

Corporate Governance Statement

This statement outlines the corporate governance framework and practices of ASX-listed Sydney Airport (SYD) in the form of a report against the ASX Corporate Governance Principles and Recommendations (3rd Edition) (ASX Principles).

SYD is comprised of Sydney Airport Limited (SAL), which is the parent company of the operator of Sydney (Kingsford Smith) Airport, and Sydney Airport Trust 1 (SAT1), whose responsible entity is The Trust Company (Sydney Airport) Limited (RE), a wholly owned subsidiary of The Trust Company Limited (TTCL) and its listed parent, Perpetual Limited (Perpetual). Each SAL share is stapled to a SAT1 unit, and the stapled securities are quoted on ASX under the ticker "SYD".

SAL and the RE have distinct boards, each of which functions independently of the other. Each has a commitment to high standards of corporate governance, and operates in accordance with their own policies and procedures.

This statement applies to both SAL and the RE. It is current as at 17 February 2016, and has been approved by the boards of SAL and the RE and lodged with ASX along with our ASX Appendix 4G and the 2015 Annual Report, each of which are available on the Sydney Airport website (www.sydneyairport.com.au).

Principle 1: Lay Solid Foundations for Management and Oversight

A listed entity should establish and disclose the respective roles and responsibilities of its board and management and how their performance is monitored and evaluated.

Recommendation 1.1

The SAL board's roles and responsibilities are formalised in a board charter available on the Sydney Airport website. The charter sets out the extent to which the board has delegated its responsibilities to management and the way in which the board operates to discharge its responsibilities.

To facilitate the effective and efficient discharge of the board's responsibilities, it has delegated the day to day exercise of certain powers to management. The powers conferred upon management such as operating and capital expenditure limits and the authority to enter into revenue contracts, leases and licences are clearly documented. Notwithstanding that operating or capital expenditure may be within a delegate's delegation, matters reserved only to the board as outlined in the charter must be raised with the Chief Executive Officer (CEO) and the Board.

The chairman of the SAL board is Trevor Gerber. The chairman is responsible for leading the board, facilitating the proper briefing of directors, facilitating effective discussion of matters considered by the board and managing the board's relationship with management.

The CEO is responsible to the board for implementation of strategies, policies and decisions determined by the board.

The RE board delegates to TTCL management of all matters not reserved to the RE board, including the day-to-day management of the RE and the operation of SAT1. Directors, management and staff are guided by the Ethical Framework developed by TTCL in the performance of their roles.

The role of the RE board is generally to set objectives and goals for the operation of the RE and SAT1, to oversee the RE's management, to regularly review performance and to monitor the RE's affairs acting in the best interests of the unitholders of SAT1.

Recommendation 1.2

Director selection and appointment practices ensure the SAL board is of a size and composition conducive to making appropriate decisions, with the benefit of a variety of perspectives and skills and in the best interests of Sydney Airport. Directors with a range of qualifications, expertise, experience, diversity and personal attributes are appointed to the board to enable it to effectively discharge its duties and to add value to the board's deliberations.

On 1 October 2015, Grant Fenn was appointed to the SAL board. During the recruitment process the board, headed by the chairman of the Nomination and Remuneration Committee and in conjunction with an external consultant underwent a thorough selection process to ensure that the nominated candidate would possess the character, experience and education to complement the existing directors and to assist the board to achieve its strategic goals and continued success. Extensive reference checks were conducted prior to Mr Fenn's appointment.

Shareholders are provided with all material information to enable them to make an informed decision on whether or not to elect or re-elect a director at the AGM. Biographies of each of the directors standing for election or re-election are provided in the Notices of Meeting, including a list of qualifications, experience, skills, tenure, independence status and other material directorships are provided.

Profiles for directors of SAL and the RE are available in the Sydney Airport Financial Report for Year Ended 31 December 2015.

Recommendation 1.3

All non-executive directors (NEDs) of SAL have received a letter of appointment addressing the matters recommended by the ASX Principles. They clearly set out the terms of employment outlining their roles, responsibilities, entitlements and access rights. NEDs are informed of the agreed procedure for the board and committees to obtain independent professional advice at Sydney Airport's expense and are provided with Sydney Airport's key policies. All senior executives have comprehensive written employment agreements.

