

OTHER

DISCLOSURES

COMPANY STRUCTURE AND STATUTORY INFORMATION

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 2020, 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. It incorporates the NZX Listing Rules relating to corporate governance and the recommendations of the NZX Corporate Governance Code (the NZX Code), and was last updated in September 2020.

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 Product 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 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 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 Product Trading Policy

PFI is committed to transparency and fairness in financial product dealing. The rules for dealing in PFI's listed securities are contained in its Financial Product Trading Policy. The policy's main purpose is to ensure no Director, 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 Product Trading Policy applies to Directors, 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 at any time;
- 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 the day following the 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;
- Ensures remuneration of Directors, employees and contractors is fair and responsible; 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 the Management Team.

Board Composition, Appointments, Independence & Operation

The Company's constitution requires the Company to comply with the minimum board composition requirements under the NZX Listing Rules (being at least three directors). As at 31 December 2020, there were five Directors: four of whom are independent. The NZX Listing Rules requires at least two Independent Directors, and 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 2020, 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 (TWELVE MEETINGS HELD)
Anthony Beverley	Independent Director Board Chair Nomination and Remuneration Committee Chair ¹	2 July 2001	3 June 2020	N/A	12
David Thomson	Independent Director	12 February 2018	8 May 2018	N/A	12
Dean Bracewell	Independent Director Nomination and Remuneration Committee Chair ²	29 November 2019	3 June 2020	N/A	12
Gregory Reidy	Non-Executive Director	20 January 2012	8 May 2018	N/A	12
Humphry Rolleston	Independent Director	5 July 1994	22 June 2017	3 June 2020	7 ³
Susan Peterson	Independent Director Audit and Risk Committee Chair	24 May 2016	8 May 2019	N/A	12

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

Director independence is determined in accordance with the requirements of the NZX Listing Rules. The Board has determined that, as at 31 December 2020, the following Directors of the Company were independent: Anthony Beverley, David Thomson, Dean Bracewell and Susan Peterson. This assessment is based on the fact that these Directors all share the following characteristics:

- They are all Non-Executive Directors.
- They are not currently, or within the last three years have not been, employed in an executive role by the Company, or any of its subsidiaries, and / or there has been a period of at least three years between ceasing such employment and serving on the Board.
- They are not currently holding, or within the last 12 months they have not held, a senior role in a provider of material professional services to the Company or any of its subsidiaries.
- They do not currently have, or within the last three years they have not had, a material business relationship (e.g. as a supplier or customer) with the Company or any of its subsidiaries.
- They are not a substantial product holder of the Company, or a senior manager of, or a person otherwise associated with, a substantial product holder of the Company.
- They do not currently have, or within the last three years they have not had a material contractual relationship with the Company or any of its subsidiaries, other than as a director.
- They do not currently have close family ties with anyone in the categories listed above.
- No director has been a Director with the Company for a length of time that may compromise independence.

The Board acknowledges Anthony Beverley's length of tenure on the Board and notes that any change in Board composition needs to be balanced with ensuring that necessary skills are retained on the Board.

1. Anthony Beverley was the Nomination and Remuneration Committee Chairman until 1 March 2020.
 2. Dean Bracewell was the Nomination and Remuneration Committee Chairman from 1 March 2020.
 3. Seven meetings were held prior to Humphry Rolleston's retirement.

The Board has concluded that Anthony Beverley's length of tenure on the Board did not, and does not, influence the capacity for Anthony Beverley to bring an independent view to decisions in relation to the Company, act in the best interests of the Company, and represent the interests of the Company's financial product holders generally, having regard to the factors described in the NZX Code that may impact Director independence.

The Board noted Gregory Reidy is not considered to be independent by virtue of his role as Managing Director within the last three years.

Details of Directors' relevant interests in the Company's Financial Products as at 31 December 2020 can be found in the section entitled Principle 4 "Reporting and Disclosure".

In compliance with Listing Rule 2.7.1, each Director must not hold office without re-election past the third annual meeting following the Director's appointment or three years, whichever is longer. Any Director appointed by the Board must not hold office (without re-election) past the next annual meeting following the Director's appointment.

