

COMPANY STRUCTURE & STATUTORY INFORMATION.



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Property for Industry Limited (the Company, PFI) is a publicly listed company established in 1994. The Board currently has six Directors, five 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 2019, 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 on 1 May 2019 when PFI transitioned to the updated NZX Listing Rules.

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

1. Code of Ethics;
2. Board Charter;
3. Audit and Risk Committee Charter;
4. Nomination and Remuneration Committee Charter;
5. Remuneration Policy;
6. Financial Products Trading Policy¹;
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.

¹ An amendment was also made to the Financial Products Trading Policy on 12 December 2019.

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 Products 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 Products 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 Products Dealing 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;
- Restricted Persons must obtain consent to trade PFI listed securities at any time; and
- No trading is permitted by Restricted Persons during "blackout periods" from the balance date and the half-year balance date until release of the relevant results to NZX.

Principle Two: Board Composition & Performance

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

Board Charter

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

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

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

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

Board Composition, Appointments, Independence & Operation

The constitution allows for between three and eight Directors. As at 31 December 2019, there were six Directors: five of whom are independent. It is the Company's policy that there should always be a majority of Independent Directors.

The Directors of the Company who held the office during the 12 months to 31 December 2019, 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 (EIGHT MEETINGS HELD)
Anthony Beverley	Board Chairman Nomination and Remuneration Committee Chairman Independent Director	2 July 2001	22 June 2017	N/A	8
David Thomson	Independent Director	12 February 2018	8 May 2018	N/A	8
Dean Bracewell	Independent Director	29 November 2019	N/A	N/A	1 ²
Gregory Reidy	Non-Executive Director	20 January 2012	8 May 2018	N/A	7
Humphry Rolleston	Independent Director	5 July 1994	22 June 2017	N/A	8
Susan Peterson	Audit and Risk Chair Independent Director	24 May 2016	8 May 2019	N/A	8

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 2019, the following Directors of the Company were independent: Anthony Beverley, David Thomson, Dean Bracewell, Humphry Rolleston and Susan Peterson. This assessment is based on the fact that these Directors all share the following characteristics:

- They are all are 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 noted Anthony Beverley and Humphry Rolleston's length of tenure on the Board. The Board concluded that Anthony Beverley and Humphry Rolleston's length of tenure on the Board did not and does not influence the capacity for each of those Directors 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 was not considered to be independent by virtue of his role as Managing Director within the last three years and his material business relationship (shareholder and director of the company that owned the management rights to the Company prior to internalisation) within the last three years.

² One meeting was held following Dean Bracewell's appointment.

Details of Directors' relevant interests in the Company's Financial Products as at 31 December 2019 can be found below.

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 3 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 Chairperson meets annually with Directors of the Company to discuss individual performance of Directors. The Board reviews its performance as a whole on an annual basis.

Under the Board Charter (described in further detail above) any 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 2018	4	2	1	0
Year ending 31 December 2019	5	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 the Company has complied with the policy and that the Board – 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 five members of the team of 12 are female (2018: five out of 12).

Principle 3: Board Committees

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

Audit and Risk Committee

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

The Audit and Risk Committee's functions include:

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

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

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

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

At 31 December 2019, 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 2019 and attended the five meetings of the committee held during 2019.

Nomination and Remuneration Committee

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

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

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

At 31 December 2019, the members of the Nomination and Remuneration Committee were Anthony Beverley (Chairman of the Nomination and Remuneration Committee) and Susan Peterson. Both were members of the committee at all times during 2019 and the committee met informally on a number of occasions during 2019.

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 responsible 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 – 25, and you can find out more information about PFI's approach to risk management on pages 80 – 81.

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 at the 2019 PFI annual meeting.

ROLE	\$
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 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 2019 and the prior year comparative.

DIRECTOR	ROLE	FEES PAID 2019 \$000	FEES PAID 2018 \$000
Anthony Beverley	Board Chairman	81	32
	Deputy Board Chairman	–	–
	Audit and Risk Committee Chairman	–	4
	Nomination and Remuneration Committee Chairman	–	–
	Independent Director	65	70
David Thomson ⁽¹⁾	Independent Director	78	62
Dean Bracewell ⁽²⁾	Independent Director	7	–
Gregory Reidy	Non-Executive Director ⁽³⁾	41	–
Humphry Rolleston	Independent Director	78	70
Susan Peterson	Audit and Risk Committee Chair	13	6
	Independent Director	78	70
Peter Masfen	Board Chairman	–	18
	Independent Director	–	25
	Retirement allowance ⁽⁴⁾	–	135
Total		441	492

- David Thomson was appointed to the Board on 12 of February 2018.
- Dean Bracewell was appointed to the Board on 29 November 2019.
- Fees were payable to Gregory Reidy in his role as Non-Executive Director from 1 July 2019.
- On 8 May 2018, Peter Masfen retired from the Board of Directors of the Company as Chairman and Independent Director. Mr Masfen was first elected as a Director of the Company on 17 May 2002, and had held office as a Director of the Company since that date. At the 23 May 2008 Annual Meeting, the Company confirmed that retirement payments (being the total remuneration of the retiring Director, in any three years chosen by the Company) to eligible Directors (which includes Mr Masfen) will be calculated in respect of that Director's remuneration prior to the increase approved at the 23 May 2008 meeting. The rationale for this was that the fees paid to Directors at that time did not reflect market rates, as they had remained unchanged since the incorporation of the Company over 14 years prior to that meeting. As such, a retirement allowance of \$135,000 was payable to Mr Masfen and was paid on his retirement. At the 23 May 2008 meeting, it was also noted that no retirement remuneration will be paid to Directors who are appointed after 1 May 2004. It is noted that Humphry Rolleston is the only other current Director who was appointed prior to 1 May 2004 and is entitled to this form of payment.

