

## Corporate Governance Statement 2009

### Multiplex Prime Property Fund

The directors and management of Brookfield Multiplex Capital Management Limited (BMCML) are committed to operating within an effective, robust and transparent system of corporate governance practices. We believe that a functional and flexible framework is essential to the health of BMCML and the Multiplex Prime Property Fund (the fund), and to the operation of an orderly market through clarity and accountability in the achievement of BMCML's and the fund's objectives.

BMCML, as the fund's Responsible Entity, has operated within a corporate governance system that the directors and management have developed over time. Corporate governance is a dynamic force that keeps evolving and for that reason, our systems, policies and procedures are regularly reviewed and tailored to changing circumstances.

A description of BMCML's governance framework, as well as a comparison to the ASX Corporate Governance "Principles and Recommendations" and the extent to which the fund has followed the recommendations in the reporting period, is set out below. We believe that each principle is of equal importance.

Following the acquisition by Brookfield Asset Management Inc (BAM) of Multiplex Group in early 2008, BMCML became a wholly owned BAM subsidiary. BAM is listed on the New York, Toronto and Euronext Stock Exchanges. In light of this change in ownership, BMCML is now required to comply with the US Sarbanes-Oxley Act, as well as its Canadian equivalent. Those laws deal with, amongst other things, corporate governance of US public company boards.

#### **1. Lay solid foundations for management and oversight**

##### **Companies should establish and disclose the respective roles and responsibilities of board and management.**

*Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.*

During 2007, the board adopted a board charter that details its functions and responsibilities, a summary of which is available at [www.brookfieldmultiplexcapital.com](http://www.brookfieldmultiplexcapital.com). The fund has a dedicated Fund Manager who is responsible for the day-to-day management of the fund's operations and who reports to the Chief Executive Officer (CEO). The Fund Manager and the CEO have formal job descriptions and letters of appointment describing their duties, rights and responsibilities.

BMCML holds Australian Financial Services Licence (AFSL) No. 223809 and is an experienced responsible entity. It is subject to duties imposed by its AFSL, the fund's constitution, the Corporations Act, the ASX Listing Rules, the fund's compliance plan and the law. BMCML has appointed Key Persons and Responsible Managers (who are executives within the Brookfield Multiplex Capital business) and they are named on its

AFSL. Their duties are to assist with and ensure BMCML's ongoing compliance with the conditions of the AFSL and the law.

*Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.*

The performance of all senior executives is formally reviewed by their manager at least once per year in relation to key performance indicators and targets. Each Brookfield Multiplex Group (BMG) employee is required to have a performance agreement with BMG. The agreement includes a review of the employee's position description and lists performance objectives and specific results to be achieved during the coming year. Each employee is required to work with his or her manager to establish the agreement, which is then regularly reviewed and updated at least annually. All new employees undergo an induction process.

Ongoing training is provided for directors and staff as relevant, including attendance at conferences, seminars, presentations and formal course work.

## **2. Structure the board to add value**

**Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.**

*Recommendation 2.1: A majority of the board should be independent directors.*

The board consists of five directors, three of whom are non-executive. The executive directors are Mr Mark Wilson and Mr Brian Kingston.

Each of the non-executive directors are independent in accordance with the relationships affecting independent status listed by the ASX Corporate Governance Principles. For further details on the directors who comprise the board including their skills, experience, expertise and term in office, please refer to page 28 of this report or [www.brookfieldmultiplexcapital.com](http://www.brookfieldmultiplexcapital.com).

Non-executive directors may obtain independent professional advice at the expense of BMCML with the prior approval of the Chairman.

*Recommendation 2.2: The chair should be an independent director.*

The non-executive Chairman, Dr Peter Morris, is an independent director.

*Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.*

The CEO is Mr Mark Wilson. Therefore, the roles of the chairman and CEO are not exercised by the same person.

*Recommendation 2.4: The board should establish a nomination committee.*

As a wholly owned subsidiary of BAM, the board has not established a nomination committee as it believes the consideration of director appointments is a matter for BAM in conjunction with the views of the board.

*Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.*

The board conducted a self evaluation of its performance and that of individual directors during January 2008 by way of a survey of each director, followed by an analysis and discussion of responses by the board. As part of the review, consideration was given to the skills and competency of board members as well as the appropriate mix of skills required for managing BMCML and the fund. An assessment of board, committee and individual director performance is intended to occur on an annual basis and may in the future include an external mediator.

The company secretary supports the effectiveness of the board by monitoring board policies and procedures followed, and co-ordinating the timely completion and dispatch of board agenda and briefing material. All directors have access to the company secretary.

