

26 June 2017

### **Aveo's Response to Fairfax/Four Corners**

Aveo Group Limited (ASX: AOG) provided the following statement to Fairfax/Four Corners last Wednesday 21 June 2017. Included in the statement was Aveo's response to the 29 questions raised by Fairfax/Four Corners.

**END**

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#### **About Aveo**

"We will grow with older Australians by inspiring greater living choices."

Aveo is a leading and trusted owner, operator and manager of retirement communities across Australia. Aveo's philosophy is underpinned by a commitment to grow with older Australians by inspiring greater living choices. We currently do so for 13,000 residents in 89 retirement villages across Australia. Aveo also manages and develops a diversified \$456 million property portfolio. Over 30 years, Aveo's portfolio has grown to one that encompasses retirement, residential, commercial, industrial and mixed-use property assets. Together these communities define how hundreds of thousands of people in Australia live, work, retire and invest.

Issued by Aveo Group (ASX:AOG) comprising Aveo Group Limited ABN 28 010 729 950 and Aveo Funds Management Limited ABN 17 089 800 082, AFSL No. 222273 as Responsible Entity for the Aveo Group Trust ARSN 099 648 754.  
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## Aveo Statement

21 June 2017

Aveo Group Limited (Aveo) is an ASX200 listed company focussing solely on retirement living products and services. It is a leading owner, operator and manager of retirement communities, committed to enhancing the lives of older Australians by improving living choices. Following the acquisitions of Freedom Aged Care (February 2016) and full ownership of Retirement Villages Group (August 2016), Aveo now owns and operates 89 retirement villages across Australia with a total of 11,014 units and more than 13,000 residents. It is planning to deliver over 5,600 newly developed/redeveloped units and over 1,000 aged care beds in coming years.

Since adopting its retirement only strategy in 2014, Aveo has led the retirement industry through its commitment to residents and their families by;

- developing new state of the art retirement communities and retirement product; and
- investing in care businesses and services - including aged care, physiotherapy, occupational therapy and podiatry and by improving the delivery of other 'in demand' services for our residents including food and telecommunications.

Aveo is investing over \$700m in retirement products and services to ensure residents are provided with increasingly high service levels and quality at Aveo.

In 2015, in an industry first, Aveo completely restructured its standard purchaser contract that residents sign when moving into an Aveo retirement community. This was done following extensive consumer research. The Aveo Way contract provides customers with clarity on the costs of living in, and subsequently moving out of, an Aveo retirement community.

**“Our industry is very supportive of attempts to make contracts as simple and easy to understand as possible, so residents have certainty about what they pay, when they pay it, and how much they (or their next of kin) get back when resold. In 2016, we released a guide for industry, the ‘National Guide for Creating Simple and Effective Retirement Living Contracts’, which features practical tips on contract structure and language.”**

**“The Aveo Way contract is a prominent and leading example of a contract that fulfils this simplification promise, with straightforward fees and clauses. It allows residents to have much more certainty about their financial circumstances, to enable them to spend more time enjoying their retirement lifestyle.”**

**Ben Myers, Executive Director, Retirement Living Council**

A significant benefit of the Aveo Way contract occurs when a resident leaves their retirement community, with a buy-back guarantee and the removal of many of the variable unit resale costs that have caused some residents stress in the past. None of these changes impact existing residents adversely. They are designed to appeal to all new buyers with a simple clarity that residents have long wanted. During the past two years since the Aveo Way contract roll-out commenced, more than 2000 buyers have bought into the benefits of the Aveo Way contract. The roll-out of this contract to new residents is continuing across the remaining Aveo retirement communities where it is not already in place, because of the appeal of the certainties it offers our incoming residents.

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## The main benefits of the Aveo Way – each one an industry leading position:

- A 'guaranteed buyback' promise for units that remain unsold for 12 months (and a lesser period of six months in NSW and Tasmania) i.e. Aveo buys back the unit for the entry price paid less the accrued deferred management fee (DMF). DMF is capped at 35 per cent of the entry price after three years. Any resident can therefore calculate with absolute certainty both the amount they will receive on exit (65% of their entry price) and the latest they will receive it (6-12 months).
- Aveo offers an extended cooling off period of 21 days, and a 120 day settling in assurance (recently extended from an original 90 day settling in period), for peace of mind i.e. if you don't like community life after having moved in you can exit in 120 days and receive your entry price back.
- There is no charge to the resident on exit for reinstatement or refurbishment costs associated with improving their property and no charge for commissions, or costs of sale or marketing fees.
- Aveo supports all residents with a care offering that is tailored specific to their individual care needs.
- Aveo offers our residents the freedom to transfer within accommodation types in meeting their care needs, within the village, or to any other Aveo community nationally. Under the contract, a resident is given a financial discount when purchasing the second unit. In communities with aged care facilities, residents can transfer to that facility and receive an immediate credit of the equity in their unit towards their Refundable Accommodation Deposit on the day they transfer to higher care i.e. they do not have to wait for the unit to be sold.
- No exposure to the real estate market where Aveo controls and facilitates the sale process. As a result, there is no capital loss or gain for the resident, taking away uncertainty associated with fluctuating property prices and providing certainty of the sale price, before the need to sell.

