

## Corporate Governance Statement

The Company is committed to implementing and maintaining good corporate governance practices.

This Statement outlines the main features of the Company's corporate governance framework and governance practices, and the extent to which the Company has followed the recommendations of the ASX Corporate Governance Council (the ASX Principles and Recommendations) during the 2018 financial year.

This Statement is current as at 15 August 2018 and has been approved by the Board of the Company.

All charters and other policies referred to in this Statement are available on the Company's website at [www.lifestylecommunities.com.au](http://www.lifestylecommunities.com.au).

### 1. Lay solid foundations for management and oversight

#### Board functions

The Board is responsible for the overall corporate governance of the Company. The Company has a Board Charter which describes the roles and responsibilities of the Board.

The primary role of the Board is to create shareholder value by setting the strategic direction of the Company. Matters reserved for the Board include:

- setting the strategic direction of the Company;
- approving and monitoring operating budgets and major capital expenditure;
- overseeing the integrity of the Company's financial reporting;
- overseeing the management of the Company's debt facilities;
- overseeing the Company's risk management strategy and approval of the risk management framework;
- selecting, appointing, and where necessary removing, the Managing Director;
- delegating responsibility to the Managing Director, and setting the limits of delegation from the Managing Director to other management;
- appointing committees to assist in the oversight of the Company; and
- reviewing Board performance.

The Board has delegated other matters and the day to day management of the Company to the Managing Director, James Kelly, and established cascading delegated authority levels for senior management and employees. The Managing Director is also responsible for implementing the Company's strategic plan within the Company's risk management framework and ensuring accurate information is provided to the Board.

The Chair, Tim Poole, is primarily responsible for facilitating effective Board meetings by encouraging contribution from all Directors and by promoting constructive and respectful relations between management and the Board.

### **Director appointment, election and re-election**

The Board is responsible for ensuring it is comprised of individuals who are best able to discharge the responsibilities of Directors having regard to the law and the best standards of governance. Vetting is undertaken before new Directors are appointed, elected or re-elected to the Board to ensure they are appropriate candidates. This includes background checks, such as for bankruptcy. Information included in respect of recommendation 2.4 (below) further describes the process undertaken by the Board and the information considered in relation to appointing a person as a Director.

For the election or re-election of Directors at Annual General Meetings, the notice of meeting sets out for shareholders information on candidates, including details of any other directorships and whether they are considered to be independent.

### **Director and Senior Executive agreements**

The Company has a written agreement with each Director and senior executive clearly outlining the terms of their appointment.

For non-executive Directors the agreement includes the Company's expectations concerning involvement with individual committees, remuneration, circumstances under the Company's Constitution in which a Director's office becomes vacant, indemnity and insurance arrangements, access to corporate information, confidentiality and a requirement to comply with Company policies.

For the Managing Director and senior executives, the agreement includes similar material (where relevant) as well as a description of the position, roles and responsibilities, the term of appointment, resignation and termination processes, and entitlements on resignation or termination. Further details of the key terms for the employment agreements for the Managing Director and senior executives are set out in the Remuneration Report.

### **Company Secretary**

Each Company Secretary has a direct reporting line to the Chair of the Board to ensure that the Board and its committees function efficiently and effectively. The responsibilities of the Company Secretary include advising on governance matters such as Board and committee policies, supporting meetings by preparing agendas and minutes, and communicating with ASIC and the ASX.

### **Diversity**

The Company values diversity and recognises the benefits it brings to the organisation. The Company has developed a Diversity Policy to take advantage of a workforce comprised of people with a diverse range of skills, backgrounds and experience.

The Company supports diversity in its workforce by:

- Treating all employees fairly and with respect and dignity as detailed in the Code of Conduct;
- Actively and promoting a working environment that values diversity and tolerance of differences;
- Ensuring that applicants and employees of all backgrounds are encouraged to apply for, and have fair opportunity to be considered for all available roles;
- Ensuring that the Company's policies encourage diversity and address specific barriers to groups of employees, such as those with domestic responsibilities, by making reasonable provision for the special needs of these employees, by means such as the Flexible Working Arrangements, Parental Leave and Other Leave Standards, and recognising and rewarding innovative strategies to accommodate diverse groups within the workforce;
- Setting, reviewing and reporting annually, measurable objectives; and
- Complying with all anti-discrimination and equal opportunity legislation.

The Company has the following objectives in relation to gender diversity which are assessed by the HR & Remuneration Committee annually:

- Objective 1: female representation on the Board at all times;
- Objective 2: female representation within the senior management team; and
- Objective 3: 50% or more female employees across its workforce.

