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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, all 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/>.

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 2022, 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 August 2022.

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. People Committee Charter, which includes the Company's Remuneration Policy;
5. Continuous Disclosure Policy;
6. Financial Product Trading Policy; and
7. Diversity and Inclusion Policy.

COMPLIANCE WITH NZX REQUIREMENTS

PFI considers that it complied with the NZX Code in the year ended 31 December 2022.

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 set of expectations for PFI's Directors, employees and contractors surrounding their business conduct when representing PFI. The Code intends to facilitate 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. PFI provides access to a confidential third-party agency for whistleblowing purposes. 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. Training on ethical conduct was last provided to employees in 2022, following the August 2022 review of the Code of Ethics and related internal policies.

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 and Management;
- structures itself to be effective in discharging its responsibilities and duties;
- sets standards of behaviour expected of the Company's employees 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 effectiveness;
- ensures remuneration of Directors, employees and contractors is fair and reasonable;
- recognises the legitimate interests of all stakeholders (including stakeholder expectations around ESG and sustainability); and
- promotes a corporate culture which embraces inclusion and diversity.

The Board's primary focus is on the creation of long-term shareholder wealth and ensuring PFI is run in accordance with appropriate management and corporate governance practices. The Board has an obligation to protect and enhance the value of the assets of PFI for the benefit of PFI and its shareholders. It achieves this through approval of appropriate corporate strategies, business plans and budgets, and monitoring actual results against the Company's strategic objectives. PFI's Board pays particular attention to capital structure, capital expenditure, acquisition and divestment proposals, performance against PFI's sustainability strategy, and ensuring effective audit, risk and compliance procedures are in place to protect PFI's assets and ensure integrity of reporting. The Board is also responsible for approving PFI's Corporate Governance Manual and maintaining corporate and Board values to ensure PFI acts to the highest ethical standards and integrity.

The Board delegates implementation of the adopted corporate strategies to the Management Team and reviews the performance of the Management Team on a regular basis.

Board Composition

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 2022, there were five Directors, all of whom are independent. The NZX Listing Rules require 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 2022, 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 (TEN MEETINGS HELD)
Anthony Beverley	Independent Director Board Chair	2 July 2001	3 June 2020	N/A	10
Carolyn Steele	Independent Director Audit and Risk Committee Chair ¹	22 August 2022	N/A	N/A	3
David Thomson	Independent Director	12 February 2018	19 May 2021	N/A	10
Dean Bracewell	Independent Director People Committee Chair	29 November 2019	3 June 2020	N/A	10
Gregory Reidy	Non-Executive Director	20 January 2012	19 May 2021	N/A	10
Susan Peterson	Independent Director Audit and Risk Committee Chair ¹	24 May 2016	13 May 2022	14 December 2022 ²	9

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

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

Director Skills and Experience

A profile of each Director outlining their skills, experience and length of service can be found on the PFI website. The Board strives to ensure that PFI has the right mix of skills and experience for PFI to achieve its strategic goals. The skills and experience represented on the Board are summarised in the diagram below:

Property		Key: Strong skills or experience Some skills or experience Limited skills or experience
Capital Markets		
Financial		
Governance		
Executive Leadership		
Legal		
Health and Safety		
Sustainability		
Technology		

Directors are encouraged to undertake continuing education to develop and maintain their skills and knowledge.

1. Carolyn Steele replaced Susan Peterson as Chair of the Audit and Risk Committee effective 14 December 2022.
2. Independent Director Susan Peterson retired from the Board on 14 December 2022. Susan Peterson also retired as a director of P.F.I. Property No. 1 Limited on that date.

Carolyn Steele, who joined PFI's Board on 22 August 2022 and is now Chair of the Audit and Risk Committee, is considered to be PFI's financial expert. Carolyn has a background in investment management, capital markets and mergers and acquisitions, having spent six years as a portfolio manager at the Guardians of New Zealand Superannuation, and a further ten years prior to that in investment banking at Forsyth Barr and First NZ Capital / Credit Suisse. Carolyn is also Audit and Risk Committee Chair for Green Cross Health, WEL Networks and Vulcan Steel and an Investment Committee member at Oriens Capital. PFI's Board and Management consider that Carolyn has a strong financial background for the purposes of Listing Rule 2.13.2.

