

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 2017, nor in the classes of business in which the Company has an interest.

GOVERNANCE

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

As part of the Board's ongoing monitoring and review of the Group's governance framework, the Board has developed a Corporate Governance Manual (the manual) that forms the Group's corporate governance framework. The manual was reviewed and revised by the Board during 2017 to reflect the new NZX Corporate Governance Code (the NZX Code).

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

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

COMPLIANCE WITH NZX REQUIREMENTS

PFI considers that it complies with the NZX Code.

NZX CODE: KEY PRINCIPLES

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

Principle One : Code of Ethical Behaviour

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

Code of Ethics

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

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

Financial Products Trading Policy

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

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

The key points of the policy are:

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

Principle Two: Board Composition & Performance

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

Board Charter

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

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

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

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

Board Composition, Appointments, Independence & Operation

The constitution allows for between three and eight Directors. As at 31 December 2017, there were five Directors: four of whom are independent. In addition, David Thomson was appointed as an Independent Director on 12 February 2018. The information below excludes Mr Thomson as this appointment was subsequent to 31 December 2017. 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 2017, 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)
Peter Masfen	Board Chairman Independent Director	17 May 2002	15 June 2016	N/A	10
Anthony Beverley	Deputy Board Chairman Audit and Risk Committee Chairman Nomination and Remuneration Committee Chairman Independent Director	2 July 2001	22 June 2017	N/A	10
Humphry Rolleston	Independent Director	5 July 1994	22 June 2017	N/A	8
Susan Peterson	Independent Director	24 May 2016	15 June 2016	N/A	9
Gregory Reidy	Managing Director	20 January 2012	20 May 2015	N/A	10

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

Details of Directors' relevant interests in the Company's Financial Products as at 31 December 2017 can be found below.

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

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

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

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

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

Gender and Diversity

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

FINANCIAL YEAR	MALE		FEMALE	
	DIRECTORS	OFFICERS	DIRECTORS	OFFICERS
Year ending 31 December 2016	4	N/A	1	N/A
Year ending 31 December 2017	4	2	1	0

Note that PFI did not have any Officers for the year ending 31 December 2016 and previous periods.

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

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). Independent Contractors and 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 2017, the members of the Audit and Risk Committee were Anthony Beverley (Chairman of the Audit and Risk Committee), Peter Masfen and Susan Peterson. All were members of the committee at all times during 2017 and all attended the two meetings of the Audit and Risk Committee held during 2017.

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 to 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 2017, the members of the Nomination and Remuneration Committee were Anthony Beverley (Chairman of the Nomination and Remuneration Committee) and Susan Peterson.

Other Committees and Takeover Protocols

The Board does not consider that any additional Board committees as standing Board committees need to be established at this stage. While the Board has not established a standing independent takeover committee, it has adopted appropriate protocols to guide the Board in the event there is a takeover offer for PFI.

Principle Four: Reporting & Disclosure

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

Continuous Disclosure Policy

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

Corporate Governance Documents

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

Financial / Non-Financial Disclosure

PFI is committed to appropriate financial and non-financial reporting. Oversight of the Company’s financial reporting is applied through the Audit and Risk Committee. PFI is also committed to non-financial reporting, in particular on material exposure to ESG (environmental, social and governance) risks and other key risks. You can find more information on PFI’s approach to non-financial disclosure under the heading “Growing sustainably” in this annual report.

Principle Five: Remuneration

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

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

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

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

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

The table below sets out the total remuneration received by the Company's Directors during the year to 31 December 2017.

DIRECTOR	ROLE	FEES PAID 2017 \$000	FEES PAID 2016 \$000
Peter Masfen	Board Chairman	50	42
	Independent Director	70	65
Anthony Beverley	Deputy Board Chairman	–	–
	Audit and Risk Committee Chairman	10	10
	Nomination and Remuneration Committee Chairman	–	–
	Independent Director	70	65
	Amount for specific payments	20	–
Humphry Rolleston	Independent Director	70	65
Susan Peterson (1)	Independent Director	70	41
Gregory Reidy (2)	Managing Director	–	–
John Waller (3)	Independent Director	–	48
Total		360	336

(1) Susan Peterson appointed to the Board on the 24th of May 2016.

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

(3) John Waller passed away on the 20th of September 2016 and as such ceased to be a Board member on that date.

