

## 1. Purpose

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The Board has responsibility for:

- approving Stockland's financial statements;
- approving Stockland's accounting policies; and
- policies and procedures appropriate for maintaining Stockland's financial reporting control environment.

The Board has delegated oversight of the integrity of Stockland's consolidated financial statements and disclosures and the maintenance of a sound financial control environment to the Audit Committee.

The purpose of the Audit Committee is to assist the Board to discharge its responsibilities for:

- the integrity of Stockland's financial reports and external audit;
- the appropriateness of Stockland's accounting policies and processes;
- the effectiveness of Stockland's financial reporting controls and procedures;
- the effectiveness of Stockland's internal control environment;
- compliance with Stockland's Australian Financial Services Licences and Compliance Plans; and
- compliance with relevant laws and regulations including any prudential supervision procedures.

The Audit Committee will work with the Risk Committee, Sustainability Committee and Human Resources Committee and to assist the Board in fulfilling its responsibilities for ensuring Stockland has adopted and maintains appropriate corporate governance procedures. The Audit Committee is also assisted by the independent assurance function provided by the internal auditor and the external auditor.

## 2. Committee Membership and Meetings

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Members of the Committee are appointed by the Board. The Committee will consist of at least three independent non-executive directors. The Chair of the Committee must not be the chairman of the Board.

All members of the Committee must be financially literate and at least one member must have significant relevant financial and/or accounting experience. In addition, all members must have a sufficient understanding of the business of Stockland and the financial, operating and legal issues which affect Stockland.

The Committee will meet at least four times per year with additional meetings convened as necessary at the request of any member. The quorum for all Committee meetings is two members. All other non-executive directors of the Board are invited to attend all meetings as observers. The Committee may extend an invitation to any person to attend all or part of any meeting of the Committee which it considers appropriate.

At least twice a year the Committee will meet with the internal auditor and external auditor in the absence of management. The Committee has unrestricted access to executive management, all employees and all Stockland records, tax and financial advisers, legal advisers, and internal and external auditors.

## 3. Roles and responsibilities

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### (a) Review of Financial Reports

The Committee must review compliance with Stockland's statutory financial reporting obligations including but not limited to the half year and annual financial statements and the Directors' Report together with reports and opinions from external auditors before making appropriate recommendations to the Board including:

- critical accounting policies and practices adopted, and any changes in them;
- compliance with applicable accounting standards, ASX Listing Rules and other legal requirements in relation to the financial reports;
- decisions requiring a major element of judgment in relation to matters which have a material impact on the financial reports;
- the going concern assumption; and
- the clarity and adequacy of the financial reports.

## Audit Committee Charter

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### **(b) External Audit**

The Committee must:

- oversee the selection of external auditors and make appropriate recommendations to the Board regarding the appointment, reappointment and removal of external auditors;
- review and monitor the independence, objectivity and effectiveness of the external auditors and in particular assess whether the Committee is satisfied that the independence of the external auditors has been maintained, having regard among other things to the provision by external auditors of any non-audit related services;
- make recommendations to the Board on the independence of the external auditors including but not limited to half yearly and annual financial reporting;
- monitor the rotation of external auditor engagement partners at agreed intervals;
- review and monitor the external auditor's annual audit plan and approve the annual audit fee; and
- review reports from the external auditor in relation to their major audit findings, management responses and action plans and reports in relation to those findings and action plans.

### **(c) Internal Audit**

The Committee must:

- approve the appointment of the internal auditor, any proposed change to the internal auditor and the annual internal audit fee;
- review and approve the internal auditor's annual program of work including in relation to scope, adequacy and materiality; and
- monitor the performance of the internal auditor and review reports from the internal auditor on its audit findings, management responses and action plans and reports in relation to those findings and action plans.

### **(d) Internal Controls and Processes**

The Committee must:

- review and monitor the effectiveness of Stockland's internal financial control systems and processes; and
- review and monitor the appropriateness of applicable accounting policies and methods, particularly those involving significant estimates and judgements, and the Committee is authorised to amend Stockland's accounting policies which the Committee determines do not require Board approval

### **(e) Compliance**

The Committee must:

- review and monitor the effectiveness of, and compliance with Stockland's Australian Financial Services Licence and the Compliance Plan for Stockland Trust and its controlled entities including reporting of any breaches of the law and constitution to the Board, which in turn is responsible for reporting any material breach of the Compliance Plan to ASIC; and
- review and monitor Stockland's policies and practices for detecting, reporting and preventing fraud and whistleblowing procedures.

### **(f) Treasury**

The Committee must:

- review and monitor the ongoing effectiveness of Stockland's treasury policy and operations;
- review and monitor Stockland's current and future liquidity, funding and derivative exposures and strategies, borrowing, investment and hedging transactions within the limits and other parameters set out in the treasury policy and delegated authorities granted to management relating to treasury operations; and
- review and approve credit limits applicable to specific counterparties, consistent with the treasury policy.

## Audit Committee Charter

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### (g) Tax

The Committee must review and monitor the ongoing effectiveness of Stockland's Tax Control and Governance Framework.

### (h) Other

(i) The Committee must:

- undertake such further investigations which the Committee considers necessary or may be requested by the Board; and
- carry out an annual review of the ongoing appropriateness of this Charter and recommend any amendments to the Board.