Director Independence

Director independence is determined in accordance with the requirements of the NZX Listing Rules. The Board has determined that, as at 31 December 2022 all Directors of the Company were independent: Anthony Beverley, David Thomson, Dean Bracewell, Gregory Reidy, and Carolyn Steele. 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 has resolved that Gregory Reidy is now considered to be independent as more than three years have passed since his role as Managing Director.

Anthony Beverley has served on the Board of PFI for 21 years and has been Chair of the Board for four years. When assessing independence, the Board considered the effect of Anthony Beverley's length of tenure, and has concluded that Anthony Beverley's length of tenure has not in practice impacted his ability 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 PFI Board is continuing to progress its succession planning, and notes that any change in Board composition needs to be balanced with ensuring that necessary skills, experience and depth of understanding are retained on the Board, particularly when facing economic uncertainty. As with existing Directors, future appointees will be expected to provide governance leadership potential in addition to their specific skills.

Details of Directors' relevant interests in the Company's financial products as at 31 December 2022 can be found in the section entitled Principle Four: Reporting and Disclosure.

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

Director Appointments

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. As such, Director Carolyn Steele was appointed to the Board on 22 August 2022 and is required to retire and stand for re-election at the Annual Meeting of Shareholders in 2023.

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

Diversity and Inclusion

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

FINANCIAL YEAR	MALE			FEMALE		
	DIRECTORS	OFFICERS	SENIOR LEADERS ¹	DIRECTORS	OFFICERS	SENIOR LEADERS
Year ending 31 December 2021	4	3	3	1	0	1
Year ending 31 December 2022	4	3	3	1	0	1

The Board believes that a diverse and inclusive work environment is critical to the sustainability of PFI. At PFI diversity means recognising and valuing the many ways that we are different. This includes differences that relate to gender, age, culture, ethnicity, disability, religion, and sexual orientation, as well as differences in background, skills, perspective, and experiences.

The Board has established a Diversity and Inclusion Policy in accordance with the NZX Code. The PFI Board believes that an inclusive work environment where everyone is treated equitably and fairly and is supported to be successful in their roles 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 PFI's performance against the Company's Diversity and Inclusion Policy through regular employee engagement surveys to ensure that our overall work culture remains inclusive. The Board also sets Diversity and Inclusion targets annually, which are monitored quarterly. 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.

The Board is committed to taking steps that will see diversity in the composition of both the Board and leadership team move progressively over time. It is important to note that PFI has a small team comprising 19 permanent and dedicated team members and that nine of these team members are female (2021: seven out of 16).

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 Seven: 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 generally meets four times a year, and 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.

1. Includes officers

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 2022, the members of the Audit and Risk Committee were Carolyn Steele (Chair of the Audit and Risk Committee), Anthony Beverley and David Thomson. Former Director Susan Peterson was Chair of the Audit and Risk Committee until 14 December 2022. Carolyn Steele became a member of the Audit and Risk Committee on 22 August 2022 and became Chair of the Audit and Risk Committee on 14 December 2022. Anthony Beverley and David Thomson were members of the committee at all times during 2022. Susan Peterson, Anthony Beverley and David Thomson attended the four meetings of the committee held during 2022, whilst Carolyn Steele attended one meeting as a member of the Audit and Risk Committee in December 2022.

People Committee

The Board has also established a People Committee (previously known as the Nomination and Remuneration Committee) in accordance with the NZX Code. 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 People Committee and undertakes a review annually of its objectives and activities.

The People Committee's role includes identifying and recommending individuals for nomination to be members of the Board and its committees, regularly reviewing composition and successions plans and, where appropriate, recommending changes to the composition of the Board to ensure PFI maintains the right composition of Directors to effectively govern and provide guidance to the business. The Committee is also responsible for assisting the Board with performance reviews, assessing independence of PFI's Directors, and regularly reviewing the remuneration policy (for further information on remuneration, see Principle Five: Remuneration).