## Resident Surveys

Aveo also conducts regular customer satisfaction surveys within its own villages to gather feedback and provide improvements to the service being provided to residents. Our latest national survey results showed that:

- 89% of residents agreed that they feel safe and secure in their village;
- 87% agreed that, in an emergency, they are confident that they will receive prompt attention via the emergency button;
- 92% agreed that the staff of their retirement community are respectful in their day-to-day interactions with residents; and
- 91% agreed that village management and staff are willing to help.

We enclose our detailed responses to the 29 questions forwarded to us last week.

In terms of understanding Aveo's approach to care in our communities, we encourage you to view my presentation to the Leaders' Summit in March this year "<https://www.theweeklysource.com/au/geoff-grady-rated-good-excellent-89-summit-audience-learn>"

Yours faithfully



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No.	Question	Answer
1	<p>We have obtained a number of contracts dating back to the early 2000s. Can Aveo explain why exit fees vary from 20 per cent in some earlier contracts to 40 per cent under Freedom?</p>	<p>Aveo's retirement community portfolio comprises 89 communities almost all of which were acquired from other operators who offered the original residents a variety of different exit fee arrangements which were accepted and put in place prior to the acquisition by Aveo. These arrangements are still valid for residents who entered prior to Aveo acquiring the village.</p> <p>Deferred Management Fee ("DMF" referred to by you as an exit fee) arrangements for communities operated under the Freedom care model have a standard rate of 40% of the entry price. That arrangement was put in place by the previous owners prior to the acquisition of the business by Aveo in February 2016. The Freedom care model provides residents with a greater level of care and services, not available to residents under other contractual arrangements. The higher DMF rate reflects the higher costs of managing a community providing high level care services to residents (akin to traditional care services) which will enable most to age in place within the community, rather than having to move to an aged care facility.</p> <p>Aveo has, for a number of years, been steadily standardising the DMF arrangements, most recently in the form of the Aveo Way contract which was introduced over two years ago, with a DMF of 35% of the entry price of the unit. This is higher than the 30% exit fee in the previous standard contract, but was implemented following extensive research of our customer base and now offers major financial benefits that were not included in any of the previous contracts including:</p> <ul style="list-style-type: none"> <li>- no refurbishment costs</li> <li>- no sales cost on exit</li> <li>- guaranteed buyback of the unit after the specified time period (6 months in New South Wales and Tasmania, and 12 months elsewhere) if it has not been sold.</li> </ul> <p>The overall benefits to the resident, both in terms of upfront certainty and overall financial outcomes, need to be considered in this overall context of addressing consumer needs rather than just focusing on one element, being the DMF rate.</p>
2	<p>We have spoken to a number of former residents who were charged maintenance fees after they left, sometimes for a number of years, sometimes they included cleaning and food. This practice is still going on today. Can you explain why?</p>	<p>It is important to note that as required by legislation, all service and administration fees charged to residents are calculated on a cost recovery model and as such Aveo does not generate any profit on these fees. These fees are specifically charged to run and maintain the village or body corporate assets and are in accordance with the relevant State's Retirement</p>

No.	Question	Answer
		<p>Villages Act or the relevant strata title legislation, whichever is applicable. To the extent the act limits the ability to charge such fees after a resident departs, Aveo complies with those limitations.</p> <p>Where relevant, lot owners remain responsible for payment of these charges, irrespective of if they are living there, as is the case with any other strata complex where owners have the benefits as well as costs of ownership. Not paying the legislated requirements would adversely impact other residents in the village. i.e. it would require services to be cut or for residents to pay more.</p> <p>If the outgoing resident is unable to meet their obligations, Aveo has, on many occasions, paid these on behalf of the residents and/or deferred repayment to when the unit is sold – in the majority of the deferral cases this has been as an interest free loan.</p> <p>The introduction of the standard Aveo Way resident contract across the Aveo portfolio is designed to minimise the impact of these charges to residents on departure, by guaranteeing a unit buyback within either 6 or 12 months (depending upon the State). This provides a finite period for which the departing resident is responsible for these fees</p>
3	<p>Is there a conflict of interest in Aveo also acting as real estate agent? We have cases where properties are sitting idle for a number of years while Aveo deducts maintenance fees but at a certain point the resident or their offspring feel pressured to sell and are selling at a discount, in some cases to Aveo.</p>	<p>As the operator of a community, Aveo has a mutual interest in making sure units sell for the maximum possible price, and as quickly as possible: the same interest as the resident. In this way the incentives of both the departing resident and Aveo are aligned. Additionally, Aveo does not profit from any fees charged while the unit remains unsold.</p> <p>Aveo has dedicated sales people who focus on retirement village sales only and are generally the first point of contact when a resident departs their unit, but residents generally have the option of using either Aveo as the sales agent or appointing an external sales agent if they wish (there are a variety of contractual arrangements across the Aveo portfolio and statutory rights which allow this). At any point in time there are a number of units for sale across the Aveo portfolio which are listed with external agents under arrangements that have been agreed between the departing resident and the external agent.</p> <p>There are a variety of reasons that units may not sell for a period of time. These include the condition of the unit, the price expectations of the resident and market conditions.</p>