Directors' Relevant Interests

Details of Directors' dealings in the Company's financial products since 1 January 2019 are as follows:

DIRECTOR	NO. OF SHARES (DISPOSED)	CONSIDERATION PER SHARE	DATE
Gregory Reidy (beneficial holder)	850,000	\$2.30	19 August 2019

Details of Directors' relevant interests in the Company's financial products as at 31 December 2019 are as follows:

DIRECTOR	NATURE OF RELEVANT INTEREST	NUMBER OF SHARES
Humphry Rolleston	Beneficial holder	17,875
	Legal, but not-beneficial, holder	110,825
Susan Peterson	Beneficial holder	17,788
Gregory Reidy	Beneficial holder	155,708

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

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

Chief Executive Officer Remuneration

On 1 January 2019, Simon Woodhams ceased to be an Independent Contractor. On that date, he was appointed as Chief Executive Officer and became a full-time employee of the Company. His remuneration as Chief Executive Officer since that appointment is set out below:

YEAR ENDING	SALARY \$	BENEFITS ³ \$	SUBTOTAL \$	PAY FOR PERFORMANCE			TOTAL REMUNERATION \$
				STI \$	LTI ⁴ \$	SUBTOTAL \$	
31 December 2019	\$450,000	\$31,711	\$481,711	\$200,000	\$39,148	\$239,148	\$720,859

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

YEAR ENDING	SHARE RIGHTS GRANTED (SHARES)	SHARE RIGHTS VESTED DURING THE YEAR (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

Employee Remuneration

During the years ended 31 December 2019 and 31 December 2018, the number of employees who received remuneration with a combined total value exceeding \$100,000⁵ is set out below (please note that this table excludes the Independent Contractor remuneration detailed elsewhere in this report):

REMUNERATION RANGE	NUMBER OF EMPLOYEES	
	2019	2018
\$720,000 – \$730,000	1	–
\$640,001 – \$650,000	1	–
\$300,001 – \$310,000	1	–
\$250,001 – \$260,000	–	1
\$180,001 – \$190,000	1	–
\$150,001 – \$160,000	1	1
\$100,001 – \$110,000	1	–

³ Benefits include KiwiSaver and insurance.

⁴ The LTI is based on the fair value of the awards recognised in the financial statements.

⁵ Includes LTI vested during the year based on the fair value of the 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 of 1 January 2019. For each tranche:

- 50% of the share rights are subject to a performance hurdle of the Company's rolling three year Funds From Operation 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 2019, and the share rights outstanding at the end of 31 December 2019 are as follows:

	SHARE RIGHTS GRANTED (SHARES)	SHARE RIGHTS VESTED DURING THE YEAR (SHARES)	SHARE RIGHTS LAPSED DURING THE YEAR (SHARES)	SHARE RIGHTS OUTSTANDING AT THE END OF THE YEAR (SHARES)
FY2019	196,023	65,341	–	130,682

Independent Contractor Remuneration

On 30 June 2017, the management of the Company and its subsidiary was internalised. Following the internalisation, Gregory Reidy, Simon Woodhams and Craig Peirce became Independent Contractors to the Company. Their remuneration is set out in accordance with the terms of those contracts, which the Board and Nomination and Remuneration Committee oversaw. Their remuneration package comprised of a base amount as well as a performance bonus, which was measured quarterly and based on shareholder return. A discretionary bonus was also paid to Simon Woodhams and Craig Peirce during the year ended 31 December 2018.

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

On 1 July 2019, Gregory Reidy ceased to be an Independent Contractor. On that date, he was appointed as a Non-Executive Director and his remuneration for this role is set out earlier in this report.

During the years ended 31 December 2018 and 31 December 2019, Independent Contractor remuneration was as follows:

NAME	POSITION	YEAR	BASE AMOUNT \$000	BONUSES \$000	TOTAL \$000
Gregory Reidy	Managing Director	2018	425	11	436
		2019	213	–	213
Simon Woodhams	Chief Executive Officer	2018	425	116	541
		2019	–	–	–
Craig Peirce	Chief Finance and Operating Officer	2018	425	116	541
		2019	–	–	–
TOTAL		2018	1,275	243	1,518
		2019	213	–	213

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.

You can find more information on PFI's approach to risk management on pages 80 – 81 of this annual report.

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 that communication is maintained with external auditors or accountants. Annexed to the Audit and Risk Committee Charter is a separate Policy on Audit Independence, which covers the provision of services by external auditors.

