this location:    1.5(b) A copy of Aveo's Diversity Policy is available from the Investor Centre on the Aveo website.</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:  <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b>  <input type="checkbox"/> at this location:  <hr/> <i>Insert location here</i></p> <p>... and the information referred to in paragraphs (c)(1) or (2):  <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b>  <input checked="" type="checkbox"/> at this location:    The Aveo Workplace Gender Equality Report is available from the Investor Centre on the Aveo website.</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b>  <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 <b>NOT</b> followed the recommendation in full for the whole of the period above. We have disclosed ...
1.6	<p>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>OR</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>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>
1.7	<p>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>OR</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>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>

<b>Corporate Governance Council recommendation</b>	<b>We have followed the recommendation in full for the whole of the period above. We have disclosed ...</b>	<b>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**

2.1	<p>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><u>OR</u></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):]  ... the fact that we have a nomination committee that complies with paragraphs (1) and (2):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <hr style="width: 50%; margin-left: 0;"/> <p style="text-align: center;"><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>2.1(a) (3) A copy of Aveo's Nomination and Remuneration Committee Charter is available from the Investor Centre on the Aveo website.</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b><u>AND</u></b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>2.1(a)(5) : Directors' Report which is available from the Investor Centre on the Aveo website.</p> <p>[If the entity complies with paragraph (b):]  ... 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><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <hr style="width: 50%; margin-left: 0;"/> <p style="text-align: center;"><i>Insert location here</i></p>	<p><input checked="" 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 <b>NOT</b> followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>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>	<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>
<p>2.3 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>... and where applicable, the information referred to in paragraph (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>...and the length of service of each director:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>The period of office of each Director is set out in the Directors' Report which is available from the Investor Centre on the Aveo website.</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
<p>2.4 A majority of the board of a listed entity should be independent directors.</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 <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 <b>NOT</b> 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 type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input checked="" type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <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> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <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: (a) have a code of conduct for its directors, senior executives and employees; and (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>AND</b> <input checked="" type="checkbox"/> at this location: <p>A copy of the Aveo Code of Conduct is available from the Investor Centre on the Aveo website.</p>	<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: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual	<p>[If the entity complies with paragraph (a):]  ... the fact that we have an audit committee that complies with paragraphs (1) and (2):  <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b>  <input type="checkbox"/> at this location:  ... and a copy of the charter of the committee:  <input checked="" type="checkbox"/> at this location:  <p>A copy of the Aveo Audit and Risk Committee Charter is available from the Investor Centre on the Aveo website.</p> ... and the information referred to in paragraphs (4) and (5):  <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></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 <b>NOT</b> followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>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><input checked="" type="checkbox"/> at this location:</p> <p>4.1(a)(4) and 4.1(a)(5) : Directors' Report which is available from the Investor Centre on the Aveo website.</p> <p>[If the entity complies with paragraph (b):]  ... 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>
<p>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>	<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>

Corporate Governance Council recommendation		We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <b>NOT</b> followed the recommendation in full for the whole of the period above. We have disclosed ...
<b>PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE</b>			
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	... our continuous disclosure compliance policy or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b> <input checked="" type="checkbox"/> at this location:  A copy of the Aveo Continuous Disclosure Policy is available from the Investor Centre on the Aveo website.	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
<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.	... information about us and our governance on our website: <input checked="" type="checkbox"/> at this location:  Information with respect to Aveo's governance policies and procedures is available from the Investor Centre on the Aveo website.	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location:  _____ <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement
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.	... our policies and processes for facilitating and encouraging participation at meetings of security holders: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location:  _____ <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <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
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.	... the fact that we follow this recommendation: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location:  _____ <i>Insert location here</i>	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement

<b>Corporate Governance Council recommendation</b>	<b>We have followed the recommendation in full for the whole of the period above. We have disclosed ...</b>	<b>We have <u>NOT</u> followed the recommendation in full for the whole of the period above. We have disclosed ...</b>
--	---	--