When nominating candidates, the Committee considers a range of factors as well as perceived needs of the Board at the time. Some of these factors include qualifications, experience, diversity, 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 People Committee must have at least two members, all of whom must be Independent Directors.

At 31 December 2022, the members of the People Committee were Dean Bracewell (Chair of the People Committee), Anthony Beverley and David Thomson. Dean Bracewell and Anthony Beverley were members of the committee at all times during 2022 and attended the five meetings of the committee held during 2022. Former Director, Susan Peterson, was a member of the People Committee until her retirement from PFI's Board on 14 December 2022 and attended the five meetings of the committee held during 2022. David Thomson was appointed as a People Committee member on 14 December 2022. There were no further meetings of the committee after that date during 2022.

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 the Group, and the 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 Reporting

PFI is committed to appropriate financial reporting. Oversight of the Company's financial reporting is applied through the Audit and Risk Committee.

Non-Financial Disclosure

PFI is committed to non-financial disclosure, including reporting on environmental, social sustainability and governance factors and practices. PFI acknowledges it will be required to provide climate-related disclosures as a climate reporting entity under the Financial Sector (Climate-related Disclosures and Other Matters) Amendment Act 2021 in its FY23 Annual Report, and notes that the Company already voluntarily reports climate-related disclosures in line with TCFD recommendations (see pages 36-43).

You can find more information on PFI's approach to sustainability on pages 25-35.

You can find more information about PFI's approach to risk management, including health and safety risks, 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 2022 are as follows:

DIRECTOR	NO. OF SHARES (ACQUIRED)	CONSIDERATION PER SHARE	DATE
Dean Bracewell	20,000	\$2.7105	2 March 2022

Details of Directors' relevant interests in the Company's financial products as at 31 December 2022 are as follows:

DIRECTOR	NATURE OF RELEVANT INTEREST	NUMBER OF SHARES
Gregory Reidy	Beneficial holder	155,708
Dean Bracewell	Beneficial holder	40,000

No Director had a relevant interest in the Company's bonds.

Principle Five: Remuneration

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

Director Remuneration

As noted under Principle Three, the Board, in setting the Directors' remuneration, is to be guided by the Remuneration Policy that forms part of the People Committee Charter. The table below sets out the remuneration that was approved by shareholders at the 2021 PFI annual meeting:

ROLE	\$ PLUS GST (IF ANY)
Board Chair	170,000
Independent Director / Non-Executive Director	90,000
Audit and Risk Committee Chair	15,000
Audit and Risk Committee Member	7,500
People Committee Chair	10,000
People Committee Member	5,000
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 2022 and the prior year comparative:

DIRECTOR	ROLE	FEES PAID 2022 \$000	FEES PAID 2021 \$000
Anthony Beverley	Board Chair	80	79
	Independent Director	90	87
	Audit and Risk Committee Member	–	–
	People Committee Member	–	–
Carolyn Steele ¹	Audit and Risk Committee Chair	1	–
	Independent Director	33	–
	Audit and Risk Committee Member	2	–
David Thomson	Independent Director	90	87
	Audit and Risk Committee Member	5	5
	People Committee Member	–	–
Dean Bracewell	People Committee Chair	10	10
	Independent Director	90	87
Gregory Reidy	Non-Executive Director	90	87
Susan Peterson ²	Audit and Risk Committee Chair	14	15
	Independent Director	86	87
	People Committee Member	5	3
Total		596	548

Employee 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 and effective individuals. Packages include a base salary, together with a short-term and (in some cases) a long-term incentive (LTI) component.

1. Carolyn Steele was appointed to the Board on 22 August 2022. Carolyn Steele was an Audit and Risk Committee member from 22 August 2022 and became Chair of the Audit and Risk Committee from 14 December 2022.
2. Susan Peterson ceased to be a Director on 14 December 2022.

Chief Executive Officer Remuneration

The Chief Executive Officer's (CEO) remuneration is comprised of a base salary and benefits, a short-term incentive (STI) and participation in PFI's LTI plan.

