

COMPANY STRUCTURE & STATUTORY INFORMATION.



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Property for Industry Limited (the Company, PFI) is a publicly listed company established in 1994. The Board currently has five Directors, four of whom are independent.

More information on the PFI Board and Management Team is available on the PFI website at <https://www.propertyforindustry.co.nz/about-pfi/our-people-investors/>.

PRINCIPAL ACTIVITY

PFI is a listed industrial property investment company. PFI and its subsidiary, P.F.I. Property No. 1 Limited (together, the Group), invest solely in New Zealand. There has not been any change in the nature of the Company's or Group's business in the year ended 31 December 2018, nor in the classes of business in which the Company has an interest.

GOVERNANCE

The Board of PFI is committed to the highest standards of business behaviour and accountability. The Board regularly reviews and assesses the Group's governance structures and processes to ensure they are consistent with best practice standards.

As part of the Board's ongoing monitoring and review of the Group's governance framework, the Board has developed a Corporate Governance Manual (the manual) that forms the Group's corporate governance framework. The manual was reviewed and revised by the Board during 2017 to reflect the new NZX Corporate Governance Code (the NZX Code). PFI notes the release of revisions to the NZX Corporate Governance Code that will apply once PFI is subject to the new NZX Listing Rules. This report has been prepared on the basis of the existing NZX Code, and PFI will report against the updated code in its annual report for the year ended 31 December 2019.

A copy of the manual is available on the PFI website at <https://www.propertyforindustry.co.nz/about-pfi/governance/> and includes:

1. Code of Ethics;
2. Board Charter;
3. Audit and Risk Committee Charter;
4. Nomination and Remuneration Committee Charter;
5. Remuneration Policy;
6. Financial Products Trading Policy;
7. Continuous Disclosure Policy; and
8. Diversity Policy.

COMPLIANCE WITH NZX REQUIREMENTS

PFI considers that it complies with the NZX Code.

NZX CODE: KEY PRINCIPLES

This section sets out PFI's corporate governance policies, practices and processes by reference to the NZX Code's eight key principles and supporting recommendations.

Principle One : Code of Ethical Behaviour

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

Code of Ethics

The Board has developed a Code of Ethics that forms part of the manual. The Code of Ethics provides a framework for PFI's Directors, Independent Contractors (see below) and employees by which they are expected to conduct their duties by facilitating behaviour that is consistent with PFI's business standards.

PFI monitors compliance with the Code of Ethics through its management processes as well as through the whistleblowing procedures set out in the Code of Ethics itself. All Directors, Independent Contractors and employees are informed of the content of the Code of Ethics prior to commencing such roles, and will be informed of any future change to the Code of Ethics.

Financial Products Trading Policy

PFI is committed to transparency and fairness in financial product dealing and the rules for dealing in PFI's listed securities are contained in its Financial Products Trading Policy. The policy's main purpose is to ensure no Director, Independent Contractor, employee or contractor uses their position or knowledge of PFI or its business to engage in financial product dealing for personal benefit, or to provide a benefit to any third party.

The Financial Products Dealing Policy applies to Directors, Independent Contractors, employees and contractors of PFI and its subsidiary, and trusts and companies controlled by those persons (Restricted Persons).

The key points of the policy are:

- A prohibition on "insider trading", meaning persons who hold non-publicly available price-sensitive information must not pass on that information, nor acquire or dispose of PFI's listed securities;
- Restricted Persons must obtain consent to trade PFI listed securities at any time; and
- No trading is permitted by Restricted Persons during "blackout periods" from the balance date and the half-year balance date until release of the relevant results to NZX.

Principle Two: Board Composition & Performance

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

Board Charter

The Board has developed a charter that sets out its authority, duties and responsibilities. The Board, through a set of formal policies and procedures:

- Establishes a clear framework for oversight and management of PFI's operations and for defining the respective roles and responsibilities of the Board;
- Structures itself to be effective in discharging its responsibilities and duties;
- Sets standards of behaviour expected of the Company's Management Team and representatives;
- Safeguards the integrity of the Company's financial reporting;
- Ensures timely and balanced disclosure;
- Respects and facilitates the rights of shareholders;
- Recognises and manages risk;
- Encourages Board and Management Team effectiveness;
- Remunerates fairly and responsibly; and
- Recognises the legitimate interests of all stakeholders.