**PRINCIPLE 7 – RECOGNISE AND MANAGE RISK**

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><u>OR</u></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><u>OR</u></b></p> <p><input type="checkbox"/> at this location:</p> <p>_____</p> <p style="text-align: center;"><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 copy of the Aveo Audit and Risk Committee Charter is available from the Investor Centre on the Aveo website.</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b><u>OR</u></b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>7.1(a)(4) and 7.1(a)(5) and : Directors' Report which is available from the Investor Centre on the Aveo website.</p> <p>[If the entity complies with paragraph (b):]</p> <p>... 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:</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 style="text-align: center;"><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 <b>NOT</b> followed the recommendation in full for the whole of the period above. We have disclosed ...
7.2	<p>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 the board or a committee of the board reviews the entity's risk management framework at least annually to satisfy itself that it continues to be sound:</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 that such a review has taken place in the reporting period covered by this Appendix 4G:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input type="checkbox"/> at this location:</p>	<p><input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement</p>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; <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):]</p> <p>... how our internal audit function is structured and what role it performs:</p> <p><input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>A copy of the Aveo Internal Audit Charter is available from the Investor Centre on the Aveo website.</p> <p>[If the entity complies with paragraph (b):]</p> <p>... 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:</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 Council recommendation	We have followed the recommendation in full for the whole of the period above. We have disclosed ...	We have <b>NOT</b> followed the recommendation in full for the whole of the period above. We have disclosed ...
<p>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>	<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>		
<p>8.1 The board of a listed entity should:</p> <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 copy of the Aveo Nomination and Remuneration Committee Charter is available from the Investor Centre on the Aveo website.</p> <p>... and the information referred to in paragraphs (4) and (5):</p> <p><input type="checkbox"/> in our Corporate Governance Statement <b>OR</b></p> <p><input checked="" type="checkbox"/> at this location:</p> <p>8.1(a)(4) and 8.1(a)(5) and : Directors' Report which is available from the Investor Centre on the Aveo website.</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 composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive:</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 <b>NOT</b> followed the recommendation in full for the whole of the period above. We have disclosed ...
	<input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	
8.2 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.	... separately our remuneration policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives: <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input checked="" type="checkbox"/> at this location: Directors' Report which is available from the Investor Centre on the Aveo website	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
8.3 A listed entity which has an equity-based remuneration scheme should: (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 (b) disclose that policy or a summary of it.	... our policy on this issue or a summary of it: <input checked="" type="checkbox"/> in our Corporate Governance Statement <b>AND</b> <input checked="" type="checkbox"/> at this location: A copy of the Aveo Securities Trading Policy is available from the Investor Centre on the Aveo website.	<input type="checkbox"/> an explanation why that is so in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> we do not have an equity-based remuneration scheme and this recommendation is therefore not applicable <b>OR</b> <input type="checkbox"/> we are an externally managed entity and this recommendation is therefore not applicable
<b>ADDITIONAL DISCLOSURES APPLICABLE TO EXTERNALLY MANAGED LISTED ENTITIES</b>		
- <i>Alternative to Recommendation 1.1 for externally managed listed entities:</i> The responsible entity of an externally managed listed entity should disclose: (a) the arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; (b) the role and responsibility of the board of the responsible entity for overseeing those arrangements.	... the information referred to in paragraphs (a) and (b): <input type="checkbox"/> in our Corporate Governance Statement <b>OR</b> <input type="checkbox"/> at this location: <hr/> <i>Insert location here</i>	<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 <b>NOT</b> followed the recommendation in full for the whole of the period above. We have disclosed ...
<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 STATEMENT

The Board of Directors is responsible for the corporate governance of Aveo Group ('Aveo', the 'Group'). This statement outlines the main corporate governance practices in place and the extent to which the Group has followed the recommendations of the ASX Corporate Governance Council (the 'Council') throughout the year to 30 June 2016, including the Council's revised Corporate Governance Principles and Recommendations ('3<sup>rd</sup> edition principles') published in March 2014 (the 'Guidelines').

The Guidelines set out core principles and practices that the Council believes underlie good corporate governance, and all listed entities are required to disclose the extent to which they depart from the Guidelines.

A copy of this statement is available from the Investor Centre on the Aveo website at [www.aveo.com.au/investor-centre/corporate-governance](http://www.aveo.com.au/investor-centre/corporate-governance).

### 1. THE BOARD AND MANAGEMENT

The Board's primary role is the creation of long-term securityholder value through the development of the strategic direction of the Group, the implementation of efficient internal delegations and controls, the effective oversight of senior management, the promotion of high ethical standards of behaviour, the offering of high quality products to the market, and commitment to the constant improvement of the Group's corporate governance practices.

The Board's responsibilities and functions include:

- strategic planning;
- capital management and financial reporting;
- approving and monitoring major capital expenditure, acquisitions and disposals;
- appointing or removing, or ratifying the appointment or removal of, senior management;
- approving and monitoring the risk management framework; and
- overseeing the Group's accountability systems and code of conduct.

Further details of the specific philosophy, values and responsibilities of the Board are contained in the Board Charter available from the Investor Centre on the Aveo website.

The Board has delegated to the Executive Director and Chief Executive Officer responsibility for the day-to-day management of the Group and the implementation and delivery of the Board's strategic direction. The Board delegates authority and functions to the Executive Director and Chief Executive Officer, the Chief Financial Officer and senior management in accordance with a formal delegations of authority protocol (the 'Delegations'). The Delegations contain the business rules and authorities which govern the operations of the Group on a day-to-day basis. These Delegations are reviewed annually by senior management and presented to the Audit Committee for endorsement and approval in June each year.

During the financial year, the Board comprised the Executive Director (who is also the Chief Executive Officer) and six Non-Executive Directors. The names, skills, experience and expertise of the Directors who held office as at the date of the Directors' Report and the period of office of each Director are set out in the Directors' Report.

#### *Independence of Directors*

For the purposes of determining Director independence, the Board considers any material previous or current business relationships which could reasonably be perceived to interfere with or compromise each Director's independent judgement in accordance with the Guidelines.

The following factors and relationships are considered by the Board in assessing whether a Director is independent:

- whether the Director is a substantial securityholder of the Group or an officer of, or otherwise associated with, either directly or indirectly, a substantial securityholder of the Group;
- whether the Director is employed by the Group or has been employed in an executive capacity by the Group within the last three years;
- whether the Director has been a principal of a material professional adviser or a material consultant to the Group, or an employee materially associated with the service provided to the Group, within the last three years;
- whether the Director is, or is associated with, a material supplier or customer of the Group;
- whether the Director has a material contractual relationship with the Group other than as a Director of the Group; and
- whether the Director has any other interest or relationship that could materially interfere with the Director's ability to act in the best interests of the Group, and independently of management.

