

CORPORATE GOVERNANCE STATEMENT

REPORTING PERIOD ENDED 30 JUNE 2021

GARDA Holdings Limited (ACN 636 329 774) (**GHL**) and GARDA Capital Limited (ACN 095 039 366) (**GCL**) as responsible entity for the GARDA Diversified Property Fund (ARSN 104 391 273) (**Fund**) and their respective controlled entities (together **GARDA** or the **Group**).

The Group is a stapled group comprising GHL and the Fund (and their respective controlled entities). GCL is a wholly-owned subsidiary of GHL and is the responsible entity for the Fund.

Shares in GHL and units in the Fund are stapled together to form a single class of stapled securities which are listed on the Australian Securities Exchange under ASX code: **GDF**.

The Board and management of GARDA are committed to promoting and fostering a strong governance culture, for the benefit of all stakeholders.

In accordance with ASX Listing Rule 4.10.3, set out below are the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations – 4th edition 2019* (**Principles**), and the extent to which GARDA complies with each of the Recommendations. Copies of all relevant policies and procedures of GARDA (**Policies**) mentioned in this Statement can be found at the 'Corporate Governance' section of GARDA's website at <https://gardaproperty.com.au/who-we-are/corporate-governance/>.

The Group was formed on 29 November 2019, when the Fund 'internalised' its manager (which was formerly separately listed under the ASX code 'GCM'), by way of schemes of arrangement. All Recommendations apply to the Group as a whole, more specifically to both GHL and GCL as responsible entity of the Fund, without distinction for externalised managers.

There is also a glossary at the end of this document to assist.

Approved by the Board on 12 August 2021, for the reporting period to 30 June 2021.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1

The listed entity should have and disclose a board charter setting out:

- a. the respective roles and responsibilities of its board and management; and**
- b. those matters expressly reserved to the board and those delegated to management.**

The Constitution of GHL and the Corporations Act sets out the duties and responsibilities of the Board. It is the responsibility of the Board to ensure those duties and responsibilities are met.

The boards of GHL and each of its subsidiaries (including GCL) are identical, and comprise:

Name	Independent?	Nomination and Remuneration Committee	Audit and Risk Committee	Disclosure Committee
Mr Matthew Madsen (Since September 2011)	No – Executive Chairman (since February 2017) and Managing Director	No, but may attend by invitation	No, but may attend by invitation	Yes
Mr Mark Hallett (Since January 2011)	No - Executive Director	No, but may attend by invitation	No, but may attend by invitation	No
Mr Philip Lee (Since May 2015)	No - Non-executive Director	Yes - attended 4 of 4 meetings	Yes - attended 2 of 2 meetings	No
Mr Paul Leitch (Since March 2020)	Yes	Chair – attended 4 of 4 meetings	Yes – attended 2 of 2 meetings	No
Mr Morgan Parker (Since December 2018)	Yes	Yes - attended 4 of 4 meetings	Chair - attended 2 of 2 meetings	No
Mr Andrew Thornton (Since March 2020)	No – Non-executive Director	Yes – attended 4 of 4 meetings	Yes – attended 2 of 2 meetings	No

The Board meets regularly (usually monthly) and considers critical compliance and risk management issues as they arise. The Board ensures that the best interests of Securityholders are taken into account. This involves monitoring the decisions and actions of the Managing Director and his management team, who are responsible for day-to-day management.

The Board retains overall responsibility for management. There is a distinct separation between executive management and the Board. The qualifications and experience of the key members of executive management are set out in the Directors' Report of the GARDA Annual Report. The Board monitors governance and performance through various committees established by it (and described further below).

The Board has formalised its roles and responsibilities in a Board Charter. The Board Charter sets out the roles and responsibilities of each of the Board positions, as well as the framework for delegating its authority to management and others. The Board Charter states that the Board should consist of a majority of non-executive directors, and that the chairperson of the Board (Chair) should be an independent non-executive director. The Board currently consists of two executive and four non-executive directors (Mr Parker and Mr Leitch also being 'independent') and has an executive Chairman. The Board periodically reviews and evaluates its own performance, the performance of individual directors and that of the senior executives against both measurable and qualitative indicators.

The Board has formed certain committees and delegated various responsibilities to them. These committees are discussed in further detail below. The Board also oversees the external compliance officer.