The Board has an obligation to protect and enhance the value of the assets of PFI for the benefit of shareholders. It achieves this through approval of appropriate corporate strategies, with particular attention to capital structure, acquisition and divestment proposals, capital expenditure and the review of the performance of the Management Team on a regular basis.

The Board delegates implementation of the adopted corporate strategies to PFI's Management Team.

Board Composition, Appointments, Independence & Operation

The constitution allows for between three and eight Directors. As at 31 December 2018, there were five Directors, four of whom are independent. It is the Company's policy that there should always be a majority of Independent Directors.

The Directors of the Company who held the office during the 12 months to 31 December 2018, their status, date of appointment and meeting attendances follows:

DIRECTOR	STATUS	DATE OF APPOINTMENT	LAST RE-ELECTED	DATE CEASED TO BE A DIRECTOR	MEETINGS ATTENDED (NINE MEETINGS HELD)
Anthony Beverley	Board Chairman Nomination and Remuneration Committee Chairman Independent Director	2 July 2001	22 June 2017	N/A	9
David Thomson	Independent Director	12 February 2018	8 May 2018	N/A	7 ¹
Humphry Rolleston	Independent Director	5 July 1994	22 June 2017	N/A	8
Susan Peterson	Audit and Risk Committee Chair Independent Director	24 May 2016	15 June 2016	N/A	9
Gregory Reidy	Executive Director	20 January 2012	8 May 2018	N/A	9
Peter Masfen	Former Board Chairman Former Independent Director	17 May 2002	15 June 2016	8 May 2018	2 ²

1 Seven meetings were held following David Thomson's appointment.

2 Three meetings were held prior to Peter Masfen's retirement.

A profile of each Director outlining their experience, length of service and independence can be found on the PFI website.

Details of Directors' relevant interests in the Company's Financial Products as at 31 December 2018 can be found below.

The constitution provides that one third (or the nearest whole number to one third) of the Board must offer themselves for re-election at a meeting of shareholders each year.

All current Directors are also Directors of the Company's subsidiary, P.F.I. Property No. 1 Limited.

Where a Board vacancy arises or the Board otherwise determines a need to appoint a new Director, it is the responsibility of the Nomination and Remuneration Committee to identify and nominate external candidates to fill Board vacancies as and when they arise (see Principle 3 below for further information). PFI enters into a formal written agreement with all new Directors, which establishes the terms of their appointment.

Directors are encouraged to undertake continuing education to develop and maintain their skills and knowledge. The Chairperson meets annually with Directors of the Company to discuss individual performance of Directors. The Board reviews its performance as a whole on an annual basis.

Under the Board Charter (described in further detail above) any Managing Director of PFI is not eligible to be appointed as the Chair of the Board.

Gender and Diversity

The breakdown of the gender composition of PFI's Directors and Officers as at the end of the previous two financial years is as follows:

FINANCIAL YEAR	MALE		FEMALE	
	DIRECTORS	OFFICERS	DIRECTORS	OFFICERS
Year ending 31 December 2017	4	2	1	0
Year ending 31 December 2018	4	2	1	0

The Board has established a Diversity Policy in accordance with the NZX Code. The PFI Board believes that a diverse and inclusive workforce is essential for it to be able to deliver its strategic objectives and continue to meet its responsibilities to its customers, its employees, the communities in which it works, and its shareholders. It is further noted that five members of the team of 12 are female (2017: six out of 10).

Principle 3: Board Committees

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

Audit and Risk Committee

The Board has established an Audit and Risk Committee in accordance with the NZX Code. The Audit and Risk Committee has developed a written charter that outlines the committee's authority, duties, responsibilities, relationship with the Board and a policy on audit independence. The committee develops and monitors procedures to ensure the Board is properly and regularly informed and updated on corporate financial matters. The Board is required to regularly review the performance of the Audit and Risk Committee.

The Audit and Risk Committee's functions include:

- Recommending the appointment and removal of external auditors (see Principle 7 "Auditors" below for further detail);
- Reviewing PFI's financial reporting documents with the view to ensuring PFI maintains accurate financial and accounting records; and
- Reviewing earnings releases and financial reports.

In addition to the committee's audit and financial reporting related functions, it is also responsible for providing a view on PFI's business and financial risk management process, including the adequacy of the overall control environment, independence from management and controls in selected areas representing significant risk.

The Audit and Risk Committee meets at least twice a year (or more frequently if required) with the Group's auditor to review the outcome of the interim review (30 June) and annual audit (31 December). Employees will only attend Audit and Risk Committee meetings at the invitation of the Committee.

