

# VELOCITY PROPERTY GROUP LIMITED CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDING 30 June 2018

## Overview

Velocity Property Group Limited ("Velocity" or "the Group") and the Board of Directors ("the Board") are committed to achieving and demonstrating high standards of corporate governance to ensure the interests of shareholders and other stakeholders within the business are protected and promoted.

Throughout the year, the Board, through the Audit and Risk Management Committee (ARMC), has continued to manage and focus on existing and emerging corporate issues. Velocity's corporate governance practices were first established on 1 November 2016, have remained in place throughout the year ended 30 June 2018 and were compliant with the ASX Corporate Governance Council's principles and recommendations (3<sup>rd</sup> edition released in June 2014) which Velocity has chosen to adopt except where noted below.

This statement reports against the 3<sup>rd</sup> edition of the ASX Corporate Governance Council Principles and Recommendations (ASX Principles). Furthermore, this corporate governance statement is current as at 27 August 2018 and was approved by the Board on 27 August 2018.

The following governance related documents referenced in this Corporate Governance Statement can be found on Velocity's website at <https://velocitypropertygroup.com.au/corporate-governance/>

1. Corporate Governance Charter
2. Securities Trading Policies
3. Continuous Disclosure Policy
4. Diversity Policy

## Principle 1: Lay solid foundations for management and oversight

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

The corporate governance charter of the company deals with the functions, responsibilities and composition of the Board. The Board is pivotal in the relationship between shareholders and management and the roles and responsibilities of the Board underpin corporate governance. Velocity's Board provides entrepreneurial leadership of the Group within a framework of prudent and effective controls which enable risk to be identified, assessed and managed. The Board's responsibilities include:

- ❖ providing leadership and setting strategic objectives of the Group;
- ❖ oversight of the Group (including its control and accountability systems);
- ❖ reviewing, ratifying and monitoring the risk management framework and setting the risk appetite within which the Board expects management to operate;
- ❖ approving and formulating Velocity's strategy and policy monitoring Senior Executive's implementation of strategy;
- ❖ approving and monitoring operating budgets and major capital expenditure;
- ❖ overseeing the integrity of the Group's accounting and corporate reporting systems, including the external audit;
- ❖ developing suitable key indicators of financial performance for the Group and its business;
- ❖ overseeing the Group's corporate strategy and performance objectives developed by management;
- ❖ overseeing the Group's compliance with its continuous disclosure obligations;

- ❖ approving the Group's remuneration framework;
- ❖ monitoring the overall corporate governance of the Group (including its strategic direction and goals for management, and the achievement of these goals);
- ❖ undertake appropriate background checks before appointing a person, or putting forward a candidate for election, as a Director;
- ❖ review the performance of all Directors and Senior Executives; and
- ❖ ensure the terms of the appointment of all new Directors should be set out in a letter of appointment for non-executive Directors and service contracts for executive Directors.

Each Director has access to the Company Secretary who is accountable to the Board, through the Chairman. The Company Secretary is responsible for all matters to do with the proper functioning of the Board and is responsible for:

- ❖ advising the Board and any Committee on governance matters;
- ❖ monitoring the corporate governance charter and any Committee charter;
- ❖ coordinating the timely completion and despatch of Board and Committee papers;
- ❖ coordinating the timely completion and despatch of minutes of Board and Committee meetings that accurately capture the business of the meeting; and
- ❖ assisting with the organisation and conduct of the induction and professional development of Directors.

#### *Delegation of Board Authority*

The day to day activities of the Group are formally delegated by the Board to the Managing Director and Executive Management Team. The Board's role is to monitor and measure the activities carried out by the management team. The management team are responsible for supporting the Managing Director in implementing the running of the general operations and financial business of Velocity.

The Board may establish (and delegate powers to) Committees to assist the Board to carry out its functions effectively and efficiently. The Board will adopt a charter for each Committee setting out the scope of its responsibility and relevant administrative and procedural arrangements.

#### *Performance Reviews*

A performance review is undertaken annually in relation to the Board, Board Committees and Senior Executives.

The performance of all other Directors and Senior Executives are reviewed and assessed each year by the Chairman. The Chairman's performance is reviewed and assessed each year in consultation with the other Directors.

The evaluation criteria and process to be followed is the same for each Director and is undertaken at intervals deemed appropriate by the Chairman and was undertaken in accordance with this process.

#### *Diversity*

Velocity is committed to workplace diversity and recognises the benefits arising from Board and employee diversity in a competitive labour market, and being able to attract, retain and motivate employees from the widest possible pool of available talent.

