

Our Management Approach to Governance and Risk

A. Purpose

This document sets out our approach to understanding and proactively managing the risks we face in our business. It should be read in conjunction with our Governance and Risk Deep Dive (available on our [website](#)), where we report on progress against governance and risk priorities on an annual basis. Together, our management approach documents and deep dive reports comprise our sustainability reporting suite, which is prepared in accordance with the GRI Standards¹ and is third-party assured.

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 in order to remain a sustainable business and an attractive investment proposition, in both the short and long term.

We acknowledge that sustainability leadership at the Board and executive levels 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 information specific to our health and safety management approach can be found online at [Our Management Approach to Health and Safety](#).



B. Management approach

B.1 Governance of sustainability strategy and performance

The Board

The Board takes its governance responsibilities seriously and believes it has the necessary mix of experience and skills to oversee the high standards of corporate governance, integrity and accountability required of a professional and ethical organisation. Further information about our corporate governance policies and practices, and about our directors and their competencies, is available on our [website](#).

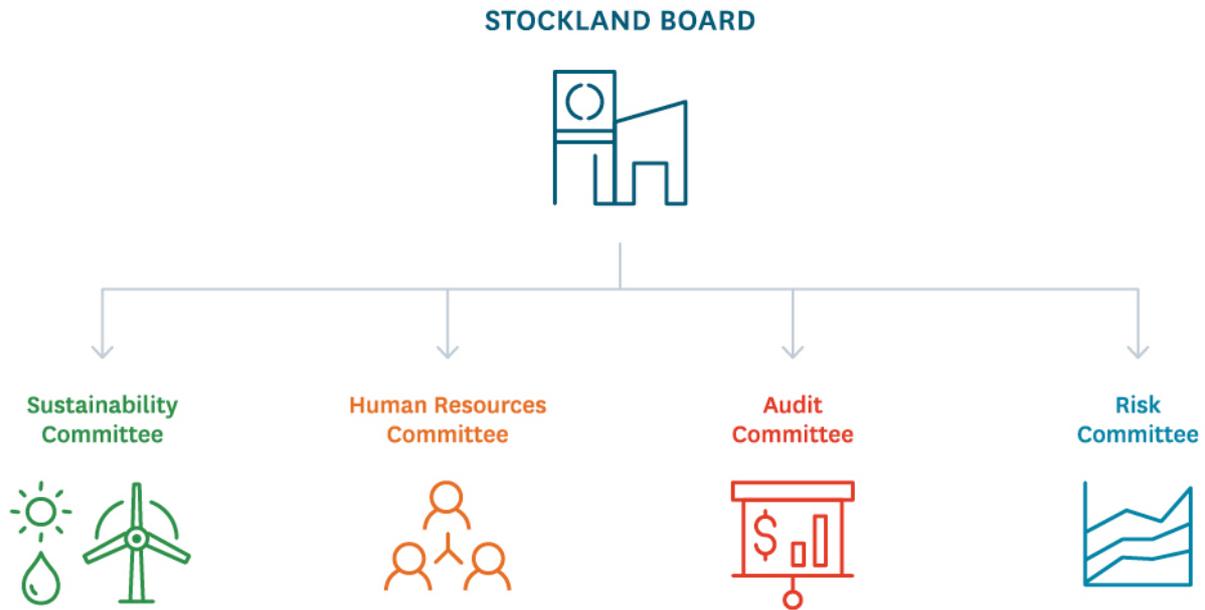
All directors of the Board are members of the Sustainability Committee, reflecting the integral role that sustainability plays in our business operations and brand value. This enables directors to be well informed and engage in policy and decision-making relating to our economic, social and environmental performance. The Board Sustainability Committee Charter is available [here](#). In 2016, we initiated a Board Sustainability Sub-committee, which includes three independent directors with the purpose of approving reporting and providing strategic input on issues before consideration by the Sustainability Committee.

External guests are often invited to educate and inform the Sustainability Committee on new and evolving areas of interest. These meetings also consider how our activities are benchmarked both nationally and globally via indices, assurance and industry experts.

¹ The GRI Standards are global standards for sustainability reporting published by the Global Reporting Initiative (<https://www.globalreporting.org/standards/>). The relevant standard for this management approach document is contained within [GRI 103: Management Approach](#).