### **3. Promote ethical and responsible decision-making**

#### **Companies should actively promote ethical and responsible decision-making.**

*Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code as to:*

- the practices necessary to maintain confidence in the company's integrity*
- the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders*
- the responsibility and accountability of individuals for reporting and investigating reporting and investigating reports of unethical practices*

As a wholly owned subsidiary of BAM, BMCML is subject to the Brookfield Multiplex Code of Business Conduct and Ethics, which articulates standards of honesty and ethical behaviour to be carried out by all employees in undertaking their duties. Employees are encouraged to report any breaches of the code in accordance with the BMG Whistle Blower Policy. This includes access to a whistle blowing hotline which is managed independently of BAM. A summary of the code is available at [www.brookfieldmultiplexcapital.com](http://www.brookfieldmultiplexcapital.com).

BMG also has a Chinese Walls Policy for the control and monitoring of the flow of sensitive information to minimise potential conflicts of interest. In accordance with ASIC Regulatory Guide 181 – "Licensing: Managing conflicts of interest," Brookfield Multiplex Capital has established a Conflicts Policy and Register for the management of actual and perceived conflicts of interest.

During 2007, BMCML established a Mandate Conflict Committee to consider conflicts of interest, related party transactions and allocation matters which may arise in the course of managing the business of BMCML and the fund. The committee is comprised of an

independent chairman, the CEO, the Brookfield Multiplex Capital Divisional Legal Counsel and the Brookfield Multiplex Capital Compliance Manager. The committee's independence is enhanced by the appointment of an independent chairman and is comprised of a majority of members who do not have operational responsibilities directly linked to the performance of specific schemes. The committee has a charter and a summary of this is available at [www.brookfieldmultiplexcapital.com](http://www.brookfieldmultiplexcapital.com).

*Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.*

BMCML is subject to the Brookfield Multiplex Capital Securities Trading Policy. It applies to all directors and employees and places restrictions and reporting requirements, including limiting trading in units in the fund to specific trading windows and in a specific manner. A summary of the policy may be found at [www.brookfieldmultiplexcapital.com](http://www.brookfieldmultiplexcapital.com). Employees are regularly reminded of the existence of, as well as the requirement to comply with, the policy. Training on the code of conduct is facilitated on a regular basis.

#### **4. Safeguard integrity in financial reporting**

##### **Companies should have a structure to independently verify and safeguard the integrity of the Fund's financial reporting**

*Recommendation 4.1: The board should establish an audit committee.*

During 2007, BMCML established an audit committee which meets on a regular basis and reports to the board the results of its deliberations. A procedure for the selection and appointment of external auditors, and for the rotation of external audit engagement partners, has been approved by the board. BAM has implemented an internal control project within BMG to ensure compliance with Section 404 of the Sarbanes-Oxley Act. This requires management to report annually on the effectiveness of internal control over financial reporting and requires the external auditor to attest to and report on management's assessment. BMCML is required to comply with the Sarbanes-Oxley Act requirements. As the fund is not controlled by BAM directly, it is not mandatorily required to comply with the Sarbanes-Oxley Act requirements.

*Recommendation 4.2: The audit committee should be structured so that it:*

- consists only of non-executive directors*
- consists of a majority of independent directors*
- is chaired by an independent chair, who is not chair of the board*
- has at least three members*

The Audit Committee comprises three independent non-executive directors: Brian Motteram (Chairman), Peter Morris and Robert McCuaig.

*Recommendation 4.3: The audit committee should have a formal charter.*

The duties and responsibilities of the Audit Committee are set out in the Committee Charter, a summary of which appears at [www.brookfieldmultiplexcapital.com](http://www.brookfieldmultiplexcapital.com). The Audit Committee has rights of access to management, including the right to seek any explanations or additional information and access to auditors (internal and external), without management present. The audit committee reports to the board in relation to the financial statements and notes, as well as the external audit report. An external auditor, KPMG, has been appointed to audit the fund and the fund's compliance plan.

## **5. Make timely and balanced disclosure**

### **Companies should promote timely and balanced disclosure of all material matters concerning the Fund.**

*Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*

BMCML is subject to the Brookfield Multiplex Capital Continuous Disclosure Policy, which is designed to ensure compliance with the ASX Listing Rules and its continuous disclosure obligations. All price-sensitive information is to be disclosed to the ASX. A summary of the policy is available at [www.brookfieldmultiplexcapital.com](http://www.brookfieldmultiplexcapital.com). Whilst accountability with the ASX Listing Rules rests with all employees, the CEO has primary responsibility for ensuring compliance with continuous disclosure obligations.

## **6. Respect the rights of Unitholders**

### **Companies should respect the rights of unitholders and facilitate the effective exercise of those rights.**

Unitholder rights, as owners, need to be clearly recognised and upheld.