Materiality with respect to each of the above factors is reviewed on a case-by-case basis.

The Board has not set any tests as to the number of terms or years on the Board that would be regarded as undermining independent judgement.



The Board assesses the independence of Directors each year having regard to each Director's specific circumstances and the disclosures made by the Director. The Board undertakes this assessment more frequently if a Director discloses a new interest or relationship relevant to that Director's independence.

The Board considers the majority of Non-Executive Directors who held office during the year to be independent. The Directors, their independence and length of tenure (as at the time of publication of this statement) are set out below.

Director	Position	Date appointed	Independence Status	Tenure
S.H. Lee	Non- Executive Chairman	February 2006*	No	10 years, 6 months
J.E.F. Frayne	Non – Executive Director	July 2008	Yes	8 years, 1 month
E.L Lee	Non-Executive Director	December 2012	No	3 years, 8 months
W.L. McDonald	Non- Executive Director	August 2012	Yes	4 years
L.R. McKinnon	Non- Executive Director	May 2005	Yes	11 years, 3 months
S.B. Muggleton	Non-Executive Director	June 2014	Yes	2 year 2 months
G. E Grady	Executive Director and Chief Executive Officer	July 2013	No	3 years, 2 months

\*Appointed Chairman in February 2009

The Board believes the mix of tenure of the Directors to be appropriate for the Group at this time. The mix of longer term Directors with history of the Group and its operations, combined with Directors appointed more recently, provides a good balance on the Board.

Mr S.H. Lee and Mr E.L. Lee do not meet the independence test set out in the Guidelines, as they are associated directly with Mulpha Australia Limited, a substantial securityholder of the Group. Mr G.E. Grady does not meet the independence test as set out in the Guidelines, as he is an employee of the Group.

To facilitate independent judgement in decision-making, each Director has the right to seek independent professional advice in relation to matters arising in the course of their Board duties. Such advice may be obtained at the Group's expense with prior approval of the Chairman, which will not be unreasonably withheld. Directors may share advice obtained with the other Directors where appropriate.

#### **Conflicts of Interest**

Where a Director has an actual or potential conflict of interest or material personal interest, the Board's governance procedures ensure:

- that the interest is fully disclosed to the Board and the disclosure is recorded in the Board minutes;
- unless the Directors resolve to the contrary in accordance with the *Corporations Act 2001* (Cth) (the 'Corporations Act'), that the relevant Director is excluded from all considerations of the matter by the Board; and
- unless the Directors decide to the contrary, that the relevant Director does not receive any segment of the Board papers or other documents containing any reference to the matter.

A copy of the Board's Conflict of Interest Policy is available from the Investor Centre on the Aveo website.

#### **Role of Chairman**

Mr S.H. Lee was appointed Chairman of the Group on 12 February 2009. Mr S.H. Lee is not an independent Director for the purposes of the Guidelines, as he is directly associated with Mulpha Australia Limited, a substantial securityholder of the Group.

The Board has not appointed a lead independent Director, as the Board does not believe that any such appointment could increase the exercise of independent judgement by the Board, which has comprised a majority of independent Directors since 29 August 2012. The Board considers that the Chairman facilitates the effective contribution of all Directors and promotes constructive and respectful relations between Directors and between the Board and senior management.

The roles of Chairman and Chief Executive Officer are not held by the same individuals. The Board recognises the importance of ensuring that the Chairman and the Chief Executive Officer have defined roles within the organisation and function within clear functional lines. Further information in relation to the role of the Chairman is available from the Investor Centre on the Aveo website.

#### **Company Secretary**

The Company Secretary is accountable directly to the Board, through the Chairman, for ensuring that Board processes and procedures operate efficiently and effectively. In addition, the Company Secretary is charged with facilitating the Group's corporate governance processes and providing counsel on corporate secretarial matters to ensure compliance with the Group's governance framework. Further details with respect to the role and accountability of the Company Secretary are contained in the Board Charter available from the Investor Centre on the Aveo website.

### **Nomination and Remuneration Committee**

In June 2015, the Board established a Nomination and Remuneration Committee (the 'Committee') that operates pursuant to a Board approved charter that is available from the Investor Centre on the Aveo website. Previously, a Remuneration Committee oversaw the responsibilities with respect to the remuneration function of the Group (as delegated by the Board), and the Board maintained oversight of all responsibilities with respect to nomination and succession planning. In acknowledging the recommendations of the Guidelines, and to ensure that a culture of continuous improvement and dedicated resourcing continues to be present with respect to succession planning for both the Executive Director and Non-Executive Directors, the Board resolved that the Committee should be formed and a charter developed to address the specific needs of succession planning of the Group.

The primary responsibilities of the Committee are to review and recommend for approval to the Board:

- procedures to assess the performance of Non-Executive Directors and the Board's Committees;
- nomination and selection processes for appointment of Non-Executive Directors to the Board;
- candidates to fill casual vacancies (as they relate to non-executive vacancies) on the Board and those Non-Executive Directors who should be considered for election and re-election;
- the removal of Non-Executive Directors (as required);
- succession plans for both Directors and senior management which will detail a list of eligible candidates in circumstances where a vacancy arises;
- remuneration policies and practices which are consistent with the Group's strategic goals and which enable the Group to attract and retain senior management and Directors who will create value for securityholders;
- the quantum and structure of remuneration for Directors and senior management having regard to the performance of the Group, the performance of senior management and the general remuneration environment; and
- policies and procedures to attract motivate and retain appropriately skilled persons to meet the Group's needs.

