

CORPORATE GOVERNANCE STATEMENT

2017

The establishment of the corporate governance framework by Aventus Capital Limited (ACN 606 555 480) (ACL) as responsible entity for the Aventus Retail Property Fund (the Fund or AVN) (ARSN 608 000 764) has been guided by the Corporate Governance Principles and Recommendations (3rd Edition) published in July 2014 by the ASX Corporate Governance Council, (ASX Corporate Governance Principles), and the further ASX recommendations on how externally managed listed entities should apply and make disclosures.

This corporate governance statement is accurate and up to date as at 9 August 2017 and has been approved by the board of ACL and relevant corporate policies can be found at www.ventusproperty.com.au

Principle 1

Lay solid foundations for management and oversight

Alternative to ASX Corporate Governance Principle 1.1 for externally managed listed entities.

The responsible entity as manager of an externally managed listed entity should disclose:

- (a) The arrangements between the responsible entity and the listed entity for managing the affairs of the listed entity; and**
- (b) The role and responsibility of the board of the responsible entity for overseeing those arrangements.**

The Responsible Entity is Aventus Capital Limited (ACL), a wholly owned subsidiary of Aventus Property Group Pty Ltd (APG) and a member of the Aventus Property Group (the Group).

The board of ACL (Board) is responsible for the management, administration and overall corporate governance of the Fund, in each case including the protection of Unitholders' interests, developing strategic direction, establishing goals for management and monitoring the achievement of these goals.

The Board has adopted a Charter to outline the manner in which its constitutional powers and responsibilities will be exercised and discharged, having regard to principles of good corporate governance, international best practice and applicable laws.

The Board Charter and the charters adopted by the Board for its standing committees have been prepared and adopted on the basis that strong corporate governance can add to the performance of ACL and AVN, create Unitholder value and engender the confidence of the investment market.

The Charter is reviewed by the Board as required, and at least annually.

The key responsibilities/functions of the Board include:

- contributing to and approving management development of strategy for AVN, including setting performance objectives and approving operating budgets;
- reviewing, ratifying and monitoring systems of risk management and internal control, and ethical and legal compliance. This includes reviewing procedures to identify the main risks associated with the responsible entity and AVN and the implementation of appropriate systems to manage these risks;
- monitoring performance and implementation of strategy and policy for AVN;

- approving operating budgets, major capital expenditure, acquisitions and divestitures, monitoring capital management, and approving any transactions or matters in excess of authority levels delegated to management;
- monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting, and ensuring compliance with financial reporting requirements;
- approving the declaration of distributions to Unitholders in accordance with the constitution of AVN;
- developing and reviewing corporate governance principles and policies; and
- performing such other functions as are prescribed by law or are assigned to the Board.

Directors may delegate their powers as they consider appropriate. However, ultimate responsibility for strategy and control rests with the Board.

The Board Charter is available to view in the Policies and Procedures Section at www.ventusproperty.com.au

Companies within the Group have assumed the provision of fund and property management services to ACL and/or AVN in respect of the AVN Portfolio.

Under the Management Services Agreement, Aventus Funds Management Pty Ltd (the Fund Manager):

- develops strategic objectives for the Fund for consideration by the Board;
- implements the Fund strategy and budgets approved by the Board;
- is primarily responsible for all aspects of the day-to-day running of the Fund, including financial performance, reporting, risk and compliance; and
- provides other investment management services, including marketing, acquisitions, developments, and day-to-day management of AVN's assets.

Under the Property and Development Management Agreement, Aventus Property Services Pty Ltd (the Property Manager) manages each property in the AVN Portfolio from time to time, including marketing, leasing, tenant liaison, development and capital expenditure management and other usual services provided by a property and development manager.

Recommendations that do not apply to externally managed listed entities:

ASX Recommendation 1.2 ASX Recommendation 1.3
ASX Recommendation 1.4 ASX Recommendation 1.5

Principle 2

Structure the Board to add value

ASX Recommendation 2.3 – The responsible entity in its corporate capacity should disclose:

(a) the names of the directors considered to be independent directors; and

(b) if a director has an interest, position, association or relationship that may cause doubt about the independence of a director, but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and

(c) the length of service of each director.

ACL's Board is comprised of five directors, three of whom are independent, including an independent Chairman. The Directors bring relevant experience and skills to the Board, including business and industry knowledge, financial management and corporate governance experience.