The Board approves the values of GARDA and the Code of Conduct. The Board ensures that it receives relevant information, and whenever required, challenges and holds management to account.

The Board Charter, and charters of the committees, are available at <https://gardaproperty.com.au/who-we-are/corporate-governance/>.

Recommendation 1.2

A listed entity should:

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

Before formally appointing a Director to the Board or a senior executive, appropriate background checks as required by law are undertaken, through the external compliance function.

The election or re-election of Directors is made at the annual general meeting, and material information is provided in the notices of meetings for Securityholders to consider.

Recommendation 1.3

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

All Directors and senior executives of GARDA have agreements setting out the material terms of their appointment, on industry-standard terms and conditions. GARDA updates its engagement contracts from time-to-time.

Recommendation 1.4

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

The Company Secretary is accountable directly to the Board (through the Chair) on all matters to do with the proper functioning of the Board.

Recommendation 1.5

A listed entity should:

- a. have and disclose a diversity policy;**
- b. through its board or a committee of the board, set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and**
- c. disclose in relation to each reporting period:**
 - (1) the measurable objectives set for that period to achieve gender diversity;**
 - (2) the entity's progress towards achieving those objectives; and**
 - (3) either:**
 - A. the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or**

- B. 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.**

While GARDA takes account of gender and broader diversity issues in its dealings, it has relatively few employees and its size does not presently warrant a formal diversity policy or targets.

GARDA is not a ‘relevant employer’ under the Workplace Gender Equality Act.

Recommendation 1.6

A listed entity should:

- a. have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and**
- b. disclose, for each reporting period, whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.**

In accordance with the Board Charter, the performance of the Board is evaluated periodically in a manner determined by the Chair, against both measurable and qualitative indicators. Each committee also reviews its performance on an annual basis. The Board commenced an internal review in June 2021 following an extensive strategy and review exercise in September 2020.

The Board Charter is available at <https://gardaproperty.com.au/who-we-are/corporate-governance/>.

Recommendation 1.7

A listed entity should:

- a. have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and**
- b. disclose, for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.**

Senior executives of GARDA are accountable to the Managing Director, and ultimately the Board. The non-executive Directors have input into the remuneration and performance goals of the key executives of GARDA as part of the Nomination and Remuneration Committee, after recommendations are made by the Managing Director.

The Managing Director undertook a review of the performance of the senior executives in late 2020, and this was discussed with the Board in February 2021. The Nomination and Remuneration Committee are currently in the process of reviewing executive roles and key performance indicators.

The Nomination and Remuneration Committee Charter is available at <https://gardaproperty.com.au/who-we-are/corporate-governance/>.

PRINCIPLE 2: STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE

Recommendation 2.1

The board of a listed entity should:

- a. have a nomination committee which:**
- (1) has at least three members, a majority of whom are independent directors; and**
 - (2) is chaired by an independent director, and disclose:**
 - (3) the charter of the committee;**
 - (4) the members of the committee; and**
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.**

GARDA has a Nomination and Remuneration Committee, which should only comprise of non-executive directors, with at least three members. Mr Leitch chairs the Nomination and Remuneration Committee, with Mr Lee, Mr Parker and Mr Thornton also serving as members. Accordingly, the Nomination and Remuneration Committee is comprised of two non-executive members and two 'independent' members, with an independent chair (see the discussion at Recommendations 2.3 and 2.4 on independence and judgement).

The chair of the Nomination and Remuneration Committee reports deliberations and findings back to the next meeting of the full Board. It has met four times during the Reporting Period, all eligible members attending, and meets as frequently as required to undertake its role effectively.

The Nomination and Remuneration Committee aims to ensure that remuneration and incentive schemes of the Group are appropriate given both the short- and long-term objectives of GARDA. The committee approves the annual remuneration report and liaises with the Audit and Risk Committee. It may delegate and has full access to management and advisors as it considers appropriate.

This committee operates under a Nomination and Remuneration Committee Charter, which sets out the authority delegated to the Nomination and Remuneration Committee. This committee assists the Board to fulfil its obligations by dealing with:

- Board succession planning;
- Managing Director or Chief Executive Officer succession planning;
- induction and professional development of Directors;
- evaluation of Board and key management candidates;
- remuneration structures and employee benefits; and
- recruitment and evaluation generally.

The Nomination and Remuneration Committee Charter is available at <https://gardaproperty.com.au/who-we-are/corporate-governance/>.