The Audit and Risk Committee must have a minimum of three Directors as members and the majority must be Independent Directors. No executive or Managing Director may be a member of the Audit and Risk Committee. The Chair of the Board is not eligible to be chair of the Audit and Risk Committee.

At 31 December 2018, the members of the Audit and Risk Committee were Susan Peterson (Chair of the Audit and Risk Committee), Anthony Beverley and David Thomson. Susan Peterson and Anthony Beverley were members of the Committee at all times during 2018 and attended the three meetings of the Audit and Risk Committee held during 2018. David Thomson joined the Audit and Risk Committee on 8 May 2018 and attended the two meetings held following his appointment, Peter Masfen was a member of the Audit and Risk Committee from the beginning of the year until his retirement on 8 May 2018. He attended the one meeting held during this time.

Nomination and Remuneration Committee

The Board has also established a Nomination and Remuneration Committee in accordance with the NZX Code, whose role includes identifying and recommending individuals for nomination to be members of the Board and its committees and regularly reviewing the remuneration policy (for further information on remuneration, see Principle 5 "Remuneration" below). The Nomination and Remuneration Committee has developed a written charter to assist it fulfil this purpose, which outlines the committee's authority, duties, responsibilities and relationship with the Board. The Board is required to regularly review the performance of the Nomination and Remuneration Committee and undertakes a formal review annually of its objectives and activities.

When nominating candidates, the committee takes into account a range of factors as well as perceived needs of the Board at the time. Some of these factors include qualifications, experience, requirements of the NZX Listing Rules and the ability to exercise an independent perspective and informed judgment on matters that come before the Board. While the committee has the authority to obtain legal or other independent professional advice, it may only nominate a person to be a Director of PFI with approval of the Board.

The Nomination and Remuneration Committee must have at least two members, all of whom must be Independent Directors.

At 31 December 2018, the members of the Nomination and Remuneration Committee were Anthony Beverley (Chairman of the Nomination and Remuneration Committee) and Susan Peterson.

Other Committees

The Board does not consider that any additional Board committees as standing Board committees need to be established at this stage.

Principle Four: Reporting & Disclosure

The Board should demand integrity in non-financial reporting, and in the timeliness and balance of corporate disclosures.

Continuous Disclosure Policy

PFI is committed to its obligation to inform shareholders and market participants of all material information that might affect the price of its listed securities in accordance with the NZX Listing Rules and the Financial Markets Conduct Act 2013. Accordingly, the Board has adopted a Continuous Disclosure Policy which applies to PFI, its subsidiary (the Group) and their respective Directors, and all relevant Independent Contractors and employees of PFI. The Board has also appointed the Chief Finance and Operating Officer to act as the Group Disclosure Officer. The Group Disclosure Officer is responsible for ensuring policy compliance and for investigating any alleged breaches.

Corporate Governance Documents

PFI's Board and committee charters, annual and interim reports, company announcements, the policies recommended in the NZX Code and other investor-related material are available on PFI's website.

Financial / Non-Financial Disclosure

PFI is committed to appropriate financial and non-financial reporting. Oversight of the Company's financial reporting is applied through the Audit and Risk Committee. PFI is also committed to non-financial reporting, in particular on the Company's Purpose, Vision and Strategy, and the Company's material exposure to ESG (environmental, social and governance) risks and other key risks. You can find more information on PFI's approach to non-financial disclosure on pages 69 – 72 in this annual report.

Principle Five: Remuneration

The remuneration of Directors and executives should be transparent, fair and reasonable.

As noted previously under Principle 3, the Board, in setting the Directors' remuneration, is to be guided by the Remuneration Policy that forms part of the manual. The total remuneration pool that was approved at the 2016 PFI annual general meeting is \$430,000. This comprised five Independent Director fees of \$70,000 each (\$350,000 in total), an additional \$50,000 for the Board Chair, an additional \$10,000 for the Chair of the Audit and Risk Committee, and an amount for specific payments, being \$20,000, which provides flexibility to remunerate Directors who assume additional responsibilities.

Other than noted in this report, neither the Company nor its subsidiary have provided any other benefits to a Director for services as a Director or in any other capacity.

Neither the Company nor its subsidiary have made loans to a Director.

Neither the Company nor its subsidiary have guaranteed any debts incurred by a Director.

The table below sets out the total remuneration received by the Company's Directors during the year to 31 December 2018.

