

## Corporate Governance Statement For the year ended 30 June 2011

This Corporate Governance Statement indicates the Company's conformance with the Australian Securities Exchange's ("ASX") Corporate Governance Council's, "Corporate Governance Principles and Recommendations" (2<sup>nd</sup> Edition), as required by the ASX Listing Rules.

The AVJennings Corporate Governance Statement is structured with reference to the ASX recommendations. Areas of non compliance will be disclosed under the relevant principle. All corporate practices within this report were in place for the entire year unless otherwise indicated. This Statement refers to documents that support the Company's Corporate Governance framework and it is posted in the Corporate Governance section on the Company's website: [www.avjennings.com.au](http://www.avjennings.com.au).

### Principle 1:

#### ***Lay solid foundations for management and oversight by the Board***

Recommendation 1.1 of the ASX Corporate Governance Principles requires the Company to establish and disclose the functions reserved for the Board and those delegated to management. The roles and responsibilities of the Company's Board, Board Committees and senior management have been established through Board approved Charters, which have been operational throughout the period and are disclosed on the Company's website at [www.avjennings.com.au](http://www.avjennings.com.au).

All persons who are invited and agree to act as a Director of the Company do so by a formal letter of consent.

To assist it in carrying out its responsibilities, the Board has established several standing Board Committees of its members. Director appointments to Board Committees are by formal resolutions of the Board. The Chairman of each Committee reports on any matters of substance at the next full Board Meeting. Membership of Board Committees and attendance at Board and Committee meetings is tabulated in the *Director's Report* section of the Company's Annual Report.

The Board Committees are:

- Audit Committee
- Nominations Committee
- Remuneration Committee
- Investments Committee
- Risk Management Committee (incorporating the Occupational Health, Safety and Environment sub-committee)

The roles and responsibilities of the Chief Executive Officer and senior management are established through key performance objectives. They are assessed against those objectives on an annual basis, or more frequently if that is indicated. During the period the Nominations Committee has reviewed the performance of Board members.

The Remuneration Committee monitors the performance of the Chief Executive Officer. It also monitors the performance of the Chief Financial Officer and the Company Secretary in consultation with the Chief Executive Officer. The Chief Executive Officer assesses the performance of senior management and these assessments are reviewed by the Remuneration Committee. The process for evaluating the performance of senior executives is set out in the Remuneration Report section of the Company's Annual Report.

The Board has also approved financial delegations and personnel delegations which cover specific areas of delegated responsibility to the Managing Director and senior management.

During the period, the Board has considered broad Corporate Governance matters, including the continuing relevance of existing committees and its own performance and reaffirmed its belief that the Committee structures provided sound oversight of Management, by the Board.

**Principle 2:**  
***Structure the Board to add value***

*Directors*

The Company's Constitution and Section 201A of the *Corporations Act 2001* stipulate that a public company must have at least three Directors.

The Board has adopted guidelines concerning its composition. For the time being, the Board has determined that there shall be at least five Directors, increasing where additional expertise is required. The current Directors of the Company are listed in the *Directors' Report* of the Company's Annual Report with a brief description of their qualifications, experience, special responsibilities and status as Executive, Non-Executive or Independent Director.

The Board includes both Executive and Non-Executive Directors with a majority of Non-Executive Directors. The Non-Executive Directors include both independent and non-independent Directors. There is a strong element of independence on the Board, with four of the six Non-Executive Directors being independent, determined in accordance with the ASX guidelines on independence. The other two Non-Executive Directors, who represent SC Global Developments Limited, a substantial shareholder, have no involvement in the operational management of the Company. The Managing Director is an Executive Director.

The Chairman of the Board is selected by the full Board. The current Chairman of the Board, Mr Simon Cheong, is also Chairman of the Board of a substantial shareholder, SC Global Developments Limited. Although there is no lead Independent Director as recommended by the ASX Principles, the Deputy Chairman, Mr Jerome Rowley, is an Independent Director. The roles of the Chairperson and Chief Executive Officer are exercised by different individuals.

The Board meets around seven times a year either in person or by teleconference. Meeting venues are planned to enable Directors to familiarise themselves with major development projects. A formal agenda is in place for each meeting.

New Directors are inducted individually on the Company's financial, strategic, operational and risk management positions. Directors have access to Company records and information through the Company Secretary and other relevant senior officers. They receive regular detailed reports on financial and operational aspects of the Company's business and may request elaboration or explanation of those reports at any time.

Each Director has the right to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required but this may not be unreasonably withheld. Any advice obtained is made available to the Chairman.

*Nominations Committee*

The Board has a Nominations Committee, comprising three Independent Directors, Mr R J Rowley, Mr H R Hochstadt, and Mr B G Hayman and two Non-Executive Directors, Mr S Cheong and Mrs E Sam, who is also Chairperson of the Committee.