Recommendation 2.2

A listed entity should have and disclose a board skills matrix setting out the mix of skills that the board currently has or is looking to achieve in its membership.

The Board has an internal board skills matrix, which was reviewed by the Nomination and Remuneration Committee in August 2020 following the appointment of Mr Leitch and Mr Thornton earlier in the year. As a Board, the Directors have a wide range of professional skills with particular experience in property and funds management, investment management and governance which are seen as the appropriate mix of skills required for their role as Directors of GARDA.

Recommendation 2.3

A listed entity should disclose:

- a. the names of the directors considered by the board to be independent directors;***
- b. if a director has an interest, position 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 or relationship in question and an explanation of why the board is of that opinion; and***
- c. the length of service of each director.***

See the table at Recommendation 1.1.

The Directors must act in the best interests of Securityholders generally. In determining the independence of its Directors, the Board has had regard to the guidelines provided by the Council in Principle 2.

Mr Parker and Mr Leitch are 'independent' Directors.

Mr Philip Lee is a non-executive Director. Mr Lee holds a non-material stake in GDF through associated entities, as disclosed to the ASX. He is not considered to be 'independent' according to the Principles, but the Board considers that his relationships do not interfere with his ability to give independent judgement to issues before the Board.

Mr Madsen, Mr Hallett and Mr Thornton are not considered 'independent'.

The Board have mechanisms to identify and consider potential conflicts. Directors may take independent professional advice, at the expense of GARDA.

Recommendation 2.4

A majority of the board of a listed entity should be independent directors.

See the table at Recommendation 1.1.

It is the GARDA Property Group's policy that the majority of the Board should be non-executive directors. The Board now comprises four non-executive directors (two of whom are 'independent'), and two executive directors.

The Board considers that the relationship of Mr Philip Lee does not interfere with his ability to give independent judgement to issues before the Board. The Board considers that the composition to be appropriate given the skills and knowledge of the Board, and the current size and business of GARDA.

Recommendation 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.

Mr Matthew Madsen is the Executive Chairman, and also the Managing Director, with ultimate day-to-day executive responsibility, who reports to the Board separately in that capacity. The Board considers that Mr Madsen's relationships do not interfere with his skills and ability to give impartial consideration and judgement in his role as Chairman.

Recommendation 2.6

A listed entity should have a program for inducting new directors and for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.

All Directors appointed receive an induction training program which includes information on GARDA's values, Code of Conduct and Trading Policy, as well as the compliance program of GARDA.

Ongoing training for the Directors includes site visits to familiarise themselves with the Fund's properties, making available professional education programs to enhance skills and knowledge reviewed periodically, and the Board as a whole and each Committee receive presentations on key legal, accounting and commercial developments impacting the business of GARDA.

PRINCIPLE 3: INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

Recommendation 3.1

A listed entity should articulate and disclose its values.

GARDA's objective is to deliver enduring value to Securityholders through our expertise in real estate, and embraces 'family values' in everything we do.

This is inherent in the way GARDA treats its customers, staff, suppliers and key stakeholders, and our core principle of being a long-term owner. We look after our own and treat others fairly and decently.

Recommendation 3.2

A listed entity should:

- a. have and disclose a code of conduct for its directors, senior executives and employees; and***
- b. ensure that the board or a committee of the board is informed of any material breaches of that code.***

Each Director and employee involved in the management or operation of GARDA has agreed to comply with the Code of Conduct.

The Code of Conduct is a statement of commitment to honesty and integrity in the dealings of the GARDA Group, including where acting as Responsible Entity. It sets our core values, commitments and moral standards, and applies to the Board, management and employees of the Group, as well as extending to persons who act on behalf of the Responsible Entities.

The Code of Conduct sets guidelines and reinforces our commitment to dealing with many important business aspects and in our dealings, including:

- conflicts of interest;
- anti-bribery and gifts, and political dealings;
- confidentiality and privacy;
- fair dealings;
- discrimination, harassment and bullying;
- health and safety; and
- compliance with laws and regulations.

The Audit and Risk committee are informed of any material breaches of the Code of Conduct.

The Code of Conduct is available at <https://gardaproperty.com.au/who-we-are/corporate-governance/>.