All NEDs of the RE board have received letters of appointment which address the matters recommended by the ASX Principles and which outline their roles, responsibilities, entitlements and access rights. The NEDs of the RE are informed of the agreed procedure for the board to obtain independent professional advice at the RE's expense and are also provided with the key policies.

Recommendation 1.4

The SAL Company Secretary has a dual reporting line to the CEO and to the SAL board, through the Chairman.

The Company Secretary directly communicates to the board, advising on governance matters, facilitating inductions and professional development for directors and ensures that the directors receive timely, regular and appropriate information to enable them to fulfil their duties. This information is provided as part of directors' board papers and regular reporting on airport performance.

Recommendation 1.5

Sydney Airport adopted an updated diversity policy in 2016. A copy of the policy is on the Sydney Airport website. The SAL Nomination and Remuneration Committee assists and advises the SAL board to establish and monitor strategies to promote workplace diversity at Sydney Airport. On an annual basis the board reviews and reports on statistics and trends on all aspects of diversity, age, gender, tenure, ethnicity and indigenous background to ensure we are continually making progress in achieving our goal in ensuring a diverse workforce.

Sydney Airport has demonstrated its commitment to diversity by introducing measurable objectives that

are outlined in the policy. In addition to those objectives Sydney Airport has committed to the Australian Institute of Company Directors (AICD) 30% Club for both board and management and is a supporter of the Chief Executive Women and Australian Marriage Equality organisations.

The proportion of women employed in Sydney Airport as at 31 December 2015 is set out in the following table:

SAL Board		Senior Executives		Management Roles		All Sydney Airport Employees	
2014	2015	2014	2015	2014	2015	2014	2015
28.57%	28.57%	44.44%	40.00%	25.00%	32.20%	30.80%	33.50%

The RE has an Ethical Framework and a Code of Conduct within which it carries on its business and deals with its stakeholders, as well as a Diversity Policy pursuant to which measurable objectives are being developed. These apply to all directors and employees of TTCL and the RE.

Recommendation 1.6

During 2015 the SAL board conducted a review of the performance of the board, the directors and the committees to which they were appointed. The chairman of the board is responsible for evaluating and monitoring this process in accordance with the board charter.

Evaluations are conducted annually, with independent third party evaluations taking place on a periodic basis.

Recommendation 1.7

Sydney Airport has a robust performance management system which starts with the setting of comprehensive objectives which are complemented by behavioural expectations. Objectives are reviewed mid-year and a formal appraisal of results is conducted at the end of the year. Remuneration outcomes (Fixed Annual Remuneration (FAR) increases and Short Term Incentives (STI)) are based on the performance outcomes achieved for the objectives. The deferring of a component of the STI ensures a focus on both the short and long term success of Sydney Airport.

In 2015 Sydney Airport introduced a Long Term Incentive Plan (LTI Plan) to provide an incentive for senior executives to ensure that Sydney Airport continues its superior performance, by linking potential reward for the CEO and senior executives to continued growth in Sydney Airport's long term financial performance and security holder returns. This is subject to performance conditions set by the board and measured over a three year period.

For the CEO, the objectives were approved by the SAL Board at the commencement of the year. The CEO then cascaded the key themes to the senior executives and individual and cross functional objectives were set. During 2015 the CEO and the Leadership team were reviewed in line with the overall process outlined above.

Principle 2: Structure the Board to Add Value

A listed entity should have a board of an appropriate size, composition, skill and commitment to enable it to discharge its duties effectively.

Recommendation 2.1

The SAL board has a Nomination and Remuneration Committee. The chair of the Committee must be

an independent non-executive director. The Committee's charter sets out its composition, size, roles and responsibilities. A copy of the charter is on the Sydney Airport website.