DIRECTOR	ROLE	FEES PAID 2018 \$000	FEES PAID 2017 \$000
Anthony Beverley	Board Chairman	32	–
	Deputy Board Chairman	–	–
	Audit and Risk Committee Chairman	4	10
	Nomination and Remuneration Committee Chairman	–	–
	Independent Director	70	70
	Amount for specific payments	–	20
David Thomson (1)	Independent Director	62	–
Humphry Rolleston	Independent Director	70	70
Susan Peterson	Audit and Risk Committee Chair	6	–
	Independent Director	70	70
Gregory Reidy (2)	Executive Director	–	–
Peter Masfen	Board Chairman	18	50
	Independent Director	25	70
	Retirement allowance (3)	135	–
Total		492	360

(1) David Thomson was appointed to the Board on 12 February 2018.

(2) No Directors' fees were paid to Gregory Reidy during the year due to his role as Managing Director at that time. You can find further information about Gregory Reidy's remuneration in the "Employees" section below.

(3) On 8 May 2018, Peter Masfen retired from the Board of Directors of the Company as Chairman and Independent Director. Mr Masfen was first elected as a Director of the Company on 17 May 2002, and had held office as a Director of the Company since that date. At the 23 May 2008 Annual Meeting, the Company confirmed that retirement payments (being the total remuneration of the retiring Director, in any three years chosen by the Company) to eligible Directors (which includes Mr Masfen) will be calculated in respect of that Director's remuneration prior to the increase approved at the 23 May 2008 meeting. The rationale for this was that the fees paid to Directors at that time did not reflect market rates, as they had remained unchanged since the incorporation of the Company over 14 years prior to that meeting. As such, a retirement allowance of \$135,000 was payable to Mr Masfen and was paid on his retirement.

At the 23 May 2008 meeting, it was also noted that no retirement remuneration will be paid to Directors who are appointed after 1 May 2004. It is noted that Humphry Rolleston is the only other current Director who was appointed prior to 1 May 2004 and is entitled to this form of payment. \$105,000 has been accrued in the 2018 financial statements in this regard.

Directors' Relevant Interests

There were no Directors' dealings in the Company's financial products between 1 January 2018 and 31 December 2018.

Details of Directors' relevant interests in the Company's financial products as at 31 December 2018 are as follows:

DIRECTOR	NATURE OF RELEVANT INTEREST	NUMBER OF SHARES
Humphry Rolleston	Beneficial holder	17,875
	Legal, but not-beneficial, holder	110,825
Susan Peterson	Beneficial holder	17,788
Gregory Reidy	Beneficial holder	1,005,708

Please note that no Director had a relevant interest in the Company's bonds.

Employee Remuneration

On 30 June 2017, the management of the Company and its subsidiary was internalised. Following the internalisation, the Company employed seven staff for the remainder of 2017, and as at 31 December 2018 the Company employed nine staff.

Also following the internalisation, Gregory Reidy, Simon Woodhams and Craig Peirce became Independent Contractors to the Company. Their remuneration is set out in accordance with the terms of those contracts, which the Board and Nomination and Remuneration Committee oversee. Their remuneration package comprises of a base amount as well as a performance bonus, which is measured quarterly and based on shareholder return. A discretionary bonus was also paid to Simon Woodhams and Craig Peirce during the year ended 31 December 2018.

During the years ended 31 December 2018 and 31 December 2017, the remuneration of the Independent Contractors was as follows (please note that, as PFI internalised on 30 June 2017, the amounts below for the year ended 31 December 2017 represent a half-year of remuneration, as these arrangements did not exist prior to 30 June 2017):

NAME	POSITION	YEAR	BASE AMOUNT \$000	BONUSES \$000	TOTAL \$000
Gregory Reidy	Managing Director	2017	212	56	268
		2018	425	11	436
Simon Woodhams	General Manager	2017	212	56	268
		2018	425	116	541
Craig Peirce	Chief Financial Officer	2017	212	56	268
		2018	425	116	541
TOTAL		2017	636	168	804
		2018	1,275	243	1,518

On 1 January 2019, Simon Woodhams and Craig Peirce ceased to be Independent Contractors. On that date, they were appointed as Chief Executive Officer and Chief Finance and Operating Officer respectively, and they both became full-time employees of the Company.