The CEO's STI is paid on achievement of annual targets which are aligned to the delivery of PFI's key operational objectives. Target areas for the CEO's key performance indicators for 2022 are outlined below:

TARGET AREA	WEIGHTING
Leadership objectives including staff engagement	15%
Strategic execution	15%
Portfolio metrics	15%
Operational performance including ESG performance	15%
Financial performance	40%

STI payments are endorsed by the People Committee and approved by the Board, based on achievement of the objectives and targets. In 2022 and 2021, the People Committee endorsed, and the Board approved, the payment of 100% of the potential STI payable.

Further details on the LTI plan can be found on pages 79 to 80.

There is no commitment to making a severance payment in the CEO's contract.

Simon Woodhams became CEO on 1 January 2019. Simon Woodhams' remuneration as CEO for all four reporting periods since his appointment as CEO is set out below:

YEAR ENDING	SALARY	BENEFITS ¹	SUBTOTAL	PAY FOR PERFORMANCE			TOTAL REMUNERATION
				STI	LTI ²	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
31 December 2021	\$550,000	\$40,199	\$590,199	\$250,000	\$68,107	\$318,107	\$908,306
31 December 2022	\$576,640	\$44,939	\$621,579	\$263,250	\$54,903	\$318,153	\$939,733

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

YEAR ENDING	SHARE RIGHTS GRANTED (SHARES)	SHARE RIGHTS VESTED DURING THE YEAR ³ (SHARES)	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
31 December 2021	67,242	75,231	–	69,236
31 December 2022	79,872	55,085	18,362	75,662

1. Benefits include KiwiSaver and insurance.

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

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

Long Term Incentive Plan

LTI's are at-risk payments designed to align the reward of certain executives with the enhancement of shareholder value over a multi-year period.

The current LTI plan commenced in the year ended 31 December 2019, and 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 2022 and 2021, and the share rights outstanding at the end of 31 December 2021 and 31 December 2022 are as follows:

YEAR ENDING	SHARE RIGHTS GRANTED (SHARES)	SHARE RIGHTS VESTED DURING THE YEAR (SHARES) ¹	SHARE RIGHTS LAPSED DURING THE YEAR (SHARES)	SHARE RIGHTS OUTSTANDING AT THE END OF THE YEAR (SHARES)
31 December 2021	155,174	172,159	–	158,542
31 December 2022	166,910	121,841	40,614	162,997

Employee Remuneration

During the years ended 31 December 2022 and 31 December 2021, the number of employees who received remuneration with a combined total value exceeding \$100,000² is set out below:

REMUNERATION RANGE	NUMBER OF EMPLOYEES		REMUNERATION RANGE	NUMBER OF EMPLOYEES	
	2022	2021		2022	2021
\$930,001 – \$940,000	1		\$190,001 - \$200,000	1	1
\$900,001 - \$910,000		1	\$170,001 - \$180,000		1
\$790,001 - \$800,000	1		\$160,001 - \$170,000	2	1
\$750,001 - \$760,000		1	\$150,001 - \$160,000	1	1
\$410,001 - \$420,000	1		\$130,001 - \$140,000	1	1
\$370,001 - \$380,000		1	\$120,001 - \$130,000	3	
\$230,001 - \$240,000	1	1	\$110,001 - \$120,000		1
\$210,001 - \$220,000		1	\$100,001 - \$110,000	2	3

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

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

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 November 2021. PFI has established the following responsibilities 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, including providing risk oversight and ensuring an appropriate risk management framework is in place, appointing the external auditor and overseeing the internal control environment.
Senior Leadership Team	The Senior Leadership Team are responsible for promoting good risk practices by their teams.
Staff	Every staff member is responsible for the identification, management and escalation of risks as part of their role.

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 table below outlines some of PFI's key business risks following the latest refresh of its risk register, how these risks are managed, and a commentary on these risks for 2022.