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 Board reviews its performance as a whole as well as the performance of individual members and each committee.

Under the Board Charter (described in further detail above) any Chief Executive Officer (if also a Director) of PFI is not eligible to be appointed as the Chair of the Board.

Diversity and Inclusion

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 2019	5	2	1	0
Year ending 31 December 2020	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 work environment 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.

The Board has evaluated the performance of the Company against the Company's Diversity Policy. The Board considers that it, in conjunction with the Management Team, has fostered a work environment where diversity and inclusion, together with different skills, abilities and experiences, is recognised and valued, and employees are treated equitably and fairly in order that talented people who will contribute to the achievement of our strategic objectives are attracted to work for PFI and are able to be retained.

PFI is a small team, but it is noted that seven members of the team of 14 are female (2019: five out of 12).

Principle Three: 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 Board has approved 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" 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 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 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 2020, the members of the Audit and Risk Committee were Susan Peterson (Chair of the Audit and Risk Committee), Anthony Beverley and David Thomson. All were members of the committee at all times during 2020 and attended the five meetings of the committee held during 2020.

Nomination and Remuneration Committee

The Board has also established a Nomination and Remuneration Committee in accordance with the NZX Code. The committee's 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"). The Board has approved a written charter to assist the committee to 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 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 2020, the members of the Nomination and Remuneration Committee were Dean Bracewell (Chairman of the Nomination and Remuneration Committee), Anthony Beverley and Susan Peterson. All three members attended three meetings after 1 March 2020.

Prior to 1 March 2020, Anthony Beverley chaired the Nomination and Remuneration Committee, and Susan Peterson was a member. There was one meeting held prior to 1 March 2020, which both members attended.

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 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 and disclosure. You can find out more information on PFI's approach to the disclosure of environmental, social and governance matters on pages 20-29. You can find out more information about PFI's approach to risk management in the section entitled Principle Six: Risk Management.

Directors' Relevant Interests

Details of Directors' dealings in the Company's financial products in the year ended 31 December 2020 are as follows:

DIRECTOR	NO. OF SHARES (ACQUIRED)	CONSIDERATION PER SHARE	DATE
Dean Bracewell (via Ara Street Investments Limited)	20,000	\$2.3196	10 March 2020
Susan Peterson ⁴	136	\$2.3543	26 May 2020
Susan Peterson ⁵	120	\$2.6886	22 September 2020
Susan Peterson ⁶	116	\$2.8777	18 November 2020

Details of Directors' relevant interests in the Company's financial products as at 31 December 2020 are as follows:

DIRECTOR	NATURE OF RELEVANT INTEREST	NUMBER OF SHARES
Susan Peterson	Beneficial holder	18,160
Gregory Reidy	Beneficial holder	155,708
Dean Bracewell	Beneficial holder	20,000

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

4. As a result of participation in PFI's Dividend Reinvestment Scheme

5. As a result of participation in PFI's Dividend Reinvestment Scheme

6. As a result of participation in PFI's Dividend Reinvestment Scheme

Principle Five: Remuneration

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

Directors

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 table below sets out the remuneration that was approved by shareholders at the 2019 PFI annual meeting.

ROLE	\$ PLUS GST (IF ANY)
Board Chair	160,000
Independent Director	82,500
Non-Executive Director	82,500
Audit and Risk Committee Chair	15,000
Nomination and Remuneration Committee Chairman	10,000
Hourly rates for abnormal and particularly time intensive projects or transactions outside the scope of typical Board work	350 per hour

Other than as 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 2020 and the prior year comparative. Due to rounding, the fee of '\$82,500' above is shown as '\$83' in the table below.