*Recommendation 6.1: Companies should design a communications policy for promoting effective communication with unitholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.*

Price-sensitive information concerning the fund is disclosed to investors and other interested stakeholders in accordance with the Brookfield Multiplex Capital Continuous Disclosure Policy. BMCML also has a Communications Policy (a summary of which also appears at [www.brookfieldmultiplexcapital.com](http://www.brookfieldmultiplexcapital.com)) which sees it provide regular communication to investors, including publication of:

- (i) a quarterly magazine *Capital* which provides updated information concerning the fund;
- (ii) the fund's half-yearly update which provides an update on the investments held by, operation of, and the performance for the period of the fund;
- (iii) the fund's annual report including audited financial statements for each year ending 30 June;
- (iv) quarterly distribution statements;

- (v) annual taxation statements; and
- (vi) any continuous disclosure notices given by the fund.

The fund has its own section on the Brookfield Multiplex Capital website that provides up to date Fund information including current ASX unit price (subject to a 20-minute delay), financial reports, and distribution information. As the fund is a listed managed investment scheme, there is no mandatory requirement to hold annual general meetings. In the future BMCML may decide to hold annual general meetings of fund investors if BMCML forms the view that there is sufficient demand from fund investors to incur that cost.

Fund investors are able to contact either the Fund Registry or the Fund Manager during business hours to discuss any queries in relation to their investment or the operation of the fund.

As part of BMCML's commitment to fund investors it has an internal dispute resolution mechanism in place which is designed to meet the requirements of the Corporations Act and its AFSL. The process complies with the key principles of Australian Standard AS ISO 10002:2004 "Customer satisfaction – Guidelines for complaints handling in organisations" and the minimum requirements of the ASIC Regulatory Guide 165 – "Licensing: Internal and external dispute resolution". If a dispute cannot be resolved through the internal dispute resolution mechanism, it can be referred to the Financial Ombudsman Service, an independent complaint resolution service of which BMCML is a member. BMCML encourages fund investors to visit its website regularly and communicate with the company electronically as a first preference.

## **7. Recognise and manage risk**

### **Companies should establish a sound system of risk oversight and management and internal control.**

Every business decision has an element of uncertainty and carries a risk that can be managed through effective oversight and internal control.

*Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.*

Management is responsible for developing and implementing policies and procedures to identify, manage and mitigate the risks across BMCML's and the fund's operations. These policies are designed to ensure relevant risks are effectively and efficiently managed and monitored to enable the achievement of BMCML's and the fund's objectives.

Risk within BMCML is assessed using a risk management methodology based upon the frameworks developed by the Commission of Sponsoring Organisations (COSO) of the Treadway Commission. Risk management statements are prepared for Brookfield Multiplex Capital in which the material business risks are identified. Annually a risk assessment is performed and considered by BMCML. Brookfield Multiplex Capital has an internal control system in place and is moving towards compliance with the US and

Canadian equivalent Sarbanes-Oxley Act obligations through documenting and testing of internal control processes. A summary of the Brookfield Multiplex Capital Risk Management Policy is available at [www.brookfieldmultiplexcapital.com](http://www.brookfieldmultiplexcapital.com). The fund is not mandatorily required to comply with the requirements of the Sarbanes-Oxley Act.

BMCML has a Compliance Committee in place which is comprised of two external members (non BMCML directors) and a senior manager of BMG. The committee discharges Part 5C.5 obligations under the Corporations Act in relation to managed investment schemes. The committee considers compliance and internal control matters and regularly reports its deliberations to the board. It has a charter, a summary of which appears at [www.brookfieldmultiplexcapital.com](http://www.brookfieldmultiplexcapital.com).

*Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.*

Further to the preceding material, BMCML receives quarterly reports on the operation of the risk management system and ad hoc reports as and when material changes are identified to material business risks. The board annually reviews management's risk assessment in relation to BMCML. Additionally, the board receives the minutes of the Audit Committee and the Risk and Compliance Committee. BMG has an internal audit function which as part of its annual program may review aspects of the BMCML business and the fund. The internal audit function communicates with the Audit Committee and the Risk and Compliance Committee.

*Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks.*

The board receives assurance from the CEO and the CFO that the declaration provided in accordance with section 295A is founded on a sound system of risk management and internal control. That system is operating effectively in all material respects in relation to financial reporting risks in relation to annual and half year reports.

## **8. Remunerate fairly and responsibly**

**Companies should ensure that the level and composition of remuneration is sufficient, and reasonable, and that its relationship to performance is clear.**

Rewards are needed to attract the skills required to achieve the performance expected by unitholders. There is a clear relationship between performance and remuneration.

*Recommendation 8.1: The board should establish a remuneration committee.*

As a wholly owned subsidiary of BAM, the board has not established a remuneration committee as it believes that consideration of executive management remuneration is a matter to be considered by BAM.

*Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*

The independent and non-executive directors receive fees for serving as directors. These fees are not linked to the performance of BMCML or the fund. The executive director does not receive payment for his role as a director, instead receiving remuneration in his capacity as an employee of BMG.