The Nominations Committee Charter sets out its role, responsibilities, composition, structure, membership requirements and guidelines and is posted on the Corporate Governance section of

the Company's website. The purpose of the Committee is to consider the performance of Directors and the appointment of new Directors. The Committee may make use of external consultants if that is deemed appropriate. The Committee meets at least annually.

#### *Company Secretary*

The Board appoints the Company Secretary and all Directors have access to the Company Secretary. Details of the Company Secretary's experience and qualifications are set out in the Company's Annual Report.

The role of the Company Secretary is to support the effectiveness of the Board by monitoring and advising the Board on its Corporate Governance responsibilities by means of its charters, procedures and updates on legislation and regulation. The Company Secretary is also responsible for lodgements with relevant regulators, management of dividend payments and/or Dividend Reinvestment Plan allotments and management of the relationship between shareholders and the share registry.

### **Principle 3:**

#### ***Promote ethical and responsible decision making***

##### *Code of Conduct*

The Company has a Code of Conduct which sets out the behaviour required of all Board members, senior management, employees and contractors throughout the period. The content of the Code is integrated into management practices and forms part of the terms of employment of all Company employees. The Code, which is disclosed on the Company's website, provides a mechanism to employees to report breaches of the Code without fear of retribution. Senior management deals with breaches of the Code and monitors compliance. The Company Secretary and the Chief Executive Officer report to the Board and the Audit Committee on various aspects of Code Compliance.

##### *Dealing in AVJennings' shares*

The Company's Securities Trading Policy places restrictions on the ability of Directors, officers and employees to trade in the Company's shares during specified restricted "black out" periods. The restrictions are designed to minimise the risk of actual or perceived insider trading.

### **Principle 4:**

#### ***Safeguard integrity in financial reporting***

##### *Audit Committee*

The Company has an Audit Committee comprising of two Independent Directors, Mr B Chin (who is a Chartered Accountant and is also the Chairman of the Committee), Mr R J Rowley and one Non-Executive Director, Mrs E Sam. The Chairman of the Committee is a different individual to the Chairman of the Board. The Audit Committee Charter sets out its role, responsibilities, composition, structure and membership requirements and is posted on the Corporate Governance section of Company's website.

All other members of the Board are invited to attend Audit Committee meetings as observers and in a non voting capacity. Usually, all Board members attend all Audit Committee meetings either as members or observers. The Audit Committee papers, including the minutes of the previous Committee Meetings, are sent to all Board members.

The Chief Executive Officer, Chief Financial Officer, Company Secretary, Internal Auditor and the External Auditor attend Audit Committee meetings at the discretion of the Committee. The Committee also meets privately with the External Auditor at least once a year and usually twice per year, without management being present. In addition, the Internal Auditor reports directly to the

Audit Committee and the Committee meets privately with the Internal Auditor at least once per year.

The Minutes of each Committee meeting are circulated after the meeting and the signed minutes tabled at the subsequent meeting of the Committee. The Chairman of the Committee is available to report on or answer questions about the Committee's conclusions and recommendations to the Board. The Committee meets at least three times during the year.

#### *Audit Governance*

The Company has a policy on the provision of auditing and related services. The Committee is satisfied with the independence of the External Auditor.

During the reporting period, the Company had its 2010 Annual Report and Audit Committee Charter posted on its website. The Annual Report has details of the Audit Committee's membership and the number of meetings held and attended.

#### *Financial Reporting*

The Board receives regular reports about the financial condition and operational results of the Company throughout the year. In relation to the half year and annual Financial Statements, Senior Management is required to sign off on the systems and processes within their area of responsibility. This procedure supports the Managing Director and Chief Financial Officer in their certification to the Board in effect stating that the Company's accounts present a true and fair view, in all material aspects, of the Company's financial condition and operational results and accord with the relevant accounting standards.

#### **Principle 5:**

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

A continuous disclosure regime operates throughout the Group. Policies and Procedures are in place to ensure matters that a person could reasonably expect to have a material effect on the share price are announced to the ASX and Singapore Exchange (SGX) in a timely manner. These policies and procedures have been formally communicated to all relevant staff. The Company Secretary is the nominated Continuous Disclosure Officer. The Board is advised of any notifiable events. The Board approves, or is advised of, all releases that are made to the ASX and the SGX. All announcements made by the Company are posted on the Company's website in the "Shareholder" section.

#### **Principle 6:**

##### ***Respect the rights of Shareholders***

The Company endeavours to keep its Shareholders fully informed of matters likely to be of interest to them. It does this through:

- Reports to the ASX, SGX and the press;
- Half and full year profit announcements;
- Annual Reports;
- Investor briefings and information provided to analysts, (which are released to the ASX and SGX prior to being provided to the analysts);
- Continuous disclosure to the ASX pursuant to the ASX Listing Rules and notification of the same information to the SGX; and
- Posting all the above and any other notifications made by the Company to Shareholders, on its website.