DIRECTOR	ROLE	FEES PAID 2020 \$000	FEES PAID 2019 \$000
Anthony Beverley	Board Chairman	77	68
	Nomination and Remuneration Committee Chairman	–	–
	Independent Director	83	78
David Thomson	Independent Director	83	78
Dean Bracewell ⁷	Nomination and Remuneration Committee Chairman	7	–
	Independent Director	83	7
Gregory Reidy ⁸	Non-Executive Director	83	41
Humphry Rolleston ⁹	Independent Director	35	78
Susan Peterson	Audit and Risk Committee Chair	15	13
	Independent Director	83	78
Total		548	441

7. Dean Bracewell was appointed to the Board on 29 November 2019.

8. On 30 June 2017, the management of the Company and its subsidiary was internalised. Following the internalisation, Gregory Reidy became an Independent Contractor to the Company and during the year ended 31 December 2019, remuneration for his role as an Independent Contractor was \$212,500. This was payable for the period from 1 January to 30 June 2019. On 1 July 2019, he ceased to be an Independent Contractor and, on that date, he was appointed as a Non-Executive Director. Fees payable for this role are set out in the table above.

9. Humphry Rolleston ceased to be a Director on 3 June 2020.

Executives

Remuneration Strategy

The Board supports a remuneration strategy that is aligned to our investors' interests and encourages the achievement of our strategic objectives. The remuneration of the Chief Executive Officer and other employees is designed to attract and retain the most talented, experienced and effective individuals. Packages include a base salary, together with short-term and (potentially) a long-term incentive (LTI) component.

Chief Executive Officer Remuneration

Simon Woodhams' remuneration as Chief Executive Officer is set out below:

YEAR ENDING	SALARY \$	BENEFITS ¹⁰ \$	SUBTOTAL \$	PAY FOR PERFORMANCE			TOTAL REMUNERATION \$
				STI \$	LTI ¹¹ \$	SUBTOTAL \$	
31 December 2019	\$450,000	\$31,711	\$481,711	\$200,000	\$39,148	\$239,148	\$720,859
31 December 2020	\$500,000	\$30,824	\$530,824	\$225,000	\$52,376	\$277,376	\$808,200

Simon Woodhams' participation in PFI's LTI plan is as follows:

YEAR ENDING	SHARE RIGHTS GRANTED (SHARES)	SHARE RIGHTS VESTED DURING THE YEAR (SHARES) ¹²	SHARE RIGHTS LAPSED DURING THE YEAR (SHARES)	SHARE RIGHTS OUTSTANDING AT THE END OF THE YEAR (SHARES)
31 December 2019	85,227	28,409	–	56,818
31 December 2020	73,224	52,817	–	77,225

Employee Remuneration

During the years ended 31 December 2020 and 31 December 2019, the number of employees who received remuneration with a combined total value exceeding \$100,000¹³ is set out below:

REMUNERATION RANGE	NUMBER OF EMPLOYEES	
	2020	2019
\$800,001 – \$810,000	1	–
\$720,001 – \$730,000	–	1
\$680,001 – \$690,000	1	–
\$640,001 – \$650,000	–	1
\$330,001 – \$340,000	1	–
\$300,001 – \$310,000	–	1
\$190,001 – \$200,000	1	–
\$180,001 – \$190,000	–	1
\$150,001 – \$160,000	–	1
\$130,001 – \$140,000	3	–
\$110,001 – \$120,000	2	1

10. Benefits include KiwiSaver and health insurance.

11. The LTI is based on the fair value of the vested awards recognised in the financial statements.

12. The share rights vested does not include shares vesting as a result of dividend protection.

13. Includes LTI vested during the year based on the fair value of the vested awards recognised in the financial statements

Long Term Incentive Plan

Long-term incentives (LTIs) are at-risk payments designed to align the reward of certain executives with the enhancement of shareholder value over a multi-year period.

The new LTI plan commencing in the year ended 31 December 2019 is a dividend protected share rights plan. Under the plan, invited executives are granted a number of share rights determined by dividing the face value of the grant by the value of one PFI share at the date of the grant. At vesting, subject to meeting performance hurdles, each share right is converted to one ordinary share. The executive may also receive additional shares representing the value of dividends paid over the vesting period. The executive is liable for tax on the shares received at this point.