During the years ended 31 December 2018 and 31 December 2017, the number of employees who received remuneration with a combined total value exceeding \$100,000 is set out below (please note that, as PFI internalised on 30 June 2017, the amounts below for the year ended 31 December 2017 represent a half-year of remuneration, and that this table excludes the Managing Director, General Manager and Chief Financial Officer):

REMUNERATION RANGE	NUMBER OF EMPLOYEES	
	2018	2017
\$250,001 – \$260,000	1	–
\$150,001 – \$160,000	1	–
\$110,001 – \$120,000	–	1

Principle Six: Risk Management

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

The Board is responsible for identifying key risks and managing those risks through internal procedures, which the Audit and Risk Committee regularly reviews (see Principle 3 "Board committees" above).

For example, the Audit and Risk Committee formally considers the Company's risk register twice annually during the meetings of the Audit and Risk Committee.

As identified on pages 71 and 72, health and safety is one of the highest priorities for our business. The Board is responsible for overseeing PFI's compliance with health and safety in accordance with industry best practice.

Principle Seven: Auditors

The Board should ensure the quality and independence of the external audit process.

Together with the Audit and Risk Committee (see Principle 3), the Board is responsible establishing the Company's audit framework and that communication is maintained with external auditors or accountants. Annexed to the Audit and Risk Committee Charter is a separate Policy on Audit Independence, which covers the provision of services by external auditors.

Under the policy, it is the Audit and Risk Committee's role to approve the appointment of PFI's external auditors and assessing PFI's internal controls and systems the support external financial reporting.

PFI's external auditors are subject to a rotation system, which requires the external auditor or lead audit partner to change every five years. There is also a mandatory stand down period before those partners can next be engaged by PFI. Neither will a former Independent Contractor or employee of PFI be engaged in an external audit role within two years of ceasing to be employed by PFI.

The external auditor attends PFI's Annual Meeting each year to answer any questions relating to the audit.

The Audit and Risk Committee must pre-approve all audit services, as well as all non-audit services provided by the auditor. The Policy on Audit Independence sets out a number of principles to guide the committee in assessing whether the services could be perceived as conflicting with the independent role of the auditor. To illustrate, approval will not be granted to produce financial statements (such that they might be perceived as auditing their own work), implement financial systems, or perform any function of management. This ensures that there is a clear separation between internal and external audit roles. The Audit and Risk Committee monitors, and may limit, the amount of non-audit related work being undertaken by the firm holding office as auditor, if that work may, in its opinion, impair the independence of the external auditor.

Principle Eight: Shareholder Rights & Relations

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

PFI encourages an open dialog with its shareholders and stakeholders. The manual, annual report, financial information, and all NZX announcements are available on the Company's website. PFI shareholders are encouraged to receive shareholder communications electronically.

In respect of voting rights, PFI shareholders have one vote per share they hold in PFI, and will have the right to vote on major decisions which may change the nature of PFI in accordance with the NZX Listing Rules.

In order for shareholders to fully participate in meetings, the Board endeavours to post the annual shareholders' notice of meeting on PFI's website as soon as possible and at least 28 days prior to the meeting.

OTHER MATTERS

Directors' Interests Register

During the year, the Board authorised the renewal of the Directors' and Officers' insurance cover as at 30 June 2018 for a period of 12 months and has certified, in terms of section 162 of the Companies Act 1993, that this cover is fair to the Company.

As permitted by the Company's constitution and the Companies Act 1993, the Company has also executed a deed indemnifying its Directors against potential liabilities and costs they may incur for acts or omissions in their capacity as Directors of the Company and its subsidiary.

Please refer to the Directors' Relevant Interests section above for information regarding the acquisition and disposition of relevant interests in the Company's financial products by its Directors.

No Director has sought authorisation to use Company information.

Section 140(1) of the Companies Act 1993 requires a director of a company to disclose certain interests. Under subsection (2) a director can make disclosure by giving a general notice in writing to the company of a position held by a director in another named company or entity.

The following are details of Directors' general disclosures entered in the Interests Register for the Company as at 31 December 2018, and all entries were added by notices given by the Directors during the year ended 31 December 2018:

