

# CORPORATE GOVERNANCE

## DIRECTOR INFORMATION

### Richard Colless AM

*Independent Director and Chairman*

*Appointed 30 May 2002*

Richard is the Chairman of the ING Management Limited Board. He has considerable experience in funds management and property sectors. He sits on a number of public and private company, sporting and government boards.

### Philip Clark AM

*Independent Director, Chairman of the Audit Committee*

*Appointed 21 February 2006*

Acting most recently as Managing Partner and CEO of Minter Ellison, Philip has experience in a wide variety of sectors including: legal, funds management, property, and education. During his career Philip led the successful growth and development of Minter Ellison and Mallesons Stephen Jaques, Australia's two largest law firms. Philip also sits on a number of public and private boards.

### Michael Easson AM

*Independent Director*

*Appointed 11 November 2004*

Michael is co-founder and Executive Chairman of EG Property Group. Michael has a wealth of experience in high-level strategic consulting in both the private sector and government. Michael also sits on a number of public and private boards.

### Paul Scully

*Independent Director; Chairman of the Board Compliance Committee*

*Appointed 30 May 2002*

Paul has over 30 years experience in investment management and many aspects of financial services. Paul now maintains a portfolio of non-executive directorships and related activities, is a Visiting Lecturer at Macquarie University and provides a broad range of consulting services.

### Christophe Tanghe

*Director*

*Appointed 1 September 2009*

Christophe has more than 20 years of experience in real estate investment and advisory work in Europe, US and Asia. Christophe joined ING in 2006 as Head and Managing Director of ING Real Estate Capital Advisors and is also now responsible for Corporate Strategy of the Australian and Canadian Real Estate Investment Management businesses.

### Mark Lamb

*Company Secretary*

*Appointed 23 October 2009*

As well as Company Secretary, Mark is General Counsel for ING Real Estate Investment Management Australia and is responsible for all property investment and funds management legal activities. Mark has over 20 years legal and property experience and has been with the company since 2007.

### Sarah Wiesener

*Company Secretary*

*Appointed 23 October 2009*

Sarah is the Company Secretary for ING Real Estate Investment Management Australia. Sarah is a practising solicitor and has over 12 years experience within the Banking and Finance sector.

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## OVERVIEW

This statement outlines the main corporate governance practices currently in place for ING Management Limited (IML), the Responsible Entity of the ING Industrial Fund, ING Office Fund (comprising Armstrong Jones Office Fund and Prime Credit Property Trust), ING Real Estate Entertainment Fund, ING Real Estate Community Living Group (comprising ING Real Estate Community Living Fund and ING Real Estate Community Living Management Trust), ING Real Estate Direct Office Fund, ING Real Estate Income Fund and ING Real Estate Healthcare Fund ("the Funds") and addresses the ASX Corporate Governance Council Corporate Governance Principles and Recommendations, 2nd edition and the extent of compliance with these recommendations. The Board of the Responsible Entity has followed all of the recommendations, except that it has not established a Nomination Committee or a Remuneration Committee or other recommendations related to disclosure of remuneration or executive performance, for the reasons set out in this Corporate Governance Statement. A checklist of compliance against the recommendations is available on the ING Real Estate website.

The corporate governance structure established by the Responsible Entity reflects its role as the Responsible Entity of a listed property trust, which is different to the corporate governance structure adopted for a listed company. The Responsible Entity's primary responsibility is to operate the Fund and perform functions conferred on it by the Fund Constitution, ASX Listing Rules and Corporations Act 2001 (Cth) (the Law). Most importantly, the Responsible Entity must ensure it acts in the best interests of unitholders and ensure that the activities of the Fund are conducted in a proper and efficient manner.

## ROLE OF BOARD AND MANAGEMENT

### 1.1 Role of the Board

ING Management Limited (IML or Company) is wholly owned by ING Real Estate. The Company has adopted a formal board charter that details the functions and responsibilities of the Board and Management. The Company's activities are confined almost exclusively to managing real estate based investment funds in its role as Responsible Entity.

ING Real Estate is responsible for providing the resources, including experienced and skilled staff to enable it to appropriately and adequately conduct its funds management operations and to administer its affairs.

The Board of the Company oversees these activities and provides strategic guidance.