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

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

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

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

Principle Eight: Shareholder Rights & Relations

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

PFI encourages an open 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 2019 for a period of 12 months and has certified, in terms of section 162 of the Companies Act 1993, that this cover is fair to the Company.

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

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

No Director has sought authorisation to use Company information.

Section 140(1) of the Companies Act 1993 requires a director of a company to disclose certain interests. Under subsection (2) a director can make disclosure by giving a general notice in writing to the company of a position held by a director in another named company or entity. The following are details of Directors' general disclosures entered in the Interests Register for the Company as at 31 December 2019. Any entry added by notices given by the Directors during the year ended 31 December 2019 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 *
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
	Humphry Rolleston	Director
Director		Matrix Security Group Limited
Director		Spaceships Limited
Director		Stray Limited
Director		AIS Tourism Limited
Trustee		JL Hall Children's Trust
Susan Peterson	Director; Chair of 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	Trustpower Limited *
	Director, Co-Chair of the Board	Organic Initiative Limited
	Board Member	Global Women
	Member	NZX Markets Disciplinary Tribunal *

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 2019.

Donations

The Company made a \$30,000 donation to The Christchurch Foundation to support the families and community impacted by the tragic events of the 15 March 2019 Christchurch terror attacks.

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 2019

As at 31 December 2019, the total number of ordinary shares on issue was 498,723,330. The Company has only ordinary shares on issue.

The persons, who, for the purposes of section 293 of the Financial Markets Conduct Act 2013, were substantial productholders as at 31 December 2019 are:

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

Details of Dividends Paid

DIVIDENDS	DATE PAID	CENTS PER SHARE	TOTAL PAID 2019 \$000	TOTAL PAID 2018 \$000
Q4 2017 final dividend	7 March 2018	2.15	–	10,723
Q1 2018 interim dividend	31 May 2018	1.80	–	8,977
Q2 2018 interim dividend	31 August 2018	1.80	–	8,977
Q3 2018 interim dividend	28 November 2018	1.85	–	9,225
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	–
Total dividends per statement of changes in equity			37,653	37,902

NZX Waivers

The Company transitioned to the new NZX Listing Rules dated 1 January 2019 on 1 May 2019 and relied on the class waivers and rulings granted by NZX Regulation on 19 November 2018 in relation to the transition.

MANAGING RISK

During 2019, PFI instigated a project to review and strengthen its Risk Management Framework. The purpose of this project was to ensure PFI continued to mature its approach to risk management in line with the expectations of stakeholders. “Strengthening our approach to risk management helps us to deliver on our promises to our tenants, our team, and our investors” says Susan Peterson, Chair of PFI’s Audit and Risk Committee.

RISK GOVERNANCE

PFI’s 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 Management Team	The Senior Management Team implements the risk management framework and operates within the boundaries set through the risk appetite statement, ensuring the risk management framework is operating effectively and reflects current business practice.
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.





RISK MANAGEMENT FRAMEWORK

The diagram below illustrates the key components of PFI’s risk management framework:



KEY BUSINESS RISKS

The table below outlines some of our key business risks, how we manage those risks, and a commentary on the current state of those risks to our business.

RISK CATEGORY	RISK DESCRIPTION	HOW WE MANAGE THE RISK	COMMENTARY ON THE RISK
STRATEGIC 	Economy/market: Risk arises from adverse changes in the New Zealand economic environment, regulatory environment and the broader investment market. Changes may result in an impact on property values and the amount of income generated from them.	We monitor both wider economic conditions and the industrial property market through research and relationships with market participants.	Both prime and secondary industrial yields have continued to compress (values increase), and rents continue to increase. While the trend is positive, the rate of industrial rental growth has moderated compared to the growth rates in recent years. Economic indicators are mixed. Anecdotal evidence suggests a cooling in some key areas of the economy, yet other indicators (for instance, the latest CPI result) point to an improvement on previous quarters.
STRATEGIC 	Failure to implement strategy: Failure to implement our strategy and achieve the desired outcomes, leads to the destruction of shareholder value.	Strategy is reviewed regularly by the Board and management team. Key shareholder metrics, such as PFI's share price and NTA are monitored in order to determine whether the implementation of strategy is being well received by the investment market.	Significant progress has been made during 2019 on the implementation of PFI's strategy. PFI's share price continues to perform well compared to our peers (3rd for the 2019 year) and PFI's share price is in excess of NTA.
FINANCIAL 	"Balance Sheet" risk: An increase in gearing levels outside suitable industry standards results in a risk of breaching financing covenants and a potential increase in borrowing costs.	PFI's gearing – both actual and projected – is reported to the Board regularly and these calculations are stress-tested.	PFI's metrics have improved during the year and are in line with the Listed Property Vehicle sector. The RBNZ reform of bank capital requirements provides additional risk.
HEALTH & SAFETY 	Health and safety risks: The risk of a health and safety incident at a PFI property.	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.	PFI has experienced a low level of incidents. The Company has also carried out extensive proactive monitoring visits (more than 100 visits during 2019). Further information on health and safety can be found in the ESG section of this annual report.