The Committee comprises three Non-Executive Directors, with a majority of Directors being independent. An independent Director who is not the Chairman of the Board chairs the Committee. The structure and functions of the Committee comply with Recommendations 2.1 and 8.1 in the Guidelines and therefore Listing Rule 12.8. The current members of the Nomination and Remuneration Committee are Mr W.L. McDonald (Chairman), Mr J.E.F. Frayne, and Mr S.H. Lee, and the qualifications of each member are set out in the Directors' Report. The number of meetings of the Committee held during the year, and a record of attendance by each member of the Committee at those meetings, is set out in the Directors' Report.

The Committee reviews, and recommends any changes to the Board for approval, the procedures used to assess the performance of Directors and the Board's committees. Annually, the Chair is responsible for monitoring and reviewing Board performance.

During FY16, the Board engaged an independent consultant to facilitate a formal Board and Committee evaluation (**Evaluation**) to:

- review the effectiveness and performance of the Board;
- evaluate the performance of the Audit and Nomination & Remuneration Committees;
- provide the Board with recommendations of areas for improvement;
- identify strategies for improving the Board's compliance against the 3<sup>rd</sup> edition principles, as well as reviewing the Board against its own Charter; and
- undertake a high-level skills assessment.

The Evaluation results were presented to the Board, via the Nomination and Remuneration Committee. The Board has reviewed the findings of the Evaluation and resolved to appoint a working group of Directors, led by the Chairman of the Nomination & Remuneration Committee to undertake a deeper analysis of the results, with the view to developing an action plan to address any recommendations.

The Committee considers when the appointment of a new Director is required and whether to support the re-election of incumbent Directors. The Committee is also responsible for the nomination process for new Directors and provides recommendations to the Board with respect to who should be invited to fill a casual vacancy. When a casual vacancy occurs or where it is considered that there is a gap in necessary expertise, the Committee reviews potential candidates, with advice from external consultants if necessary. All prospective Directors under consideration are subject to employment screening policies to ascertain the good fame and character of those individuals before any appointment or nomination for election is made. The Board invites the most suitable candidate to join the Board in a casual vacancy until their proposed election by the Group's securityholders at its next Annual General Meeting ('AGM'). Formal written documentation is provided to all Directors upon commencement confirming the terms and conditions of their appointment. During FY16, there were no new appointments to the Aveo Board, nor were there any resignations.

A comprehensive induction program is provided for new Directors and senior executives, which includes the opportunity to meet with key management personnel; and the provision of detailed information in relation to the Group, its financial, strategic, operational and risk management position, and its policies and procedures, upon their appointment. The opportunity to participate in further education is provided through attending Director Briefings, training presentations within formal Board meetings and external professional development, as required.

In addition, in accordance with the Constitution of the Parent, one third of Directors, excluding the Executive Director, retire from office at each AGM but may stand for re-election. The Board confirms to securityholders whether it supports the re-election of each retiring Director and provides all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director, in a statement that accompanies the Notice of Meeting for the AGM (with the next Notice of Meeting to be published in October 2016).

The Chief Executive Officer is responsible for the induction of senior management. Each year, the Executive Director and Chief Executive Officer, and the Committee, undertake a formal process of reviewing the performance of senior management by reference to key performance indicators identified annually for each executive. The measures generally relate to the performance of the Group, the performance of the executive's division and the performance of the executive individually. Performance evaluations for senior management have taken place during the financial year in accordance with the approved processes of the Group. Each member of the senior management team has a written agreement setting out the terms of their appointment. Further details relating to assessment criteria for senior management remuneration are disclosed in the Remuneration Report.

### **Diversity**

The Group is committed to diversity and equality in the workplace, as it adds value to the organisation by actively creating opportunities for all employees to use their knowledge, skills and abilities.

The Board has adopted a Diversity Policy, which is available from the Investor Centre on the Aveo website and reviewed annually.

In line with the 3<sup>rd</sup> edition principles, the Board has adopted measurable objectives for achieving gender diversity, which are disclosed in the Diversity Policy. Reporting in respect of the Diversity Policy is a periodic item on the Nomination and Remuneration Committee and Board agendas.

The Group believes diversity extends beyond gender and the Diversity Policy has evolved on this basis. The Board recognises the value in it having a mix of relevant business, executive and professional experience, and the benefits of diversity. With respect to diversity of the Board, 37% of Aveo Directors (including alternates) are from an ethnically diverse background.

The key diversity objective for the Group is to increase the number of females in senior roles, with a target of 35% of females assuming senior management positions by 2018 (subject to identification of candidates with appropriate skills).

The Board has determined that the optimal Board size is 7 Directors (current size). The Board continues to recognise the importance of gender diversity and is committed to appoint a female Director to the Board, at the next available opportunity.

As at 30 June 2016, the proportion of women employees in the whole Group, women in senior executive positions and women on the Board is as follows:

<b>Position</b>	<b>% Female employees</b>
Board	0
Senior executive <sup>1</sup>	23
Group	60
All staff	73%

1. Senior executives in the Group are comprised of the CEO, key management personnel, other executives and senior managers.

As Aveo is a 'relevant employer' under the *Workplace Gender Equality Act 2012* (Cth), the most recent Gender Equality Indicators are available from the Investor Centre on the Aveo website.

