

Governance and Risk

FY18

Why this is important to Stockland

We adopt a rigorous approach to understanding and proactively managing the risks we face in our business. We recognise that making business decisions that involve calculated risks, and managing these risks within sensible tolerances, is fundamental to creating long-term value for all our stakeholders. As an investor of capital, we conduct risk assessments at critical decision points during the investment process to identify risks and to meet target returns. The Board has determined that Stockland will maintain a balanced risk profile to remain a sustainable business and an attractive investment proposition, in both the short and long term.

We acknowledge that sustainability leadership at Board and executive level is critical to integrating sustainability management and performance into our culture, processes and business relationships. We also recognise the importance of effective management and remuneration methods that promote and incentivise proactive approaches to sustainability both at Group and asset level.

Health and safety are important focus areas for our business, and we report on our activities and achievements related to health and safety in our [Health and Safety Deep Dive](#).

This Deep Dive document is a component of our FY18 sustainability reporting suite, which is publicly available on our [website](#). Our sustainability reporting is third-party assured and drafted in accordance with the GRI Standards.¹ This document is to be read in conjunction with our published approach to governance and risk, available as part of our sustainability reporting suite at [Our Management Approach to Governance and Risk](#).



Our key achievements

- Launched an enterprise-wide emergency communication system (xMatters) which allows us to deliver targeted communications and account for our people during a crisis event.
- Completed reviews on key risk areas including (but not limited to) contamination due diligence framework and supply chain management.
- Established document governance protocols including a records retention schedule and governance monitoring reports.
- Successfully completed a tender of our insurance brokering services resulting in improvements across our insurance program.
- Enhanced our climate risk awareness by completing a 2°C scenario analysis to understand risks and opportunities associated with the transition to a low carbon economy (see [Climate Resilience Deep Dive](#)).
- Completed a business-wide human rights issues review (see [Human Rights Deep Dive](#)).

¹ The GRI Standards are global standards for sustainability reporting published by the Global Reporting Initiative (<https://www.globalreporting.org/standards/>)

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FY18 priorities and progress

FY18 PRIORITIES	STATUS	FY18 PROGRESS
Enhance organisational resilience and crisis management processes by broadening the reach of training and awareness to state-based teams, and evolve the complexity of exercise scenarios.	Achieved	We enhanced our organisational resilience by completing crisis management simulation exercises and launching an enterprise-wide emergency communication system (xMatters).
Identify and complete risk reviews in priority areas (including but not limited to), direct procurement approval framework, supply chain management, and compliance	Achieved	We completed targeted risk reviews across the business including reviews of our contamination due diligence framework, supply chain management and data breach notification processes.
Continue to review and enhance our cyber security risk management plan to further protect our systems and data from cyber risks.	In progress	We have developed a cyber security plan and continue to progress actions to further control cyber related risks.
Conduct systems controls review to assess control gaps and risk in business process designs.	Achieved	Internal Audit (outsourced to EY) completed a review of the controls proposed for the new Enterprise Resource Planning (SAP) solution.

Future priorities

- Update Business Continuity Plans as part of our organisational resilience framework enhancements.
- Establish a Data Governance Framework, led by our Data Governance Manager, to support business operations and strategic decisions.
- Complete an independent review of our Risk Management Framework and associated processes.

FY18 performance and case studies

Governance of sustainability objectives and performance

Board Sustainability Committee

The Board Sustainability Committee met once in FY18, in November 2017, and the Sustainability Subcommittee met a further two times in September 2017 and June 2018. We also updated our [Sustainability Committee Charter](#). The key areas explored in FY18 included a review of our strategy and priorities, an energy and utilities discussion and forthcoming legislation regarding modern slavery. Further information on these initiatives can be found in the [Carbon and Energy Deep Dive](#) and [Community Deep Dive](#).

CARE Foundation Board

The CARE Foundation Board met four times in FY18, in August 2017, December 2017, March 2018 and June 2018. These meetings were used to review the CARE Foundation’s financial position, planning for the year and activities completed with the Foundation’s community partners, Touched by Olivia and Redkite. Further information on these initiatives can be found in the [Community Deep Dive](#).

Risk management

Our approach to risk management is governed by the three lines of defence model described in [Our Management Approach to Governance and Risk](#) and our [Risk Management Policy](#). We continue to evolve our approach and will continue to focus on driving greater and consistent accountability within our business.

Corporate risk, assurance and insurance

In FY18 we conducted risk workshops with each business unit and corporate function group to review and update existing risk profiles, including the identification of new and emerging risks. Consistent with our second line of defence approach to risk management (as outlined in [Our Management Approach to Governance and Risk](#)), the updated risk profiles also inform the key areas of focus for our internal audit partners. Our key risk register was reviewed quarterly with the Risk Committee.

We completed crisis management simulation exercises during FY18 focusing on a variety of scenarios including a data (cyber) breach, hostage situation, and reputational event. We also launched an enterprise-wide crisis communication system (xMatters) that allows us to deliver targeted communications to our people during a crisis event via multiple channels (email, SMS, voice message) and facilitates two-way communication allowing us to account for our people in real-time.

We conducted targeted risk reviews across the business including reviews of our contamination due diligence framework and supply chain management. The outcome of these reviews resulted in a deeper understanding of the risk exposure and the identification of control/process gaps and improvement opportunities to reduce risk exposure.

We continue to progress against actions identified in our cyber security plan to further control cyber related risks. This is an ongoing iterative process to strength our technology platform, refine operating processes and educate our people on cyber security controls.

Compliance

Our Compliance team develops and implements policies, procedures and guidance to assist the business assess and remediate compliance/near-miss incidents. In FY18, we revised our Data Breach Response Procedure to include obligations and procedures required by the Notifiable Data Breach Scheme (Part IIIC Privacy Act 1998) which came into effect on 22 February 2018. We launched an awareness campaign coinciding with the publication of our revised procedure. The campaign educated our staff on how to identify and escalate potential data breaches for assessment by the Office of the Australian Information Commissioner (OAIC) and communication to impacted individuals if the incident constitutes an eligible data breach. The awareness campaign included email alerts, intranet articles, a campaign on Yammer (our internal social network), online mandatory training for all employees and face-to-face training for selected business units.

Compliance with real estate trust accounting obligations was also a key focus area. In particular, we worked closely with front line staff to strengthen the governance framework including revising our risk and controls document, our Trust Accounting Policy and respective training. We continued to provide specific compliance training on areas including the Stockland compliance framework, managed investment schemes, privacy and real estate licensing.

Internal audit

In FY18, our internal audit function (outsourced to EY) completed three internal audits across key business areas including investor reporting, Logistics and Business Parks (audit currently in reporting phase) and WA Trust Accounting Control Framework. Rolling audits continue across our Retail Town Centre and Retirement Living portfolios, as well as our development projects.

We continued the review of the controls for our future state business processes (as part of the Core Systems program). The Core Systems team is currently working on addressing the controls gaps (where identified). EY will review these before go-live.



To access the complete list of documents in Stockland's Sustainability Deep Dive Series, [click here](#).