

## **Sunland Group Limited Corporate Governance Statement**

**This statement reports against the 3rd edition of the ASX Corporate Governance Council Principles and Recommendations (ASX Principles).** Sunland recognises that good corporate governance is about doing the right things for the shareholders and other stakeholders in the business. It extends beyond compliance with regulations and penetrates deep within the organisation. At the core is a sound culture that allows the principles of good corporate governance to thrive.

Throughout the year, the Board, through the Audit and Risk Committee, has continued to manage and focus on existing and emerging corporate governance issues. Sunland Group Limited's corporate governance practices were in place throughout the year ended 30 June 2015 and were compliant with the Council's principles and recommendations except where noted below.

This Corporate Governance Statement is current as at 26 August 2015 and was approved by the Board on 25 August 2015. The statement is available on the Company's website at [www.sunlandgroup.com.au](http://www.sunlandgroup.com.au).

The following governance-related documents referenced in this Corporate Governance Statement can be found on the Company's website at <http://investors.sunlandgroup.com.au/Investor-Relation/> :

### **1. Company Charters**

- Board Charter
- Audit and Risk Committee Charter

### **2. Company Policies and Procedures**

- Diversity Policy
- Security Trading Policy
- Code of Conduct
- External Communications Policy
- Gender Equality indicators (published under the *Workplace Gender Equality Act 2012 (Cth)*)

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

#### **Role of the Board**

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

- strategic guidance and effective oversight of management;
- contribution to, and approval of, the corporate and business strategy of the Group including setting performance objectives, monitoring implementation of the strategy and overseeing major capital expenditure and acquisitions;
- monitoring financial performance including preparation of financial reports and liaison with auditors;
- monitoring the respective roles and responsibilities of Board members, the Company Secretary and senior executives, reviewing key executive and Board remuneration and ensuring a formal and transparent Board nomination process;
- appointment, and assessment of the performance of the Executive Directors;
- ensuring that material business risks have been identified and appropriate controls and procedures implemented; and
- assessing diversity across the organisation.

Each director has access to the Company Secretary who is accountable to the Board. The Company Secretary is responsible for matters that ensure the proper functioning of the board and its committees, monitoring board and committee policies, the timely issue of board papers, accurate recording of minutes of meetings and other administrative duties that support the board and its directors.

#### **Delegation of Board Authority**

The entrepreneurial and day to day activities of the Group are formally delegated by the Board to the Managing Director and Executive Committee. 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 the Company in accordance with the delegated authority of the Board.

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## Diversity

Sunland recognises that a diverse workforce is a competitive advantage and that the Company's success is the result of the quality and skills of its people. The Diversity Policy is designed to support the Company's commitment to diversity and sets out the responsibilities of the Board, senior management and other employees in relation to diversity. The Company seeks to achieve:

- A diverse and skilled workforce;
- A workplace culture characterised by inclusive practices and behaviours for the benefit of all staff;
- A work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives through improved awareness of the benefits of workforce diversity and successful management of diversity; and
- Awareness by all staff of their rights and responsibilities with regard to fairness; and
- Equality of remuneration commensurate with duties and responsibilities of like roles.

Diversity is encouraged across Sunland's workforce and directors and executives are committed to increasing diversity amongst the Company's employees. The Company's objective is to move towards females comprising 50% of its General and Senior Management employees.

The table below outlines the proportion of women and men employed by the Company as at 30 June 2015:

Employment category	Number of employees		Diversity percentage
	Male	Female	(% male to total)
Executive management	5	0	100%
General and senior managers	9	3	75%
Other management	20	3	87%
Administrative and trade	57	20	77%
<b>Total employees</b>	<b>91</b>	<b>26</b>	<b>78%</b>

There is currently no female representation on the board of the Company.

Executive management report directly to the Managing Director. General and Senior Managers report to Executive Management and also indirectly to the Managing Director.

## Appointment and Induction

Each Director is provided with a formal appointment letter setting out the key terms and conditions of their appointment. Any new directors appointed are also provided with an induction, including key documents and discussions with key personnel. Appropriate checks are conducted prior to the appointment of new directors and shareholders are provided with sufficient information regarding directors at the Company's Annual General Meeting to assist with the election of directors.