### **Directors' skills and experience**

Aveo is committed to ensuring that the Board has an appropriate mix of skills and experience that will assist in the realisation of the Group's strategy to become a pure-play retirement operator and the identified associated financial targets for FY16 to FY18 which underpin this strategy ('Strategy').

The Board Charter details the composition and structure of the Board. The following business experience and skills have been identified as being required to enable the Board to discharge its duties effectively and enable Aveo to deliver on its Strategy. The Board will endeavour to maintain this mix of skills on the Board and build on them over time.

Skills/experience	Detail	Board Skills
Accounting and Audit	Experience with accounting and audit functions, including understanding the impact of accounting policies on Aveo	Yes
Corporate Finance and Treasury	Experience in managing finance and treasury functions	Yes
Enterprise Risk Management	Experience in identifying, monitoring and managing key risks to the organisation	Yes
Capital Transactions	Experience in managing capital transactions	Yes
Mergers, acquisitions and divestments	Experience in identifying and managing the process for mergers, acquisitions and divestments, including integration	Yes
Aged care and allied health services provision	Understanding of the sector in which Aveo operates	Yes
Corporate and regulatory governance	Understanding the regulatory framework affecting Aveo	Yes
Retirement village operations	Understanding of retirement village operations	Yes
Legal due diligence	Ability to review legal development and impact on Aveo	Yes
Human resources and remuneration	Experience in managing staff and developing remuneration and human resource frameworks	Yes

In addition to skills and experience, the Board also actively seeks to have a diverse Board and reviews diversity on a regular basis. With respect to diversity:

- 37% of the Directors are from an ethnically diverse background;
- 29% of Directors have international business experience;
- there is a good mix of tenure on the Board with 14% of the Directors having less than 3 years' tenure on the Board, 43% having 3-6 years' tenure, 14% having 6-9 years' tenure and 29% having been a Director of Aveo for more than 9 years;
- 28.5% of Aveo Directors are aged 40-49; 43% are aged 50-59 and 28.5% are aged 60-69; and
- The executive and professional experiences of the Aveo Directors are varied, with a mix of financial, accounting, healthcare and legal backgrounds.

At this stage, the Board has not identified any gaps in the collective skills and experience on the Board. However, as the strategy for the Group evolves, the Board will annually review the skills and experience required. The Board has identified that it will be seeking to improve its diversity through the recruitment of a female director at the next available opportunity.

## 2. ACTING ETHICALLY AND RESPONSIBLY

### *Code of conduct*

The Group has well-established policies, procedures and codes of conduct which seek to promote ethical standards of behaviour by all employees and a culture of compliance that is risk-aware and embraces good governance practices, underpinned by knowledge of the law and relevant corporate and community expectations.

The Board supports the need for Directors, senior management and all other employees to observe the highest standards of behaviour and business ethics. All Directors and employees are expected to act with integrity, striving at all times to enhance the reputation and performance of the Group. The Board's policies reflect its requirements in relation to the promotion of ethical and responsible decision-making. Appropriate training programs on the Group's internal policies support the policies.

A formal Code of Conduct, which requires employees to act honestly and in good faith, not disclose confidential information, avoid conflicts of interest, observe all relevant laws and maintain a culture of lawful and ethical behaviour, is available from the Investor Centre on the Aveo website. The Code of Conduct is supported by various internal policies, including those dealing with avoiding conflicts of interest and ensuring that privacy is respected. To further support Aveo's business activities, Aveo also has a Fraud, Bribery and Corruption ('FB&C') control framework, strengthened by the Aveo Whistleblower Policy. The FB&C control strategy focuses on addressing the elements of awareness, prevention, detection and investigation with continuous monitoring.

The Board Charter sets out the Board's philosophy for driving the creation of long-term securityholder value through high ethical standards of behaviour, respect for employees' aspirations, and acting as a good corporate citizen in the community in which the Group operates. The Board Charter also articulates the Board's values, which include a commitment to a climate of trust and candour, fostering a culture of open constructive dissent and ensuring individual accountability.

The Board has established written guidelines, detailed in its Securities Trading Policy, that restrict dealings by Directors and employees in the Group's securities and in securities of customers and other entities with which Directors or employees may deal in the course of their duties.

The Securities Trading Policy complies with Listing Rules 12.9 and 12.12. It identifies certain periods when, even in the absence of knowledge of unpublished price-sensitive information, Directors and all employees may not buy or sell securities. These periods are the earlier of the ex-dividend date in circumstances where the Board has declared a dividend for the half year and/or full year reporting periods, or 1 January and 1 July each year, and expiring one day following the release of half year and full year results respectively.

A copy of the Securities Trading Policy is available from the Investor Centre on the Aveo website.

### 3. INTEGRITY IN CORPORATE REPORTING

The Group has an established Audit and Risk Committee (the 'Audit Committee') which operates under written terms of reference approved by the Board and embodied in the Audit and Risk Committee Charter. The Audit Committee assists the Board to verify and safeguard the integrity of the Group's financial reporting, internal control structures and risk management systems, and oversees the independence of the external auditor.

The Audit Committee is also responsible for making recommendations to the Board in relation to the selection, appointment and rotation of the external audit engagement partners, and overseeing and appraising the quality and effectiveness of audit work performed by the external auditor.