Directors' attendance at SAL board and committee meetings in 2015

Directors	Board		Audit and Risk Committee		Nomination and Remuneration Committee		Western Sydney Airport Committee		Safety, Security, Environment and Health Committee	
	H ¹	A ²	H ¹	A ²	H ¹	A ²	H ¹	A ²	H ¹	A ²
Trevor Gerber ³	6	6	5	5	2	2	6	6	-	-
Kerrie Mather	6	6	-	-	-	-	6	6	5	5
Michael Lee ⁵	6	6	5	5	3	3	6	6	5	5
John Roberts ⁴	6	6	5	5	-	-	6	6	-	-
Stephen Ward ⁵	6	6	-	-	3	3	6	6	-	-
Ann Sherry	6	6	-	-	2	2	6	5	5	5
Grant Fenn	2	2	-	-	-	-	1	1	-	-
Max Moore-Wilton	2	2	-	-	1	1	3	3	1	1

¹ number of meetings to which director was invited to attend

² Actual attendance

³ Chairman of the SAL Board and Western Sydney Airport Committee

⁴ Chairman of the Audit and Risk Committee

⁵ Chairman of the Nomination and Remuneration Committee

⁶ Chairman of the Safety, Security, Environment and Health Committee (dissolved as at 31 December 2015)

The RE board met 3 times in 2015 in respect of SAT1, and all directors attended each meeting.

Recommendation 2.2

During 2015 the SAL board undertook a review of each of its members and their skills and experience. This process assisted to ensure its current members had a broad mix of skills and to recognise potential areas for development. In October 2015 the Board appointed Grant Fenn as non-executive director of Sydney Airport. His appointment has added to the skills and experience Sydney Airport requires to continue to achieve its strategic objectives now and into the future.

Skills and Experience

- Aviation and Transport
- Banking and Finance
- Construction and Engineering
- Corporate Governance
- Digital Media
- Government Relations
- Infrastructure
- Investment Evaluation and Management
- Legal
- Property and Facilities Management
- Retail
- Tourism Development

The RE board consists of one executive (who is a nominee of TTCL) and two NEDs. The RE board meets regularly and considers that the composition and mix of skills of directors is appropriate for the directors to understand the RE's business and to discharge their duties.

Recommendation 2.3

The names of the Sydney Airport directors that are considered to be independent and the year in which they were appointed are listed below:

Directors of SAL

Trevor Gerber (Chairman)	2002
Michael Lee	2003
John Roberts	2009
Stephen Ward	2011
Ann Sherry	2014
Grant Fenn	2015

Kerrie Mather is not considered to be independent because she is the Managing Director and Chief Executive Officer of SAL. She was appointed a Sydney Airport director in 2010.

Trevor Gerber and Michael Lee have each been Sydney Airport directors for more than 10 years. The Board considers that each of them have clearly demonstrated their independence from management through their decision making and general performance as directors.

Directors of TTCSAL

Russell Balding	2013
Patrick Gourley	2013

Christopher Green is not considered to be independent because he is an executive of TTCL. He was appointed a director of the RE in 2014.

Recommendation 2.4

It is SAL's policy that a majority of directors must be independent. All NEDs are independent.

It is the RE's policy that a majority of directors must be independent. All NEDs are independent.

The boards of both SAL and the RE will regularly consider the independence of directors based on the definition of independence set out in the ASX Corporate Governance Principles.

The RE board also ensures that it maintains independent judgement in board decisions. The RE board meets at least quarterly and more frequently as required to consider matters in relation to SAT1.

The RE adds value in terms of the best interests of SAT1's unitholders through being independent of SAL. This independent structure avoids any conflicts of interest between the RE and SAL whenever discretionary decisions are required of either entity in their respective capacities.

Each member of the board is subject to re-election at the Sydney Airport AGM on a rolling three yearly basis.

Additionally, the RE board has appointed a Compliance Committee for SAT1 that does not contain any board members.

Recommendation 2.5

The SAL Board Charter requires the Sydney Airport Chairman to be an independent non-executive

director. The Chairman cannot also be the CEO.

The market will be notified in a timely way of any change to a director's independence status.

Recommendation 2.6

All new directors and executives are required to participate in an induction and training program about Sydney Airport and their roles and responsibilities. All directors are invited to participate in training sessions, conferences and airport tours organised by management.