In addition all senior executives are provided with formal appointment letters, which include expectations of their role, term of appointment, termination entitlements and rights and responsibilities. On appointment, all senior executives are provided with an induction program to allow them to participate fully in the decision making and management of the company as soon as possible.

The Board, with the assistance of the Company Secretary, is responsible for implementing an effective training and education program for all new and existing Directors.

## Performance and Evaluation of the Board and Executives

Oversight of Executive and Board performance is conducted by the directors. The Chair has the overall responsibility for evaluating the Board, Board Committees, and individual Directors. The process employed by the Chair for evaluating the performance may involve meeting with individual Directors, roundtable discussions with the entire Board and ongoing observation and discussion. Performance evaluation of the Board is undertaken at intervals deemed appropriate by the Chair and was undertaken in accordance with this process during the year ended 30 June 2015.

The development of individual talent and outstanding personal performance requires leadership and effective supporting frameworks. Sunland's people development system is based on clear goal setting, honest career development discussions and ongoing feedback about performance. Sunland supports a balanced approach which rewards Group accomplishments and recognises individual initiative and exceptional effort. Continual achievement discussion not only sets the forthcoming year's objectives, but is also an appraisal of the achievement of objectives for the previous year. Performance evaluation of the Managing Director and other senior executives is undertaken annually and was undertaken in accordance with this process during the year ended 30 June 2015.

## 2 Structure the Board to add value

The Group governance arrangements are summarised in the chart below.

### Sunland Group Governance

#### Sunland Group Board

#### Managing Director

#### Audit and Risk Committee

Ron Eames (Chair)

Craig Carracher

Chris Freeman

#### Assurances

#### Governance and Operations

	Policies	Procedures
External audit	Constitution	Executive Committee
Project reviews	Board Charter	National Meetings
Compliance	Committee Charters	Project Control Groups
	Employment contracts and Code of Conduct	Strategic Risk Meetings
	Risk Management	Financial Certification
	Security Trading	Quarterly Compliance
	Privacy	Monthly Finance Review
	Finance and Accounting	Personnel Induction
	Human Resources	OH&S Manuals
	OH&S	Site Induction
		Disaster Recovery

### Board Composition

The Board composition ensures a balance of diversification - by skills and experience as well as geographically. Sunland's Board structure comprises three non-executive Directors (all of whom are independent) and two executive Directors. The Directors consider that this composition of the Board comprising a majority of non-Executive Directors has an appropriate mix of skills and expertise and provides effective direction for the Group.

The Board has not established a specific committee for the nomination and remuneration responsibilities of the directors as these are dealt with at board level on a consultative basis. The independent non-Executive Directors lead discussions in respect to the remuneration of the executive directors.

The names, skills and experiences of the Directors and the period they have held office, during the financial year, and as at the date of this Statement, are set out in the directors' report. A summary is included in the table below:

### Board Members

The Directors of the Company in office at the date of this statement are set out below:

Director	Independent	Appointed
<b>Executive Directors</b>		
Mr Sahba Abedian	No	January 2001
Mr Soheil Abedian	No	March 1994
<b>Non-Executive Directors</b>		
Mr Ron Eames	Yes	March 2006
Mr Craig Carracher	Yes	July 2010
Mr Chris Freeman	Yes	January 2015

### Directors' skills and experiences

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A list of the skills and experiences held by the directors is included below. 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 the Company's operations, managing risks and also implementing the Group's strategy:

- Property development industry;
- Legal and legislative framework;
- Town planning and approval requirements across the Group's geographic locations;
- Financial acumen and exposure to financial reports;
- Market and economic forces and trends relevant to the development process;
- Construction and delivery risks and requirements;
- Occupational health and safety;
- Project and corporate funding;
- Capital raising - equity and debt markets;
- Listed entity reporting and governance regime; and
- Experiences with other directorships and executive management responsibilities.

### **Directors' independence**

The Board comprises a majority of independent Directors. The independence of Directors is reviewed by the Board, either annually, or when changes to interests are disclosed. A determination of the independence of non-executive Directors is based on the Board's ongoing assessment of whether that Director is free of any material business or other relationship that could reasonably be considered to interfere with the exercise of their independent judgement.