DIRECTOR	POSITION	COMPANY
Anthony Beverley	Director; Chair of Audit and Risk Committee	Arvida Group Limited
	Director; Chair of Audit and Risk Committee	Ngai Tahu Property Limited
	Director (ACC appointee)	Harbour Quays A1, D4 and F1F2 Limited
	Chairman	Massey University Property Foundation
	Member	WCC Civic Revitalisation Steering Group
Humphry Rolleston	Director	Asset Management Limited
	Director	Infratil Limited
	Director	Matrix Security Group Limited
	Director	Spaceships Limited
	Director	Stray Limited
	Director	AIS Tourism Limited
	Trustee	JL Hall Children's Trust
Susan Peterson	Director; Chair of Audit and Risk Committee	Vista Group International Limited
	Director	Xero Limited
	Director	ASB Bank Limited
	Director	Trustpower Limited
	Director	Organic Initiative Limited
	Trustee	Global Women
Gregory Reidy	Director	McDougall Reidy & Co Limited
	Director	MRC LP Limited
	Director	Residentiae Group Limited
	Director	Thirty Enfield Limited
	Director	DMD (GP) Limited (as General Partner of DMD Limited Partnership)
	Director	MRC2 Limited
	Director	RWP LP Limited
	Director	Residentiae (Edwin Street) GP Limited (as General Partner of Residentiae (Edwin Street) Limited Partnership)
	Trustee	Grammar Rugby Incorporated

Other than noted in this report, there were no other interest register entries recorded for the Company or its subsidiary for the year ended 31 December 2018.

Donations

Neither the Company nor its subsidiary made any donations during the year. The Company became a sponsor of the Keystone New Zealand Property Education Trust during the year ended 31 December 2018, and paid the Trust \$10,000 by way of sponsorship during the year.

Substantial Productholders as at 31 December 2018

As at 31 December 2018, the total number of ordinary shares on issue was 498,723,330. The Company has only ordinary shares on issue.

The persons, who, for the purposes of section 293 of the Financial Markets Conduct Act 2013, were substantial productholders as at 31 December 2018 are:

SECURITY HOLDER	NO. OF SHARES	% WHEN NOTICE WAS FILED
ANZ New Zealand Investments Limited	36,194,716	7.257%
Accident Compensation Corporation	26,579,257	5.329%
Forsyth Barr Investment Management Limited	25,010,793	5.015%

Details of Dividends Paid

DIVIDENDS	DATE PAID	CENTS PER SHARE	TOTAL PAID 2018 \$000	TOTAL PAID 2017 \$000
Q4 2016 final dividend	8 March 2017	2.05	–	9,275
Q1 2017 interim dividend	29 May 2017	1.75	–	7,918
Q2 2017 interim dividend	1 September 2017	1.75	–	7,918
Q3 2017 interim dividend	22 November 2017	1.80	–	8,977
Q4 2017 final dividend	7 March 2018	2.15	10,723	–
Q1 2018 interim dividend	31 May 2018	1.80	8,977	–
Q2 2018 interim dividend	31 August 2018	1.80	8,977	–
Q3 2018 interim dividend	28 November 2018	1.85	9,225	–
Total dividends per statement of changes in equity			37,902	34,088

NZX Waivers

The Company relied on a waiver granted by NZX Regulation on 13 September 2018 in respect of NZX Debt Market Listing Rule 7.11.1, for the Company's offer of bonds with NZX ticker code PF1020. The waiver allowed allotment of the bonds to occur within six business days after the closing date of the offer.

PURPOSE, VISION, STRATEGY.

We first listed in 1994. Now, more than twenty years on, we have over 5,000 shareholders and a portfolio of over 90 properties valued at over \$1.3 billion dollars.

Since inception, PFI has always invested in high quality industrial property in sought-after locations, believing that this investment

focus has the potential to deliver attractive returns to shareholders with a low level of volatility.

Recognising the changing governance and reporting landscape both here in New Zealand and globally, during 2018

we spent some time considering our Purpose, Vision and Strategy.

Looking forward, we continue working on integrating our Purpose, Vision and Strategy, together with our ESG vision, across all aspects of PFI, including our reporting to our stakeholders.

OUR PURPOSE:

PFI GENERATES INCOME FOR INVESTORS AS PROFESSIONAL LANDLORDS TO THE INDUSTRIAL ECONOMY, GENERATING PROSPERITY FOR NEW ZEALAND.

INCOME FOR INVESTORS

People invest in PFI either directly, or through an institutional investor. Either way, PFI's commitment to consistently delivering strong returns is what matters: investors are relying on PFI for their current or future income.

PROFESSIONAL LANDLORDS

PFI tenants achieve greater productivity because capital that would otherwise be tied up in property ownership is more usefully applied to their core business and because having PFI on the team means their management can focus on core business, not solving property problems.

THE INDUSTRIAL ECONOMY

PFI specialises in industrial property. Our investors like that: they understand our role in the economy and what we bring to their investment portfolio. Our tenants also like it: it means PFI really understands their needs and the specialised market in which we operate.

