

Governance and Risk

FY19

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 FY19 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

- Established a Data Governance Framework to provide a structured approach to effectively govern and control the management of data. This included the establishment of a Data Governance Committee and assigning ownership of master data as well as the role of data stewards across the business.
- Delivery of broad scenario exercises to test and enhance our crisis management capabilities.

FY19 priorities and progress

FY19 PRIORITIES	STATUS	FY19 PROGRESS
Update Business Continuity Plans as part of our organisational resilience framework enhancements.	Complete	We have reviewed and updated our Business Continuity Plans to capture changes to work processes, systems and personnel. We have also launched a Business Continuity assurance survey which will assist in prioritising reviews, actions, and training to further enhance our capability to respond to disruptive events.

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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FY19 PRIORITIES	STATUS	FY19 PROGRESS
Establish a Data Governance Framework, led by our Data Governance Manager, to support business operations and strategic decisions.	Complete	A Data Governance Framework was developed which provides a structured approach to effectively govern and control the management of data. A Data Governance Committee was established to embed the data governance principles and align data management with Stockland's strategic objectives.
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 worked with our Cyber Risk team to develop and build on our cyber security plan and continue to progress actions to further manage cyber related risks.
Complete an independent review of our Risk Management Framework and associated processes.	Complete	This review was completed by KPMG and confirmed our existing risk management framework meets the mandatory requirements outlined in ASIC's RG259 (Risk Management Systems of Responsible Entities). KPMG also identified improvement opportunities to further evolve our risk management approach which have been actioned or addressed via future strategic priorities.

Future priorities

- Implement risk based systems via the Core systems (SAP) solution.
- Refresh our Organisational Resilience strategy and roadmap.
- Prepare and implement an action plan to address criteria under Modern Slavery Act.
- Continue to evolve our three lines of defence model to drive accountability, focussing on embedding this into business and operational processes and procedures.
- Manage regulatory risk through progressing with our Regulatory Roadmap workplan.
- Continue to implement the Group Risk Training Strategy within the SAP Learning Management System to build risk-based capabilities in the business.

FY19 performance and case studies

Governance of sustainability objectives and performance

Board Sustainability Committee

The Board Sustainability Committee met three times in FY19, in July 2018, December 2018 and June 2019, and the Sustainability Subcommittee met once in September 2018. The key areas explored in FY19 included a review of our strategy and priorities, and discussions and updates on initiatives such as our response to Modern Slavery legislation, energy and carbon, our Reconciliation Action Plan and Liveability outcomes. 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 five times in FY19, in October 2018, December 2018, March 2019, April 2019, and June 2019. These meetings were used to review the CARE Foundation's investment strategy, strategic planning for the future CARE Foundation partnerships, and updates on activities completed with the Foundation's community partners. 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 FY19 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 FY19 focusing on a variety of scenarios including a data (cyber) breach, and significant public incident.

We conducted targeted risk reviews across the business including reviews of our Residential business operating processes and third party management and our gift card program. 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 work with our Cyber Risk team to progress against actions identified in our cyber security plan to further manage cyber related risks. This is an ongoing iterative process to strengthen our technology platform, refine operating processes and educate our people on cyber security controls. For further detail on cyber security for our customers and broader stakeholders, see our [Health and Safety Deep Dive](#).

Compliance

Our Compliance team develops and implements policies, procedures and guidance to assist the business assess regulatory risk for new initiatives and remediate compliance/near-miss incidents.

In FY19, we focussed on progressing with our Regulatory Roadmap project. Regulations and controls mapped during the year included Consumer Law, Real Estate Licences and Trust Accounting, Embedded Energy networks and Retirement Living. The compliance plans for Stockland's registered managed investment schemes were updated for new regulatory guides and lodged with ASIC. The Whistleblower Policy was amended to include reference to engagement of an external service provider as an additional channel for whistleblowers to report misconduct anonymously. Additional changes to the Whistleblower Policy, procedures and training are in progress to meet the FY20 legislative changes. We continued to provide specific compliance training on areas including the Stockland compliance framework, managed investment schemes, privacy and real estate trust accounting.

Internal audit

In FY19, our internal audit function (outsourced to EY) completed the audits set out in the approved annual internal audit plan. This covered rolling audits across our Retirement Living villages, Retail shopping centres, Workplace and Logistics assets as well as our Development projects. In addition, we also completed internal audits on our Travel and Expenses Claim processes, our Organisational Resilience Framework (audit currently in reporting phase) and our Retirement Living customer complaints management process (audit currently in reporting phase).



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