

# Risk Management Policy

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## 1 Purpose

Stockland adopts a rigorous approach to understanding and proactively managing the risks we face in our business. Stockland recognises that making business decisions which involve calculated risks, and managing these risks within sensible tolerances is fundamental to creating long-term value for security holders and meeting commitments to Stockland's employees, tenants, customers, business partners, consultants and the communities in which it does business. As an investor of capital, Stockland conducts risk assessments at critical decision points during the investment process to identify, manage and monitor risks in meeting target returns.

Stockland's risk appetite is the degree to which we are prepared to accept risk in pursuit of our strategic objectives. The Board has determined that Stockland will maintain a balanced risk profile to ensure we remain a sustainable business and an attractive investment proposition, in both the short and long terms.

We will take commercial risks where we have the capability to manage those risks. Risk tolerances are documented for material risks which support decision making processes.

We are committed to providing a safe and healthy working environment for everyone who works with us or attends our workplaces, and health, safety and environmental management is a business priority.

Stockland recognises the importance of building and fostering a risk aware culture, such that every individual takes responsibility for risks and controls in their area of authority. This Policy outlines our approach to risk management.

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## 2 Scope

This Policy applies to Stockland as a whole and all its employees, contractors, and workers ("**employees**"). Stockland's approach to risk management, including this Policy, and the risk management framework are guided by Australia/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009), the Australian Stock Exchange Corporate Governance Principles and other applicable regulatory standards.

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## 3 Principles

The key principles which guide Stockland's approach to risk management are as follows:

- 3.1 Risk management creates and protects value.
- 3.2 Risk management is an integral part of our organisational processes and is integrated into our strategic planning, project and change management processes and day-to-day processes. It is a key part of what we do at all levels and in all parts of our organisation.
- 3.3 Risk management is part of decision making. Reporting and escalation of robust risk information is timely and accurate and management decisions at all levels of our business involve the explicit consideration of risks using the best available information. This includes consideration of our risk appetite and defined tolerances and taking appropriate action to ensure we operate within the bounds of our appetite.



- 3.4 We develop, document and implement policies and procedures to guide our actions relating to priority risks.
- 3.5 We take human, ethical and cultural factors into account, ensuring employees have the requisite training and authority, that processes are automated where feasible and that communication is open and transparent.
- 3.6 Our risk management approach is dynamic, iterative and responsive to change, and is subject to regular review in order to adapt to the requirements of our changing business and risk environment.
- 3.7 Our risk management approach facilitates verification and continual improvement of the organisation, and its processes, systems and capability.
- 3.8 Risk management is the responsibility of every employee, and the assurance process involves the “Three Lines of Defence”, set out in Section 4.

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## 4 The Three Lines of Defence

Stockland’s risk management assurance process involves the “Three Lines of Defence”:

- 4.1 **First Line of Defence:** All functions and employees (Business Units and Group, including the Executive Committee) are responsible for managing risk through identification, assessment, and treatment of risks. This includes the implementation, active management and compliance with appropriate processes, procedures, checklists and other controls, and monitoring those controls to ensure they are, and remain, effective.
- 4.2 **Second Line of Defence:** Our Group Risk functions assist the First Line of Defence, and are responsible for developing the risk management framework and for adapting it to changes in the business and the external environment in which Stockland operates (including physical and regulatory changes which might impact our social and environmental performance). They are jointly responsible for building risk management capabilities throughout the business through actively engaging with employees in risk management processes and supporting training initiatives. The Group Risk functions and their responsibilities include:
  - **Strategy:** Provides advice to management and the Board on strategic risks, including leading Group wide strategic risk reviews.
  - **Group Legal –** Provides technical advice and support to management and the Board on legal risks including the provision of regulatory updates and the impact of those changes.
  - **Corporate Risk & Assurance -** Provides advice to management and the Board on significant risks, including leading Group wide risk reviews. This includes supporting and advising on implementing appropriate risk management processes and controls, and assessing internal controls and managing the group insurance program.
  - **Operational Risk –** Provides advice to management on all classes of operational risk, including the development and assurance of systems and processes for risks relating to environment, Workplace Health & Safety (WHS), business continuity, public and physical asset safety.
  - **Compliance -** oversees the operation and suitability of the compliance framework and its review and continuous improvement. This includes advising on adequacy of proposed controls, developing and implementing policies and associated procedures, training, and



periodic monitoring, verification and reporting, to assist in compliance with obligations under law, regulation, policies, and governance expectations. Compliance actively supports the identification and management of risks and opportunities associated with social and environmental regulatory changes

4.3 **Third Line of Defence:** Independent assurance and checking from:

- Internal Audit, which regularly and independently assesses the effectiveness and efficiency of our controls and provide periodic reporting.

4.4 **The Board and Board Committees** (including the Risk Committee, Audit Committee, Sustainability Committee and Human Resources Committee) provide overall oversight on our risk management framework in respect of the matters set out in their respective charters.

4.5 **External Audit** provides regular and independent assessment on the effectiveness of financial controls and processes in connection with the preparation of the Group’s financial statements, governance disclosures and environmental and social performance reporting. External Audit also provides an opinion on the accuracy, validity and reliability of disclosed data and information.

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## 5 Reporting

Major incidents and risks are promptly reported to the chair of the Risk Committee and / or the chair of the Audit Committee, who will in turn assess the appropriate escalation required to the Board or Board Committee members. The Risk Committee will otherwise determine what reporting is appropriate to assure the adequacy and effectiveness of Stockland’s risk management framework.

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## 6 Review

The Risk Committee will review this Risk Management Policy as required, and at least annually.

Mark Steinert  
**Managing Director, Stockland**