Directors' Relevant Interests

Details of Directors' dealings in the Company's financial products since 1 January 2017 are as follows:

DIRECTOR	NO. OF SHARES ACQUIRED / (DISPOSED)	CONSIDERATION PER SHARE	DATE
Susan Peterson (beneficial holder)	16,000	\$1.65	3 April 2017
Gregory Reidy (beneficial holder)	914,280	\$1.64	6 July 2017
Susan Peterson (beneficial holder)	171	\$1.64	1 September 2017
Peter Masfen (beneficial holder)	433,431	\$1.54	7 November 2017
Peter Masfen (legal, but not beneficial, holder)	27,083	\$1.54	7 November 2017
Humphry Rolleston (beneficial holder)	1,625	\$1.54	7 November 2017
Humphry Rolleston (legal, but not beneficial, holder)	10,075	\$1.54	7 November 2017
Susan Peterson (beneficial holder)	1,617	\$1.54	7 November 2017
Gregory Reidy (beneficial holder)	91,428	\$1.54	7 November 2017

Details of Directors' relevant interests in the Company's financial products as at 31 December 2017 are as follows:

DIRECTOR	NATURE OF RELEVANT INTEREST	NUMBER OF SHARES
Peter Masfen	Beneficial holder	4,767,744
	Legal, but not-beneficial, holder	297,916
Humphry Rolleston	Beneficial holder	17,875
	Legal, but not-beneficial, holder	110,825
Susan Peterson	Beneficial holder	17,788
Gregory Reidy	Beneficial holder	1,005,708

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

Employee Remuneration

On 30 June 2017, the management of the Company and its subsidiary was internalised. Following the internalisation, the Company employed seven staff for the remainder of 2017.

The Managing Director, General Manager and Chief Financial Officer are Independent Contractors and their remuneration is set out in accordance with the terms of those contracts, which the Board and Nomination and Remuneration Committee oversee. Their remuneration package comprises of a base amount as well as a performance bonus, which is measured quarterly and based on shareholder return.

During the year ended 31 December 2017, the remuneration of the Independent Contractors was as follows (please note that, as PFI internalised on 30 June 2017, the amounts below represent a half-year of remuneration, and that there are no prior year comparatives as these arrangements did not exist in the prior year):

NAME	POSITION	BASE AMOUNT \$000	PERFORMANCE BONUS \$000	TOTAL \$000
Gregory Reidy	Managing Director	212	56	268
Craig Peirce	Chief Financial Officer	212	56	268
Simon Woodhams	General Manager	212	56	268
TOTAL		636	168	804

During the year ended 31 December 2017, the number of employees who received remuneration with a combined total value exceeding \$100,000 is set out below (please note that, as PFI internalised on 30 June 2017, the amounts below represent a half-year of remuneration):

REMUNERATION RANGE	EMPLOYEES
\$110,001 - \$120,000	1
\$100,001 - \$110,000	–

During the year ended 31 December 2016, neither the Company nor its subsidiary has any employees; accordingly no employees, or former employees, of the Company or its subsidiary received remuneration or other benefits in their capacity as employees, the value of which was or exceeded \$100,000 per annum.

Principle Six: Risk Management

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

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

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

As identified in our "Growing Sustainably" section, health and safety is one of the highest priorities for our business. The Board is responsible for overseeing PFI's compliance with health and safety in accordance with industry best practice.

Principle Seven: Auditors

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

Together with the Audit and Risk Committee (see Principle 3), the Board is responsible 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 Main Board Listing Rules.

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

OTHER MATTERS

Directors' Interests Register

During the year, the Board authorised the renewal of the Directors' and Officers' insurance cover as at 30 June 2017 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.

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 2017.

Donations

Neither the Company nor its subsidiary made any donations during the year.

Substantial Productholders as at 31 December 2017

As at 31 December 2017, 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 2017 are:

SECURITY HOLDER	NO. OF SHARES	% WHEN NOTICE WAS FILED
ANZ New Zealand Investments Limited	22,829,768	5.035%
Accident Compensation Corporation	26,579,257	5.329%

Details of Dividends Paid

DIVIDENDS	DATE PAID	CENTS PER SHARE	TOTAL PAID 2017 \$000	TOTAL PAID 2016 \$000
Q4 2015 final dividend	9 March 2016	2.00	–	8,954
Q1 2016 interim dividend	23 May 2016	1.75	–	7,860
Q2 2016 interim dividend	1 September 2016	1.75	–	7,882
Q3 2016 interim dividend	23 November 2016	1.80	–	8,124
Q4 2016 final dividend	8 March 2017	2.05	9,275	–
Q1 2017 interim dividend	29 May 2017	1.75	7,918	–
Q2 2017 interim dividend	1 September 2017	1.75	7,918	–
Q3 2017 interim dividend	22 November 2017	1.80	8,977	–
Total dividends per statement of changes in equity			34,088	32,820

NZX Waivers

The Company has relied on the NZX class waiver and ruling on NZX Debt Market Listing Rules 3.2.1(d) and 3.2.1(e), issued on 7 April 2017, in relation to the trust deed for the fixed rate bonds. The class waiver permits the trust deed to provide for (1) a meeting of bondholders to be called on a requisition in writing by holders of not less than 10% of the amount of the bonds for the time being outstanding (or such other number of holders as required by section 120(1)(b) of the Financial Markets Conduct Act 2013), and (2) the necessary majority to pass an extraordinary resolution to be not less than 75% of the votes cast on a poll.