Recommendation 3.3

A listed entity should:

- a. have and disclose a whistleblower policy; and**
- b. ensure that the board or a committee of the board is informed of any material incidents reported under that policy.**

The whistleblower policy is a statement of commitment to a culture of ethical and honest behaviour through adhering to acceptable and ethical standards, including compliance with all laws. Everyone associated with GARDA is expected to adhere to the whistleblower policy.

The whistleblower policy sets out procedures for reporting and investigating a case as well as the confidentiality and other protections in place for whistleblowers. The Board are notified of any material incidents reported, with regard for the legislative requirements.

The whistleblower policy is available at <https://gardaproperty.com.au/who-we-are/corporate-governance/>

Recommendation 3.4

A listed entity should:

- a. have and disclose an anti-bribery and corruption policy; and**
- b. ensure that the board or a committee of the board is informed of any material breaches of that policy.**

GARDA does not have a separate anti-bribery and corruption policy due to its size and the nature of its business. The Code of Conduct has always contained provisions dealing with anti-bribery, gifts, and political dealings, and the Board are satisfied that this continues to be adequate. GARDA maintains a strict policy not to offer secret commissions or bribes to further its business interests.

The Audit and Risk Committee are informed of any material breaches.

See recommendation 3.2 for description of the Code of Conduct.

The Code of Conduct is available at <https://gardaproperty.com.au/who-we-are/corporate-governance/>

PRINCIPLE 4: SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

Recommendation 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 attendances of the members at those meetings.**

The Board has established a combined Audit and Risk Committee to relevantly assist the Board in overseeing the integrity of external financial reporting, the appointment and independence of the auditor, internal financial controls, financial procedures and policies, and the risk management and compliance framework. The Audit and Risk Committee reports to the Board on all matters relevant to the Audit and Risk Committee's roles and responsibilities.

The Audit and Risk Committee should comprise at least three non-executive directors and include between them sufficient financial expertise. The Chair of the Board cannot (and does not) also chair the Risk and Audit Committee.

As shown in the table at Recommendation 1.1, Mr Parker chairs the Audit and Risk Committee, with Mr Lee, Mr Thornton and Mr Leitch also serving as members. Accordingly, the Audit and Risk Committee is currently comprised of two non-executive Directors and two independent Directors, with an independent chair. (See Recommendations 2.3 and 2.4 for a discussion on independence and judgement.)

The Audit and Risk Committee has met twice during the Reporting Period, all eligible members attending, and meets as frequently as required to undertake its role effectively. The Managing Director and the COO are expected to attend, and there is a standing invitation to external auditors (and internal auditors, if and when engaged). The committee may require attendance of any member of management, has full access to documents and records, and can engage external advisors or counsel where considered necessary or appropriate.

The Board has approved an Audit and Risk Committee Charter. This document sets out the authority delegated by the Board to the Audit and Risk Committee, whose purpose is generally to ensure that GARDA satisfies its statutory and regulatory responsibilities. The Charter covers:

- accounting, auditing and financial reporting responsibilities;
- assessing and recommending the appointment and remuneration of the external auditor;
- reviewing and recommending procedures of the GARDA Property Group;
- assessing the financial position and performance of the GARDA Property Group;
- ensuring compliance with the *Corporations Act* and Listing Rules;
- reviewing systems to ensure that conflicts do not occur; and
- preparing and reviewing a risk management profile to determine and manage key risks to GARDA.

The Audit and Risk Committee Charter is available on the website <https://gardaproperty.com.au/who-we-are/corporate-governance/>.

See also Recommendation 7.1.

Recommendation 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.

The financial statements of GARDA are approved by the Board each financial year, and the Managing Director and the COO provide the declarations required by Section 295A of the Corporations Act.

Recommendation 4.3

A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor.

GARDA carefully reviews all periodic corporate reports which are released to the market but which are not first audited or reviewed by an external auditor. Periodic corporate reports are reviewed and authorised for release by an appropriate officer. The Board has established a Disclosure Committee, comprising Mr Madsen as shown in the table at Recommendation 1.1, and both the General Counsel and COO of GARDA. It meets on an ad-hoc basis, as required for significant and continuous disclosure to the ASX.

The Disclosure and Communication policy governs releases to the ASX generally, and is available at <https://gardaproperty.com.au/who-we-are/corporate-governance/>

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1

A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1

GARDA is committed to fair and open disclosure, so that investors (or potential investors) can expect to see information which would have a material effect on the price or value of their securities. GARDA aims to ensure that announcements are factual, balanced and expressed in a clear and objective manner, and timely in order to assist investors with investment decisions.