In assessing the independence of a Director, the Board will have regard to the guidelines contained in the Corporate Governance ASX Principles and Recommendations. Failure to meet one of these guidelines does not automatically mean that the Director is not independent. The Board will consider all relevant facts and circumstances when making its decision.

During the year Mr Ron Eames has been a partner of Holding Redlich, which is a national law firm utilised by the Group from time to time. There are, however, a number of law firms that provide legal advisory services to Sunland Group so the firm is not the exclusive provider of legal services to Sunland Group. Legal services provided by Holding Redlich are on normal commercial terms and conditions through various partners depending on the area of law that advice is sought. Holding Redlich has advised that the materiality assessed by the Board in relation to percentage of revenue generated by Sunland Group is not breached. Directors confirm the materiality in relation to expenses of Sunland Group is not breached. The Board therefore considers that, having regard to Mr Eames' limited direct advice to Sunland Group, the amount of fees paid to Holding Redlich and the varied nature of the services provided, Holding Redlich is not a material professional adviser for the purposes of independence, and Mr Eames is therefore an independent director.

### **The Chairman**

The Chairman, Mr Soheil Abedian, is an executive Director. Mr Abedian is the founder of Sunland Group, who has vast experience in the property industry and the business operations of the Sunland Group. Mr Abedian, as Chairman, plays a crucial role in ensuring the Board works effectively and responsibly and therefore at this stage the Board has assessed that it is appropriate to have Mr Abedian in the position of executive Chairman.

The Board will continue to review the value of having an executive Chairman to ensure this structure is the most appropriate for the Company.

### **Separation of duties**

The roles of the Chairman and Managing Director are not exercised by the same individual, with Dr Soheil Abedian being Chairman and Mr Sahba Abedian, Managing Director. Whilst both have executive directorships, there is a clear distinction of duties with the Chairman being responsible for guiding the Board in its duties. The Managing Director, along with the Executive Management team, is responsible for the day to day management of the Group's business activities.

### **Induction programme and professional development**

The Group follows an induction programme to introduce new directors to the company that assists in their understanding of the company's operations, policies and culture. The Board also encourages directors to

undertake ongoing external training and professional development. Directors may seek independent advice at the Company's expense through the Chair and the advice obtained is made available to the Board.

The Board has also set guidelines for declaring and dealing with potential conflicts of interest which include declaring any relevant interests 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.

Sunland's Board Charter expands on these matters in more detail and is available on the Group's website as detailed above.

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

Sunland recognises that its reputation is one of the most important aspects of its business and strives to ensure directors, officers and all staff conduct themselves in accordance with the appropriate laws and legislation, and also in a manner that is ethical and responsible, and act with integrity by respecting the rights and interests of those with which we deal, and in the communities in which we operate.

Various policies have been put in place to enforce these requirements and these are summarised below:

#### **Code of Conduct**

A Code of Conduct applies to all employees of the Group. The Code of Conduct forms part of employment contracts and sets out the principles which all directors and employees are expected to uphold in order to promote the interests of the Group and its shareholders. In addition, Directors, management and staff are expected to comply with the performance duties outlined in their respective schedule of duties, policies regarding internet and email use, policies and guidelines in relation to the Privacy Act, SPAM Act and relevant workplace health and safety legislation. The Code of Conduct is available on the Group's website.

#### **Security Trading Policy**

The Group has a Security Trading Policy which is available on the website. The policy deals with security trading of the directors and other relevant personnel in respect to formal trading windows and prohibitions on trading. The Policy includes a statement of the Company's policy on prohibiting transactions in associated products which limit the risk of participating in unvested entitlements under any equity-based remuneration plan.