GROWING SUSTAINABLY

We have recognised the changing reporting landscape in New Zealand. We are looking forward to continuing our journey in formalising and disclosing some of the things we do to

combat our environmental, social and governance (ESG) impacts. We spent some time this year to initiate the process by defining our ESG vision and completing our materiality

assessment to determine the most important issues for us to consider. Through doing so, we realised that we are already addressing ESG issues in various ways and are now transitioning

to a more transparent and formalised framework to be able to quantify, highlight and continually improve our ESG practises.

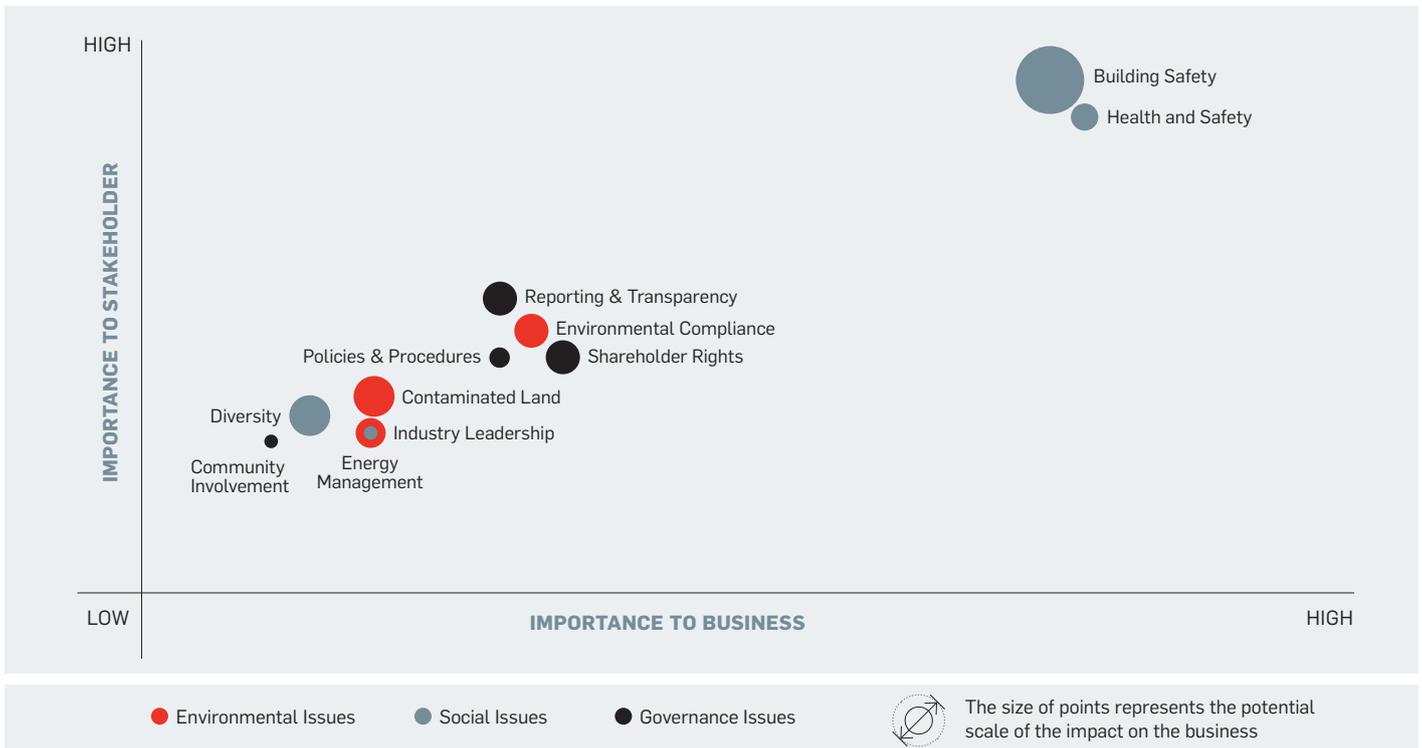
OUR ESG VISION IS FOCUSED ON BEING A RESPONSIBLE AND RESPONSIVE LANDLORD IN ORDER TO CREATE LONG TERM VALUE FOR OUR KEY STAKEHOLDERS.

How we know what's most important to our business

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



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



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

Addressing our material issues

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

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

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

Looking forward

As this is the first time PFI has used ESG as a reporting framework, we will look to refine our approach in subsequent years. We wanted to share our progress on this journey so far in building some solid foundations by setting out our ESG strategy and conducting the materiality assessment.