The following Directors meet the criteria to be classified as independent:

- Bruce Carter (Chairman and Non-Executive Director)
– appointed 22 June 2015
- Robyn Stubbs (Non-Executive Director)
– appointed 30 September 2015
- Kieran Pryke (Non-Executive Director)
– appointed 30 September 2015

The other directors are:

- Darren Holland (Executive Director) CEO of the APG Group
– appointed 22 June 2015
- Nico van der Merwe (Non-Executive Director) the nominated representative of BB Retail Capital
– appointed 18 August 2016

Recommendations that do not apply to externally managed listed entities:

ASX Recommendation 2.1 ASX Recommendation 2.2
ASX Recommendation 2.4 ASX Recommendation 2.5

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Principle 3

Act ethically and responsibly

ASX Recommendation 3.1 – The responsible entity in its corporate capacity should:

- (a) establish a code of conduct for its directors, senior executives and employees; and**
- (b) disclose that code or a summary of it.**

ACL is committed to a high level of integrity and ethical standards in all business practices. All directors, senior executives and employees of the Group companies must conduct themselves in a manner consistent with current community and Group standards and in compliance with all relevant legislation.

The Code of Conduct approved by the Board of ACL outlines how the Group expects its representatives to behave and conduct business in the workplace on a range of issues.

It includes legal compliance and guidelines on appropriate ethical standards.

The objective of the Code of Conduct is to:

- provide a benchmark for professional behaviour throughout the Group;
- support the Group's business reputation and corporate image within the community; and
- make directors and employees aware of the consequences if they breach the policy.

Directors, senior executives and employees of APG are trained regularly on matters relating to ethical behaviour in the workplace.

The Code of Conduct is available to view in the Policies and Procedures Section at www.ventusproperty.com.au

Principle 4

Safeguard integrity in corporate reporting

ASX Recommendation 4.1 – The responsible entity as manager of an externally managed listed entity should:

- (a) have an audit committee which:**
 - (i) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and**
 - (ii) is chaired by an independent director, who is not chair of the board, and disclose:**
 - (iii) the charter of the committee;**
 - (iv) the relevant qualifications and experience of the members of the committee; and**
 - (v) 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; or**
- (b) if it does not have an audit committee, disclose the fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.**

The Board has established an Audit, Risk and Compliance Committee (ARCC) to oversee the quality and integrity of accounting, audit, financial and risk management practices for AVN. The ARCC is comprised of only independent directors, and is chaired by an independent director who is not the Chairman of the Board.

The Board has developed a charter which sets out the Committee's role, responsibilities, composition, structure and membership requirements.

The Audit, Risk and Compliance Committee Charter is available to view in the Policies and Procedures Section at www.ventusproperty.com.au

As stated in its Charter, the Committee's key responsibilities and functions are to:

- oversee the responsible entity's relationship with AVN's external auditor and the external audit function generally;
- oversee the preparation of the AVN's financial statements and reports;
- oversee the responsible entity's financial controls and systems with respect to AVN;
- manage the process of identification and management of risk for AVN; and
- consider any matters relating to the affairs of AVN that have been delegated to it by the Board.

The external auditor is invited to ARCC meetings and also meets privately with the ARCC at least twice a year. The ARCC is comprised of independent directors only, all of whom have an appropriate level of financial and property industry expertise. More information on ARCC members can be found in the Directors' Report in the Annual Report.

The Board regularly assesses and has determined that members of the ARCC collectively have an appropriate level of financial and property industry expertise to discharge their responsibilities.

As at 30 June 2017 the members of the ARCC were: Kieran Pryke (Chair), Robyn Stubbs and Bruce Carter.

The ARCC has met 3 times during the reporting period and each Committee member has been present at every meeting.

ASX Recommendation 4.2 – The responsible entity as manager of an externally managed listed entity should, before it approves the entity's financial statements for a financial period, receive from the 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 Board receives a declaration provided in accordance with section 295A of the Corporations Act from the CEO and the Fund Manager that AVN's financial statements are founded on a sound system of risk management and internal control, and that the system is operating in all material respects in relation to financial reporting risks.

Recommendation that does not apply to externally managed listed entities that do not hold regular Securityholder meetings

ASX Recommendation 4.3

Principle 5 **Make timely and balanced disclosure**

ASX Recommendation 5.1 – The responsible entity as manager of an externally managed listed entity should:

- (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and**
- (b) disclose that policy or a summary of it.**

The responsible entity of AVN has significant obligations under the *Corporations Act 2001 (Cth)* (Corporations Act) and the Listing Rules of ASX Limited (ASX) to keep the market fully informed of information which may have a material effect on the price or value of AVN's securities.