Each grant under the LTI Plan has three tranches with two separate performance hurdles applying to each tranche. The three tranches enable a third of the share rights to vest after one year, two years and three years from the commencement date. For each tranche:

- 50% of the share rights are subject to a performance hurdle of the Company's rolling three year Funds From Operations growth equalling or exceeding the three year CPI growth to the September immediately prior to the vesting date; and
- 50% of the share rights are subject to a performance hurdle of the Company's Total Shareholder Returns (TSR) outperforming the TSR of a property peer group (comprising other listed property issuers) over the period from the commencement date to the vesting date for the relevant tranche.

Grants are intended to continue to be made annually with performance measured over a three-year period.

The total share rights granted, vested, and lapsed during 2020 and 2019, and the share rights outstanding at the end of 31 December 2020 and 31 December 2019 are as follows:

	SHARE RIGHTS GRANTED (SHARES)	SHARE RIGHTS VESTED DURING THE YEAR (SHARES) ¹⁴	SHARE RIGHTS LAPSED DURING THE YEAR (SHARES)	SHARE RIGHTS OUTSTANDING AT THE END OF THE YEAR (SHARES)
31 December 2019	196,023	65,341	–	130,682
31 December 2020	165,279	120,434	–	175,527

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.

Risk Governance

PFI has established a Risk Management Framework to ensure that risks are managed within PFI's Board-approved risk appetite. The Risk Management Framework was last reviewed and approved by PFI's Board in September 2020. The Risk Management Framework establishes the following framework for risk governance:

ROLE	RESPONSIBILITY
Board	The Board sets the risk appetite, risk tolerances and desired risk culture. It oversees the assessment, management and reporting of key business risks.
Audit and Risk Committee (A&RC)	The A&RC supports the Board by providing a specific focus on risk and compliance matters. The A&RC is also responsible for PFI's external audit arrangements.
Senior Leadership Team	The Senior Leadership Team are responsible for promoting good risk practices within their team.
Staff	All staff at PFI have responsibility for identifying and managing risk. Business parameters are set through policies, procedures, systems, processes and controls.
Assurance	The Board and management obtain periodic feedback on how well the business is managing risk and meeting its regulatory obligations.

14. The share rights vested does not include shares vesting as a result of dividend protection.

Key Risks

PFI has a robust risk assessment process. Risk assessments are carried out by the management team at least annually in accordance with PFI's Risk Management Framework. A risk assessment includes: identification of material risks; assessment of the consequences and likelihood of the risk; and development of controls to achieve a level of residual risk that is within PFI's Board-approved risk appetite.

The risks associated with the COVID-19 pandemic were identified, recorded and closely monitored throughout the year. Management regularly reviewed these risks and adapted their response to the latest developments. This will continue to be a focus during 2021.

During 2020, PFI hired a dedicated risk manager, and completed a refresh of its risk register. The table below outlines some of our key business risks, how we manage those risks, and a commentary on these risks for 2020:

RISK DESCRIPTION	HOW WE MANAGE THE RISK	2020 COMMENTARY
<p>Economy / market risk: The risk of adverse changes in the NZ economic environment, political environment or the broader investment market, impacting property values and income.</p>	<p>We monitor both wider economic conditions and the industrial property market through research and relationships with market participants. Quarterly reporting on market conditions is provided to the Board.</p>	<p>PFI has carefully monitored the impacts of the COVID-19 pandemic during 2020, responded early to address the changing market conditions, and achieved resilient results.</p>
<p>Strategic risk: The risk of failing to execute or adapt PFI's strategy (for example, tailoring the strategy to ensure portfolio optimisation and minimise concentration risk).</p>	<p>PFI's strategy is reviewed regularly by the Board and management team. Quarterly reporting on strategy implementation is provided to the Board.</p>	<p>Good progress has been made during 2020 on the implementation of PFI's strategy. In particular PFI has:</p> <ul style="list-style-type: none"> ■ divested the non-core property at 2 Pacific Rise, Mt Wellington; ■ acquired a quality industrial estate located at 528-558 Rosebank Road in Avondale, Auckland; ■ secured a second quality industrial estate located at 670-680 Rosebank Road in Avondale, Auckland, which settled on 29 January 2021; and ■ marketed the non-core Carlaw Park property for sale, which was sold in February 2021.
<p>Health and safety risk: The risk of a health and safety incident at a PFI property.</p>	<p>Health and safety is actively managed by PFI's health and safety committee. A wide variety of risk mitigants are in place, including monitoring visits and proactive responses to the identification of potential hazards.</p>	<p>Continuous improvement of PFI's Health & Safety Framework has been a key focus during 2020. PFI continues to experience a low level of incidents. Further information on health and safety can be found in the Sustainability section of this annual report.</p>
<p>Financial performance risk: The risk of financial performance not being managed to expectations.</p>	<p>PFI has a wide suite of controls for this risk, including a delegations policy, analytical reviews, forecasting, budgeting, and proactive management.</p>	<p>PFI took several steps to ensure that this risk continued to be well-managed in response to the COVID-19 pandemic. This included securing additional funding and making cuts or deferrals of expenditure where appropriate.</p>
<p>Technology and cybersecurity risk: The risk of PFI's systems or data becoming compromised, for example due to a cyberattack or an outage.</p>	<p>PFI's systems are managed by a competent third party, and protected by a range of cybersecurity controls.</p>	<p>During 2020, PFI worked with suppliers to increase the level of cybersecurity for its systems, and engaged an independent specialist to review its cybersecurity.</p>