No.	Question	Answer
		<p>Unless a resident has an Aveo Way contract, unit buybacks generally only take place where there is a special circumstance, where there is a need to refurbish the unit or where required by the law. In this case the buyback price is a matter of commercial negotiation between the departing resident and/or their family and Aveo. Aveo does not, and cannot, compel any unit buybacks and any arrangement is totally at the discretion of the seller to accept or reject. This includes any buybacks undertaken as part of the rollout of Aveo Way.</p> <p>Under the Aveo Way, residents have the benefit of a guaranteed buyback after a defined period of 6 months in New South Wales and Tasmania and 12 months elsewhere, a benefit that is not matched by almost any other operator.</p>
4	<p>Aveo has made it clear it wants to transition villages from freehold to leasehold. There are allegations being made by a lawyer that Aveo is taking the freehold for virtually nothing. Can you comment?</p>	<p>This is absolutely false.</p> <p>As part of the standardisation of the Aveo Way contract, Aveo is transitioning its villages from freehold to leasehold. In converting a unit from a resident freehold tenure to a resident leasehold tenure, Aveo will need to buy back the unit from the departing resident at a negotiated price, based on the market price, and then re-lease the same unit to a new resident at a market price. The most usual mechanism through which this occurs is where the price that the departing resident receives is exactly the same as the price that is paid by the entering resident. That the prices are the same is essentially a function of the value the incoming buyer places on the additional benefits of the Aveo Way contract along with the longstanding market acceptance of leasehold title in the Retirement Village sector.</p> <p>Further, given that the DMF eventually payable by an entering resident under the Aveo Way contract is calculated as a percentage of the price that the entering resident pays for their leasehold interest, it is in Aveo's interest to achieve the highest possible price for that unit for the benefit of both the outgoing resident and Aveo.</p> <p>When this occurs, Aveo covers the cost of stamp duty and any other legal costs. Accordingly, Aveo actually incurs a net loss from the transaction.</p> <p>On occasion Aveo will negotiate a buy back directly with the vendor prior to a buyer being sourced. By taking over responsibility for refurbishment and offering a quick settlement that saves the seller any real estate commission costs, exiting residents are arguably better off through this arrangement than if they were selling the property through agents in the open market.</p>

No.	Question	Answer
		<p>When this occurs, Aveo pays stamp duty, refurbishment and other legal costs. Accordingly, Aveo actually incurs a net loss from the transaction in respect of the stamp duty and fees.</p> <p>For ongoing residents, the gradual transition from freehold to leasehold tenure arrangements means Aveo has an increasing interest in ensuring higher standards of maintenance than would be possible through existing Owners Corporation resources.</p> <p>As a consequence, there is no evidence that switching to leasehold has disadvantaged ongoing residents, who cannot be compelled to change to the new contract, or exiting residents.</p>
5	<p>We have a valuation letter from one resident at The George in Sandringham who has a freehold one bedroom unit. Aveo has valued this at \$240,000 in 2016 and \$250,000 in 2015. Why is it going backwards in a booming property market? The village is converting to Freedom and one bedroom loan lease units are being sold at between \$600k and \$700k. How can you justify the price difference?</p>	<p>Each year, a substantial proportion of Aveo's portfolio is independently valued by an external property valuer in order to determine appropriate unit market values. Units at The George were valued independently by an experienced external retirement valuation firm in both 2015 and 2016.</p> <p>As evidenced by the value of units at The George, the demand for serviced apartment products has failed to keep up with house price growth. The change in consumer expectations has resulted in assisted living apartments and serviced apartments experiencing higher than average vacancy levels and stagnant pricing growth over recent years. Specifically, the market has shifted, favouring a model that can provide to residents a higher level of care and support services.</p> <p>In response to these changing consumer expectations, Aveo has identified a range of serviced apartment communities that would benefit from a higher level of care and support services, which will ultimately increase the value and demand for units. As such it has been working on eight communities in Victoria, including The George, to improve their offering by introducing the Freedom model which allows residents to access a higher level of care while staying in relatively independent accommodation.</p> <p>This transition to a higher level of care has resulted in significant investment in infrastructure with the employment of care staff (i.e. case manager, registered nurses, diversional therapists and personal care attendants) providing 24/7 coverage, upgrades to the accommodation to better allow the provision of care and increased independence and feeling of home, and updates to the communal area which is still underway.</p>

No.	Question	Answer
		<p>The increased demand and pricing being achieved at this village is a clear indication we are now providing residents with the level of care that the previous service model of low care was not able to deliver. With the levels of care and certainty we now provide, our pricing is now more comparable to the refundable accommodation deposits used in the Residential Aged Care sector.</p>
6	<p>In Mountain View there is a resident who has been trying to sell a freehold unit for 6 years. Aveo has offered below purchase price. Can you explain?</p>	<p>Again, there are a variety of reasons that units may not sell for a period of time. These include the condition of the unit, the resident's price expectations, location of the unit in the community, and market conditions. The performance of the unit price growth and sales rates at the Mountain View community has been disappointing for both residents and Aveo.</p> <p>As the owner of a freehold unit at Mountain View, this particular resident has full control over the unit list pricing, the appointment of an agent and the presentation of the unit. As standard practice Aveo will consult with a resident describing the sale process as well as the current market conditions (inside the village and in the local area). A recommendation on price will be made along with any works required to achieve the price. Pricing considers competitive stock on market, position of the unit, any encumbrances to selling e.g. stairs, lack of car parks etc. Required works are considered in relation to market expectations with the level of finish. If a buyback offer is made it is an open discussion where the expected price that will be achieved is established, the cost of works is disclosed and is deducted from the price to arrive at the "offer" price. The reason a person may accept a buyback is that there is price certainty – a guaranteed sale price and holding costs are no longer an issue.</p> <p>Without the specific detail on the unit to which you refer, if a product has not sold for 6 years it suggests that the resident has been unwilling to meet the market. The unit may be overpriced, not of a standard that meets current market expectations or there is another issue such as no car park available or the resident still resides in the unit.</p>
7	<p>At the same village another resident is sick from black mould. It took four years before Aveo attempted to address the black mould around her unit. Why so long? The mould is back, we have letters from her doctor that the lung disease is caused by the environment in the village and</p>	<p>Aveo has not been privy to conversations with the resident's medical advisors. However, we have been advised that the resident in question had a pre-existing lung condition prior to moving into the village in 2005 which has worsened over recent years. In 2012, the resident raised the issue regarding "mould" with the Executive Committee</p>