## 4. Reporting to the Board

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The Chair of the Committee (or a person nominated by the Chair of the Committee for that purpose) must:

- report to the Board at the Board's next meeting on any matters relevant to the Committee's duties and responsibilities; and
- attend the Board meeting at which Stockland's financial statements are considered and approved.

## 5. Auditor Independence and Non-Audit Services

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### (a) Importance of independent external auditor

Stockland recognises that a high quality, independent statutory audit is fundamental to the maintenance of sound corporate governance and to the proper functioning of the capital markets.

The Audit Committee adopts safeguards to maintain audit independence as follows:

- designating the types of services that may be and may not be performed by the external auditor;
- monitoring the rotation of external auditor engagement partners at agreed intervals; and
- ensuring that management retains responsibility for decision-making on all matters that are the subject of non-audit services provided by the external auditor.

### (b) Classification of non-audit services

Stockland considers that the provision of certain non-audit services and the level of non-audit fees paid to the auditor may give rise to conflicts of interest or perceived or actual loss of independence.

Stockland considers that the following services are audit services which can be provided by the external auditor:

- statutory audits, financial statements audits or interim reviews and other procedures required to be performed to enable the external auditor to form an audit/review opinion on the financial statements of Stockland and its subsidiaries;
- outgoings audits, required to be provided to tenants or joint venture partners under the terms of our contractual arrangements with those third parties;
- reports to management, the Committee or the Board arising from the conduct of the audits;
- consultations on the accounting treatment or disclosure requirements of proposed transactions or events and/or the potential impact of final or proposed rules, standards or interpretations by regulatory or standard setting bodies; and
- other regulatory audits or reviews and related reporting obligations.

(each an 'Audit Service')

Any services which fall outside of the scope of Audit Services are regarded as 'Non-Audit Services'.

Stockland may engage the external auditor to provide Non-Audit Services which are not in conflict with the external auditor's role and will not impair the independence of the auditor. In approving any Non-Audit Service by the external auditor management must have regard to not only any potential actual conflicts but also the potential for perceived conflicts with the principle of independence. Stockland will only engage the external auditor for a Non-Audit Service when:

## Audit Committee Charter

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- (a) the external auditor is required to, or has demonstrated the best placed skill and capability to provide the relevant services; and
- (b) the annual fees for non-audit services in any financial year will not exceed 30% of the annual fee for the audit services for that financial year, unless prior approval is sought from the Committee.

Subject to an assessment for each individual appointment, some Non-Audit Services where the external auditor may be engaged include:

- tax services except where the services include advice on strategic tax planning or structuring;
- specific review of the effectiveness of certain Stockland operations (eg treasury);
- conducting internal investigations and fact finding in connection with alleged improprieties, other than where they relate to potential accounting irregularities;
- review of compliance by Stockland companies with local statutory regulations concerning incorporation of entities, constituent documentation and lodgement of statutory filings with regulatory bodies;
- risk management advisory services in the assessment and testing of security controls; and
- transaction services including acquisition due diligence.

Some examples of Non-Audit Services that where the external auditor would not be engaged include:

- accounting or bookkeeping services related to the accounting records or financial statements;
- financial information systems implementation and design;
- the design or implementation of internal control over financial reporting and accounting records;
- internal audit outsourcing services;
- employee tax assistance and compliance for employees without direct oversight role in relation to financial statements;
- financial and or tax due diligence pertaining to acquisitions where the auditor acts for the target;
- appraisal or independent valuations prepared for the purposes of amounts to be recognised in financial statements;
- secondment of staff to the finance function or any area subject of audit;
- actuarial services;
- management functions including acting as an employee;
- executive or director searches; and
- broker dealer or investment adviser services.

Irrespective of the general classification of any Non-Audit Service, if the Committee (or its delegate), the Chief Executive Officer, the Chief Financial Officer or the external auditor considers that in the particular circumstances in which the Non-Audit Service is to be provided, the actual or perceived independence of the external auditor may be impaired, then the external auditor will not be commissioned to provide that service.

## Audit Committee Charter

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The following table summarises the limits of authority for the approval of Non-Audit Services:

Engagement	Audit Committee	Chair, Audit Committee	CEO	CFO, Finance	GM,
Any engagement >\$250,000	√				
Any engagement \$100,000 - \$250,000		√ Annual Limit \$1,000,000			
Any engagement <\$100,000			√ Annual Limit \$500,000		
Any engagement <\$50,000				√ Annual Limit \$100,000	

### (c) Periodic reporting

Twice a year the Chief Financial Officer and the external auditor will provide a report to the Committee which confirms:

- the scope of Non-Audit Services provided by the external auditor;
- the fees (per assignment and in aggregate) paid by Stockland for the provision of the services;
- any other matters that may reasonably be thought to have a bearing on the external auditor's independence; and
- a signed independence declaration from the external auditor as required by the Corporations Act.

### (d) Rotation of audit partners

Stockland will require the external auditor to commit to rotate the lead (or coordinating) audit partner having primary responsibility for the external audit every five years, and every other audit partner at least every seven years. A succession plan to achieve this outcome must be prepared by the auditor and submitted to the Committee for review no later than one year before the rotation is due to occur.