PROSPERITY FOR NEW ZEALAND

PFI is part of New Zealand Inc. We help make the country better off, by enabling our tenants to achieve greater productivity: helping them achieve a better return on the capital they have invested in their businesses, and by providing income for the thousands of New Zealanders who benefit directly or indirectly from their investment in PFI.

OUR VISION:

PFI WILL BE ONE OF NEW ZEALAND'S FOREMOST LISTED PROPERTY VEHICLES. OUR MEASURES WILL BE PERFORMANCE, QUALITY, SCALE AND REPUTATION.

ONE OF NZ'S FOREMOST

We intend to be – and to be regarded as – a leader. When people talk about New Zealand's top Listed Property Vehicles, PFI will be on that list.

PERFORMANCE

The scale and quality of PFI's portfolio and the robustness of PFI's tenant relationships will ensure PFI continues to consistently deliver strong returns to investors.

QUALITY AND SCALE

PFI's portfolio comprises of high quality industrial properties in sought-after locations in Auckland and elsewhere in New Zealand. Already a significant Listed Property Vehicle, PFI will continue to grow to take advantage of the benefits of relevance and scale.

REPUTATION

PFI will continue to enhance its reputation as a good company to invest in, a good company to do business with and a good company to work for. In every respect, one of New Zealand's foremost.

OUR STRATEGY:

WE WILL BUILD ON WHAT WE HAVE AND BE TRUE TO WHO WE ARE. BUT WE WILL BE MORE INTENTIONAL; MORE PROACTIVE.

BUILD ON WHAT WE HAVE

We are not changing direction, but we will now play a different game. Our scale allows us to operate beyond the reach of DIY property investors. PFI can and will acquire larger properties or portfolios of properties, on more favourable terms.

BE TRUE TO WHO WE ARE

Our purpose remains the same: creating income for investors. We will only grow our portfolio if doing so enables us to reliably create strong stable returns for more and more investors. We remain committed to industrial property and intend replacing all non-core assets with quality industrial properties in sought-after areas. We focus on brownfield, rather than greenfield, developments.

MORE INTENTIONAL

And so, while we will maintain our rigour – continue to ensure each and every transaction contributes to our purpose – we intend lifting our heads more often and more actively considering our vision: where we are going and how we are getting there. We will become one of New Zealand's foremost Listed Property Vehicles by choice not chance.

MORE PROACTIVE

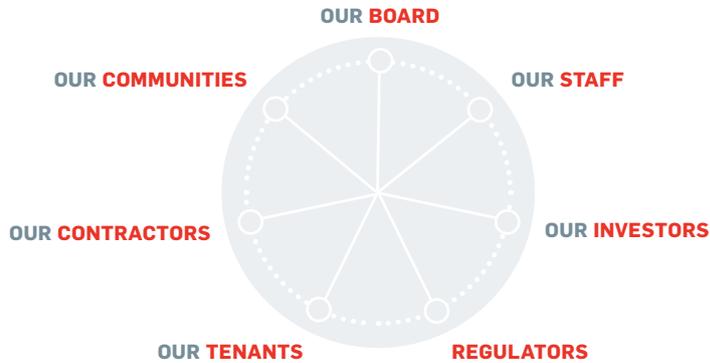
Recognising that bigger is different, we will evolve the way we manage PFI, anticipating and enabling growth; ensuring sustainability. We will broaden the capability of the team and encourage and enable our leaders to operate more strategically.

OUR ESG VISION AND MATERIALITY ASSESSMENT.