No.	Question	Answer
	<p>recommends she leave. She has asked Aveo for help. It took 9 months to get a valuation from Aveo for her unit. She was recently given a letter which says after exit fees etc she will be left with \$52K. How can you value the property at \$159,000, deduct the exit fee, then deduct reinstatement and renovation costs? Isn't the true valuation of the property \$99,000? Why not deduct the exit fee from that figure?</p>	<p>of the Owners Corporation (not Aveo), who is responsible for village maintenance. The "mould" in question was on a tree and carport roof near her unit.</p> <p>To find a resolution to this issue, a report was commissioned from an arborist who determined that the substance was not mould. Nevertheless, work was undertaken to clean the area and remove the substance from the carport roof. The carport roof was also repainted. Aveo was unaware that the black substance had returned and will investigate the matter further.</p> <p>In accordance with the resident agreement, the DMF charged to the resident is based upon the entry price of the unit rather than the exit price. This was the figure on which the exit fee assessment was made. This assessment is not a formal offer to buy a property, and is always the starting point for any further discussion.</p> <p>Regrettably, this case is complicated by this particular resident contract, which by our standards today is confusing and a good example of why we have introduced the simpler and more straight forward Aveo Way contract for new residents. The existing contract has a differing apportionment of capital losses and capital gains between the operator and the resident, which impacts the appropriate sharing of refurbishment costs.</p> <p>It should be noted that if this unit had been contracted under an Aveo Way contract, as most new incoming residents are now at Mountain View, the resident would have received their unit exit entitlement within 6 months and Aveo would have been responsible for any unit capital loss.</p>
8	<p>This resident can't leave because she can't afford to buy elsewhere. The manager told her to live in a caravan. Any comment?</p>	<p>Aveo is unaware of such a conversation. If it did occur, comments like this are unacceptable. This allegation is now being investigated.</p>
9	<p>We have seen letters written by Aveo when a resident leaves. These letters say the settlement is "highly confidential" and "if you disclose the confidential information for any other purpose, we may suffer loss and may have legal rights against you." Why would the disclosure of this information cause you to suffer loss and require a legal threat?</p>	<p>This wording is a part of a standard legal confidentiality agreement which is included in many commercial transactions entered into with residents.</p>
10	<p>In a village at The George, a resident has told us that she has been bullied over the years at the village. This includes being taken involuntarily to the Bialla Unit at Kingston to be assessed for her behaviour.</p>	<p>The safety and wellbeing of our residents is Aveo's number one concern and we take any allegation of mistreatment extremely seriously. In the case of the resident in question, Aveo has continued to listen to and attempt to address this</p>

No.	Question	Answer
	<p>The village believed she had dementia. This was in 2009. This woman did a freedom of information on her file and found that there was a campaign to evict her due to her behaviour. It involved getting a nurse involved to apply for guardianship at VCAT. Is this acceptable practice? If not, what have you done to fix it?</p>	<p>resident's concerns, while also managing serious counter allegations from other residents. Offers of mediation have been made by Aveo and other residents to attempt to resolve the situation but these offers have been rejected.</p> <p>While these issues are confidential, a number of conflicts between this resident and other residents have escalated to a point where the police have been involved. Police have reported that they are happy with Aveo's management of the situation. Aveo has cooperated with all investigations undertaken. This resident is a freehold owner of their unit, and there is no intention from Aveo to have them evicted. Aveo's only concern is for the safety and wellbeing of the resident and the village community. This resident, however, has of their own volition enquired of Aveo as to the value of their unit if they were to leave.</p> <p>Aveo is continuing to take measures to ensure the nominated resident's safety and security, while at the same time dealing with the safety of other residents who feel threatened by her. In response to this resident's continued allegations against other residents, Aveo has installed a security camera system in the common area to ensure any inappropriate behaviour (by any resident) can be identified and managed.</p> <p>In addition, for a limited time, Aveo made available to this resident and their representative, an independent person to receive complaints by anyone who did not wish to speak to Aveo directly. No one contacted this person with any complaints or feedback during this time.</p> <p>During the entire stay of this resident at The George, they have experienced some degree of ongoing conflict with other residents or staff. In 2009, resulting from their behaviour and conflict with other residents, Aveo sought the assistance of Kingston Centre. Assessing the care requirements of residents is quite a common occurrence. It is purely a function of the stage of life which residents have reached, and is often necessary for the safety and wellbeing of the resident and their co-residents at a village.</p> <p>The resident was assessed by Kingston Centre and it is our understanding that they were voluntarily admitted into their care. Subsequently, with the support of the resident's family, we understand Kingston Care initiated an application to Victorian Civil and Administrative Tribunal for guardianship. Aveo was requested to provide evidence in the proceedings.</p>