The Continuous Disclosure Policy has been established to ensure compliance with these requirements, and that the responsible entity discharges AVN's obligations by releasing information to the ASX in the form of an ASX release or, where appropriate, through disclosure of other relevant documents (the annual report, results announcements) and, where appropriate, by requesting a trading halt.

Mary Weaver AGIA, a Company Secretary of ACL is the ASX liaison person for AVN.

The Continuous Disclosure Policy is available to view under the Policies and Procedures Section at www.ventusproperty.com.au

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Principle 6

Respect the rights of unitholders

Provide information to investors

ASX Recommendation 6.1 – The responsible entity as manager of an externally managed listed entity should provide information about itself and its governance to investors via its website.

ACL provides the following information to Unitholders via its website:

- all market sensitive information in the form of ASX announcements; and
- distribution information, unit price performance, financial results and tax information and copies of presentations.

Funds such as AVN are not required by law to hold an annual meeting,

ASX Recommendation 6.2 – The responsible entity as manager of an externally managed listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

ACL has approved an Investor Relations Policy to facilitate effective two-way communication with its Unitholders. A copy is available to view in the Policies and Procedures Section at www.ventusproperty.com.au

ASX Recommendation 6.4 – The responsible entity as manager of an externally managed listed entity should give Unitholders the option to receive communications from, and send communications to, the entity and its security registry electronically.

AVN Unitholders are able to elect to receive communications from, and send communications to, the entity and its security registry electronically.

In addition to the investor information on the website, other communications include:

- the preparation and release of Annual and Half Year results presentations and annual reports;
- web-casts of the presentation of Annual and Half Year results presentations;
- meetings between senior executives and AVN's current and prospective Institutional Unitholders occurring after half year and full year results;
- participation in institutional investor conferences both within Australia and overseas, providing an opportunity for both current and prospective Institutional Unitholders to learn about AVN's business activities and also meet with senior executives.

Recommendation that does not apply to externally managed listed entities that do not hold regular Securityholder meetings

ASX Recommendation 6.3

Principle 7

Recognise and manage risk

ASX Recommendation 7.1 – The responsible entity as manager of an externally managed listed entity should:

- (a) have a risk committee or committees to oversee risk, each of which:
- (i) has at least three members, a majority of whom are independent directors; and
 - (ii) is chaired by an independent director, and disclose:
 - (iii) the charter of the committee;
 - (iv) the members of the committee; and
 - (v) 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; or
- (b) if it does not have a risk committee, disclose the fact and the processes it employs for overseeing the entity's risk management framework.

ASX Recommendation 7.2 – The responsible entity as manager of an externally managed listed entity 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
- (b) disclose, in relation to each reporting period, whether such a review has taken place.

A risk management framework has been implemented under the oversight of the ARCC. The ARCC is responsible for reviewing, and reporting to the Board on the internal control and risk management systems of AVN and assessing the information presented by management. In addition, the ARCC regularly assesses whether the AVN compliance plan, internal financial control systems, risk management policies, the risk register and risk management systems are adequate.

A review of risk management framework has occurred during the reporting period.

Managing Conflicts

A Conflicts of Interest & Related Party Transactions Policy has been established for identifying and managing conflicts.

The Policy provides guidance on the management of conflicts of interest arising between Group managed vehicles and their related parties and requires that:

- related party transactions be identified and conducted on arm's length terms;
- related party transactions be tested by reference to whether they meet market standards; and
- decisions about transactions between APG managed vehicles and APG or its affiliates be made by independent members of the Board.

ACL has also established protocols for the Board in identifying and managing conflicts, including:

- Board members must declare their interests as required under the Corporations Act, ASX Listing Rules and other general law requirements;
- Board members with a material personal interest in a matter are not to be present at a Board meeting during the consideration of the matter and subsequent vote unless the Board (excluding the relevant Board member) resolves otherwise; and
- Board members with a conflict not involving a material personal interest may be required to absent themselves from the relevant deliberations of the Board.

The Policy is available to view under the Policies and Procedures Section at www.ventusproperty.com.au

The Policy also deals with actual, apparent or potential conflicts of interest which arise out of the fact that ACL (as part of APG) and AVN may transact from time to time or share staff or information with other APG companies or managed vehicles.