Key responsibilities of the Company include:

- > Assisting ING Real Estate in determining the composition and structure of the Company's Board.
- > Reviewing the performance of Management, including the CEO and the adequacy of resources allocated by ING Real Estate to the Company.
- > Providing input into and final approval of Management's strategy and performance objectives for the Funds.
- > Reviewing and if appropriate approving significant transactions.
- > Overseeing the administration of the Company, including risk and compliance monitoring functions.
- > Reviewing the appropriateness of Management's risk management processes.
- > Reviewing the Company's Code of Conduct, Investor Communications procedures and Continuous Disclosure Policy annually.
- > Establishing various formal committees to assist in discharging its responsibilities, eg Compliance and Audit Committees.

### 1.2 Role of Management

Management is responsible for all matters not specifically the responsibility of the Board and is responsible for implementing the strategy and performance objectives of the Fund and the day to day operations of the Fund.

## BOARD STRUCTURE

### 2.1 Structure of the Board

The Constitution of ING Management Limited provides for a minimum of three Directors and not more than 14 Directors. At the date of this report, the Board comprises five Independent Directors and one non-executive Director.

#### *Directors' appointment and selection*

The Board's policy and procedure for appointment and selection of Directors is included in the Board Charter which is available on ING Real Estate's website. Directors are appointed by the sole shareholder ING Real Estate, with the aim of ensuring the Board has:

- > an appropriate range of skills, experience and expertise;
- > a proper understanding of, and competence to deal with current and emerging issues in real estate and the funds management industry;
- > the ability to effectively review and challenge the performance of management and exercise independent judgement; and
- > a majority of independent directors.

The Board assists ING Real Estate in the process of appointing new Directors by recommending and reviewing candidates when vacancies arise and by performing an annual review that covers amongst other matters, the adequacy of the Board's composition and the independence of existing Directors.

#### *Board meetings*

The Board held 14 meetings during the year. The agenda for each meeting is prepared by the Company Secretary in conjunction with the Chairman and Chief Executive Officer.

### 2.2 Director Independence

ING Management Limited Board consists of a majority of Independent Directors.

ING Management Limited has adopted the following procedures for assessing the independence of each director; with the aim of ensuring that the majority of the ING Management Limited Board remains independent.

#### *Test for Independence*

The procedures in place for determining independence is whether the Director is independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgement.

#### *Materiality*

ING Management Limited Board has determined that where an assessment of materiality is required to determine whether a Director is independent, this will be determined on a case by case basis taking into account all of the facts available at the time.

#### *Annual Performance Reviews*

The Board assesses Directors independence annually in conjunction with the Board's annual performance evaluation and a review of their register of interests and directorships.

#### *Disclosure of Directors who are independent*

Those Directors who are assessed to be independent are identified in the Corporate Governance section of the Annual Report. In the event, an existing Director is assessed to no longer be independent, ING Management Limited on behalf of the Fund will disclose this fact to the ASX as soon as practicable after the assessment has been made.

#### *Independent decision making*

Directors of the Board have individually and collectively the right to seek independent professional advice on matters relating to the Fund, including matters relating to the discharge of its obligations under a Fund's Constitution and the Law, the cost of which may be borne by the Company, or where permitted, the Fund.

Directors must notify the Company Secretary if they are seeking independent professional advice, and as soon as possible provide an estimate of the likely cost.

#### *Conflicts of Interest*

In the event a conflict or potential conflict situation exists, the conflicted Director is absent from the meeting whilst the Board discusses the matter and not vote on the matter, unless the other Directors, who do not have a material personal interest in the matter are satisfied that the interest should not disqualify the Director from voting or being present.

### 2.3 Role of the Chair

The role of the Chairman and CEO are not exercised by the same individual.

ING Real Estate has appointed an independent Chairman, Mr Richard Colless. In selecting the Chairman, due consideration has been given to their expertise and skills to ensure they complement those of the existing board as well as reputation and standing in the market.

## 2.4 Board Nomination and Remuneration Committee

### *Nomination Committee*

The existing size of the Board and the frequency of Board meetings are such that the Board's role in assisting in the appointment process can be undertaken in an efficient manner by the Board itself, without the need for a separate Nomination Committee.

The Board assists ING Real Estate in the process of appointing new Directors by recommending and reviewing candidates when vacancies arise and by performing an annual review that covers amongst other matters, the adequacy of the Board's composition and the independence of existing Directors.

Directors are appointed pursuant to formal letters of appointment setting out the key terms and conditions of the appointment to ensure they understand their key responsibilities and the Board's expectations. The tenure of each Director is determined by ING Real Estate, and for all Directors is until 31 December 2008.

### *Remuneration Committee*

The fees of the Directors of the Company and the remuneration of its staff are determined and paid by ING Real Estate, and not by the Fund itself. For this reason no Remuneration Committee has been established.