No.	Question	Answer
11	<p>The VCAT application didn't go ahead because the hospital withdrew and later apologised to the resident for the "distress that had been caused" and gave the resident an ex gratia payment. Why hasn't Aveo apologised for its role in the treatment of this resident?</p>	<p>Aveo's role in the Victorian Civil and Administrative Tribunal application was as a witness only. Aveo is unaware of whether Kingston Centre apologised or made an ex-gratia payment to the resident. Throughout Aveo's communication with the resident, Aveo has sought to best manage her concerns and the concerns of other residents.</p>
12	<p>There are allegations that Aveo wanted to get rid of the resident because she is difficult and also the company wanted her freehold and exit fees? Any comment?</p>	<p>This is untrue. Aveo's main concern was, and remains, whether the village can properly care for its residents and, given the requirements under State legislation, whether the resident should be actively considering alternate care. Given the resident's behaviour and conflicts with other residents, Aveo considered it was appropriate to obtain expert assistance.</p> <p>Kingston Centre was contacted to provide that expert assistance and it was their opinion that the resident should receive psychiatric care and also be placed under guardianship.</p> <p>As stated, Aveo has continued to listen to the resident's concerns and continued to attempt to provide assistance. Aveo has not placed any undue pressure on the resident to leave. Earlier this year the resident sought, and received, an estimate of their financial exit entitlement if they left the village.</p>
13	<p>In another case, the resident's name wasn't on the freehold title and was asked to leave after their partner died. Is this standard practice at Aveo? A lawyer believes there is an incentive to churn units to get the exit fees and in some cases freehold. In Aveo's presentations it states a turnover target of 10 per cent to 12 per cent a year. Can you comment on how you reach these targets?</p>	<p>The case in question relates to a situation where the partner of a now deceased resident was not named on the freehold title or the service agreement. Aveo had previously met with the resident and suggested that the partner be added to the title and the agreement, however the resident refused.</p> <p>When the resident passed away, the partner who was caring for the resident claimed to be living full time with the resident, but upon investigation of the matter, Aveo found that the partner was also living at another external address. As the beneficiary of the deceased resident's estate, the partner set a price and sold the unit to Aveo.</p> <p>Requests to vary service agreements are assessed on case by case basis and as with this case the residents would have needed to pay the legal fees associated with producing the variation documentation. Subject to our processes around approving an additional counterpart to the services agreement, there are property transfer and title considerations that residents and their families will need to consider in this type of circumstance.</p>

No.	Question	Answer
		<p>Aveo does not have any turnover targets for residents to exit, only that the units which become vacant should be sold as soon as possible. Given the age and health profile of Aveo's residents across its 11,014 units, experience has demonstrated that between 10%-12% of residents will leave a community each year. The majority of these residents leave to move to higher care facilities or pass away. Aveo's efforts to increase the level of care services provided in our communities is aimed at reducing the number of residents who leave their village for health reasons, enabling them to age in place within their community. This is in direct contrast to the allegation being made that Aveo is proactively seeking to "churn units" to maximise exit fees.</p>
14	<p>In another case a man fell over and for five days lay on the floor of his unit. His friend rang the Village reception two days into the five-day ordeal and was told they would check up on the resident. They never did. That man is now in rehabilitation and has been there for seven months. Any comment?</p>	<p>Based on the minimal details provided, Aveo cannot identify any records of such an incident. Our records also show that there have been no requested welfare checks which have been left incomplete within a reasonable amount of time.</p> <p>In our independent living villages and apartments, Aveo residents are provided with emergency pendants and buttons mounted throughout the village and within residents' units. These devices are monitored and assistance is immediately provided when activated.</p> <p>We encourage all residents to wear their pendants. However our retirement communities are not institutions and our residents independently make their own choices about whether to wear these pendants. Please provide more information for us to investigate the alleged instance you have nominated.</p>
15	<p>Residents in villages where Aveo is transitioning to aged care say they feel bullied to move across. Some are angry that they moved into a retirement village and now they live in an aged care facility, which isn't what they signed up for. Any comment?</p>	<p>Consistent feedback within the Retirement Village sector, and echoed by Aveo residents through resident surveys, is the desire for greater levels of care and support, and the ability to stay in their home as they age.</p> <p>Aveo is not turning villages into residential aged care facilities. The Freedom model provides our residents with home care services which they would otherwise have to source from outside our villages. Many other retirement villages are starting to offer similar services, which are funded by the Commonwealth Government as part of its Living Longer Living Better aged care reforms. The result of this service improvement is that residents have the choice to access services which allow them to safely stay in their home for as long as possible, and in many instances avoid having to relocate into residential aged care facilities.</p>