The RE board is provided with regular detailed reports on the financial position, financial performance and business of SAT1 to allow the board to effectively fulfil its responsibilities. The directors have access to the management, staff and advisers of the RE and TTCL as necessary if they require additional information.

Principle 3: Promote Ethical and Responsible Decision Making

A listed entity should act ethically and responsibly.

Recommendation 3.1

'What Sydney Airport Stands For' and 'Sydney Airport's Guide to Business Conduct' apply to all directors, employees, contracted staff and consultants. These documents set out Sydney Airport's vision, mission, values and practices that govern the way that Sydney Airport and its people carry on business and engage with stakeholders.

The Guide to Business Conduct includes Sydney Airport's policies regarding management of conflicts of interest, whistle-blowing, anti-corruption and dealing with governments. It is underpinned by a range of additional policies reflecting Sydney Airport's values including:

- securities dealing policy;
- work health and safety policy;
- risk management policy;
- continuous disclosure and communications policy; and
- privacy policy.

Sydney Airport's securities dealing policy applies to directors as well as employees of both SAL and the RE and it restricts their ability to deal in Sydney Airport securities. Trading in Sydney Airport securities is not permitted during blackout periods. The blackout periods operate from 1 January until the day after full-year financial results are released to the ASX, and from 1 July until the day after half-year financial results are released to ASX. A blackout period also operates during the four weeks prior to the AGM until the day after the AGM. Additional blackout periods may also operate when Sydney Airport is considering market-sensitive transactions. Directors and staff are required to obtain prior approval for any trade from the company secretary in accordance with the securities dealing policy which is available on the Sydney Airport website.

Sydney Airport's conflicts of interest policy prohibits directors and staff participating in activities that involve a conflict between their duties and responsibilities or which are prejudicial to Sydney Airport's business. Directors and staff must not put themselves in a position of conflict with the best interests of investors or a position which unfairly puts the interests of one investor above another's.

Principle 4: Safeguard Integrity in Financial Reporting

A listed entity should have formal and rigorous processes that independently verify and safeguard the integrity of its corporate reporting.

Recommendation 4.1

The SAL Audit and Risk Committee comprises only independent directors and complies with the

requirements of the ASX Principles. The chairman of the SAL board cannot chair the Audit and Risk Committee. A list of the members of the SAL Audit and Risk Committee and their attendance at committee meetings is contained in the table on page 4.

The SAL Audit and Risk Committee charter is available on the Sydney Airport website and it sets out the committee's role, responsibilities, and composition. The Audit and Risk Committee is responsible for overseeing the structure and management systems that ensure the integrity of financial reporting. Specifically the committee:

- reviews and reports to the board on the financial reports and on the external auditor's audit of the financial statements;
- recommends to the board the appointment and removal of the external auditor, reviews the auditor's terms of engagement including arrangements for the rotation of the external audit partner, and the scope and quality of the audit; and
- monitors auditor independence including the level of non-audit services provided, and reports its findings to the board.

The relevant qualifications and experience of the members of the SAL Audit and Risk Committee are set out in the biographies of directors on pages 2 and 3 of the SYD Financial Report for the year ended 31 December 2015.

The functions of an audit committee are all undertaken by the full board of the RE.

Recommendation 4.2

Declarations under Section 295A of the Corporations Act 2001 ('CEO and CFO declarations') provide formal statements to the SAL board and to the RE board in relation to SAT1. The declarations confirm the matters required by the Corporations Act 2001 in connection with financial reporting. The RE also receives confirmations from the service providers involved in financial reporting and management of SAT1, including relevant Sydney Airport staff.

Recommendation 4.3

The Sydney Airport auditor attends the AGM and is available to answer investor questions on the conduct of the audit, and the preparation and content of the auditor's report.

Principle 5: Make Timely and Balanced Disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Recommendation 5.1

Sydney Airport has adopted a continuous disclosure and communications policy which is available on the Sydney Airport website. It is Sydney Airport's policy to provide timely, open and accurate information to its investors, regulators and other stakeholders. This ensures that all investors have equal and timely access to material information concerning Sydney Airport and facilitates trading on an informed basis. The policy applies to both SAL and SAT1.