The Company's website – [www.avjennings.com.au](http://www.avjennings.com.au) has a section titled "Shareholders" with sub sections on:

- The Company's previous Annual Financial Reports and Half Yearly Reports;
- The Company's share price on the ASX- provided by a link to the ASX web site;
- Announcements made to the ASX and SGX;
- Copies of investor presentations;
- Corporate Governance Charters and Policies including a Shareholder Communication Policy;
- Terms and conditions of the Company's Dividend Reinvestment Plan; and
- Media releases.

At the Annual General Meeting, the Chairman encourages questions and comments from Shareholders and seeks to ensure the Meeting is managed to give the maximum number of Shareholders an opportunity to participate. In the interests of clarity, questions on operational matters may be answered by the Chief Executive Officer or another appropriate member of senior management.

The External Auditor attends the Company's Annual General Meeting and is available to respond to questions about the conduct of the audit and the preparation and content of the Independent Audit Report.

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

The Board has ultimate responsibility for risk management, compliance and control functions across the Group. These functions are aligned with the Company's strategy and business objectives.

The Company has in place internal controls intended to identify and manage significant business risks. These include the review of development proposals and the management of their ongoing performance. Management prepares the Risk Management Plan and the Board is responsible for reviewing and approving it.

The Board has established a Risk Management Committee, which incorporates a sub-committee responsible for occupational health, safety and environmental matters. The Committee comprises two Independent Directors Mr R J Rowley (Chairman) and Mr B G Hayman and generally meets quarterly. The Committee is supported by the Chief Executive Officer, Chief Financial Officer and the Company Secretary. The Risk Management Committee is responsible for identifying and considering new risks and for monitoring management's implementation of the Risk Management Plan, taking the Internal Auditor's review into account.

The Company's assets are insured under a comprehensive insurance program which is reviewed annually.

The Company also has an Investments Committee comprising one Non-Executive Director, Mr S Cheong, two Independent Directors, Mr B G Hayman and Mr R J Rowley and one Non-Director member, Mr David Tsang. The Committee considers all major land development acquisition and disposal proposals that are over monetary limits delegated to management. It also conducts a pre-commencement review and ongoing project reviews during the life of all development projects.

The Chief Executive Officer and the Chief Financial Officer are required to provide the Board with a written statement in accordance with section 295A of the *Corporations Act* to the effect that:

- The integrity of financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- The Company's risk management and internal compliance and control system, in so far as it relates to financial risk, is operating efficiently and effectively in all material respects.

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

The Board has established a Remuneration Committee to review and determine, among other things, remuneration policies and packages applicable to any Executive Directors, the Company Secretary and direct reports to the CEO. It also reviews remuneration to senior managers of the Company and the remuneration policies of the Company. The Committee meets at least annually and usually twice per year and its Charter is available on the Company's web site under the Corporate Governance Section.

The Committee consists of two Non-Executive Directors, Mrs E Sam (Chairperson) and Mr S Cheong, and two Independent Directors, Mr H R Hochstadt and Mr B G Hayman. The Board is of the view that the Committee, which consists entirely of Non Executive Directors, albeit without an independent majority or Chairperson, is structured appropriately to perform its functions in reviewing the remuneration of Company executives and staff.

The Committee reviews and reports to the Board on:

- Conditions of service and remuneration of the Chief Executive Officer and his direct reports;
- Performance of the Chief Executive Officer;
- Remuneration of the Chief Financial Officer and the Company Secretary;
- Remuneration policies for the Company, which include the performance review of all employees, senior management and Board members;
- Proposals for reward initiatives;
- Succession plans for senior management; and
- Other related matters as directed by the Board.

The Chief Executive Officer attends meetings of the Remuneration Committee by invitation when required to report on, and discuss, senior management performance and remuneration matters. He is excluded from Committee deliberations relating to his position.

The Committee is empowered to seek external professional advice on any matter within its terms of reference.

Senior managers of the Company receive a balance of fixed and variable (at risk) remuneration. The proportions vary at different levels within the Company, reflecting the capacity of the senior managers to influence the overall outcome of the Company's operations and returns to Shareholders. The bonuses (if any) to executives are based on a review of individual executive performance as well as the Company's overall financial performance.

Director's fees paid to Non-Executive Directors and Independent Non-Executive Directors are determined by the Board, and are within the aggregate limits approved by Shareholders at a General Meeting. The Independent Non-Executive Directors currently receive fees paid by the Company. The Committee has available to it data on fees paid to independent directors by a wide range of Companies. The remaining two Non-Executive Directors do not receive fees, however the Company pays a consulting fee to the substantial Shareholder, SC Global Developments Limited.