



CORPORATE GOVERNANCE POLICY

Approved on 18 December 2015

The Corporate Governance policy of Living Cities Development Group Limited (“the Company”) has been prepared by the Board of Directors of the Company with reference to 3rd Edition of the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council (‘ASX Principles and Recommendations’).

The ASX Principles and Recommendations are a guide for listed public companies rather than a set of prescriptive requirements. This recognizes that each company is different and should properly adopt policy that is appropriate to the organization.

The Board of Directors of the Company have adopted the best practice recommendations contained in the ASX Principles and Recommendations that are deemed appropriate for the Company and its scale and nature of operations.

This policy sets out how the Company is to comply with the ASX Principles and Recommendations and where its policy for Corporate Governance differs from the guidance.

The Board of Directors of the Company approved this policy on 8 December 2015.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Recommendation 1.1 - A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.

The Board of Directors of the Company are responsible to the shareholders as a whole for the performance of the Company.

The Board of Living Cities Development Group Limited are committed to high standards of Corporate Governance in the performance of their duties.

The Board has adopted a formal Charter which clearly establishes the relationship between the Board and management and describes the Board’s functions and delegated responsibilities.

The Board has determined that its primary function is in:

- Establishing, monitoring and reviewing the strategic direction of the Company;
- Delegating management authorities;
- Ensuring the health, safety and well-being of employees;
- Ensuring that the Company’s obligations to shareholders are understood and met;
- Ensuring protection of the environment as it pertains to Company operations;
- Evaluating corporate risk and monitoring internal controls;
- Setting the Company’s values and standards;

- Setting Corporate Governance policies;
- Approving master budgets and allocating financial resources;
- Reviewing financial performance to budget and amending resourcing where required;
- Approving material transactions, significant management initiatives, investment strategies and major capital purchases or divestments;
- Appointment, remuneration and/or termination of the Chief Executive Officer and the Company Secretary; and
- Any other matter considered desirable and in the interest of the Company.

Day to day operation of the Company is delegated to the Managing Director, who is accountable to the Board. The Board also retains certain powers that it does not delegate to management. The delegation of authority and responsibility is clearly defined in writing.

The Board's Charter is available on the Company's website at www.lcg.properties

Recommendation 1.2 - A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.

The Company holds an election of directors each year at its Annual General Meeting ('AGM'). Directors are appointed for a maximum term of three years. Retiring directors are not automatically re-appointed. A director that has been appointed during the year must stand for election at the next AGM.

Comprehensive reference checks are undertaken by the Company prior to appointing a new director or putting that person forward at an AGM as a candidate, in order to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director.

The Company provides shareholders with relevant information for their consideration about the attributes of candidates in the Notice to the AGM, together with a statement as to whether the Board supports the appointment or re-election.

Recommendation 1.3 - A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

Non-executive directors are provided with a letter of appointment which:

- Sets out their key responsibilities at law;
- Provides them with a copy of the Company's Constitution (which covers term of appointment);
- Advises expected time commitments and required committee work and/or special duties;
- Requires disclosure of their relevant interests which may affect independence;
- Provides Company Policies;
- Sets out remuneration entitlements;
- Advises on indemnities; and
- Provides copies of standing Board resolutions.

Executive directors and senior executives are issued employment or service contracts which detail the above matters, as well as the normal range of employment rights and responsibilities.

Recommendation 1.4 - The company secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The Company Secretary reports directly to the Board through the Chairman and is accessible to all directors.

Recommendation 1.5 - A listed entity should (a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them, and either: (1) the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or (2) if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.

Diversity includes, but is not limited to, gender, age, ethnicity and cultural background. The Company is committed to diversity and recognises the benefits arising from employee and board diversity and the importance of benefiting from all available talent.

The Board has a commitment to promoting a corporate culture that is supportive of diversity and encourages the transparency of Board processes with respect to the review and appointment of Directors.

All Directors' and employees of the Company are bound by the policies of the Company that support diversity.

While the Board will make every effort to support diversity by equitable policies and practices around the recruitment of Directors and the recruitment and/or promotion of employees, the Board does not believe it is feasible or appropriate to adopt Recommendation 1.5 (a), (b) and (c) at this time for the reasons set out below.

- The Company currently has a Board of three members. This makes the setting of quotas impractical at this time; and
- The Company currently only has 2.8 full time equivalent employees and this is unlikely to change significantly in the near future.

The Company was not compliant with Recommendation 1.5 (a), (b) and (c) during the financial year for the reasons specified above. The Company will periodically review its position in regard to these recommendations and adopt changes where appropriate.