The Board has established a Disclosure Committee, comprising Mr Madsen as shown in the table at Recommendation 1.1, and both the General Counsel and COO of GARDA. It meets on an ad-hoc basis, as required for significant and continuous disclosure to the ASX under listing rule 3.1.

A Disclosure and Communications Policy has been adopted to ensure that GARDA meets its disclosure obligations. This Policy deals generally with continuous disclosure requirements of the ASX, and best practice in communications with Securityholders and stakeholders generally. It applies to the Board, officers, employees and consultants. It sets out the circumstances where it would apply, and puts in place a framework for addressing issues as and when they arise, in a timely and adequate manner. It also sets out where there are exceptions to disclosure of information, and encourages the adoption of electronic communications and other technologies through the website or the Registry.

The Board has also adopted a Securities Trading Policy in relation to GDF securities, which applies to all Directors, executive and staff of GARDA. It also applies to 'Designated Individuals', who may come across information in assisting a member of GARDA. It makes it clear that dealing or trading on insider information is illegal, and sets out what is insider information as against information which is generally available. It deals with restrictions and prohibited periods, and prohibited transactions such as margin lending, short selling or hedging, with very limited defined exemptions.

The Disclosure and Communications Policy, and the Securities Trading Policy, is available at <https://gardaproperty.com.au/who-we-are/corporate-governance/>.

Recommendation 5.2

A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.

A copy of all material market announcements are provided to the directors after release to the market. A summary of all market announcements made during the period are discussed at each board meeting.

Recommendation 5.3

A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcement Platform ahead of the presentation.

GARDA ensures that all presentations are placed on the ASX, ahead of the presentation.

Refer to Recommendation 5.1 discussing GARDA's continuous disclosure policy.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITYHOLDERS

Recommendation 6.1

A listed entity should provide information about itself and its governance to investors via its website.

The Board has adopted a Disclosure and Communications Policy (see Recommendation 5.1 above). GARDA provides all relevant information about itself and its values, the policies and charters, the Funds and governance at <https://gardaproperty.com.au/who-we-are/corporate-governance/>, as required by the Principles and the Listing Rules.

Recommendation 6.2

A listed entity should have an investor relations program that facilitates effective two-way communication with investors.

GARDA provides clear and effective communications with stakeholders on matters affecting GDF and the securities, in accordance with the Disclosure and Communications Policy.

Announcements and presentations in respect of GDF are relevantly:

- released to ASX as required by the Listing Rules;
- posted to GARDA's website; and
- distributed to media and investor contacts.

GARDA also regularly communicates with Securityholders, including through the publication of:

- audited annual financial reports;
- reviewed half-yearly financial reports;
- half-yearly distribution statements; and
- annual taxation statements.

The Board receives regular and relevant feedback from investor presentations, to inform itself of institutional and retail Securityholder comments or concerns.

GARDA also has accessible information on itself and its values, including policies and charters, the current price of securities, half-yearly and annual reports, and distributions at www.gardaproperty.com.au.

Recommendation 6.3

A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.

GARDA holds an Annual General Meeting (**AGM**) for Securityholders. Each meeting covers formal business, but also provides Securityholders with an opportunity to be updated on the activities of GARDA, and to ask questions of the Board and management. The auditor also attends to answer questions on GARDA's audited consolidated financial statements.

Notices of meeting and explanatory memoranda for resolutions are provided to Securityholders in accordance with the Constitutions and the Corporations Act, and are accessible on GARDA website, as well as being lodged with ASX.

Securityholders who are not able to attend an AGM can vote by proxy.

Recommendation 6.4

A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by poll rather than by a show of hands.

GARDA is ensuring that all resolutions at a meeting of Securityholders is conducted by poll. Securityholders who are not able to attend an AGM can vote by proxy.

Refer to Recommendation 6.3 discussing meetings of Securityholders.

Recommendation 6.5

A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

GARDA provides the option of receiving communications electronically (through the Registry), as well as a portal for receipt of communications from Securityholders.