Personal conflicts that might arise generally for Directors and staff are also covered by the Code of Conduct referred to earlier in this Statement.

ASX Recommendation 7.3 – The responsible entity as manager of an externally managed listed entity should:

- (a) disclose that 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 risk management and internal control processes.**

Although the Group does not have a designated internal audit function, throughout the year internal audit tests are conducted to test the adequacy of controls for those risks which are inherently extreme or high. The Company Secretary will report findings to the ARCC.

Sustainability

ASX Recommendation 7.4 – The responsible entity as manager of an externally managed listed entity listed entity should disclose whether it has any material exposure to economic, environmental, and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Group is committed to deliver value to all stakeholders through the adoption and implementation of sustainable policies, strategies and practices in its corporate activities and by continuously improving building performance, providing greater transparency over operations and committing to high standards of corporate governance.

To achieve this end, the Group will strive to:

- maximise the performance and efficiency of portfolio assets to function at optimal levels;
- provide timely, clear and consistent disclosures, and engage with key stakeholders; and
- commit to high standards of corporate governance by upholding best practices in the areas of board management and risk governance

The Group has developed an Environmental Management System (EMS) in FY17 and will report to our stakeholders from FY18.

Principle 8 **Remunerate fairly and responsibly**

Remuneration Committee

ASX Recommendation 8.1 – The board of a listed entity should:

- (a) have a remuneration committee which:**
- (i) has at least three members, a majority of whom are independent directors; and**
 - (ii) is chaired by an independent director, and disclose:**
 - (iii) the charter of the committee;**
 - (iv) the members of the committee; and**
 - (v) 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; or**
- (b) if it does not have a remuneration committee, disclose the fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.**

ACL has established a Remuneration Committee on the following terms:

- only non-executive directors;
- a minimum of 3 members;
- a majority of independent directors; and
- an independent director as chair.

The Board may appoint additional directors to the Committee or remove and replace members of the Committee by resolution. Members may withdraw from membership by written notification to the Board.

Non committee members, including members of management, may attend all or part of a meeting of the Committee at the invitation of the Committee Chair.

A Company Secretary, or his or her delegate, must attend all Committee meetings as minute secretary.

The responsibilities of the Committee are as follows:

- review major changes and developments in the remuneration policies, superannuation arrangements, personnel practices and industrial relations for the Company and the Fund
- review and recommend to the Board the remuneration arrangements for the Chairman and the non executive directors of the Board, including fees, travel and other benefits
- liaise with member's of the Group in relation to setting short-term and long-term incentives, and recommend performance conditions for senior management to realise the strategy of the Fund and its objectives
- approve the appointment of remuneration consultants for the purposes of the *Corporations Act 2001 (Cth)*
- be satisfied that the Committee, the Board and management have available to them sufficient information and external advice to ensure informed decisionmaking regarding remuneration

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- review and facilitate stakeholder engagement in relation to the Company's remuneration policies and practices
- in discharging its responsibilities, the Committee must have regard to the following policy objectives:
- ensure the Company's remuneration structures are equitable and aligned with the interests of the Company, its shareholders, Unitholders of the Fund and having regard to relevant Company policies;
- attract and retain skilled non-executive directors;
- the Committee must at all times have regard to, and notify the Board as appropriate of, all legal and regulatory requirements, including any shareholder or Unitholder approvals which are necessary to obtain.

The Board will, once a year, review the membership and charter of the Committee to determine its adequacy for current circumstances and the Committee may make recommendations to the Board in relation to the Committee's membership, responsibilities, functions or otherwise.

The Remuneration Committee Charter is available to view in the Policies and Procedures Section at www.ventusproperty.com.au

The Board has adopted a Securities Trading Policy which regulates the manner in which directors, senior executives and employees involved in the management of AVN can deal in AVN securities. The Policy specifies the periods in which personal trading is permitted, the restrictions that apply to directors and senior executives, and the procedures for obtaining prior clearance for trading during a trading window. Compliance with the Policy is monitored under the risk management framework. The Policy is subject to annual review by the Board, and has been lodged with the ASX.

The Securities Trading Policy is available to view in the Policies and Procedures Section at www.ventusproperty.com.au

Recommendations that do not apply to externally managed listed entities

ASX Recommendation 8.1 ASX Recommendation 8.3
ASX Recommendation 8.2

Alternative to ASX Corporate Governance Principle 8 for externally managed listed entities

An externally managed listed entity should clearly disclose the terms governing the remuneration of the manager.