The Company will report annually on the diversity of the Board and workforce in general as a further method of highlighting diversity and the importance that the Board places on a diverse workforce.

The Board will conduct all Board appointment processes in a manner that promotes gender diversity, including establishing a structured approach for identifying a pool of candidates, using external experts where necessary.

The Company's diversity strategies include:

- recruiting from a diverse range of candidates for all positions, including senior executive roles and Board positions;
- reviewing succession plans to ensure that there are no impediments to diversity;
- encouraging female participation across a range of roles across the Company;
- reporting on the relative proportion of women and men in the workforce at all levels of the Company;
- articulating a corporate culture which supports workplace diversity and in particular, recognizes that employees at all levels of the Company may have domestic responsibilities;
- developing programs to encourage a broader pool of skilled and experienced senior management and Board candidates, including, workplace development programs, mentoring programs and targeted training and development as appropriate.

At the date of this report, the Company has the full time equivalent of 25% female employees. No women are currently represented on the Board.

No entity within the consolidated entity is a 'relevant employer' for the purposes of the Workplace Gender Equality Act 2012 and therefore no Gender Equality Indicators are required to be disclosed.

Recommendation 1.6 - A listed entity should (a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The Board of Directors conduct an annual formal written Peer Review for each member of the Board to evaluate the performance and contribution of each other member, both in respect of their participation on the Board and any relevant Board Committees.

The Board aims to ensure that shareholders are informed of all information necessary to assess the performance of the directors. Information is communicated to the shareholders through:

- the annual report which is distributed to all shareholders;
- the half-yearly report;
- the annual general meeting and other meetings to obtain shareholder approval for Board actions as appropriate; and
- continuous disclosure in accordance with ASX Listing Rule 3.1 and the Company's continuous disclosure policy.

Recommendation 1.7 - A listed entity should (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.

The performance of the Senior Executives is evaluated annually through a formal written Performance Appraisal process.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Recommendation 2.1 - The board of a listed entity should (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a nomination committee, disclose that fact and the processes it employs to address Board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Board operates a combined Remuneration and Nomination committee. Having regard to the number of members currently comprising the Company's Board, only two Board Members are appointed to the Committee being:

Chairman	John Pettigrew (Independent Non-Executive Director)
Member	Robert sun (Managing Director)

Accordingly the Company is not in compliance with Recommendation 2.1 at this time because the Committee does not have 3 members and has an equal number of Independent and non-Independent Directors. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Recommendations of candidates for new directors are made by the directors for consideration by the Committee and then Board as a whole. If it is necessary to appoint a new director to fill a vacancy on the Board or to complement the existing Board, a wide potential base of possible candidates is considered. If a candidate is recommended by a director, the Board assesses that proposed new director against a range of criteria including background, experience, professional skills, personal qualities, availability to commit to the Board's activities and the potential for the candidate's skills to augment the existing Board. If these criteria are met and the Board appoints the candidate as a director, that director must retire at the next following General Meeting of Shareholders and will be eligible for election by shareholders at that General Meeting.

Recommendation 2.2 - A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.

Given the size of the Board and the current operations of the Company, the Board does not maintain a formal skills matrix for the Board. Accordingly the Company was not in compliance with Recommendation 2.2 during the financial year.

However, the individual directors and the Board as a whole, recognise the importance for the Board to have the skills, knowledge, experience and diversity of background and expertise required to effectively guide the Company over time in response to market developments, opportunities and challenges.

A skills matrix is prepared when searching for or assessing a proposed new director.

The Board recognises certain core skills that are required for the Board to ensure effective stewardship of the Company. These include business and strategic expertise, experience with financial markets, industry knowledge, financial skills, project management experience and ethical management skills.

The current Board members represent individuals that have extensive business and industry experience. The aim, when considering Board member attributes, is to consider whether collectively they can deliver outcomes in accordance with the Company's business objectives and in doing so, deliver value to shareholders.

Recommendation 2.3 - A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the board is of that opinion; and (c) the length of service of each director.

Details of the Board of directors, their appointment date, length of service and independence status is as follows:

Name	Appointed	Length of Service	Independence
Mr Brett Lee Manning	10 April 2005	10 years, 8 months	Executive
Mr Robert Sun	4 October 2012	3 years, 2 months	Executive (Shareholder Nominee)
Mr John Lester Pettigrew	16 December 2015	< 1 month	Independent Non-Executive Director

The Board has reviewed the position and associations of each of the directors in office at the date of this report in terms of Recommendation 2.3 and other facts, information and circumstances that the Board considers relevant and considers that Mr Pettigrew is an independent director.