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

#### **Audit and Risk Committee**

The Company has established an Audit and Risk Committee that comprises all independent directors and is chaired by Mr Ron Eames, an independent director who is not the chairman of the Company. The committee comprised two members for the first half of the current financial year until the appointment of Mr Chris Freeman in January 2015. Mr Freeman joined the Audit and Risk Committee upon his appointment as director. Members of the Audit and Risk Committee as at 30 June 2015 are:

- Mr Ron Eames
- Mr Craig Carracher
- Mr Chris Freeman

The qualifications and experiences of the members are included in the directors' report, together with a record of meetings held and attended by those members during the year. Meetings are generally held with the Group's external auditors, the Chief Financial Officer and other personnel as requested by the committee, although members of the committee are free to meet with any member of the staff of the Group. The Chairman also meets separately with the external auditor independently from Sunland personnel from time to time.

The Charter of the Audit and Risk Committee is available on the Company's web site.

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

The Managing Director and Chief Financial Officer are responsible for providing periodic updates to the Board on the financial performance of the Group. Management accounts are prepared for review by the board and other

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stakeholders in accordance with accounting standards and present a true and fair view of the Company's operations and financial position progressively during the year.

In respect to the half-year and annual financial statements, the Managing Director and the Chief Financial Officer provide a declaration in accordance with section 295A of the Corporations Act 2001 (Cth) and the statement under recommendation 4.2 of the ASX Principles.

For the financial year ended 30 June 2015, the Managing Director and Chief Financial Officer provided the Board with declarations that, in their opinion, the financial records of the entity had been properly maintained, that the financial statements complied with the appropriate accounting standards and gave a true and fair view of the financial position and performance of the entity, and that the opinion had been formed on the basis of a sound system of risk management and internal control which was operating effectively.

The approved financial reports are published in accordance with the law and appropriate listing rules, through the Company's web site, as well as in electronic format and/or hard copy to the Company's shareholders as required. The financials are also presented to Members at the Company's Annual General Meeting where the Company's external auditor is in attendance to answer any questions by Members that are relevant in respect to the audit of the approved financial reports.

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

The Company has in place an External Communications Policy to ensure timely and balanced disclosure in respect to the Company's operations. The policy deals with the continuous disclosure obligations under Listing Rule 3.1 where information concerning the Company that a reasonable person would expect to have a material effect on the price or value of the Company's securities, is disclosed to the market through the ASX announcement portal. In addition, the policy also deals with how Sunland personnel are required to deal with potentially price sensitive information, appropriate authority for communications with Sunland's shareholders and other stakeholders such as the media, retail and institutional investors through brokers and analysts and the broader community generally.

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

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

The External Communications Policy extends to ensure that shareholders are informed of all major developments affecting the Group. Information is communicated to shareholders through the annual report, the half-yearly report, announcements made to the ASX, separate media releases, notices of annual general meetings, the Annual General Meeting and the Company's website [www.sunlandgroup.com.au](http://www.sunlandgroup.com.au), which has a dedicated investor relations section containing corporate governance information as recommended by the Corporate Governance Principals. Sunland also communicates frequently via the media on projects and in regard to financial updates as appropriate.

The Group also actively encourages two way communications with the investment community through its interaction with brokers and shareholders. Company presentations are published through the Group's web site and questions from the investment community and security holders are welcomed. Questions of the Group's results and operations can be made through email located also at the web site through the "contact us" link.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's direction, strategy and goals. In particular, shareholders are responsible for voting on the appointment/re-election of Directors. Shareholders also have the opportunity to ask questions leading up to or at the Annual General Meeting and to meet the Board and Senior Executives in person. Shareholders who are unable to attend the Annual General Meeting are encouraged to vote on resolutions, or make comments and submit questions on the management of the Company prior to the Annual General Meeting where those questions will be read and answered by the Board. The Company will publish results of the meeting to the ASX and on its website following the conclusion of the Annual General Meeting.

The Group utilises Link Market Services' Registry Services to facilitate the delivery of reports and announcements to shareholders. Sunland encourages the use of electronic communications and shareholders are given the option of receiving Company material in print or electronically. Shareholders can contact Link Market Services at any time for information regarding their shareholdings.

## **7 Recognise and manage risk**

The Board has implemented an Audit and Risk Committee to assist the Board in identifying and managing risk, maintaining the reliability and integrity of the financial reports, appointing and maintaining the independence of the external auditor and reviewing internal control systems and risk management framework of the Company.