This seeks to ensure adequate female representation across all of the Company's business practices. There is a particular emphasis on gender diversity in the sales and community management functions of the Company.

### **Measuring performance**

The Company has an informal evaluation process for Board and committee performance which focuses on the role of the Board, its size and composition, the procedures and practices of the Board and meeting arrangements. The evaluation also includes an assessment of the future requirements of the Board in relation to the skills and experience required to ensure that Board composition is appropriate for the needs of the Company.

Individual non-executive Director performance is assessed by the Chair informally to ensure that the Director continues to operate effectively within the Board. This may involve discussions with the Director and with other members of the Board, and considering the Director's:

- skills, experience, performance and contributions to the Board, committees and other aspects of the Company;
- degree of independence; and
- availability to attend and prepare for Board and committee meetings.

The Company has an on-going evaluation process for senior management. The HR & Remuneration Committee and Managing Director set performance objectives for senior executives necessary to achieve the strategic objectives of the Company. Performance of senior executives is assessed annually by the Managing Director.

## **2. Structure the Board to add value**

### **Board selection process and induction**

The Board believes that the composition, including selection, appointment, renewal and retirement of members, is of such importance that it is the role of the Board as a whole to manage.

In considering the nomination and appointment of new Directors, the Board assesses candidates with regard to their experience in the industry, as well as more generally, and their skills, qualifications, personal qualities and background. In addition, in selecting new Directors, the Board looks for candidates with skills that complement and balance those of the existing Directors.

The Company supports the appointment of Directors who bring a wide range of business and professional skills and experience. While the Company does not have or disclose a formal skills matrix it does consider Directors attributes prior to any appointment. The qualifications, skills, experience and expertise relevant to the position of Director held by each Director in office at the date of the Annual Report and their attendance at Board and Committee meetings is included in the Directors' Report. The Board has an extensive range of knowledge and skills with relevant experience as detailed in the Annual Report.

The mix of skills and diversity that the Company seeks to achieve on the Board includes:

- accounting, finance and capital markets;
- property development, construction and management;
- asset management;
- information technology;
- financial and business management;
- sales and marketing; and
- legal, tax and regulatory.

The Board has an induction program for newly-appointed non-executive Directors. This provides orientation including written materials, briefings, training on accounting principles (where appropriate), site visits and educational opportunities designed to make them familiar with the Company and better equipped to perform their duties. This seeks to build an understanding of the Company's business, the markets in which it operates, customers, suppliers, employees and community residents.

Directors are also encouraged to attend external director education programs to develop and maintain their skills and knowledge.

### **Independence**

The Board assesses independence at least annually. The Board considers Tim Poole, Philippa Kelly, The Honourable Nicola Roxon, Georgina Williams and David Blight as Independent Non-Executive Directors, being the majority of members of the Board. Details of their qualifications, experience and length of service are set out in the Directors' Report.

None of the aforementioned Non-Executive Directors have an interest, position, association or relationship of the type described in item 2.3 of the ASX Principles and Recommendations.

### **3. Act ethically and responsibly**

The Company recognises that its reputation is one of its most valuable assets to build long-term value for its shareholders. The Company has a Code of Conduct which applies to its Directors, senior executives and employees.

The Company is committed to promoting and maintaining a high standard of corporate ethics and business integrity. As stated in the Company's Code of Conduct, all Directors, senior executives and employees must act with integrity and professionalism and be scrupulous in the proper use of Company information, funds, equipment and facilities. Directors, senior executives and employees are to exercise fairness, equity, proper courtesy, consideration and sensitivity in dealing with customers, employees and other stakeholders. See also the information in respect of recommendation 7.4 below.

The Code of Conduct is a detailed statement concerning:

- responsibilities of all Directors, senior executives and employees;
- practices to promote the best interests and reputation of the Company;
- confidentiality;
- Company property;
- conflicts of interests;
- public statements;
- policies for preventing the acceptance or offering of bribes or other forms of unlawful or unethical payments or inducements;
- measures to encourage the reporting of unlawful or unethical behaviour;
- compliance; and
- breaches of the Code.

The Company has a Securities Trading Policy. Under the Company's Securities Trading Policy, Directors, senior executives and employees must not trade in any securities of the Company at any time when they are in possession of unpublished, price sensitive information in relation to those securities. Provided dealing would not otherwise contravene the insider trading provisions of the Corporations Act, Directors, senior executives and employees can deal in securities of the Company outside of the following prohibited periods:

- from 1 January to the opening of trading on the second Business Day after the Company's half-yearly results are announced to the ASX;
- from 1 July to the opening of trading on the second Business Day after the Company's annual results for that year are announced to the ASX;
- from the opening of trading on the date that is two weeks prior to the AGM to the opening of trading on the first Business Day after the close of the AGM; and
- any additional period, as specified by the Board.