Diversity includes but is not limited to gender, age, disability, ethnicity, marital or family status, religious or cultural background. The Diversity Policy is designed to support Velocity's commitment to diversity and sets out the responsibilities of the Board, management and other employees in relation to diversity. A copy of the Diversity Policy can be viewed via Velocity's website at <https://velocitypropertygroup.com.au/corporate-governance/>.

A summary of the objectives of the Diversity Policy are for Velocity to achieve the following:

- ❖ when recruiting for positions for the Board, key management personnel and all other employment positions, the Board or Velocity will recruit from a diverse pool of candidates;
- ❖ a workplace environment that values the contributions of employees with diverse backgrounds, skills, qualifications and experiences;
- ❖ establishing a flexible workplace environment that will assist employees (both male and female) who may have domestic responsibilities to meet those responsibilities;
- ❖ equality of remuneration commensurate with duties and responsibilities of like roles;
- ❖ establish and maintain a workplace environment that promotes awareness in all staff, of their rights and responsibilities with regards to fairness, equity and respect for all aspects of diversity; and
- ❖ establish and maintain a workplace environment in which all employees and treated with fairness and respect, and have equal access to opportunities within the Group.

As part of the Diversity Policy and the Group's Code of Conduct, Velocity, its directors and all employees are obligated to not engage in any conduct or activity which is illegal or contrary to any anti-discrimination or equal employment opportunity legislation or laws in any State or Territory of Australia. Discrimination, harassment, vilification and victimisation will not be tolerated in the workplace.

In addition to the above, the Diversity Policy sets out the measurable objectives for achieving gender diversity and for the Board to assess annually both the objectives and progress in achieving them.

As part of the process towards achieving gender diversity, the current proportion of female employees at Velocity as at 30 June 2018 is outlined below:

	Board		Management		Other Employees		Total	
	Number	%	Number	%	Number	%	Number	%
<b>Female</b>	1	25%	0	0%	4	80%	5	50%
<b>Male</b>	3	75%	1	100%	1	20%	5	50%

## Principle 2: Structure the board to add value

Velocity's constitution provides for a minimum of three directors. The Board has been established so that it has appropriate composition and size to enable it to adequately discharge its responsibilities and duties. The Board has a range of experience, expertise, skills and qualifications relevant to the operations and business of Velocity.

Currently the Board comprises two independent non-executive directors, a managing director and an executive director.

The following individuals currently form the Board of Velocity Property Group Limited:

Director	Position	Independent	Appointed
Michael Pearson	Chairman (non-executive director)	Yes	October 2016
Brendon Ansell	Managing Director	No	May 2015
Cherie Leatham	Non-executive Director	Yes	October 2016
Philip Raff	Executive Director	No	August 2016

Details of the individual skills, capabilities and experiences of all Directors are disclosed in the Annual Report.

To date, the Board has not established a nomination committee to facilitate the process of the appointment and reappointment of directors to the Board. Due to the Board's current size and mix of independent and non-independent Directors, the Board believes a separate nomination committee would not bring any additional efficiencies, transparency, focus or independent judgement needed on decisions regarding the composition of the Board.

To enable the Board to discharge its duties and responsibilities effectively, at least once a year the Board will discuss matters regarding but not limited to:

- ❖ board succession planning generally;
- ❖ induction and continuing professional development programs for directors;
- ❖ the appointment and re-election of directors; and
- ❖ the process for recruiting a new director, including evaluating the appropriate balance of skills, knowledge, experience, independence and diversity.

#### *Skills Matrix*

Set out below is list of skills, experience and attributes that have been identified as the optimum skills Velocity seeks in its Board membership. The Board currently possesses an effective blend of these skills and experiences are drawn upon by the Board as a whole in discharging its obligations effectively, challenging management at the project and corporate levels of Velocity's operations, managing risks and also implementing the Group's strategy:

- ❖ industry experience: extensive experience and expertise in the property development industry including development, construction and project management experience;
- ❖ legal: expertise with legal matters and legislative framework;
- ❖ financial: financial acumen with experience in financial reporting and risk management;
- ❖ finance: experience and expertise in obtained corporate, property and project finance and funding;
- ❖ corporate: listed entity reporting experience and a commitment to promoting high standards of the corporate governance regime;
- ❖ strategy: developing, implementing and monitoring strategic business and planning strategies and objectives; and
- ❖ leadership and communication: experience with other executive management responsibilities, extensive communication and corporate relations expertise.