Section 4 of this Corporate Governance Statement contains details regarding the Audit and Risk Committee.

The Committee has established a Risk Management Policy and Framework to assist in identifying and managing operational and corporate risks of the Group, which are reviewed annually and were reviewed during the year ended 30 June 2015. Operational risks are monitored, managed and reported from the “ground level” of each development project in consultation between development managers, local and state government officers and external consultants as required. Project reporting is conducted monthly and material matters escalated through to executive management and the Audit and Risk Committee to the Board where material risks are evident. Monthly financial reviews of feasibility changes are also conducted internally and independently of the development managers with changes reported through the same channels as project matters.

A review of the Risk Management Framework and Policy has been conducted for this period and the Committee believes the framework and risk management systems to be sound, and the Company continues to have an effective framework to identify and manage risk. The Company does not retain a separate internal audit function. The Board believes this is appropriate, taking into account the systems and processes that are in place, the conduct of the external audit and the specific advice sought by management where a transaction has an element of complexity that is not usually experienced.

Senior Management fulfils the internal audit function within the Company and is responsible for identifying relevant business risks, designing controls to manage those risks and ensuring the relevant controls are appropriately implemented. Senior Management monitors the adequacy of the risk management system and reports to the Audit and Risk Committee on a regular basis. The internal audit function comprises:

- Regular review and testing of the adequacy of controls for risk identified as in the higher range;
- Management confirmation on a periodic basis that the assessment of identified risks and their controls remain appropriate; and
- Identification of any new risks or enhanced controls that may be required.

The Audit and Risk Committee has primary responsibility for oversight and monitoring of the internal audit function and risk management generally. Responsibilities include:

- Oversight of the establishment and implementation of risk management and internal compliance and control systems and ensuring there is a mechanism for regular assessment of the efficiency and effectiveness of those systems;
- Regular review and amendment of the Company's risk register, which summarises key identified risks, the likelihood of their occurrence and potential impact, in addition to the controls implemented to reduce or mitigate those risks.

The external auditors, in addition to their own control reviews, assess detail of the more complex transactions as part of their overall assessment of the Company's risk profile.

Sunland's business operations require a high degree of interaction with all levels of Government in respect to legislative procedures, and also the community expectations in the areas of economic, environmental and social sustainability. Sunland does not take on any significant environmental risks that are unable to be managed within the group's delivery expectations. The Company's philosophy of “Art is Architecture” is the basis for the projects that are created by the Group and to this end attempts to be at the forefront of design in order to meet the social and environmental expectations of the communities in which we operate. Appropriate advice from consultants assist in implementing management plans to monitor and mitigate these risks and it is not considered that Sunland has a material exposure to economic, environment

## **8 Remunerate fairly and responsibly**

The objective of Sunland's remuneration practices is to attract, retain and appropriately reward the personnel required to achieve both short term and long term success. The Company's policy is to remunerate Non-executive Directors at a fixed fee for time, commitment and responsibilities. Remuneration for Non-executive Directors is not linked to individual performance. The maximum aggregate amount of fees (including superannuation payments) that can be paid to Non-executive Directors is subject to approval by shareholders. There are no termination or retirement benefits for Non-executive Directors other than for superannuation entitlements. There are no equity based remuneration plans available to Non-executive Directors.

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The Board of Directors is responsible for determining and reviewing compensation arrangements for the directors and the executive team and as such the Board does not have a specific remuneration committee. Protocols are set such that individual directors are not present when their remuneration arrangements are discussed and approved by the Board to ensure conflict is managed appropriately.

Directors also assess the appropriateness of the nature and amount of emoluments of executive management on a periodic basis by reference to relevant employment market conditions and the remuneration framework with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team.

Sunland has undertaken to reward the executive management team through a remuneration framework consisting of a fixed annual remuneration package complemented by long term incentive programs provided through discretionary trusts operated independently of Sunland's board of directors. There is no short term incentive program in place as this is not consistent with Sunland's long term focus or its normal business cycle. There is no share based remuneration arrangement with any individuals employed by the Group.

Further details on the remuneration framework is available in the Remuneration Report section of the Directors' Report.