Trading within a prohibited period can only occur with the prior approval from the Chair.

The Code of Conduct encourages the reporting of unlawful and unethical behaviour and protects whistle-blowers. Any employee who makes a complaint and complies with the reporting process will not be disadvantaged or prejudiced in any way.

All complaints are treated as confidential. Directors, senior executives and employees can report straight to the Managing Director, Company Secretary or the Chair of the Audit Committee if they believe their immediate supervisor may be implicated.

Directors, senior executives and employees must avoid any personal, financial or other interest that may conflict with their duties and responsibilities to the Company. Any interest that may constitute a conflict of interest must be promptly disclosed to the Managing Director, Company Secretary or the Chair of the Audit Committee.

#### **4. Safeguard integrity in corporate reporting**

##### **Audit Committee**

The Company has an Audit Committee that currently consists of the following members; Philippa Kelly, Tim Poole and Georgina Williams, who are considered Independent, Non-Executive Directors. All three Committee members have and maintain very good financial literacy. Further information on their skills, qualifications and experience are set out in the Directors' Report.

The Chair of the Audit Committee is Philippa Kelly who is not the Chair of the Board.

Details of the number of Audit Committee meetings and attendance at those meetings are also set out in the Directors' Report.

The Audit Committee has adopted a formal Charter, which is available on the Company's website. The Charter sets out the Audit Committee's composition, responsibilities and powers to ensure the adequacy of the Company's financial reporting. The Audit Committee oversees the Company's internal financial controls and the appointment of the external auditor. The Audit Committee will consider matters relevant to the preparation of the Company's Financial Statements for approval by the Board. It also monitors the external auditor's ongoing independence, effectiveness and scope of work, as well as the rotation of the audit engagement partner. The Audit Committee may seek advice from external consultants or specialists where it considers necessary.

### **External auditor**

The external auditor, Pitcher Partners, was appointed in November 2008 and was selected based on having the necessary skills, objectivity and independence. This appointment is reviewed by the Board annually. The Company's policy on audit rotation requires the partner managing the audit for the external auditor be changed within a period of five years.

The Company's external auditor is invited to attend meetings of the Audit Committee when appropriate, including meetings without management being present.

### **Approval of Financial Statements**

As part of the Company's financial assurance processes, the Directors receive a declaration from the Managing Director and the Chief Financial Officer before approving Financial Statements for a full year or half year period.

The declaration confirms to the Directors that, in the opinion of the Managing Director and the Chief Financial Officer:

- the Company's financial records have been properly maintained in accordance with the Corporations Act;
- the Financial Statements and the notes for the financial period or year comply with the accounting standards and give a true and fair view of the financial position and performance of the Company; and
- the declaration is 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.

### **Annual General Meeting**

The Company holds a general meeting each year and copies of presentations are lodged with the ASX and made available on the Company's website. Shareholders have the opportunity to ask questions at the meeting and meet informally with Directors after the meeting.

The Company's external auditor attends the general meeting each year and is available to answer questions from shareholders regarding the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the Company in the preparation of its Financial Statements and the independence of the auditor in relation to the conduct of the audit. The Company considers this is an important safeguard for the integrity of the Company's financial reporting process.

## **5. Make timely and balanced disclosure**

### **Continuous disclosure**

ASX Listing Rule 3.1 requires the Company to inform the ASX immediately once the Company is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the Company's shares. Procedures are in place to ensure that items which potentially require announcement to the ASX are promptly notified to relevant parties for approval.

The Company takes the spirit of its continuous disclosure obligations seriously and issues market releases during the year to satisfy these obligations. All ASX announcements are available on the Company's website.

## **6. Respect the rights of security holders**

### **Company's website**

The Company's website is one of the Company's key communication tools. The Company uses its website, annual report, market disclosures and media announcements to communicate with its shareholders, as well as encourages participation at general meetings.

The Company endeavours to keep the website up-to-date and accurate to provide information about the Company's performance and governance to investors. The Company values transparency in all areas of operations and understands that quality disclosure can foster the trust and confidence of shareholders and investors.

The Company encourages shareholders to take an active interest in the Company, and publishes information about the Company's history, current projects and corporate structure.

### **Communication with shareholders**

The Company recognises the timeliness, convenience and environmental advantages of electronic communication. Shareholders have the option of communicating with the Company electronically. Shareholders who wish to update their communication preferences should contact the Company's share registry.