Mr Manning, as an Executive Director (the Executive Chairman) is not considered an independent in respect of his daily management of the affairs of the Company. However, with the exception of certain specific circumstances such as Audit Committee deliberations on the management of the Company and its reporting, the Board does not consider Mr Manning's contribution to the Board is in anyway compromised by his position as Executive Chairman.

Mr Sun, as an Executive Director (the Managing Director) is not considered an independent in respect of his daily management of the affairs of the Company. He was also originally nominated for consideration by the Board by the Company's major shareholder, TFA International Pty. Ltd. And was that companies General Manager up until his appointment as Managing Director of the Company. Mr Sun absents himself from Board deliberations or decisions which relate to TFA or its associates. Given the appropriate management practices adopted by Mr Sun and the Board in respect to TFA related matters, the Board does not consider Mr Sun's contribution to the Board is in anyway compromised by the association.

The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of other directors, as appropriate.

Recommendation 2.4 - A majority of the board of a listed entity should be independent directors.

The Board agrees with the intent of Recommendation 2.4 but believes that maintaining a small Board to minimise costs until the Company can establish initial growth is an imperative at this point in the Company's development. It would be expected that as the Board membership is augmented over time, preference will be given to securing a majority of independent directors. As only one director out of three is an independent director, the Company does not current meet the requirement of Recommendation 2.4 at this time.

Recommendation 2.5 - The Chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.

The Board agrees with the intent of Recommendation 2.5 but believes that having an Executive Chairman is culturally important in the Chinese market where the Company's initial business will be undertaken. The Board will periodically review this position and make a change in line with the recommendation if it becomes appropriate to do so. The Chairman is not the same person as the CEO, the Managing Director.

Recommendation 2.6 - A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.

The Company has a formal induction process for new directors. New directors are provided with copies of Company policy documents, key legal requirements for directors, the Company's Constitution and are fully briefed about the nature of the business, current issues, the corporate strategy and the expectations of the Company concerning performance of directors. They are also provided information on insurances, indemnities and the processes for accessing independent legal advice if required. There are also processes of induction for disclosures, key personal information, safety and business procedures and practices.

Directors receive a formal letter of appointment setting out the key terms and conditions relevant to that appointment. Due to the small size of the Company's Board, directors generally undertake their own continuing education.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

Recommendation 3.1 - A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.

The Board endeavours to ensure that the Directors, officers and employees of the Company act with integrity and observe the highest standards of behaviour and business ethics in relation to their corporate activities.

The Company has a **Code of Conduct** that binds Directors, officers and employees.

The Company also has a published set of **Values** to provide further guidance to Directors, officers and employees.

All Directors, officers and employees are required to comply with the Code of Conduct. Senior managers are expected to ensure that employees, contractors, consultants, agents and partners under their supervision are aware of the Company's expectations as set out in the Code of Conduct.

The Company Secretary is responsible for the investigation of any possible breaches of the

Company's Code of Conduct with findings presented to the Managing Director in respect of employees and the Chairman in respect of a Board member.

The Code of Conduct and Company Values are posted on the Company's website at www.lcg.properties

The Company has adopted a Share Trading Policy which summarises the law relating to insider trading and sets out the policy of the Company on directors, officers, employees and consultants dealing in shares of the Company. The Securities Trading Policy is also available on the Company's website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN CORPORATE REPORTING

Recommendation 4.1 - The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (5) in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

Audit and Risk Functions

The Board supports the intent of Recommendation 4.1 but with only one independent non-executive director on the Board, the practical implementation of this recommendation is not currently possible. Therefore, the Board has appointed John Pettigrew as Director of Audit and Risk Review. Mr Pettigrew is an Independent Non-Executive Director.

The Director of Audit and Risk Review will perform role normally undertaken by the Audit Committee with responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information.

The Director of Audit Review will work to a Charter governing his activities, which has been approved by the Board of Directors.

The Director of Audit Review also:

- provides the Board with additional assurance regarding the reliability of financial information for inclusion in the financial reports;
- may meet with the Company's auditors and report to the full Board as required;
- ensures the integrity of the financial policies of the Company, reviews the integrity of the Company's financial reporting and the independence of the external auditor;
- reviews the audited annual and half-year financial policies and any reports which accompany published financial policies and recommends their approval to the Board; and
- reviews the Appointment of the external auditor and their fees.

Details of the qualifications and experience of the Director of Audit and Risk Review are contained in the Directors' Profiles at www.lcg.properties.

External Auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs.