PFI also completed its first climate change risk assessment during 2020. The risks identified through this assessment are embedded in a range of risks on our risk register, including economy / market risks, emerging regulation risk and physical damage risk. Further information on PFI's climate-related risks can be found in the Climate-Related Disclosures section of this annual report (pages 89 – 93).

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 for establishing the Company's audit framework and ensuring 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 assess PFI's internal controls and systems that 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.

PFI does not have an internal audit function. The process it employs for evaluating and continually improving the effectiveness of its risk management and internal processes can be found in the section entitled Principle Six: Risk Management.

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 dialogue 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 20 working 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 2020 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 disposal 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 during the 12 months ending 31 December 2020. Any entry added by notices given by the Directors during the year ended 31 December 2020 is denoted with a *. Any entry removed by notices given by the Directors during the year ended 31 December 2020 is denoted with a ~.

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 ~
Dean Bracewell	Director	Tainui Group Holdings Limited
	Executive Board Member	Halberg Foundation
	Director	Ara Street Investments Limited
	Director	Air New Zealand Limited *
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)
	Director	H&R MRC Limited
	Director	Resident Properties Limited
	Director	Area Management Limited
	Trustee	Grammar Rugby Incorporated
	Director	Reidy & Co Limited *
	Director	MSR GP Limited (as General Partner of MSR Limited Partnership) *
Susan Peterson	Director; Chair of Nomination and Remuneration Committee ~	Vista Group International Limited
	Director, Chair of Remuneration Committee	Xero Limited
	Director	ASB Bank Limited ~
	Director, Chair of Nominations and Governance Committee, Chair of People and Remuneration Committee *	Trustpower Limited
	Director, Co-Chair of the Board	Organic Initiative Limited
	Board Member	Global Women
	Member	NZX Markets Disciplinary Tribunal
	Director	Arvida Group Limited *

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 2020.

Donations

The Company made a \$10,000 donation to the Auckland City Mission's HomeGround project, which will provide a purpose-built, safe space to stand against homelessness, hunger and poor health. The Company is a sponsor of the Keystone New Zealand Property Education Trust and paid the Trust \$10,000 by way of sponsorship during the year. The subsidiary did not make any donations during the year.

Substantial Productholders as at 31 December 2020

As at 31 December 2020, the total number of ordinary shares on issue was 501,302,888. 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 2020 are:

SECURITY HOLDER	NO. OF SHARES WHEN NOTICE WAS FILED	% WHEN NOTICE WAS FILED
ANZ New Zealand Investments Limited	36,194,716	7.257%
Accident Compensation Corporation	26,579,257	5.329%

Details of Dividends Paid

The following dividends have been paid by the Company in the past two financial years:

DIVIDENDS	DATE PAID	CENTS PER SHARE	TOTAL PAID 2020 \$000	TOTAL PAID 2019 \$000
Q4 2018 final dividend	13 March 2019	2.10		10,474
Q1 2019 interim dividend	24 May 2019	1.80		8,977
Q2 2019 interim dividend	4 September 2019	1.80		8,977
Q3 2019 interim dividend	20 November 2019	1.85		9,225
Q4 2019 final dividend	4 March 2020	2.15	10,723	
Q1 2020 interim dividend	26 May 2020	1.80	8,978	
Q2 2020 interim dividend	22 September 2020	1.80	8,997	
Q3 2020 interim dividend	18 November 2020	1.85	9,261	
Total dividends per statement of changes in equity			37,959	37,653

NZX Waivers

The Company released its results for the six months ended 30 June 2020 to the NZX on 4 September 2020. In doing so, PFI relied on the class waiver from Rule 3.5.1 granted by NZX on 3 April 2020.

SHAREHOLDER STATISTICS

SHAREHOLDER SPREAD AS AT 31 JANUARY 2021

ORDINARY SHARES	NUMBER OF HOLDERS	HOLDING	HOLDING %
Up to 4,999	1,245	3,096,397	0.62%
5,000 - 9,999	1,105	7,942,111	1.58%
10,000 - 49,999	2,362	50,496,802	10.07%
50,000 - 99,999	362	24,345,618	4.86%
100,000 - 499,999	277	54,516,082	10.87%
500,000 and above	89	360,905,878	72.00%
	5,440	501,302,888	100.00%

GEOGRAPHICAL SPREAD AS AT 31 JANUARY 2021

ORDINARY SHARES	HOLDING	HOLDING %
Auckland & Northern Region	262,338,859	52.34%
Hamilton & Surrounding Districts	105,930,351	21.13%
Wellington & Central Districts	71,078,803	14.18%
Dunedin & Southland	44,884,534	8.95%
Nelson, Marlborough & Christchurch	14,646,661	2.92%
Overseas	2,423,680	0.48%
Total	501,302,888	100.00%

SHAREHOLDER STATISTICS (continued)

20 LARGEST REGISTERED SHAREHOLDERS

AS AT 31 JANUARY 2021

	HOLDER	HOLDING	HOLDING %
1	Accident Compensation Corporation - NZCSD	30,001,036	5.98%
2	Forsyth Barr Custodians Limited	29,936,460	5.97%
3	ANZ Wholesale Trans-Tasman Property Securities Fund - NZCSD	22,366,236	4.46%
4	FNZ Custodians Limited	20,195,852	4.03%
5	BNP Paribas Nominees (NZ) Limited - NZCSD	18,550,351	3.70%
6	Custodial Services Limited (A/C 4)	16,534,242	3.30%
7	Citibank Nominees (New Zealand) Limited - NZCSD	15,424,476	3.08%
8	Custodial Services Limited (A/C 3)	14,493,063	2.89%
9	New Zealand Depository Nominee Limited (A/C 1)	14,482,856	2.89%
10	Custodial Services Limited (A/C 2)	9,421,169	1.88%
11	ANZ Wholesale Property Securities - NZCSD	8,606,803	1.72%
12	HSBC Nominees (New Zealand) Limited - NZCSD	8,170,122	1.63%
13	Messrs. Wildermoth, Wilson and Young and Ms Wildermoth	7,331,480	1.46%
14	Investment Custodial Services Limited (A/C C)	6,987,177	1.39%
15	MFL Mutual Fund Limited - NZCSD	6,840,398	1.36%
16	JBWere (NZ) Nominees Limited	5,568,849	1.11%
17	Mr. Mckee and Ms. Mckee	5,566,373	1.11%
18	Custodial Services Limited (A/C 18)	5,173,394	1.03%
19	FNZ Custodians Limited	4,820,515	0.96%
20	Custodial Services Limited (A/C 1)	4,774,338	0.95%
	Shares held by top 20 shareholders	255,245,190	50.92%
	Balance of shares	246,057,698	49.08%
	Total of issued shares	501,302,888	100.00%