RISK DESCRIPTION	HOW PFI MANAGES THE RISK	2022 COMMENTARY
<p>Economic and market risk: The risk of adverse changes in the 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 continued to carefully monitor the impacts of the COVID-19 pandemic, supply chain constraints, inflation, and other market challenges during 2022. PFI has responded early to address changing market conditions and has continued to deliver robust results during FY22.</p>
<p>Strategic risk: The risk of failing to appropriately set, execute or adapt PFI's strategy (for example, failing to ensure portfolio optimisation or adapt to changing market preferences).</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 was made during 2022 on the implementation of PFI's strategy as set out on pages 12-17 of this report. In particular, PFI committed to major brownfields development projects at 30-32 Bowden Road and 78 Springs Road, which will commence during 2023.</p>
<p>Health, safety and wellbeing risk: The risk of failing to manage health, safety and wellbeing hazards at a PFI property.</p>	<p>Health, safety and wellbeing risks are actively managed by PFI's health and safety committees. 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 and wellbeing management has been a key focus during 2022. PFI continues to experience a low level of incidents. Further information on health, safety and wellbeing 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 continued to carefully and successfully manage its financial performance risk as outlined on pages 4 to 6.</p>
<p>People Risk: The risk of failing to attract and retain talented staff or deterioration in staff performance.</p>	<p>PFI actively manages this risk through a suite of controls, including training of staff, documentation of key processes, annual staff engagement surveys, annual review of staff performance and pay adjustments.</p>	<p>PFI has carefully monitored this risk during 2022 in light of the difficult labour market. However, the Company continues to achieve strong employee engagement (84% in 2022) and low turnover.</p>

PFI also completes annual climate change risk assessments. The risks identified through this assessment are embedded in a range of risks on PFI's risk register, including economic and market risk, emerging regulation risk and physical damage risk. Further information on PFI's climate-related risks can be found in the Climate-Related Disclosures (TCFD) section of this annual report (pages 36-43).

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 Three), 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 Corporate Governance 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. In 2022, a hybrid annual meeting was held (providing for both virtual and in-person attendance), allowing wider participation by shareholders.

OTHER MATTERS

Directors' Interests Register

During the year, the Board authorised the renewal of the Directors' and Officers' insurance cover as at 30 June 2022 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 2022. Any entry added by notices given by the Directors during the year ended 31 December 2022 is denoted with a *. Any entry removed by notices given by the Directors during the year ended 31 December 2022 is denoted with a ~.

DIRECTOR	POSITION	COMPANY
Anthony Beverley	Director; Chair of Audit and Risk Committee~; Chair of Board*	Arvida Group Limited
Carolyn Steele	Director; Chair of Audit and Risk Committee	Green Cross Health Limited*
	Director; Chair of Audit and Risk Committee	WEL Networks Limited*
	Director; Investment Committee Member	Oriens Capital GP 2 Limited*
	Director; Chair of Audit and Risk Committee	Vulcan Steel Limited*
	Director; Chair of Board	Halberg Foundation*
	Director	Tuatahi First Fibre (UFF Holdings Limited and First Fibre Bidco)~
Dean Bracewell	Director	Tainui Group Holdings Limited
	Executive Board Member	Halberg Foundation
	Director	Ara Street Investments Limited
	Director	Air New Zealand Limited
	Director	Port of Tauranga Limited*
Gregory Reidy	Director	MRC2 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)
	Director	Ardea Properties Limited*
Susan Peterson ¹	Director; Chair of Nomination and Remuneration Committee~; Chair of Board*	Vista Group International Limited
	Director; Chair of Remuneration Committee	Xero Limited
	Board Member	Global Women
	Director	Arvida Group Limited
	Director	Mercury NZ 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 2022.

1. Susan Peterson retired from PFI's Board of Directors on 14 December 2022, and therefore her interests are current and as that date except as noted.

Donations

The Company made the following donations during 2022:

- \$10,000 to the Auckland City Mission to help with emergency food parcels for families and individuals in need; and
- \$5,000 to KidsCan to provide Kiwi children with the basics they need to get through their day safely, including food, raincoats, shoes and socks.