The Audit Committee comprises three Non-Executive Directors, with a majority of Directors being independent. The Audit Committee is chaired by an independent Director who is not the Chairman of the Board. The structure and functions of the Audit Committee comply with the recommendations in the Guidelines, and therefore Listing Rule 12.7.

The primary responsibilities of the Audit Committee are to review and recommend for approval to the Board:

- the integrity of the Group's financial reports, including oversight of the external auditor, approval of the external audit plan and compliance with auditor independence requirements;
- the appropriateness of the Group's accounting policies;
- the effectiveness of the Group's financial reporting controls and procedures;
- the effectiveness of the Group's internal control environment, including oversight of the internal audit function, approval of the annual internal audit plan and reviewing the results of internal audit engagements; and
- compliance with relevant laws and regulations.

The current members of the Audit Committee are Mr L.R. McKinnon (Chairman), Mr J.E.F. Frayne and Mr E.L. Lee, and the qualifications of each member are set out in the Directors' Report. The Chairman, Mr McKinnon has extensive experience in banking and finance, Mr Frayne is a chartered accountant with extensive experience in audit, accountancy and corporate services and Mr Lee has significant experience in finance and accounting. Together the Committee has extensive accounting and financial expertise and knowledge of the industry in which Aveo operates to discharge the role of the Audit Committee effectively.

Meetings of the Audit Committee are attended, by invitation, by the Chief Financial Officer, the Company Secretary, the engagement partner from the Group's external auditor, and such other senior staff or professional advisers as may be appropriate from time to time. The number of meetings of the Audit Committee held during the year, and a record of attendance by each member of the Committee at those meetings, is set out in the Directors' Report. Minutes of all Audit Committee meetings are provided to the Board, and the Chairman of the Audit Committee reports to the Board after each Audit Committee meeting.

When considering the Audit Committee's review of financial reports at half year and full year, the Board also receives a written statement in accordance with section 295A of the Corporations Act signed by the Executive Director and Chief Executive Officer, and the Chief Financial Officer, affirming that the Group's Financial Report gives a true and fair view, in all material respects, of the Group's financial position, and complies, in all material respects, with relevant accounting standards.

The Audit and Risk Committee Charter is available from the Investor Centre on the Aveo website.

The Group's external auditor has declared its independence to the Audit Committee during the year. The Audit Committee has examined detailed material provided by the external auditor and by management and has satisfied itself that the standards for auditor independence and associated issues have been complied with.

### 4. TIMELY AND BALANCED DISCLOSURE

The Group has established a Continuous Disclosure Policy and a Communications Policy and also has External Communications and Continuous Disclosure Protocols which are intended to enhance the Group's compliance with the continuous disclosure requirements of the Corporations Act and the ASX Listing Rules. These documents set out procedures to identify relevant material information, report material information to the Company Secretary for review, and ensure compliance with the continuous disclosure requirements. A copy of the Continuous Disclosure Policy is available from the Investor Centre on the Aveo website.

The Company Secretary has primary responsibility for communications with the ASX, including responsibility for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules and overseeing information sent to the ASX and securityholders.

The Directors have obligations under a Disclosure of Interests and Transactions in Securities Agreement, entered into by each of them with the Group, to inform the Group of any trading by them in the Group's securities and of any other interests in contracts the Director may have with a Group entity.

All announcements made by the Group to the ASX are available from the Investor Centre on the Aveo website.

## 5. SECURITYHOLDER ENGAGEMENT

The Group aims to keep securityholders informed of the Group's performance and all major developments in an ongoing manner. The investor relations program for the Group is governed by a formal Communications Policy to facilitate the protocols for the effective two-way exchange of information between the Group and securityholders.

All of the Group's corporate governance materials (including the Communications Policy) are available from the Investor Centre on the Aveo website.

Investor relations with the Group's securityholders is facilitated by communication in the following manner:

- utilising the Investor Centre on the Aveo website to publish:
  - all media releases made by the Group;
  - announcements made to the ASX during the course of the year;
  - the corporate calendar;
  - the Group's Constitutions and Stapling Deed;
  - biographies of the Directors;
  - Annual Reports;
  - Notices of Meetings and details of Annual and General Meetings;
- the Annual Report, which is available for distribution to all securityholders;
- the Half Year Financial Report, which contains summarised financial information and a review of the operations during the period since the Annual Report; and
- other correspondence to securityholders as required.

In addition, management presents at relevant investor conferences and ensures copies of any presentations are released to the ASX for access by all securityholders.

Securityholders are also encouraged to participate in the AGM to ensure a high level of accountability and identification with the Group's strategies and goals. The AGM provides the opportunity for the Group to update securityholders on the Group's performance and provides a valuable opportunity for securityholders to ask questions of the Board and senior management. Securityholders can also submit questions to the Chairman and the Executive Director and Chief Executive Officer by mail to the Group's registered office prior to the AGM, in accordance with the notice period outlined in the Notice of Meetings.

The senior engagement partner of the Group's external auditor attends the Group's AGM and is available to answer questions from securityholders about the conduct of the audit and the preparation and content of the auditor's report. The Chairman advises the securityholders of this at the commencement of each AGM.

In addition, the AGM and the half-year and full year results presentations, and a summary of the transcript of the Chairman's address from the AGM, are available from the Investor Centre on the Aveo website.