BONDHOLDER STATISTICS

BONDHOLDER SPREAD: PFI010 AS AT 31 JANUARY 2021

BONDS	NUMBER OF HOLDERS	HOLDING	HOLDING %
5,000 - 9,999	65	343,000	0.34%
10,000 - 49,999	418	8,122,000	8.12%
50,000 - 99,999	51	3,133,000	3.13%
100,000 - 499,999	39	5,623,000	5.62%
500,000 - 999,999	1	920,000	0.92%
1,000,000 and above	13	81,859,000	81.87%
Total	587	100,000,000	100.00%

BONDHOLDER SPREAD: PFI020 AS AT 31 JANUARY 2021

BONDS	NUMBER OF HOLDERS	HOLDING	HOLDING %
5,000 - 9,999	40	230,000	0.23%
10,000 - 49,999	216	4,432,000	4.43%
50,000 - 99,999	29	1,663,000	1.66%
100,000 - 499,999	30	4,684,000	4.68%
500,000 - 999,999	5	3,453,000	3.45%
1,000,000 and above	10	85,538,000	85.55%
Total	330	100,000,000	100.00%

BONDHOLDER STATISTICS (continued)**20 LARGEST REGISTERED BONDHOLDERS**

AS AT 31 JANUARY 2021

HOLDER	PFI 010 HOLDING	PFI010 % HOLDING	PFI 020 HOLDING	PFI020 % HOLDING
Forsyth Barr Custodians Limited	23,705,000	23.71%	19,424,000	19.42%
FNZ Custodians Limited	10,054,000	10.05%	11,252,000	11.25%
Citibank Nominees (New Zealand) Limited - NZCSD	–	0.00%	10,037,000	10.04%
Custodial Services Limited (A/C 4)	6,849,000	6.85%	10,028,000	10.03%
National Nominees Limited	8,557,000	8.56%	–	0.00%
Custodial Services Limited (A/C 3)	4,781,000	4.78%	6,933,000	6.93%
Custodial Services Limited (A/C 2)	4,335,000	4.34%	5,633,000	5.63%
NZPT Custodians (Grosvenor) Limited	4,300,000	4.30%	1,300,000	1.30%
HSBC Nominees (New Zealand) Limited - NZCSD	4,075,000	4.08%	3,900,000	3.90%
Generate Kiwisaver Public Trust Nominees Limited	1,589,000	1.59%	4,013,000	4.01%
Tea Custodians Limited Client Property Trust Account	3,392,000	3.39%	3,260,000	3.26%
Custodial Services Limited (A/C 1)	1,910,000	1.91%	2,961,000	2.96%
Custodial Services Limited (A/C 18)	1,983,000	1.98%	2,947,000	2.95%
Investment Custodial Services Limited (A/C C)	2,571,000	2.57%	2,020,000	2.02%
Hobson Wealth Custodians Limited (Resident Cash Account)	2,024,000	2.02%	935,000	0.94%
BNP Paribas Nominees (NZ) Limited - NZCSD	–	0.00%	1,935,000	1.94%
JBWere (NZ) Nominees Limited	1,904,000	1.90%	–	0.00%
Custodial Services Limited (A/C 16)	1,049,000	1.05%	1,403,000	1.40%
JML Capital Limited	–	0.00%	600,000	0.60%
Sterling Holdings Limited	–	0.00%	500,000	0.50%
Investment Custodial Services Limited (990042052)	350,000	0.35%	–	0.00%
Custodial Services Limited (A/C 15)	206,000	0.21%	325,000	0.33%
Custodial Services Limited (A/C 23)	–	0.00%	323,000	0.32%
Custodial Services Limited (A/C 28)	–	0.00%	312,000	0.31%
Dunedin Diocesan Tourist Board	–	0.00%	250,000	0.25%
Hobson Wealth Custodians Limited (AIL Cash Account)	233,000	0.23%	–	0.00%
John Collingwood King and Pravir Atindra Tesiram (King Family A/C)	200,000	0.20%	–	0.00%
Bonds held by top 20 Bondholders	84,067,000	84.07%	90,291,000	90.29%
Total Remaining Holders Balance	15,933,000	15.93%	9,709,000	9.71%
Total of issued Bonds	100,000,000	100.00%	100,000,000	100.00%