The remuneration of the Company in its capacity as Responsible Entity during the year was regulated by the Fund's Constitution. The Company has only a right to be paid a fee or reimbursed an expense from the Fund in relation to the proper performance of its duties.

### *Executive performance and remuneration*

As stated above ING Real Estate, and not the Fund itself, is responsible for remuneration and performance of any staff. However, the Board is responsible for reviewing the adequacy of the resources, including remuneration and incentive structures for key executives, and for making any recommendations to ING Real Estate it feels necessary.

This process has been followed during the year.

Associates of the Company are entitled to fees for the provision of property management, and development and project management services to the Fund's properties. Formal arm's length agreements are in place to regulate these arrangements and these fees are based on normal commercial terms. The fees paid for

these services are set out in the Financial Report of the Fund.

## 2.5 Board Education and Performance Evaluation

The Company undertakes a review of the Board's performance annually, covering amongst other matters, the adequacy of the Board's composition and the independence of existing Directors. The last performance evaluation was undertaken in the first quarter of 2008

The Board performance evaluation is conducted by way of a questionnaire that assesses:

- > the performance of the Board and each of its committees against the requirements of their respective charters;
- > the individual performance of the Chairman and each Director; and
- > the procedures in place for dealing with the RE's continuous disclosure obligations under the Corporations Act and ASX Listing Rules, as well as compliance and corporate governance procedures.

The questionnaire is completed by each Director and the responses collated. The results of the questionnaire are provided to all Directors for discussion at the Board meetings.

### *Board Education & Strategy Days*

Directors have the opportunity to visit the Fund's properties and to meet with management to gain a better understanding of the Fund's operations. The Board also conducts Fund Strategy days to inform directors about current issues concerning the Funds and corporate strategies.

## PROMOTING RESPONSIBLE AND ETHICAL BEHAVIOUR

### 3.1 Code of Conduct

ING Real Estate has established a Code of Conduct which outlines acceptable standards of behaviour and attitudes expected from staff to promote and maintain the confidence and trust of all those dealing with ING Real Estate.

The Code of Conduct covers amongst other matters;

- > Insider trading
- > Personal conduct
- > Dealing with conflict of interests
- > Privacy
- > Environment

In accordance with the Whistleblower Procedures set out in the ING Real Estate Whistleblower Policy, Staff are expected to report any serious issues and these will be investigated fairly. Individuals who report serious issues in good faith are appropriately protected. A copy of the IML's Code of Conduct is available on ING Real Estate's website.

### **3.2 Insider Trading and Trading in ING Real Estate Securities**

A personal trading policy is in place setting out the approval procedures to be followed by all ING Real Estate staff members and Directors wishing to buy or sell securities in the Fund and other listed real estate securities in order to satisfy the relevant legal requirements and protect the reputation and integrity of ING Real Estate.

Any Directors wishing to purchase or sell units in the ING Listed Funds are required to notify the Board Compliance Committee Chairman (or in his absence) the Chairman of Board prior to the trade taking place for approval.

At the commencement of employment each staff member/Director must sign a declaration that he/she will abide by the Policy.

An extract of the personal trading policy for directors and staff is available on the ING Real Estate website in the Code of Conduct.

## **FINANCIAL REPORTING**

### **4.1 Review and Authorisation**

In accordance with section 295A of the Corporations Act, the CEO and CFO have declared in writing to the Board that the financial records of the Fund for the financial year have been properly maintained in accordance with section 286 of the Corporations Act and the Fund's financial reports present a true and fair view of the Fund's financial position and performance and are in accordance with relevant accounting standards.

### **4.2 Board Audit Committee & charter**

The Audit Committee operates under a Board approved Charter which is available in the corporate governance section of the website.

The purpose of the Board Audit Committee is to verify and safeguard the integrity of the Fund's financial

reporting, oversee the independence of the external auditors and maintain the internal control framework.

The Committee consists of three members, all of which are non-executive directors, with an independent Chairperson, who is not the Chairperson of the Board. The membership includes at least one member who has financial expertise, and some members who have an understanding of the property funds management industry.

At the date of this report the members of the Audit Committee were Philip Clark (Chairman), Richard Colless and Michael Easson. Nine meetings were held during the year.

### **4.3 External Audit Firm Guidelines**

The Board Audit Committee is responsible for recommending the initial appointment of the external auditor, the appointment of a new external auditor when any vacancy arises and removal of external auditors. The Audit Committee is also responsible for maintaining procedures for the rotation of the external audit engagement partner.

Under the Audit Committee Charter, the external audit engagement partner must be rotated every 5 years and the statutory Fund audit must be tendered at least every seven years.