The continuous disclosure and communications policy facilitates compliance with ASX Listing Rules because it includes procedures for identifying potentially price-sensitive information, a process for escalation to the CEO and general counsel for determination as to disclosure required, and a management sign-off process to ensure that ASX releases are accurate and complete. The SAL and RE boards approve announcements that relate to matters within the reserved powers of the boards and which have not been delegated to management or which are of particular significance to Sydney Airport. The ASX liaison person is the SAL company secretary.

Principle 6: Respect the Rights of Investors

A listed entity should respect the rights of its security holders by providing them with appropriate information and facilities to allow them to exercise those rights effectively.

Recommendation 6.1

Sydney Airport is committed to ensuring timely and accurate information about the Airport and all relevant corporate governance information is available to security holders via our website. The website has a “corporate governance” tab under “about us” that stores all the governance-related documents. All ASX announcements are promptly posted on the website under the Investors tab. The annual and half year results presentations, financial statements, media releases, key dates, traffic announcements, webcasts and other communication materials are also published in the investors section of the website.

Recommendation 6.2

Sydney Airport has a comprehensive security holder engagement program which includes annual reports, emails, briefings, presentations and events, including Investor Day’s and retail roadshows. The program includes scheduled and ad-hoc briefings with institutional and private investors, analysts and the financial media. Sydney Airport aims to arrange time for questions at appropriate opportunities during briefing events providing a forum for two-way communication. Sydney Airport also provides the mechanism for investors to sign up for personalised notification of ASX and media releases as well as an “investors” email address through which everyone can communicate with our Head of Investor Relations.

The RE is a member of the Financial Ombudsman Service, an independent dispute resolution body, which is available to investors in the event that any complaints cannot be satisfactorily resolved by the RE.

Recommendation 6.3

Sydney Airport regards the AGM as an important opportunity to communicate with security holders. It is also a major forum for security holders to ask questions about the performance of Sydney Airport, and to provide feedback about information they have received.

Investors are encouraged to attend the AGM, which is generally held in May each year. The full text of notices of meeting and explanatory material is published on the website. AGMs are webcast live and later archived to accommodate security holders who are unable to attend in person. Investors who are unable to attend in person can also vote using proxy forms by post, fax or via the internet.

Recommendation 6.4

Security holders are able to, and encouraged to elect to, receive all company information in electronic format in line with Sydney Airport’s commitment to sustainability.

Principle 7: Recognise and Manage Risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

Recommendation 7.1

The SAL Audit and Risk Committee assists the board to monitor Sydney Airport’s risk management framework as set out in the Audit and Risk Committee Charter.

The SAL board has established a policy governing Sydney Airport’s approach to risk and internal control systems to minimise different categories of risks. Our risk management policy is available on the Sydney Airport website, and it addresses a wide range of risks including:

- financial risks (e.g. liquidity, interest rate and credit);
- legal risks (e.g. the enforceability of important contracts, covenants and litigation);
- compliance risk;
- operational risks (e.g. processes, information technology, outsourcing of services);
- environmental and social risks;
- WHS risks;
- strategic risks; and
- reputation risks.

The board requires management to design and implement the risk management and internal control systems, including undertaking a risk assessment of SAL and its business and operations. Management reports to the board on whether those risks are being managed effectively. All SAL directors are also members of the board of Sydney Airport Corporation Limited, the company which operates Sydney (Kingsford Smith) Airport. This provides directors with direct visibility of matters considered and reported on by management.

The RE values the importance of robust risk management systems and maintains a current risk register as part of its formal risk management program. The Compliance Committee and Risk Group is responsible for the oversight of risk management, internal control systems and compliance matters for SAT1. It has regard to the TTCL Events Management and Reporting Policy & Procedures, and the TTCL Complaints Handling Policy. TTCL has a Breach Committee which is convened to assess breaches and incidents.

SAT1 has established a Compliance Committee, comprised of Michael Vainauskas, Michelene Collopy and Virginia Malley and it meets at least quarterly. The Compliance Committee Charter sets out its role and responsibilities.