No.	Question	Answer
		<p>The care being made available to existing residents is entirely optional. With the average age of residents in these communities typically being over 85, there is strong demand for access to additional care and support services “in home”, as an alternative to moving to a residential aged care home for higher care. The availability of these services provides a level of certainty of their care journey and this is generally well received.</p> <p>If residents do not wish to access these additional care services, there is no compulsion to do so. They will still receive the services they are currently receiving. These residents stay on their existing contracts and service levels, and there will be no extra cost at all. All existing residents will, however, be offered the opportunity to take up a higher level of services if they wish. As with any extra service this will come at an additional cost to residents. All care costs for residents delivered under the Freedom model are based on a cost recovery basis and Aveo makes no profit from care delivered this way.</p>
16	<p>We are told by residents that emergency button isn't fool-proof. We are also told that when residents push the button it rings through to the front desk who then calls next of kin. In one case this resulted in the son arriving and the father later dying. Is this policy still in place? Is it under review? We have examples in one village where the call is outsourced to Queensland. Any comment?</p>	<p>The emergency call system requires a button to be pushed. The buttons are on pendants and mounted on walls within the bathrooms, bedrooms, living areas of each individual unit, as well as in community areas.</p> <p>Residents are also provided with an emergency pendant. We encourage all residents to wear their pendants. However our retirement communities are not institutions and our residents independently make their own choices about whether to wear these pendants.</p> <p>Emergency call systems are monitored either onsite by village staff or offsite through an external provider</p> <p><b>Onsite Monitoring</b> The procedure is:</p> <ol style="list-style-type: none"> <li>1. Pendant engages;</li> <li>2. Staff rings to find out the issue;</li> <li>3. If no answer, then the staff member attends the unit with the emergency first aid kit, the resident's file, the key to the unit and a mobile phone;</li> <li>4. If action is then required, staff contact ambulance, notify family and take whatever other action is necessary.</li> </ol> <p><b>Offsite Monitoring</b> Offsite monitoring is provided by three groups, Tunstall, INS and RAA which ensures 24/7 coverage. All are Australian organisations that</p>

No.	Question	Answer
		<p>have national call centres. Their systems and processes are in line with Australian standards. When a pendant is engaged the call centre calls the resident to determine the situation and may call an ambulance or family member if appropriate. If there is no answer, an ambulance is called.</p> <p>Aveo is continuing to improve and invest substantially in communications and monitoring upgrades including a new state of the art Personal Emergency Response Systems with improved telephony and power redundancy in its communities . Aveo has also begun introducing connected health devices (including wearable devices) to protect its residents' safety and wellbeing while living independently.</p> <p>Emergency call system costs are paid for within village budgets. It is residents who determine if there are to be any changes to the emergency call systems that operate in their villages.</p>
17	<p>In the Freedom contracts exit fees are 40 per cent after 2 years. Why the increase and why after just two years? We had an actuary do some calculations of an 82 year old woman (your own presentations say the average age in retirement villages is 83) who leaves after two years, the cost would have been equivalent to \$13,300 a month. Do you think your brochures make it clear that is what residents could be up for?</p>	<p>Standard disclosure documents provided to prospective residents are required by legislation to contain accurate information. This includes information regarding the DMF which is clearly disclosed. As a standard part of the selling process, Aveo encourages all residents to seek legal and financial advice before entry.</p> <p>The numbers presented are not representative of a typical Freedom resident. The calculations provided suggest a high unit value of ~\$800,000 whereas the average Freedom unit value is below \$450,000. The typical length of stay at a Freedom facility is approximately 3 to 4 years.</p> <p>When comparing a 'typical' self-funded resident choosing to live in a Residential Aged Care Facility with a resident in a Freedom unit, the annual costs are comparable over a normal length of stay.</p> <p>The Freedom model offers an exceptional standard of care to residents, which cannot be compared to a standard lease agreement for a retirement village unit. Aveo considers its Freedom model to be an alternative to residential aged care, which provides most residents with the peace and security of being able to age in place, without the need to move into residential aged care. As such, Aveo believes that the Freedom model offers a strong value proposition in the market today and that prices will reflect this.</p>
18	<p>We spoke to a lobby group for the aged who said Aveo gets most of the complaints</p>	<p>Aveo is always attempting to improve our performance and level of care to residents. To</p>

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	<p>of all retirement villages. Any comment?</p>	<p>assist us to meet this goal and deliver resident’s needs, we maintain contact with consumer organisations such as Consumer Affairs Victoria and closely monitor complaint levels. For example, over the 12 month period to May 2016, Consumer Affairs Victoria reported that they received only 19 contacts (which do not necessarily equal to complaints – this contact could be questions, clarifications, etc.) from Aveo residents. This represents a very small proportion of our circa 3500 residents in Victoria.</p> <p>Aveo also conducts regular customer satisfaction surveys within its own villages to gather feedback and provide improvements to the service being provided to residents. Newfocus, an external consultant specialising in strategic market research is engaged to conduct these surveys. Our November 2016 national survey results showed that:</p> <ul style="list-style-type: none"> <li>• 89% of residents agreed that they feel safe and secure in their village</li> <li>• 87% agreed that in an emergency, that they are confident that they will receive prompt attention via the emergency button</li> <li>• 92% agreed that the staff of their retirement community are respectful in their day-to-day interactions with residents</li> <li>• 91% agreed that Village Management and staff are willing to help</li> </ul> <p>As part of the Victorian Parliamentary Inquiry into Retirement Living Housing in 2016, there were 766 submissions to the recent Victorian Parliamentary Inquiry. We have found 22 submissions related to Aveo and 3 of those submissions were from a single resident.</p> <p>Aveo supported the submission made by the Retirement Living Council. Through the Retirement Living Council we are working with representatives from the Residents of Retirement Villages Victoria Association and Consumer Affairs Victoria with the 12 recommendations.</p> <p>Through our membership of the Retirement Living Council we also maintain a strong working relationship with retirement village residents associations in each state and meet regularly with representatives to discuss issues.</p>
19	<p>We have looked at other retirement villages and Aveo’s exit fees appear to be the most aggressive. Any comment?</p>	<p>This is not correct. The overall benefits to the resident, both in terms of upfront certainty as to the quantum and maximum timing of their exit entitlement, as well as their overall financial outcome, need to be considered in this overall context rather than just focusing on one element, being the exit fee rate. Aveo’s exit arrangements are far more favourable and substantial than</p>