#### *External Audit for all the Funds*

In 2007, IML undertook a tender process for the statutory and compliance plan audit for all the Funds. IML invited a number of audit firms to participate in the tender and an Audit Sub Committee was formed to consider the proposals. Following careful consideration of all the proposals and recommendation from the Audit Sub Committee, the Board appointed the firm Ernst & Young as the Fund's Financial & Compliance Plan Auditor for 30 June 2008.

#### *External Audit of the Company*

In 2006, both Ernst & Young and KPMG were invited to tender for the financial audit of ING Group and all of its subsidiaries in 2007.

This tender resulted in the appointment of Ernst & Young as the sole external auditor for ING Group and its subsidiaries, including ING Management Limited from 2008 onwards.

## CONTINUOUS DISCLOSURE

### 5.1 Continuous Disclosure

As the Responsible Entity of listed funds, the Company must comply with the continuous disclosure provisions of the ASX Listing Rules.

Broadly, the Fund is required to immediately notify the ASX of any information concerning the Fund of which it is or becomes aware of, which a reasonable person would expect to have a material effect on the price or value of units in the Fund, subject to certain limited exceptions relating to confidential information.

The Responsible Entity has established a written policy document that deals with;

- > information that needs to be disclosed to the market
- > our responsibility for responding to market rumours or speculation
- > communications with analysts and major investors
- > procedures for dealing with the media

The Company Secretary has been appointed as the person responsible for communications with the ASX. This person is also responsible for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and coordinating information disclosure to the ASX, analysts, brokers, unitholders, media and the public.

## INVESTOR COMMUNICATIONS

### 6.1 Annual Unitholder Meetings

Annual Unitholder meetings are convened at least once a year at a time and place that is considered convenient for the majority of its investors. The Annual Unitholder meeting is usually in November/December.

The Fund places a copy of the most recent notice of meeting and any accompanying explanatory memorandum on its website – when released to the ASX, under the ASX Announcements section.

The Chairman at the Annual Unitholder Meeting ensures that a reasonable opportunity exists for unitholders to ask questions relating to the operations of the Fund and the resolutions being voted on.

Unitholders are encouraged to attend all unitholder meetings or if unable to attend then to vote on proposed motions by appointing a proxy.

#### *Audit Attendance at Annual Unitholder Meetings*

The Company Secretary will request the external auditor or a qualified representative of the auditor to attend the Annual Unitholder Meeting and be available to answer any investor questions about the conduct of the audit,

the auditor's independence, accounting policies, and the preparation and content of the auditor's report.

### 6.2 Communication with Investors

The The ASX Corporate Governance guidelines state that listed entities must respect the rights of unitholders and facilitate the effective exercise of those rights.

This means the listed entity should have procedures in place for communicating with its unitholders, give them access to balanced and understandable information about the listed entity and make it easy for them to participate in Annual Unitholder Meetings.

The Fund has procedures in place to ensure that all unitholders and other interested stakeholders have access to balanced, understandable and timely information concerning the operations of the Funds.

The Company Secretary, in conjunction with the Investor Services Manager and Chief Executive Officer are primarily responsible for ensuring communications with investors are delivered in accordance with these procedures and the guidelines relating to continuous disclosure.

In addition to the formal requirements of half year and annual financial statements, the Fund aims to keep unitholders informed about new developments within the Fund by making copies of all ASX Announcements and presentations available on our website, circulating Fund Updates and encouraging participation of unitholders to attend the Annual Unitholder Meeting.

Further details on the Investor Communication procedures may be obtained by accessing our website at [www.ingrealestate.com.au](http://www.ingrealestate.com.au)

The website provides information specific to each Fund, as well as information relevant to existing or prospective investors.

This website is continually updated and contains recent announcements, webcasts, presentations, past and current reports to unitholders and answers to frequently asked questions. Analyst and investor roadshow presentations released to ASX are included on the website.

The website also contains:

- > the corporate overview on ING Real Estate
- > ING Management Limited's corporate governance policies.
- > profiles of Senior Management and ING Management Limited's Board.
- > other relevant corporate information.

## COMPLIANCE AND RISK MANAGEMENT PROCEDURES

### 7.1 Risk Management

The Board and Management recognise that having a well developed system in place for risk management is an integral part of good management practice. ING Real Estate actively promotes a culture of compliance and risk management awareness with the aim of ensuring all activities comply with laws, regulations, codes and in house policies and procedures.

An Operational & Risk Management Committee (ORMC) has been established, made up of key management executives, with the objective of promoting and facilitating the development of effective risk management processes.