AVN's management arrangements

The following is a high level summary of AVN's current management arrangements addressing the disclosure recommended in ASX Guidance Note 26.

Management Services Agreement / Property Management and Development Agreement

Key related party transactions between the Aventus Retail Property Fund (AVN) and the Aventus Property Group (APG) are determined by the Management Services Agreement, and the Property and Development Management Agreement. Key details were disclosed in the PDS lodged with ASIC on 30 September 2015 and are summarised below.

Term

- The Initial Term of the Management Services Agreement and the Property Management and Development Agreement is 10 years (expiring 19 October 2025).
- Both agreements will continue for Successive Terms of 5 years unless terminated in accordance with the respective management agreements.

Termination Rights

- Aventus Capital Limited ("Responsible Entity" or "ACL"), Aventus Funds Management Pty Limited ("Manager") and Aventus Property Management Pty Limited ("Property Manager") each have termination rights under the respective management agreements which include events relating to unresolved material breaches, insolvency and loss of control.
- In the event ACL ceases to be the Responsible Entity and is not replaced by a member of the APG group, or loss of control of the Manager or Property Manager occurs, APG will receive 12 months of fees prior to termination.
- The Property Management and Development Agreement will also cease to apply to an individual property where AVN no longer holds, directly or indirectly, at least 50% of the property.
- Where ACL ceases to be the Responsible Entity and is not replaced by a member of the APG group, BBRC Retail Capital Pty Limited has a right to acquire the Kotara Home South property at a price determined by independent valuations.

Fee Summary

Management Services Agreement (Funds Management)

The following fees are payable to Aventus Funds Management Pty Limited.

Fee Type	Basis of Calculation
Investment management fees	<ul style="list-style-type: none"> 0.6% per annum of the Gross Asset Value ("GAV") of AVN up to \$2.0 billion; and 0.5% per annum of the GAV in excess of \$2.0 billion.
Performance fees	<ul style="list-style-type: none"> 20% of the percentage by which the total return of AVN exceeds a hurdle of 12%. This is calculated as: 20% x Overperformance % x Closing NTA plus any Carry Forward Overperformance from prior periods. Total investment management fees and performance fees payable in any one year are capped at 1% of GAV of AVN. Any excess is carried over to subsequent Performance Fee periods.

Property Management & Development Agreement (Property Management)

The following fees are payable to Aventus Property Management Pty Limited.

Fee Type	Basis of Calculation
Asset & property management fees	<ul style="list-style-type: none"> 4% of the annual gross rent* of a property. Recovery of property employee costs.
Leasing fees	<p>New tenants</p> <ul style="list-style-type: none"> 15% of gross rent* for the first year of the lease term. <p>Existing tenants not exercising an option</p> <ul style="list-style-type: none"> 10% of gross rent* for the first year of a new lease or additional leased space. <p>Existing tenants exercise an option</p> <ul style="list-style-type: none"> 7% of gross rent* for the first year of the renewed lease. <p>Market rent reviews</p> <ul style="list-style-type: none"> 7% of the increase in rent payable. Relates mainly to mid-term market reviews or renewals where a valuer is appointed. <p>Leasing administration fee</p> <ul style="list-style-type: none"> \$4,000 per lease where the lease is prepared and negotiated by Aventus Property Management Pty Limited. <p>*Gross rent excludes lease incentives and rent abatements.</p>
Development services fees	<ul style="list-style-type: none"> 5% of total development costs (excluding land) for which development approval has been granted. Prior to the commencement of construction, development services fees are charged at 2% post Board approval. Upon commencement of construction, Aventus Property Management Pty Limited will recover the additional 3%.

Fee Reviews

Fee Type	Fee Review
Investment management & performance fees	<ul style="list-style-type: none"> Any change in fees under AVN's constitution would require approval of Unitholders by special resolution.
Asset and property management fees	<ul style="list-style-type: none"> On the 5th anniversary of the initial term (20 October 2020) and on commencement of any successive term (20 October 2025, 20 October 2030 etc.) ACL or Aventus Property Management may request asset and property management fees, leasing fees and development services fees to be benchmarked to market by independent property consultants.
Leasing fees	
Development services fees	

Director Appointment Rights

In accordance with the Corporations Act and ACL's Constitution, APG currently appoints all of the Directors of ACL, given that it is an APG subsidiary. As AVN is an externally managed fund, Unitholders are not legally able to vote for Directors of the Responsible Entity. Instead the non-executive directors must be appointed by APG.