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 Product Holders as at 31 December 2022

As at 31 December 2022, the total number of ordinary shares on issue was 502,050,524. 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 product holders as at 31 December 2022 are:

SECURITY HOLDER	NO. OF SHARES WHEN NOTICE WAS FILED	% WHEN NOTICE WAS FILED
ANZ New Zealand Investments Limited, ANZ Bank New Zealand Limited and ANZ Custodial Services New Zealand Limited	41,932,219	8.328%
Accident Compensation Corporation (ACC)	37,489,726	7.425%

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 2022 \$000	TOTAL PAID 2021 \$000
Q4 2020 final dividend	10 March 2021	2.25		11,279
Q1 2021 interim dividend	24 May 2021	1.80		9,045
Q2 2021 interim dividend	7 September 2021	1.80		9,063
Q3 2021 interim dividend	23 November 2021	1.85		9,332
Q4 2021 final dividend	9 March 2022	2.45	12,385	
Q1 2022 interim dividend	24 May 2022	1.80	9,101	
Q2 2022 interim dividend	7 September 2022	1.80	9,088	
Q3 2022 interim dividend	22 November 2022	1.85	9,325	
Total dividends per statement of changes in equity			39,899	38,719

NZX Waivers

The Company did not rely on any NZX waivers during 2022.

20 LARGEST REGISTERED SHAREHOLDERS AS AT 31 JANUARY 2023

HOLDER	HOLDING	% HOLDING
Custodial Services Limited	61,543,156	12.26%
Accident Compensation Corporation – NZCSD	40,121,683	7.99%
ANZ Wholesale Trans-Tasman Property Securities Fund – NZCSD	26,479,237	5.27%
BNP Paribas Nominees (NZ) Limited – NZCSD	22,475,408	4.48%
FNZ Custodians Limited	25,752,235	5.13%
Forsyth Barr Custodians Limited	17,485,913	3.48%
New Zealand Depository Nominee Limited	16,328,929	3.25%
HSBC Nominees (New Zealand) Limited – NZCSD	11,371,996	2.27%
Tea Custodians Limited, Client Property Trust Account – NZCSD	8,629,668	1.72%
ANZ Wholesale Property Securities – NZCSD	7,659,956	1.53%
Messrs. Wildermoth, Wilson and Young and Ms Wildermoth	6,948,605	1.38%
MFL Mutual Fund Limited – NZCSD	6,930,708	1.38%
Citibank Nominees (New Zealand) Limited – NZCSD	6,594,665	1.31%
Investment Custodial Services Limited	6,373,059	1.27%
Mr. Mckee and Ms. Mckee	5,566,373	1.11%
JBWere (NZ) Nominees Limited	5,563,027	1.11%
PT (Booster Investments) Nominees Limited	5,007,384	1.00%
Masfen Securities Limited	4,767,744	0.95%
Heatherfield Investments Limited	4,199,149	0.84%
Simplicity Nominees Limited	4,163,875	0.83%
Shares held by top 20 shareholders	293,962,770	58.55%
Balance of shares	208,087,754	41.45%
Total of issued shares	502,050,524	100.00%

SHAREHOLDER STATISTICS

SHAREHOLDER SPREAD AS AT 31 JANUARY 2023

ORDINARY SHARES	NUMBER OF HOLDERS	HOLDING	% HOLDING
Up to 4,999	1,327	3,301,671	0.66%
5,000 - 9,999	1,097	7,791,808	1.55%
10,000 - 49,999	2,167	45,514,233	9.07%
50,000 - 99,999	322	21,424,648	4.27%
100,000 - 499,999	258	50,635,213	10.09%
500,000 and above	74	373,382,951	74.36%
	5,245	502,050,524	100.00%

GEOGRAPHICAL SPREAD AS AT 31 JANUARY 2023

ORDINARY SHARES	HOLDING	% HOLDING
Auckland & Northern Region	271,640,568	54.12%
Hamilton & Surrounding Districts	110,272,654	21.96%
Wellington & Central Districts	74,167,891	14.77%
Dunedin & Southland	29,939,933	5.96%
Nelson, Marlborough & Christchurch	13,611,038	2.71%
Overseas	2,418,440	0.48%
Total	502,050,524	100.00%