General information on GARDA, as well as continuous disclosures are accessible on the website at www.gardaproperty.com.au.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendation 7.1

The board of a listed entity should:

- a. **have a committee or committees to oversee risk, each of which:**
 - (1) **has at least three members, a majority of whom are independent directors; and**
 - (2) **is chaired by an independent director, and disclose:**
 - (3) **the charter of the committee;**
 - (4) **the members of the committee; and**
 - (5) **as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.**

GARDA has an Audit and Risk Committee, which should only comprise of non-executive directors, and which should have at least three members. Mr Parker chairs the Audit and Risk Committee, with Mr Leitch, Mr Lee and Mr Thornton also serving as members. Accordingly, the Audit and Risk Committee is currently comprised of two non-executive members and two independent members, with an independent chair. (See the discussion at Recommendations 2.3 and 2.4 on independence and judgement).

The chair of the Audit and Risk Committee reports deliberations and findings back to the next meeting of the full Board. It has met twice during the Reporting Period, all eligible members attending, and meets as frequently as required to undertake its role effectively.

The Board has adopted a Risk Management Policy, which expresses the commitment of GARDA to a sound system of risk oversight and control throughout its business. It is based on the Principles, and the international standard on risk management. It applies to the Board, the executives and all staff. The Policy recognises that risk identification and monitoring is a crucial part of the role of the Board and management, is a dynamic process, and is designed to provide information to deal with uncertainty relating to the business of the GARDA Capital Group.

The Audit and Risk Management Committee assists the Board in setting and monitoring the risk management framework. The Board receives regular updates from management on material risks to the business and mitigation controls being applied. The Risk Management Policy is reviewed annually.

The Audit and Risk Committee Charter, and the Risk Management Policy, is available on the website <https://gardaproperty.com.au/who-we-are/corporate-governance/>.

See also Recommendation 4.1.

Recommendation 7.2

The board or a committee of the board should:

- a. **review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and**
- b. **disclose, in relation to each reporting period, whether such a review has taken place.**

All material decisions are made with regard to the internal risk management framework. In September 2020, The Board and senior management undertook an extensive review of the risk management framework in order to better facilitate understanding and discussions at the board level of relevant and material risks to GARDA.

The Risk Management framework takes into account all members of GARDA, and consequently covers a broad range of stakeholders. It was significantly updated during the reporting period by the Audit and Risk Committee and the Board.

Recommendation 7.3

A listed entity should disclose:

- a. **if it has an internal audit function, how the function is structured and what role it performs; or**
- 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 governance, risk management and internal control processes.**

GARDA does not have an internal audit function. Risk management is a continuous process. The Managing Director and the senior executives of GARDA interact with staff and external stakeholders, and are free to raise risks which impact on the business of GARDA at any time.

As the Board has a majority of external directors, there is no requirement for a formal compliance committee for the Fund. The Fund (and also separately GCT) does maintain an external Compliance Committee. Material risks are elevated to the Board for inclusion in the risk section at their monthly meetings. The external compliance officer also focuses on risk and control processes as a critical part of the compliance function.

The Audit and Risk Committee is responsible for the preparation and maintenance of a risk profile for financial and non-financial matters and receive and review reports on GARDA as required from the auditor, management and external consultants regarding material business risk and any internal control processes and compliance activities.

Recommendation 7.4

A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.

GARDA Property Group, as a long-term holder of property, does have some exposure to certain environmental risks.

GARDA presently has no material exposure to environmental or societal risks. However, GARDA is committed to continuous improvement, and is aware that efforts towards incremental improvements will benefit all stakeholders.

Certain properties may, on occasion, be on environmental registers due to historic land use or contamination. GARDA has a focus on this as part of its acquisition process and makes all reasonable efforts to remediate in order to remove properties from the register. GARDA will generally avoid flood-prone properties.

GARDA seeks to enhance the NABERS or environmental ratings of its buildings. GARDA is exploring ways in which its developments or capital improvement projects can be completed with a greater focus on sustainability, both during the construction and the operational phases of the asset.

Environmental, social and other risks are managed and reviewed regularly by GARDA in accordance with its internal risk management framework and the Risk Management Policy, under the supervision of the Audit and Risk Committee.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1

The board of a listed entity should:

- a. have a remuneration committee which:**
- (1) has at least three members, a majority of whom are independent directors; and**
 - (2) is chaired by an independent director, and disclose:**
 - (3) the charter of the committee;**
 - (4) the members of the committee; and**
 - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.**

GARDA has a Nomination and Remuneration Committee, which should only comprise of non-executive directors, with at least three members. Mr Leitch chairs the Nomination and Remuneration Committee, with Mr Lee, Mr Parker and Mr Thornton also serving as members. Accordingly, the Nomination and Remuneration Committee is comprised of two non-executive members and two 'independent' members, with an independent chair (see the discussion at Recommendations 2.3 and 2.4 on independence and judgement).