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		<p>available from almost any other operator.</p> <p>Aveo has for a number of years been attempting to standardise the DMF arrangements across its communities in the form of the Aveo Way contract with a DMF of 35% of the entry price of the unit and 100% of the capital gain to Aveo. On face value, this appears higher than some other operators in the retirement village industry, however, the total value proposition to a resident needs to be considered, not just one element of it.</p> <p>The Aveo Way contract provides that, upon departure, residents do not have to pay any reinstatement or refurbishment cost for their unit, they pay no selling costs or sales commission, and are entitled to a buyback of their unit in either 12 months or 6 months (depending upon the state) and a refund of their exit entitlement. Many competitor contracts charge departing residents for all of these items and provide no guarantee regarding a buyback of their unit.</p>
20	<p>The original reason exit fees came into existence was because it helped keep the price of units down. How does this now fit with the current state of play where loan lease units are selling sometimes higher than freehold apartments in the same suburb?</p>	<p>Units in retirement communities and residential apartments are not directly comparable and a comparison of sales values between them does not factor in the many differences between the two products. Residents in a retirement community are provided a level of care, services, activities and communal facilities far in excess of anything that is provided in a purely residential apartment building.</p> <p>Retirement communities are built for people in the community who seek and value these offerings, and as such are willing to pay for them, to ensure the quality of life that they seek as they get older. It is demand for the environment provided in a retirement community which ultimately determines the price of those units, irrespective of the state of residential apartments.</p>
21	<p>Can you confirm that Seng Huang Lee bought the \$38 million Double Bay home for his daughter?</p>	<p>Not Aveo related.</p>
22	<p>Can you confirm that the Lee family via various entities owns a stake (50 Per cent) in Hong Kong's biggest investment bank Sun Hung Kai &amp; Co?</p>	<p>Not Aveo related.</p>
23	<p>Why is Aveo getting into aged care?</p>	<p>Aveo has operated aged care facilities as part of its overall offering to residents for a considerable period of time. Aveo has a real expertise in providing the kind of care that is increasingly being sought by potential residents, especially given the Living Longer Living Better aged care reforms being phased in by the Federal</p>

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		<p>Government. Aveo is working hard to ensure its residents have access to the kind of care they want in their residential setting.</p> <p>To ensure we support changing residential needs, Aveo has continued to invest in care: traditional residential aged care facilities co-located with its retirement communities, the acquisition of the Freedom Aged Care portfolio of communities, the acquisition of interests in allied health providers which service senior Australians, and the provision of increased health and wellbeing services for residents. This focus has been driven by feedback from residents through regular engagement surveys, which highlight increased care services as a key element of what residents are looking for into the future.</p> <p>The strategies that Aveo is implementing will allow our residents to age in place, and reduce the likelihood of leaving their homes and their established communities as their health needs require higher care service levels.</p>
24	<p>In the Aveo Way contract it says the resident gets no capital gain and no capital loss. We have a lawyer who believes clause 30.5 of the contract is in contravention of your marketing material as it suggests the resident can be liable for a capital loss. Any comment?</p>	<p>This is not correct. The Aveo Way contract is about providing our residents with peace of mind and certainty. That's why we have offered industry leading buyback periods and have committed to absorb capital losses. Clause 14.2(b) or its equivalent clearly states that Aveo will bear all of any Capital Loss (subject to clause 30.5).</p> <p>Clause 30.5 deals with a very specific exception where the resident requests a loss-making transaction to proceed. If <b>at the resident's request</b>, we accept a New Ingoing Contribution from the incoming buyer less than the agreed Resale Value for the unit prior to going to market, the outgoing resident will be responsible for the difference. The Resale Value, which is meant to reflect fair market value, is initially determined by a process of negotiation between Aveo and the resident on the basis that the unit has usually undergone refurbishment work (funded by Aveo).</p> <p>Where under clause 30.5 a New Ingoing Contribution which is less than the Agreed Value <b>is instructed by the resident to be accepted</b>, this amount is not reflective of a capital loss as a result of the unit's market value having decreased over the resident's occupancy, but rather a conscious decision by the departing resident to accept less than an agreed market value.</p> <p>Any decrease in the market value of a unit during a resident's stay is entirely at the risk of Aveo.</p>