STOCKLAND BOARD COMMITTEE STRUCTURE



Executive Committee

Every member of our Executive Committee has specific responsibilities relating to our sustainability performance, with strategic key performance indicators linked to our achievement of internal and external targets and objectives (see figure below). Overall responsibility for sustainability at a Group level sits with our Chief Financial Officer (CFO) who reports directly to our Managing Director and CEO. Sustainability updates are submitted to the Executive Committee each month, along with a Stakeholder Relations update that outlines all significant stakeholder issues.

STOCKLAND EXECUTIVE COMMITTEE



Sustainability Steering Committee (internal)

Our internal Sustainability Steering Committee shapes and monitors our sustainability approach and strategy. The Steering Committee is chaired by the CFO and is composed of senior management from the various organisational departments including Strategy and Stakeholder Relations, Project Management, Supply Chain, Human Resources, Operations, Development and Sustainability.

The Steering Committee meets twice per year, or more frequently as circumstances dictate, and invites other key internal and external stakeholders to attend meetings as required.

The Committee's key responsibilities include:

- informing our sustainability strategy

- sharing knowledge and reporting on the environmental, social and governance (ESG) risks and opportunities across our current and planned operations
- supporting delivery of sustainability targets
- guiding business/functional compliance with our environmental and social policies, guidelines and agreed initiatives
- providing input to external reporting on major sustainability targets, policies, principles and initiatives, including our annual integrated reporting
- acting as a first point of reference for significant ESG risks, opportunities and initiatives.

Governance of Stockland CARE Foundation

The Stockland CARE Foundation is a charitable trust set up for the purposes of delivering infrastructure, programs and initiatives that improve the health and wellbeing and education of Australian communities. The Stockland CARE Foundation directs its support to strategic and aligned charitable partners that help Stockland deliver on this purpose.

The Stockland CARE Foundation Board oversees the Stockland CARE Foundation strategy and programs. Members include:

- Graham Bradley, Chair of the CARE Foundation (former Stockland Chair 2005-2016)
- Mark Steinert, Managing Director and CEO
- Tiernan O'Rourke, Chief Financial Officer
- Louise Mason, Group Executive and CEO Commercial Property,
- Katherine Grace, Group Executive, General Counsel and Company Secretary
- Davina Rooney, General Manager Sustainability and Corporate Procurement (CARE Foundation Secretary).

Our CARE Foundation and Community Partnerships Manager manages Foundation programs and partnerships. We have also established state based CARE Foundation Committees, which consists of employees across New South Wales, Victoria, Western Australia and Queensland to help plan, implement and communicate Foundation programs and initiatives.

Annual reporting on the CARE Foundation can be found in the [Community Deep Dive](#).

Environmental Management System (EMS)

We developed a group-wide Environmental Management System (EMS), which formalises our environmental risk and opportunity management process. The EMS provides an overview of our commitment to environmental aspects, and sets out how we resource and implement programs and procedures to achieve our goals. The document has been structured around the international standard ISO 14001:2015 Environmental Management Systems to show how our initiatives align with the requirements of the standard. An external expert has independently verified alignment with the standard. The document references our policies, procedures and other business management systems and documentation, which constitute an EMS.

Sustainability strategy implementation framework

Sustainability is integrated and embedded into processes and systems across our business operations and project development lifecycle, as described in our EMS. We have a proactive framework in place to support the implementation of our sustainability strategy across our communities, villages and assets. Elements of the implementation framework are described in the table below.

FRAMEWORK ELEMENT	EXAMPLE
Business-specific sustainability policies <ul style="list-style-type: none"> • set minimum standards and requirements 	Residential Sustainability Policy
Sustainability plans <ul style="list-style-type: none"> • guide site-specific actions and initiatives 	Aura Sustainability Plan
Project- or asset-specific action plans <ul style="list-style-type: none"> • determine operating and capital expenditure 	Aura Business Plan (including Sustainability Plan)
Key performance indicators and individual performance objectives <ul style="list-style-type: none"> • drive commitment and performance of all employees to support delivery of project- and asset-level action plans 	Achieve the target Residential Liveability score