#### *Directors' Independence*

The Board comprises 50% independent and 50% non-independent Directors. The Board has adopted the following criteria to determine the independence of a non-executive Director and all non-executive Directors on the Board (including the Chairman) satisfy the conditions of being independent:

- ❖ does not own more than 5% of shares in the Company, either as an individual or as a director or trustee of an entity that owns shares in Velocity;
- ❖ is not a material supplier or customer of Velocity, or an officer of or otherwise associated directly or indirectly with a material supplier or customer of Velocity;
- ❖ has no contractual relationship with Velocity other than as a non-executive Director of Velocity; and
- ❖ is free from any interest and any business or other relationship which could, or could reasonably be expected to interfere with the Director's ability to act in the best interest of Velocity.

New directors who are elected as either non-executive or executive directors undergo an induction process in which they are given a detailed briefing on Velocity and its operations and systems. This includes meetings with key personnel and management on operations and tours of relevant business property assets. A formal letter of appointment is also provided. The Board also encourages Directors to undertake ongoing external training and professional development in their relevant area of expertise.

The Board has set guidelines for declaring and dealing with potential conflicts of interest which include declaring any relevant interest as required under the law and ASX listing rules. Where conflict exists, matters are generally assessed by the Board with the respective Director not being present and/or abstaining from voting at a meeting during these considerations.

### **Principle 3: Act ethically and responsibly**

Velocity recognises that its reputation is one of the most important aspects of its business. Velocity expects all directors, key management personnel and employees to observe high standards of conduct and ethical behaviour. Velocity's Directors, key management personnel and employees are expected to act with integrity, striving at all times to enhance the reputation and performance of Velocity. Velocity has adopted a Code of Conduct for Directors which also applies to all key management personnel and employees. A copy of the Code of Conduct can be found in the Corporate Governance Charter and viewed via Velocity's website at <https://velocitypropertygroup.com.au/corporate-governance/>. The Code of Conduct is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour, professionalism and practices necessary to maintain confidence in Velocity's integrity.

#### *Share Trading Policy*

Velocity has established a Security Trading Policy that can be viewed on Velocity's website at <https://velocitypropertygroup.com.au/corporate-governance/>. The policy deals with security trading of the Directors and other employees in respect to formal trading windows and prohibition on trading so as not to take advantage of property, information or position for personal gain.

### **Principle 4: Safeguard integrity in corporate reporting**

Velocity recognises the critical importance of accurate and timely reporting of financial information, performance and management of risk. To assist the Board in fulfilling its duties and governance obligations in this area, Velocity has established an Audit and Risk Management Committee (ARMC). A copy of the ARMC charter is located in the schedule at the back of the Corporate Governance Charter and can be viewed via Velocity's website at <https://velocitypropertygroup.com.au/corporate-governance/>. The ARMC comprises the two independent Directors plus an executive Director who is not the Managing Director. Once Velocity grows to a size where it has additional board members, the executive director will retire from the ARMC and be replaced by an independent Director. Members of the ARMC for the financial years ended 30 June 2018 are:

- ❖ Cherie Leatham;
- ❖ Michael Pearson; and
- ❖ Philip Raff.

The ARMC is chaired by Cherie Leatham, an independent Director who is not the chairman of Velocity. The members of the ARMC are appropriately experienced and qualified and meet at least two times per year. Meetings are generally held with Velocity's external auditor and the Chief Financial Officer. Further details of the member of the ARMC and meetings held during the financial year are disclosed in the Annual Report each year.

#### *Audit and Risk Committee Charter*

A summary of the responsibilities of the ARMC is in line with the charter set out below:

- ❖ monitoring the establishment of an appropriate internal control framework, including information systems and its operation and considering enhancements;
- ❖ assessing corporate risk (including economic, environmental and social sustainability risks) and compliance with internal controls;
- ❖ reviewing reports on the adequacy of insurance coverage;
- ❖ monitoring compliance with relevant legislation and regulatory requirements (including continuous disclosure obligations) and declarations by the Secretary about those requirements;
- ❖ reviewing the nomination, performance and independence of the external auditors, including recommendations to the Board for the appointment or removal of any external auditor and the rotation of the audit engagement partner;
- ❖ any proposal for the external auditor to provide non-audit services and whether it might compromise the independence of the external auditor;
- ❖ reviewing financial statements and other financial information distributed externally and otherwise provide a true and fair view of the financial position and performance of the Group;

- ❖ reviewing management processes supporting external reporting, including the appropriateness of the accounting judgements of choices made by management in preparing the financial reports and statements; and
- ❖ preparing and recommending for approval by the Board, the corporate governance statement for inclusion in the annual report or any other public document.

#### *Declaration by Managing Director and Chief Financial Officer*

In respect of the current year, the Managing Director and Chief Financial Officer have provided a declaration in accordance with section 295A of the Corporations Act 2001 (CT) and the statement under recommendation 4.2 of the ASX Corporate Governance Principles. The declaration confirms that Velocity's financial reports present a true and fair view of its financial position, are in accordance with the relevant accounting standards and that the opinion had been formed based on a sound system of risk management and internal controls which were operating effectively.