Computershare, the Group's registry services provider, has assisted the Group to facilitate electronic communication with securityholders. This involves the ability of securityholders to register for email notifications when relevant information, including ASX announcements, are posted to the Investor Centre on the Aveo website. Initiatives that have been implemented by the Group include the offering of an enhanced user experience on the Computershare Investor Centre (including features such as proactive alerts), which has been responsible for an increase in the number of securityholders providing an email address, payment instructions and tax details.

Contact details are included on the Aveo website for securityholders to contact Aveo or Computershare with any queries.

## 6. RECOGNISING AND MANAGING RISK

### *Oversight of the risk management function*

The Group recognises the importance of managing risk and controlling its business activities in a manner which enables it to maximise profitable opportunities, avoid or reduce risks which may cause injury or loss, ensure compliance with applicable laws and regulations, and enhance resilience to external events.

In pursuing its strategy, the Group has established an Enterprise Risk Management Framework ('Framework') encompassing an entity-wide risk policy and appetite statement, roles and responsibilities for the oversight and management of risk, and formalised risk management and reporting processes.

The Group's Framework centres on a clear mandate and commitment to the effective and efficient management of risk in the achievement of objectives. Critical to the delivery of this commitment is the development of a risk aware culture that encourages the proactive identification and management of risk in day-to-day activities and strategic decision making. The Framework establishes a systematic approach to the identification, assessment and management of risk, in addition to relevant and timely reporting of risk information to those charged with governance.

The Board is ultimately responsible for approving and reviewing the Group's risk management framework, including its risk management strategy and policy. The Audit Committee assists the Board in its oversight function. The proactive identification of risks and the design and implementation of the risk management framework are the responsibilities of management, while business units are responsible for integrating the risk management framework within their business processes and systems.

The Board, in conjunction with senior management, has developed and implemented procedures to ensure that material risks facing the Group are adequately and regularly identified, assessed and managed throughout the organisation. Through the measures referred to below, senior management reports regularly to the Board as to the effectiveness of the Group's management of its material business risks:

- annual budgets, divisional business plans and the Group's strategic plan are prepared for approval by Directors;
- actual trading results for the Group and each division are presented to the Board at each Board meeting and compared against budget and forecasts;
- comprehensive Board papers containing relevant operational, strategic, financial and legal information are prepared by senior management and circulated to Directors before each Board meeting;
- monthly project reviews are attended by senior management to monitor the progress of each individual project and the risk environment applicable. Material developments or changes are reported to the Board at the next Board meeting;
- financial authority limits have been set by the Board (which are reviewed annually) to delegate the Board's approval process for various matters, including site acquisitions and developments. Where the cost is above those delegated authorities, the approval of the full Board is required;
- insurance cover appropriate to the size and nature of the Group's operations is carried out to reduce the financial impact of any significant insurable losses;
- bi-annual reporting on the Group's risk profile and material business risks as identified by management and captured in divisional risk registers is carried out; and
- independent appraisal of the Group's system of risk management and control is undertaken by the internal audit function or other external party.

Within the Framework, and in addition to the daily management of business activities, each business unit is required to formally profile its risk environment. This is achieved through the completion of a detailed risk register that captures risk items, their classification and description, risk ratings, an assessment of mitigating controls and any action plans and responsible owner(s).

Risk registers are reviewed and updated regularly, and form the basis for periodic reporting to the Audit Committee and Board as to the Group's risk profile and material business risks.

Management and the Audit Committee review the Group's risk management framework annually. In FY16, a comprehensive enterprise risk management ('ERM') assessment was conducted to consider the Group's risk profile and risk maturity; specifically that the risk management framework was meeting the expectations of the Group. The findings of the ERM review were reported to the Audit Committee and all recommendations were implemented over the course of FY16. Minutes of all Audit Committee meetings are circulated to the full Board, and the Chairman of the Audit Committee reports to the Board after each Audit Committee meeting.

At this time, the Group does not consider that it faces material exposure to economic, environmental or social sustainability risks. The 3<sup>rd</sup> Edition Principles define 'material exposure' as a 'real possibility that the risk in question could substantively impact the listed entity's ability to create or preserve value for securityholders over the short, medium or long term'. The Group was able to determine that it does not have a material exposure to economic, environmental or social sustainability risks through a thorough Group-wide ERM identification and assessment process. The Group will continue to monitor its exposure through management's regular review of the risk environment and risk registers and, if necessary, develop plans to address any identified or emerging risks. Responses to any identified risks would likely include appropriate reporting and escalation processes, inclusion on the enterprise risk register, development of risk mitigation strategies and monitoring of risk indicators to assess the effectiveness of these mitigation strategies.

The Group's exposure to economic and financial risks that could have an impact on the Group's financial performance and the management of these risks is detailed in the financial statements in Note 15 and further information with respect to the Group's compliance with environmental regulation can be found in the Directors' Report.

It is the responsibility of the senior management of the Group to ensure that the enterprise risk register is regularly reviewed and updated, and to bring any extreme risks promptly to the attention of the Chief Executive Officer and the Chairman for consideration. If it is considered necessary, the Chairman will convene a meeting of the Board to consider and provide direction on how the risk should be managed.

The Board also receives regular updates from the Chief Executive Officer, the Chief Financial Officer, other senior managers and, where relevant, external parties on material risks faced by the Group and the effectiveness of strategies in place to manage the identified risks.