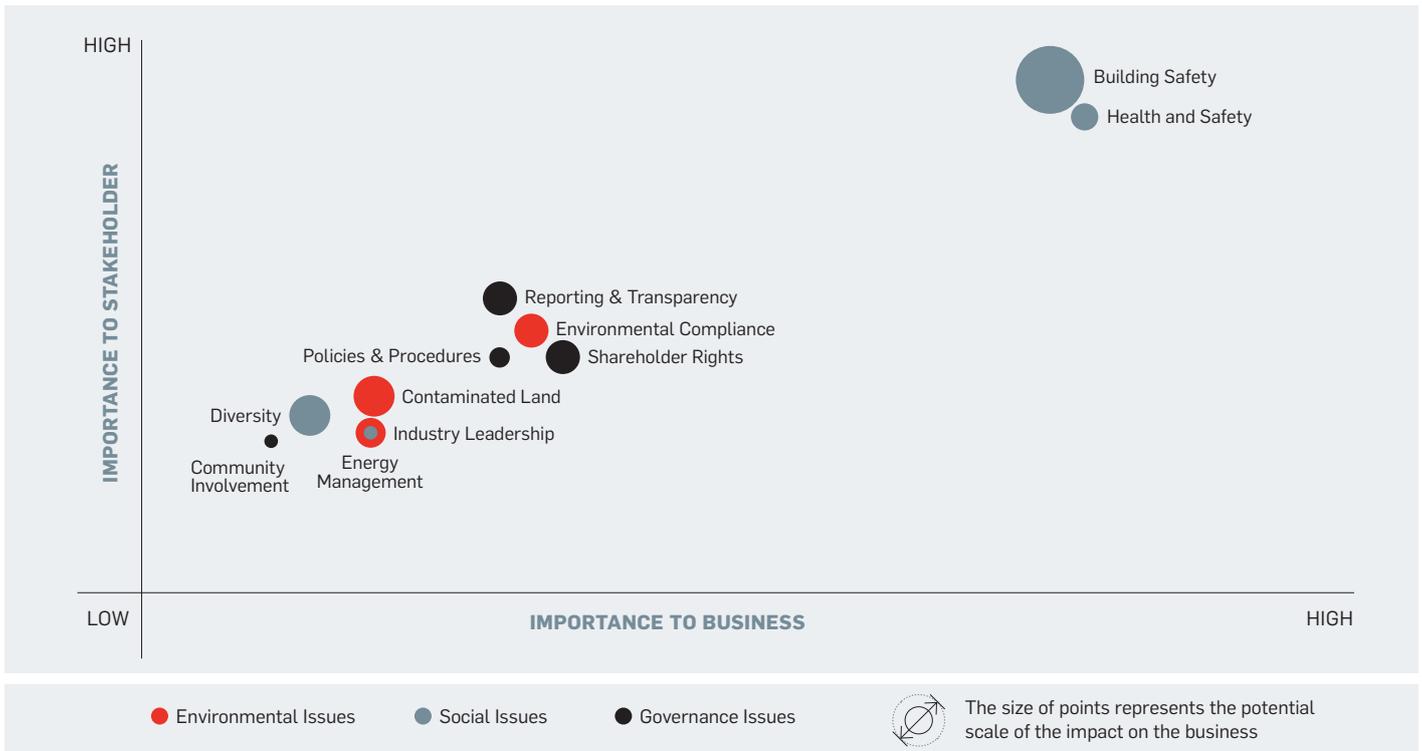
OUR ESG VISION IS FOCUSED ON BEING A RESPONSIBLE AND RESPONSIVE LANDLORD IN ORDER TO CREATE LONG TERM VALUE FOR OUR KEY STAKEHOLDERS.

How we know what's most important to our business

In accordance with accepted ESG assessment practise, we have considered both our internal and external stakeholders' ESG risks and opportunities. We determined our stakeholder groups as the following:



We have followed a staged process to complete our materiality process. After identifying our stakeholders, individual interviews with various representatives of our stakeholder groups helped us identify the material issues which are most important to them. Materiality will help us ensure that we are reporting on matters that are relevant going forward. These material issues can be seen below.



	 ASSET SELECTION	 FINANCING / STRUCTURING	 PORTFOLIO MANAGEMENT / LETTING	 REDEVELOPING	 ASSET DIVESTMENT	 GOVERNANCE / MANAGEMENT
Contaminated land	■			■	■	
Environmental compliance	■		■			
Energy management			■			
Building safety	■		■	■		
Health & safety	■	■	■	■	■	■
Industry leadership						■
Diversity						■
Community involvement				■		■
Policies & procedures	■	■	■	■	■	■
Stakeholder rights	■	■	■	■	■	■
Reporting & transparency		■				■

Addressing our material issues

After identifying our material issues we prioritised them to focus on the issues currently of greatest importance to PFI. Four of the eleven material issues identified surfaced as the highest priorities for our business.

- **Building Safety**
- **Health & Safety**
- **Policies and Procedures**
- **Stakeholder Rights**

These were prioritised on the basis of combined highest importance (top right quadrant of the matrix) and also breadth of impact across our value chain (as can be seen in the chart above).

Looking forward

In accordance with accepted ESG reporting practise, looking forward we are planning on reporting on our material issues in detail, including developing performance measures.