20 LARGEST REGISTERED BONDHOLDERS AS AT 31 JANUARY 2023

HOLDER	PFI 010 HOLDING	PFI010 % HOLDING	PFI 020 HOLDING	PFI020 % HOLDING
Custodial Services Limited	23,394,000	23.39%	34,014,000	34.01%
Forsyth Barr Custodians Limited	21,020,000	21.02%	16,843,000	16.84%
FNZ Custodians Limited	10,317,000	10.32%	11,608,000	11.61%
Citibank Nominees (New Zealand) Limited - NZCSD	–	0.00%	10,037,000	10.04%
Generate Kiwisaver Public Trust Nominees Limited - NZCSD	–	0.00%	5,813,000	5.81%
Forsyth Barr Custodians Limited	–	0.00%	901,000	0.90%
NZPT Custodians (Grosvenor) Limited - NZCSD	8,549,000	8.55%	780,000	0.78%
National Nominees Limited - NZCSD	5,000,000	5.00%	–	0.00%
HSBC Nominees (New Zealand) Limited - NZCSD	4,075,000	4.08%	3,900,000	3.90%
Tea Custodians Limited Client Property Trust Account - NZCSD	3,473,000	3.47%	3,310,000	3.31%
Hobson Wealth Custodian Limited	2,053,000	2.05%	1,310,000	1.31%
Investment Custodial Services Limited	2,035,000	2.04%	869,000	0.87%
JML Capital Limited	–	0.00%	600,000	0.60%
Forsyth Barr Custodians Limited	1,802,000	1.80%	–	0.00%
FNZ Custodians Limited	1,065,000	1.07%	597,000	0.60%
Kiwigold.co.nz Limited	–	0.00%	300,000	0.30%
Dunedin Diocesan Trust Board	–	0.00%	250,000	0.25%
Custodial Services Limited	–	0.00%	203,000	0.20%
JBWere (NZ) Nominees Limited	774,000	0.77%	–	0.00%
Woolf Fisher Trust Incorporated	–	0.00%	184,000	0.18%
Mint Nominees Limited - NZCSD	–	0.00%	170,000	0.17%
FNZ Custodians Limited	410,000	0.41%	–	0.00%
Forsyth Barr Custodians Limited	382,000	0.38%	290,000	0.29%
Investment Custodial Services Limited	350,000	0.35%	–	0.00%
Hobson Wealth Custodian Limited	322,000	0.32%	–	0.00%
Hobson Wealth Custodian Limited	233,000	0.23%	–	0.00%
Custodial Services Limited	220,000	0.22%	185,000	0.19%
John Collingwood King and Pravir Atindra Tesiram (King Family)	200,000	0.20%	–	0.00%
Forsyth Barr Custodians Limited	195,000	0.20%	–	0.00%
Bonds held by top 20 Bondholders	85,869,000	85.87%	92,164,000	92.16%
Total Remaining Holders Balance	14,131,000	14.13%	7,836,000	7.84%
Total of issued Bonds	100,000,000	100.00%	100,000,000	100.00%

BONDHOLDER STATISTICS**BONDHOLDER SPREAD: PFI010** AS AT 31 JANUARY 2023

BONDS	NO. OF HOLDERS	HOLDING	% HOLDING
5,000 - 9,999	66	352,000	0.35%
10,000 - 49,999	406	7,641,000	7.64%
50,000 - 99,999	46	2,679,000	2.68%
100,000 - 499,999	35	5,343,000	5.34%
500,000 - 999,999	1	774,000	0.77%
1,000,000 and above	8	83,211,000	83.22%
Total	562	100,000,000	100.00%

BONDHOLDER SPREAD: PFI020 AS AT 31 JANUARY 2023

BONDS	NO. OF HOLDERS	HOLDING	% HOLDING
5,000 - 9,999	41	234,000	0.23%
10,000 - 49,999	208	4,381,000	4.38%
50,000 - 99,999	24	1,351,000	1.35%
100,000 - 499,999	22	3,157,000	3.16%
500,000 - 999,999	4	2,967,000	2.97%
1,000,000 and above	5	87,910,000	87.91%
Total	304	100,000,000	100.00%