It is the policy of HLB Mann Judd, the Company's current external auditor, to rotate engagement partners on listed companies at least every five years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services (if any), is provided in the notes to the financial policies in the Annual Report.

There is no indemnity provided by the Company to the auditor in respect of any potential liability to third parties.

Recommendation 4.2 - The board of a listed entity should, before it approves the entity's financial policies for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial policies comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company's CEO (the Managing Director) and CFO provided the Board with the required declarations.

Recommendation 4.3 - A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

A representative of the Company's external audit firm attends the AGM and is available to answer shareholder questions from shareholders relevant to the audit.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Recommendation 5.1 - A listed entity should (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.

The Managing Director, with advice from the Company Secretary where appropriate, is responsible for bringing continuous disclosure matters to the attention of the Board of Directors. To ensure the timely disclosure of pertinent matters, the Managing Director has the delegated authority to disclose routine matters of fact to the ASX without reference to the Board. The Managing Director is also delegated to take all reasonable actions to comply with urgent disclosure matters in the event that the Board is unable to meet or communicate in a timely manner, including calling a trading halt if required. These matters of continuous disclosure policy are documented in standing resolutions of the Board.

The Board reviews the Company's compliance with this policy on an ongoing basis and will update it from time to time, if necessary.

PRINCIPLE 6: RESPECT THE RIGHTS OF SECURITY HOLDERS

Recommendation 6.1 - A listed entity should provide information about itself and its governance to investors via its website.

The Company maintains information in relation to corporate governance policy, directors and senior executives, Company Policies, Annual Reports, ASX announcements and contact details on the Company's website.

Recommendations 6.2 and 6.3

A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors (6.2).

A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders (6.3).

The Company is committed to promoting effective communications with shareholders by ensuring they and the investment market generally are provided with full and timely disclosure of its activities and providing equal opportunity for all stakeholders to receive externally available information issued by the Company in a timely manner. The Company provides shareholders with periodic updates on its business. Shareholders are encouraged to communicate by electronic means and to participate at the Annual General Meeting, to ensure a high level of accountability and identification with the Company's strategy and goals.

Recommendation 6.4 - A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company engages its share registry to manage the majority of communications with shareholders. Shareholders are encouraged to receive correspondence from the Company electronically, thereby facilitating a more effective, efficient and environmentally friendly communication mechanism with shareholders. Shareholders not already receiving information electronically can elect to do so through the Company's share registry, Share Transfer Registrars. Shareholders can also sign up to an email alert system on the Company's website at www.lcg.properties

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Recommendations 7.1 & 7.2

The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework (7.1).

The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place (7.2).

The Board supports the intent of Recommendation 7.1 but with only one independent non-executive director on the Board, the practical implementation of this recommendation is not currently possible. Therefore, the Board has appointed John Pettigrew as Director of Audit and Risk Review. Mr Pettigrew is an Independent Non-Executive Director.

The Director of Audit and Risk Review will perform role normally undertaken by the Risk Committee with responsibility to ensure that an effective internal control framework exists within the Company. This includes internal controls to deal with significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information.

The Director of Audit and Risk Review will work to a Charter governing his activities, which has been approved by the Board of Directors.

Accordingly, the Company is not in compliance with Recommendation 7.1. These arrangements will be reviewed periodically by the Board to ensure that they continue to be appropriate to the Company's circumstances.

Risk facing the Company is systematically managed through a series of applicable Company systems and policies that address the main areas of risk facing the Company, including financial and accounting controls, insurance of assets, occupational health and safety, environmental management, land access and tenure etc. The Company will also implement a systematic risk assessment program in parallel with the studies into its projects to ensure that as the Company's activities evolve, the appropriate risk management systems are enhanced or added to as required.

The Board has delegated some specific risk management tasks to the Managing Director in writing and he has in turn delegated some of these areas in writing to the Chief Financial Officer including the maintenance of corporate accounts, treasury and insurances.

The Managing Director reports all material risk matters to the Board at meetings of the Board and otherwise as required.

The Board reviews risks to the Company at regular Board meetings.

The Company manages material business risks under a series of risk management strategies. There is an ongoing program to identify, monitor and manage compliance issues and material business risks with a view to safeguarding the Company's investments and the integrity of its operations. The Board reviews the identification, management and reporting of risk as part of the annual budget process. More frequent reviews are undertaken as conditions or events dictate.

Recommendation 7.3 - A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.

The Board has the responsibility for ensuring the effectiveness of risk management and internal compliance and control. As part of the review process the Board considers the extent to which the risk process has been successful in retrospect with regard to the identification and mitigation of risks. This is required at all times and the Board actively promotes a culture of quality and integrity.