The Annual General Meeting allows the Company to provide shareholders with a greater understanding of the Company's operations, governance, performance and prospects, and gives shareholders the opportunity to raise questions or concerns.

### **Communications with analysts, investors, media and others**

The Managing Director, James Kelly and the Chief Financial Officer and Joint Company Secretary, Darren Rowland, generally deal with analysts, investors, media and others, taking account of regulatory guidelines including those issued by the ASX on continuous disclosure. The presentations on the 30 June and 31 December results and other presentations are sent to the ASX and are available promptly on the Company's website. A teleconference held in respect of the 30 June and 31 December presentations is conducted on the afternoon of the release.

The Company's Communications Policy is available on the Company's website.

## **7. Recognise and manage risk**

The Company considers risk management as a core principle of sound corporate governance. The Company recognises the importance of managing risk and controlling its business activities in a manner which enables it to protect established value, identify and capitalise on opportunities to create value, enhance resilience to external events and avoid or reduce risks which may cause injury or loss.

### **Risk management**

In view of its size and operational structure, the Board considers that it is able to oversee the Company's risk management framework efficiently and effectively without establishing a risk committee. The Company shall review this position periodically.

A formal risk register has been developed and approved by the Board. The register identifies specific risks at an operational and strategic level and provides the framework for the reporting and monitoring of material risks across the Company.

The full Board is responsible for oversight of the Company's risk management and control framework. The Board receives periodic reports from management on risk management matters.

The Company has disclosed its current material business risks within the Operating and Financial Review in the Annual Report.

The Company's risk management processes and systems that were in place over the reporting period include:

- robust planning and budgeting process providing a long-term financial model that enables the Board to review timely financial forecasts as well as analyse future opportunities and sensitivities. The Board also receives regular forecasts in relation to the liquidity of the business;

- comprehensive site selection process that requires Board approval of any acquisition case prior to any land acquisition. The Board is then notified and approves any changes (positive or negative) to the acquisition case prior to the commencement of construction;
- a system of delegated authorities that cascades authority levels for expenditure and commitments from the Board, the delegation to the Managing Director and further cascading of authorities from the Managing Director to the rest of the organisation;
- maintaining insurance cover appropriate to the size and nature of the Company's operations to reduce the financial impact of any significant insurable losses;
- establishing a risk register which identifies the material risks facing the Company and which is regularly reviewed and updated. This includes providing a risk rating, assessment of the key controls in place to manage the risk and the person(s) responsible for implementing and reviewing controls; and
- all members of the senior management team report to the Board on financial and non-financial matters and meet with the Board at least quarterly.

#### **Internal audit**

The Company does not have a formal internal audit function. In view of the size of the Company, such a function is not considered necessary or appropriate at this time.

During the 2018 financial year the Company continued process improvements in relation to the following areas: accounts payable and purchase order systemisation; new payroll and HR management systems; fixed assets reporting; and monthly reporting processes. These improvements are anticipated to be continuously reviewed and improved during the 2019 financial year.

#### **Environmental risk management**

The Company's risk register (described above), identifies specific risks for the Company at an operational and strategic level.

The sustainability of the Company's business could also be adversely impacted by the way in which the Company conducts its business and the effects on the Company's residents, employees, suppliers as well as the Company's shareholders.

The Board has regard to economic, environmental and social sustainability risks. It does so by considering:

- what issues are important to the sustainability of the Company's business;
- how those issues could be addressed; and
- whether it is in the interests of the Company to adopt particular measures having regard to the materiality of the risk addressed and the likely costs of doing so or failing to do so.

This process is applied by the Board as part of its annual planning and budget approval process, when setting the Company's strategy and when considering significant transactions for the Company.

By having regard to economic, environmental and social sustainability risks in the manner described above, the Board seeks to ensure that it acts in the best interests of the Company.

## **8. Remunerate fairly and responsibly**

### **Remuneration Committee**

The Company has an HR & Remuneration Committee that currently consist of the following members, Tim Poole, Philippa Kelly and The Honourable Nicola Roxon, who are considered Independent, Non-Executive Directors. The Chair of the HR & Remuneration Committee is Tim Poole who is also the Chair of the Board.

Details of the number of HR & Remuneration Committee meetings and attendance at those meetings are set out in the Directors' Report.

The HR & Remuneration Committee has adopted a formal Charter which is available on the Company's website. The Charter sets out the HR & Remuneration Committee's responsibilities including oversight and approval of the human resources and remuneration policies and practices of the Company. The HR & Remuneration Committee may seek advice from external consultants or specialists where it considers necessary.

### **Details of remuneration**

Details of remuneration of Directors, the Managing Director and senior management are included in the Remuneration Report section of the Annual Report.