The ORMC meets regularly and assists the Board by identifying, measuring and monitoring key risks affecting ING Real Estate and the Funds, as well as taking appropriate action to control and mitigate the level of risks.

In line with the ING Group guidelines, regular Risk & Control Self Assessment (R&CSA) sessions are held at the ORMC meetings. The purpose of the R&CSA workshops is:

- > to identify all key risks that could lead to an operational loss;
- > assess the risk and identify any risk exposures; and
- > put in place appropriate mitigation measures to address the risks including developing adequate procedures.

The key risks identified through the R&CSA workshops are primarily risks associated with managing property as well as risks arising from the general business environment including, but not limited to, general market risks, liquidity risks, financial reporting, operational and compliance risks.

Through the ORMC, Management puts in place adequate internal controls including specific policies and procedure manuals that are in sufficient detail for individual staff members to refer to in performing their daily duties.

#### *Compliance Plan*

The Fund has a formal Compliance Plan in place which is lodged upon registration of the scheme with the Australian Securities & Investments Commission (ASIC). The purpose of the Compliance Plan is to set out key

processes, systems and measures the Responsible Entity will apply to ensure compliance with:

- > the Corporations Act (Cth) 2001;
- > Constitution of the relevant Fund;
- > Industry practice standards relevant to the Fund; and
- > Internal policies and procedures.

The Compliance Plan is a "how to" document and have been prepared following a structured and systematic process to consider the Responsible Entity's key obligations under the Act and Constitution, the risk of non-compliance and measures required to meet the risks of non compliance.

The Compliance Plan describes the key obligations which must be met by the Responsible Entity, the measures in place to comply with these obligations and how compliance with these measures will be monitored. In addition, the Compliance Plan details the risk of not complying with these obligations, and how breaches are to be reported and addressed.

Each year Ernst & Young conducts an Annual Compliance Plan audit and reports to ASIC on:

- > whether the procedures and controls set out in the Compliance Plan sufficiently address the requirements of the Act; and
- > if the controls and procedures described in the Compliance Plan have been in place and operating effectively over the year.

#### *Risk Management Review and Reporting to the Board and its Committees*

The ORMC reports to the Board and its Committees regularly on the effectiveness of the management of material business risks and the Board undertakes a review annually on whether Management's risk management processes and internal controls are appropriate, including whether management's procedures for monitoring the effectiveness of the risk management processes are adequate.

The Chief Executive Officer and the Chief Financial Officer confirm in writing to the Board, at the time the financial statements are being considered for approval by the Board, that in all material respects:

- > the financial statements present a true and fair view;
- > that this assertion is founded on a sound system of

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financial risk management and internal compliance and control which implements the policies adopted by the Board; and

> that the Fund's financial risk management and internal compliance and control systems are operating efficiently and effectively in all material respects in relation to financial reporting risks.

### **7.2 Board Compliance Committee**

The Board places a strong emphasis on compliance and has established a Compliance Committee that operates under an approved charter.

Under the managed investments regime, the Company is required to register a Compliance Plan with the Australian Securities and Investments Commission. The Compliance Plan outlines the measures which are to be applied by the Company to ensure compliance with the Corporations Act and the Fund's Constitution.

The Compliance Committee is responsible for:

> monitoring the Company's compliance with the Compliance Plan and reporting on its findings to the Board; and

> assessing at regular intervals whether the Fund's Compliance Plan is adequate to ensure compliance with the Law and the Fund's constitution, and to monitor the extent to which the Company complies with the Fund's Compliance Plan.

At the date of this report the members of the Committee comprised of Paul Scully (Chairman) Richard Colless and Hugh Thomson. Four meetings were held during the year. The Compliance Committee reports to the Board after each meeting and otherwise as required.

## **SUSTAINABILITY**

### **8.1 Board Sustainability Committee**

The Board recognises that a sustainable future for its business depends upon the environmental sustainability of the communities, economy and society in which it operates. As such the Board has established a Board Sustainability Committee to address sustainability issues for the Funds.

At the date of this report the members of the Committee comprises of Paul Scully (Chairman) Richard Colless and Hugh Thomson. One meeting was held during the year. The Sustainability Committee reports to the Board after each meeting and otherwise as required.

## **CORPORATE GOVERNANCE DOCUMENTS**

In accordance with the ASX Corporate Governance Guidelines, the following documents are available in the corporate governance section of the website:

- > Board Charter
- > Board Compliance Committee Charter
- > Board Audit Committee Charter
- > Code of Conduct
- > Investor Communications Procedures
- > ING Management Limited Company Constitution