The Chief Financial Officer reports in writing to the Board and attends all Board meetings. The Chief Financial Officer also attends all meetings of the Audit Committee and provides written reports to the Audit Committee, as required.

In addition, the Audit Committee reviews and reports to the Board in relation to the integrity of the Group's financial reporting, internal control structures and risk management systems with regard to financial risks and the internal and external audit functions.

The Group has established a Risk Management Policy and a Treasury and Financial Risk Management Policy, which are available from the Investor Centre on the Aveo website. These policies and underlying procedures are reviewed annually by the Board to ensure their continued application and relevance.

#### **Internal audit and compliance**

The Group has established an in-house internal audit function that operates pursuant to a Board approved charter. The function is internally resourced, and led by the Group Internal Audit and Risk Manager, with supplemental resourcing provided by specialist third parties.

The internal audit function provides the Board with assurance over the adequacy, effectiveness and efficiency of risk management and control and governance processes employed across the Group. Internal audit also assists in the achievement of the Group's strategy by providing insight and recommendations on business process improvement and the management of material business risks.

The internal audit function has no direct authority or responsibility for the activities it reviews. The Group Internal Audit and Risk Manager, reports functionally to the Chair of the Audit Committee and administratively to the Chief Financial Officer. The Group Internal Audit and Risk Manager retains and exercises the right to meet with the Audit Committee and its Chair in the absence of management.

The Audit Committee approves the annual internal audit plan and assurance programme, which is determined using a structured, risk-based approach. The Audit Committee also determines the scope and budget of the function, on recommendation from management and the Group Internal Audit and Risk Manager.

While internal and external audit work closely together, they are separate functions. Aveo's external audit firm does not provide internal audit services to the Group.

The internal audit function conducts its activities in accordance with the Group's policies and other relevant professional standards, including the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

Further details regarding the structure and role of the internal audit function can be found in the Internal Audit Charter, which is available from the Investor Centre on the Aveo website.

The Group's Compliance Committee was dissolved on 7 December 2012 a due to the Board comprising a majority of independent Directors. While the Board continues to be comprised of a majority of independent Directors, it will oversee the operation of the Managed Investment Schemes ('Schemes') associated with the Group. On a quarterly basis, the Board monitors compliance with the Schemes' risk management systems and compliance plans. Aveo Funds Management Limited, the Responsible Entity of the Schemes, also has a Risk Management Policy in place, which sets out the procedures required to be followed to ensure compliance with its risk management obligations under the Corporations Act and its Australian Financial Services Licence.

#### **Certification of risk management controls**

The Chief Executive Officer and the Chief Financial Officer state in writing to the Board each half year and end of financial year that the declarations made by them in accordance with section 295A of the Corporations Act in relation to the integrity of the Group's Financial Report are founded on a sound system of risk management and internal control, and that the system is operating effectively in all material respects in relation to financial reporting risks.

The declarations from the Chief Executive Officer and the Chief Financial Officer are based on a formal sign-off framework established throughout the Group and reviewed by the Audit Committee as part of the financial reporting process.

## **7. REMUNERATING FAIRLY AND RESPONSIBLY**

The Nomination and Remuneration Committee assists the Board in fulfilling its corporate governance and oversight responsibilities in relation to the remuneration and incentive framework for the Group's senior executives and Directors. The structure of the Nomination and Remuneration Committee is included on page 3 of this Corporate Governance Statement.



The primary responsibilities of the Nomination and Remuneration Committee with respect to the remuneration and incentive framework are to review and recommend for approval to the Board:

- remuneration policies and practices which are consistent with the Group's strategic goals and which enable the Group to attract and retain executives and Directors who will create value for securityholders;
- the quantum and structure of remuneration for Directors and senior executives, having regard to the performance of the Group, the performance of the executives and the general remuneration environment; and
- policies and procedures to attract motivate and retain appropriately skilled persons to meet the Group's needs.

The Nomination and Remuneration Committee may invite any executives of the Group and other external advisers to attend any meetings of the Nomination and Remuneration Committee; however, no person is responsible for assessing their own performance or solely responsible for recommending the quantum or structure of their own remuneration for Board approval. The number of meetings of the Nomination and Remuneration Committee held during the year, and a record of attendance by each member of the Committee at those meetings, is set out in the Directors' Report. Minutes of all Nomination and Remuneration Committee meetings are provided to the Board and the Chairman of the Nomination and Remuneration Committee reports to the Board after each Nomination and Remuneration Committee meeting.

The structure of Non-Executive Directors' remuneration and that of senior management is set out in the Remuneration Report within the Directors' Report. Remuneration packages for senior management involve a balance between fixed and incentive-based remuneration, via participation in the Aveo Group Long-Term and Short-Term Incentive Plans (collectively 'the Plans'), reflecting short and long-term performance objectives appropriate to the Group's circumstances and goals. Information relating to the prohibition on engaging in activities that limit the economic risks associated with the Plans are disclosed in the Remuneration Report and the Securities Trading Policy, which is available from the Investor Centre on the Aveo website.

Non-Executive Directors' remuneration is clearly distinguished from that of senior management, with remuneration solely by way of Directors' fees and statutory superannuation entitlements.

Details of the nature and amount of each element of the remuneration of each Director and the key management personnel for the financial year are also disclosed in the Remuneration Report.

***The 2016 Aveo Group Corporate Governance Statement was approved by the Aveo Group Board and the practices are current as of 17 August 2016.***