Velocity's external auditor will always be available and present at Velocity's Annual General Meeting to answer any questions shareholders may have in relation to the audited financial reports.

#### **Principle 5: Make timely and balanced disclosures**

Velocity promotes timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities. Velocity has in place a Continuous Disclosure Policy that complies with the continuous disclosure requirements under ASX Listing Rules 3.1 and the requirements of the Corporations Act 2001 (Cth).

The objective of the Continuous Disclosure Policy is to ensure that all Directors and employees are fully aware of their responsibilities to ensure Velocity complies with its obligations. A copy of Velocity's Continuous Disclosure Policy can be viewed via Velocity's website at <https://velocitypropertygroup.com.au/corporate-governance/>.

#### **Principle 6: Respect the rights of security holders**

Velocity respects the rights of its shareholders by providing them with appropriate information and facilities to allow them to exercise those rights effectively. Velocity actively works with its share registry, Link Market Services, and strives to communicate with shareholders regularly and clearly - both by print or electronic means on all major developments affecting the Group. Additionally, shareholders can contact Link Market Services at any time for information regarding their shareholdings.

To facilitate effective two-way communication with shareholders, Velocity adheres to the following practices:

- ❖ promotes shareholders to attend and participate at the General Meetings and in the election of Directors through the use of technology or traditional means;
- ❖ the external auditor attends the Annual General Meeting and is available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's report;
- ❖ all information disclosed to the ASX is posted on Velocity's website when it is disclosed to the ASX. Investor seminars and roadshow presentations used in public presentations are also released to the ASX and posted on Velocity's website; and
- ❖ giving shareholders the option to receive communications from and send communications to Velocity and its share registry electronically.

Velocity's website contains easily located links and menus for shareholders to locate information about the Group, including employees, financial information, investor information, ASX announcements and corporate governance information.

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

The Audit and Risk Management Committee (ARMC) reports to and take requests from the Board and is primarily responsible for establishing a framework of internal controls, periodically reviewing the effectiveness of that framework and monitor their implementation. The committee comprises at least 3 members, at least two of which are independent Directors. The chairman of the ARMC is an independent Director.

A copy of the ARMC Charter is located in the schedule at the back of the Corporate Governance Charter and can be viewed at Velocity's website at <https://velocitypropertygroup.com.au/corporate-governance/>. A summary of its responsibilities was listed earlier under Principle 4.

An annual review of the internal controls framework occurs including a review of the accounting systems and processes. Together with the comprehensive nature of monthly financial and commercial reporting systems, assists in this risk minimisation process. This review occurred in the year ended 30 June 2018 and a detailed risk register has been established and is regularly reviewed.

Velocity does not retain an internal audit function, instead this role is fulfilled by the executive management team. The Board believes this is appropriate considering the current size of the Group, the systems and processes that are in place, the conduct of the external audit and the specific external advice sought by management on matters or transactions as required. The executive management team is responsible for the identification of new risks or enhanced controls required to minimise current risks further.

There are any number of material business risks that could adversely affect Velocity and the achievement of its financial performance objectives. The Group manages its exposure to economic, environmental and social sustainability risk through the ARMC that considers these issues and whether they pose any material risks to the Group from time to time. Velocity strives to exceed the environment and social expectations of the wider community in all of its projects. To deliver this, consultants are engaged on all projects as required to mitigate these risks and Velocity considers that it does not have a material exposure to economic, environment or social sustainability risks.

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

Velocity strives to attract, retain and appropriately reward Directors to achieve both short term and long-term success.

Velocity does not have a remuneration committee at present. Velocity's remuneration framework for Directors, including the process by which any pool of directors' fees approved by shareholders is allocated to Directors and the remuneration packages to be awarded to key management personnel are put forward to the Board by the Chairman and Managing Director. The Managing Director is not involved in deciding his own remuneration and is aware of the potential conflicts of interest in setting the remuneration of other key management personnel that may indirectly affect their own remuneration.

Executive and key management personnel remuneration and other terms of employment are reviewed annually, having regard to performance goals set at the start of the year, independent advice and industry market comparison reports. Velocity has undertaken to reward executive and key management personnel through a remuneration framework predominately comprising a fixed base salary and superannuation. There is currently no equity-based remuneration scheme in place by Velocity.

Full details of Director and key management personnel remuneration for the financial year are disclosed in the Remuneration Report contained in the Directors' Report of the Annual Report.