No.	Question	Answer
25	<p>We have documents that show at some retirement villages replacing a light bulb costs \$5 for the globe and \$10 per replacement. Given residents pay maintenance fees, why do you then charge again for the replacement of a globe? Do you think it's appropriate to charge inflated prices for so many incidentals given the hefty fees residents already pay in maintenance fees?</p>	<p>Generally, village maintenance fees at Aveo communities are paid towards the maintenance of the common property and the exterior of the resident's unit. Personal or optional services are those that individual residents require and are charged to that individual. This is in line with legislative requirements in structuring the village maintenance fees.</p> <p>Rates for personal maintenance services for individual units are discussed with residents as part of the village budgeting process and are intended to be on cost recovery basis. The amounts are charged separately to residents as required and the money is paid directly into the village budget operating fund as an income contribution. After the direct cost of providing the service by the tradesperson/maintenance person is covered (whilst the aim is cost recovery), any surplus proceeds are applied to subsidise resident costs. No revenue or profit made on these services is retained by Aveo.</p> <p>As required by legislation, all service and administration fees charged to residents are calculated on a cost recovery model and as such Aveo does not generate any profit on these fees. These fees are specifically charged to run and maintain the village and are in accordance with the relevant State's Retirement Villages Act.</p>
26	<p>The villages transitioning to Freedom Aged Care market themselves as having a registered nurse on site. We have spoken to some former and current staff who say village managers are being moved on and replaced by registered nurses. Some described the culture as profit before all else. Others describe the introduction of Freedom in disarray, remarking "they have built the plane but don't know how to fly it". Others still have raised concerns about the freehold buy back and the introduction of Aveo Way and how costly the Freedom program is for residents. Any comment?</p>	<p>This is false. The communities at which the Freedom model is being offered have traditionally only offered residents a basic food and housekeeping service – typical of Serviced Apartments in the retirement villages sector. The Freedom model extends that service to include nursing and personal care services, lifestyle activities and in some instances, a memory support program for residents with dementia.</p> <p>To ensure a smooth transition, we firstly work with existing staff to identify roles for them in the new model which ensures no one is without employment. This may involve a role change for the original staff, and in many instances Aveo is paying to have staff retrained to better fit the Freedom model. Once existing staff have been identified with new roles, Aveo then identifies those staff needed to be employed to safely deliver the full care service. This process can take some time, and during this period there may be some disruption in the village for both residents and staff.</p> <p>It is important to note that we have extensive consultation with all employees and have abided by the Fair Work Act and their relevant award provisions. Through this process we have not had</p>

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		<p>any redundancies and in introducing the Freedom care model in Victoria alone we have created more than 100 new jobs. We have provided new opportunities for our employees and provided technical training to improve their qualifications and skills, including formal qualifications for more than 20 employees.</p> <p>The Freedom model requires the Village Manager to be a Registered Nurse, and the balance of staff-mix includes a Clinical Case Manager (preferably also a Registered Nurse), Diversional Therapist or Lifestyle Coordinator, and Personal Carers – as well as the original cohort of kitchen, admin, garden/maintenance and housekeeping staff.</p>
27	<p>We have a Freedom contract which says at Sandringham total weekly charge can be deferred up to \$430 a week. Based on a unit selling for \$600,000 what happens to the resident when there is no equity left in the unit? If they stay on, and then die and exit fees of 40 per cent are deducted, does the debt go to the children? Is this responsible business practice?</p>	<p>Any resident entering a community is subject to an initial care assessment by a registered nurse which reviews their suitability for living in the village. The reality is that given their health conditions and level of care required, residents in a Freedom community will, on average, stay for a period of 3 to 4 years. Based on the financial example you have suggested, it would take just over 16 years for the equity remaining in the unit to be exhausted.</p> <p>The ability to defer fees provides the capacity to existing and prospective residents, who could have a large part of their wealth tied up in their unit, and would otherwise be unable to pay the recurring weekly fees to continue living in an environment of their choosing which caters for their various health requirements. In effect, Aveo is funding (on an interest free basis) the majority of the cost of a resident meeting their weekly charges so they can make this choice.</p> <p>In contrast, many residents entering residential aged care have to sell their home to pay Refundable Accommodation Deposits and ongoing fees associated with their care.</p> <p>Even in the extremely unlikely event that the circumstance you have outlined eventuates, and a resident stays longer than 16 years in a village and extinguishes the equity in their unit through this deferral mechanism, there is no contractual ability to recover any further outstanding amount from the resident or their estate.</p>
28	<p>In the freedom contract it says residents can be moved to a different unit in the village. Why? What are you actually leasing? The right to live in the village or the unit?</p>	<p>Freedom contracts do not include any terms that can force residents to move to a different unit.</p> <p>Resident contracts for Victorian Freedom units include a clause relating to relocation because of a legislative requirement. That requirement is that the resident not withhold his or her consent</p>

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		unreasonably if the owner is able to exercise a right to relocate the resident to other premises with the consent of the resident.
29	We have done a search of political donations and found that FKP, Aveo and companies associated with Mulpha and Mr Lee donated almost \$1 million since 2004. We note that donations tapered off after 2009 when the ban against political donations in NSW came in. We also note that in 2013 there was a \$50,000 political donation to the Liberal NSW by Mulpha FKP (now known as Mulpha Norwest) AFTER the ban was brought in. Would you like to comment?	We confirm the donation by Mulpha FKP trading as Mulpha Norwest of \$50,000 to the Liberal Party's September 2013 Federal Election Campaign Account and in accordance with all Commonwealth legislation, the required public disclosures were made.