The Company does not have an internal audit function due to its size; however the Company's procedures and policies are subject to regular review. The Board also liaises closely with the Company's external auditor to identify potential improvements to the risk management and internal control procedures.

The Board recognises that no cost-effective internal control system will preclude the possibility of errors and irregularities. The Company has insurance to cover unexpected or unforeseen events and reduce any adverse consequences.

Recommendation 7.4 - A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.

The Company does not believe it currently has material exposure to economic, environmental and social sustainability risks.

The future activities of the Company in jurisdictions outside Australia may expose the Company to a range of legal and financial risks. The Board will systematically review the risks using a risk matrix on a regular basis and aim to mitigate the risks with appropriate strategies, policies and control procedures.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Recommendation 8.1 - The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or (b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

It is the Company's objective to provide maximum shareholder benefit from the retention of a high quality Board and executive team by remunerating Directors and key executives fairly and appropriately with reference to relevant employment market conditions.

The Board has established a Remuneration and Nomination Committee. The Chairman of the Committee is an Independent Director.

The members of the Remuneration and Nomination Committee are:

Mr. Pettigrew (Chair)

Mr. Robert Sun

Mr. Pettigrew is a non-executive director and independent director. With only two members, there is not a majority of independent directors on the Remuneration and Nomination Committee at this time. Therefore, the Company is currently not in compliance with Recommendation 8.1.

The Company will continue to monitor this situation and when suitable Board membership permits, the Company will maintain a majority of Non-Executive Directors on the Committee.

The Remuneration Nomination Committee reviews the remuneration of the Board itself, the Managing Director, the Executive Chairman and the Chief Financial Officer. The Remuneration Nomination Committee also considers external advice and employment data to ensure the overall remuneration practices of the Company are appropriate.

The expected outcomes of the remuneration structure are:

- retention and motivation of key executives;
- attraction of high quality management to the company; and
- performance incentives that allow executives to share the success of the Company.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors.

The Managing Director is responsible for the general remuneration policies and practices that apply to the balance of employees within the Company.

Details of the qualifications and experience of the members of the Committee are detailed in the Directors' Profiles on the Company website at www.lcg.properties

The Remuneration and Nomination Committee has a Charter to govern its activities that has been approved by the Board of Directors. The number of meetings of the Remuneration and Nomination Committee during the financial year are provided in the Directors' Report of the Annual Report of the Company.

An outline of the Company's remuneration policies in respect of directors and executives is set out in the audited Remuneration Report contained in the Annual Reports of the Company. Detailed disclosure of the remuneration paid to the Company's directors and executives is also set within the Remuneration Report section of each Annual Report.

Recommendation 8.2 - A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.

An outline of the Company's remuneration policies in respect of directors and executives is set out in the audited Remuneration Report contained in the Company's Annual Reports.

The level of remuneration reflects the anticipated time commitments and responsibilities of the position having regard to the financial constraints on the Company. Senior executives may be remunerated using combinations of fixed and performance based remuneration. Salaries are set at levels reflecting market rates having regard to the financial constraints on the Company and performance based remuneration, when offered, will be linked to specific performance targets that are aligned to both short and long term objectives.

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive compensation is separate and distinct.

The shareholders of the Company approved total fees payable to non-executive Directors of \$325,000 per annum at a General Meeting of the Company held on 11 October 2012.

The Board has resolved that the current Directors' fees are:

- Non-executive Directors - \$43,800pa

This amount includes an allowance for statutory superannuation.

Directors are also entitled to be paid reasonable travelling, accommodation and other expenses incurred as a result of attendance at Board meetings and the discharge of other director related duties.

Board members are not provided any additional remuneration in respect of any standing Board Committee memberships.

There are no termination or retirement benefits for non-executive Directors.

Recommendation 8.3 - A listed entity which has an equity-based remuneration scheme should: (a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and (b) disclose that policy or a summary of it

The use of derivatives or other hedging arrangements for unvested securities of the Company or vested securities of the Company which are subject to escrow arrangements is prohibited. Where a director or other senior executive uses derivatives or other hedging arrangements over vested securities of the Company, this must be disclosed.

OTHER GOVERNANCE MATTERS

Skills, Experience and Expertise of each Director

A profile of each Director is contained in the Directors' Profiles on the Company's website at www.lcg.properties

Statement on Independent Professional Advice

If requested by a Director, the Company will pay for independent professional advice for a Director in the discharge of their duties provided that the prior approval of the Chairman is obtained.

END.