The RE manages the engagement and monitoring of independent external auditors for SAT1. The RE board receives periodic reports from the external auditor in relation to financial reporting and the compliance plan for SAT1.

Recommendation 7.2

During the year, management has reported to the SAL Audit and Risk Committee regarding the effectiveness of the management of material risks. In addition, the board has received assurance from the CEO and Chief Financial Officer that their declaration under Section 295A of the Corporations Act 2001 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Recommendation 7.3

Sydney Airport has an established internal audit function and framework which is regularly monitored and reviewed by the Audit and Risk Committee. Internal audits testing system controls and processes are undertaken by the internal auditor throughout the year including fraud risk assessments and reviewing the Fraud and Corruption Control Plan which are reported to the committee.

Recommendation 7.4

In April 2015 Sydney Airport released its first Sustainability Report which can be found on our website. The report outlines the four pillars that underpin Sydney Airport's commitment to being a long term and sustainable enterprise:

- Engaging and responding to our stakeholders
- Responsibly managing the airport, enhancing the passenger experience
- Supporting passenger growth
- Developing our people

Sydney Airport's increased focus on sustainability prompted the board's decision for the dissolution of

the Safety, Security, Environment and Health Committee and the adoption of the Safety, Security and Sustainability Committee, which took effect on 1 January 2016. During the reporting period Sydney Airport appointed a new position, Head of Sustainability; this role will lead the ongoing development and implementation of our sustainability report and strategy and work with internal and external stakeholders to integrate sustainability into the wider business strategy, financial and operational performance.

Principle 8: Remunerate Fairly and Responsibly

A listed entity should pay director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders.

Recommendation 8.1

The SAL board has a Nomination and Remuneration Committee and a copy of its charter is on the Sydney Airport website. The role of the Nomination and Remuneration Committee is to assist and advise the board on director selection and appointment practices, director performance evaluation processes and criteria, board composition and succession planning for the board and senior executives, diversity within the organisation, the executive remuneration framework and remuneration reporting (including by gender).

All members of the committee are independent directors. A list of members of the SAL Nomination and Remuneration Committee and their attendance at committee meetings is contained in the table on page 4.

Recommendation 8.2

The Remuneration Report sets out Sydney Airport's policy and practices for remunerating SAL directors and Sydney Airport staff.

The remuneration of staff is determined by the SAL board on the recommendation of the Nomination and Remuneration Committee in respect of the CEO and other senior executives. Salaries are benchmarked against comparable market participants based on advice from remuneration consultants. An incentive policy has been developed to align staff performance with Sydney Airport's objectives. Policies are in place to ensure that no senior executive is directly involved in deciding their own remuneration.

The remuneration of SAL NEDs has been disclosed to investors and is described in the Remuneration Report on pages 28 - 29 of the Sydney Airport Financial Report for Year Ended 31 December 2015. NEDs' remuneration is determined with reference to external benchmarking undertaken by consultants engaged by the board. None of the NEDs are entitled to options, securities, bonuses or retirement benefits as part of their remuneration package from Sydney Airport.

The Nomination and Remuneration Committee develops and reviews the process for selection, appointment and re-election of NEDs as well as developing and implementing a process for evaluating the performance of the SAL board, board committees and directors individually.

NEDs are subject to election by investors at the first AGM after their initial appointment by the board. In addition, each NED must stand for re-election by security holders on a rolling three year basis.

Letters of appointment for the NEDs, which are contracts for service but not contracts of employment, have been put in place. These letters confirm that the NEDs have no right to compensation on the termination of their appointment for any reason, other than for unpaid fees and expenses for the period actually served.

The fees and expenses which the RE is permitted to pay out of the assets of SAT1 are set out in the Constitution. Staff involved in the day to day operations of the RE are remunerated by TTCL and not by SAT1.

Recommendation 8.3

Sydney Airport introduced in 2015 a Long Term Incentive Plan (LTI Plan). The details of the LTI Plan are set out in the Appendix to the 2015 Notices of Meeting which can be found at <http://www.sydneyairport.com.au/investors/reports-and-presentations/agm.aspx> .Participants in the LTI Plan are not permitted to enter into transactions which limit the economic risk of participating in the scheme.