The chair of the Nomination and Remuneration Committee reports deliberations and findings back to the next meeting of the full Board. It has met four times during the Reporting Period, all eligible members attending, and meets as frequently as required to undertake its role effectively.

The Board has adopted a Nomination and Remuneration Committee Charter, which expresses GARDA's commitment to selecting the best people at Board and management level, and sound and equitable principles of remuneration throughout its business. Under the Charter, the Nomination and Remuneration Committee assists and advises the Board on:

- Board succession planning, appointment and re-election of Directors, and induction, training and evaluation for the Board; and
- remuneration policies and practices for the Board, senior management and other persons within GARDA.

The Charter is designed to ensure that GARDA is able to attract and retain people who will create value for Securityholders, and that remuneration is fair and appropriate having regard to GARDA's objectives and stakeholders. No director or senior executive is involved in deciding their own remuneration.

**It is noted that remuneration is paid by the Group, and not from the Fund.*

The Nomination and Remuneration Committee Charter is available on the website <https://gardaproperty.com.au/who-we-are/corporate-governance/>.

Recommendation 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.

The Board is committed to transparency. The Nomination and Remuneration Committee Charter has been adopted and governs the policies around remuneration of the Board, and also of senior executives and other key persons within GARDA.

The Nomination and Remuneration Committee Charter is available on the website <https://gardaproperty.com.au/who-we-are/corporate-governance/>.

The remuneration pool of the non-executive directors, and the remuneration of the key members of executive management are set out in the Remuneration Report of the GDF Annual Report.

Recommendation 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.**

GARDA has an equity-based employee security plan (ESP) for directors and staff, which was approved by Securityholders at the 2019 AGM, which was held in March 2020. Details of the ESP were fully disclosed in the 2019 notice of AGM on the ASX.

Under the approved ESP, Executive Directors and employees may be entitled to GDF stapled securities, on vesting conditions to be determined at issue (and in accordance with the *Corporations Act*) with a corresponding loan from the Fund for the issue price. Participants who meet the vesting conditions will only benefit if the securities are worth more than the loan at that time. Non-Executive Directors are not currently eligible to participate in the ESP.

GLOSSARY

Key terms used in this Corporate Governance Statement:

ASX	Australian Securities Exchange.
Board	The directors of GHL (and for the Fund, GCL) acting as a board. The Board is identical for each member of the Group.
Constitution	The Constitution of GHL, the Fund or GCT, as the context requires.
COO	Chief Operating Officer of GARDA, who is David Addis.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Director	A director of GHL or GCL, as the context requires.
Financial Statements	The audited financial statements of GDF for the Reporting Period, dated 12 August 2021.
Fund	GARDA Diversified Property Fund ARSN 104 391 273, a managed investment scheme which listed on the ASX in July 2015 and part of the stapled security GARDA Property Group.
GCL or Responsible Entity	GARDA Capital Limited ACN 095 039 366, Australian financial services licence 246714, the responsible entity of the Fund.
GCT	GARDA Capital Trust ARSN 150 164 720 – a managed investment scheme whose responsible entity is GARDA Funds Management Limited ACN 140 857 405, Australian financial services licence 398764., which is wholly owned by the Fund.
GDF or GARDA	A stapled security with ASX code: GDF, which listed on the ASX on 2 December 2019, comprising: <ul style="list-style-type: none"> • one share in GHL; and • one unit in the Fund.
GHL	GARDA Holdings Limited (ACN 636 329 774).
Group	The corporate group, comprising GHL and each of its subsidiaries (including GCL).
Listing Rules	The official listing rules of the ASX from time to time.
Principles	ASX Corporate Governance Principles and Recommendations – 4 th Edition February 2019.
Recommendations	The recommendations listed in the Principles.
Registry	Link Market Services Limited, the external registry for GDF.
Reporting Period	The reporting period for this Statement, being for the financial year ended 30 June 2021.
Securityholders	A registered holder of stapled securities in GDF.
Statement	This Corporate Governance Statement approved by the Board on 12 August 2021.