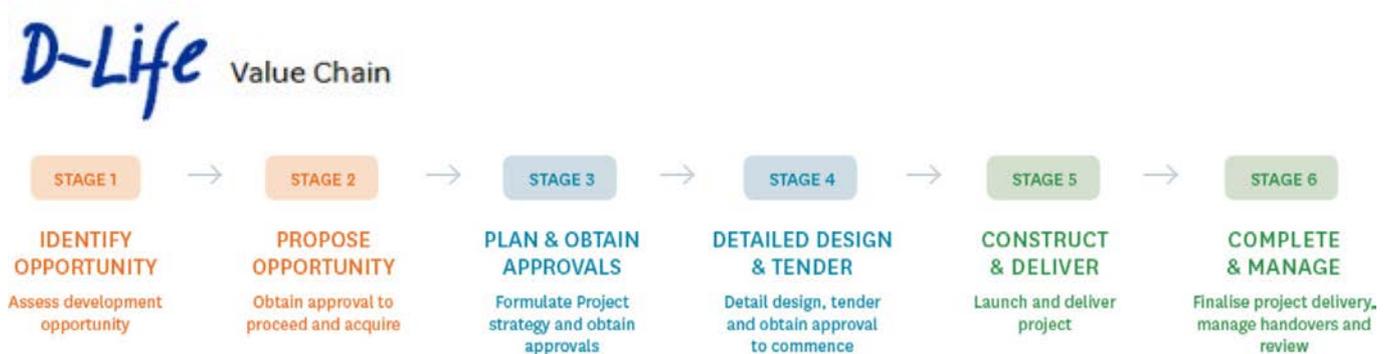
Development

We incorporate social and environmental considerations into our design and development processes so that our assets are resilient and capable of sustained value creation over the long term.

Our project development lifecycle, known as D-Life, is the process followed to manage development opportunities from concept stage, through to planning and delivery. This process is common to all business units.

Each stage of the D-Life process requires the delivery of specific sustainability objectives to pass the defined approval gates specified in the figure below. These objectives and associated initiatives are outlined in our business-specific sustainability policies. These policies are aligned with our sustainability strategy and focus areas, tailored to the particular characteristics of each of our businesses and aim to promote consistency in our sustainability approach across all our developments.

DEVELOPMENT PROCESS – D-LIFE VALUE CHAIN



Operations

For our operating assets, we establish annual asset management plans that are aligned with our sustainability strategy for all Retirement Living and Commercial Property assets. These plans incorporate strategic sustainability initiatives and objectives as per the annual asset planning cycle diagram below. The Residential business completes an annual business planning process where sustainability planning is included as part of budgeting. Teams report on progress against objectives (including sustainability objectives) annually.

INTEGRATION OF SUSTAINABILITY INITIATIVES INTO ASSET PLANNING



Ethics and conduct

Stockland believes in doing business in an ethical way and acting in a professional manner. We set high standards and are committed to meeting them. Our [Code of Conduct](#) outlines these standards and the related expectations placed on our employees. We ask all of our employees to sign a copy of the Code of Conduct as a demonstration of their commitment to our ethical standards and to confirm they have reviewed the Code as part of confirming their annual compliance statement. We act promptly to investigate any breaches of our Code of Conduct and apply penalties for substantiated breaches up to and including dismissal.

We have programs, processes and systems in place to promote and monitor compliance with our Code of Conduct, including:

- harmonisation of business processes with regulatory requirements
- routine monitoring and reporting to the Executive Committee and the Board on compliance (at a minimum, reporting to the Risk Committee and Audit Committee takes place each quarter)
- equal employment opportunity training in discrimination, grievance and harassment

- individual employee KPIs linked to our values
- training on issues of privacy, competition and consumer law
- whistleblowing policy to encourage reporting of improper conduct
- ongoing dialogue with external stakeholders
- confidential assistance program for employees to discuss any concerns, including those relating to improper conduct.

All new employees are required to complete mandatory compliance training as part of their on-boarding process which includes the following areas: privacy, fraud, bribery and corruption, insider trading, escalation of procedures, raising concerns, and conflicts of interest. Ongoing refresher training is provided which all existing employees must complete.

Our Fraud and Corruption Policy sets out our approach to fraud and corruption and provides relevant employee guidance. More information on fraud and corruption prevention mechanisms is contained in our [Human Rights Deep Dive](#).

We have a Conflict of Interest Policy, and Group Risk monitors conflicts via a conflict of interest register. Conflicts are managed via an approved management plan. Conflicts disclosures are reported to our leadership teams on a regular basis, and a summary of conflicts disclosures is provided to our board Risk Committee at every meeting.

B.2 Corporate Risk Management

Our approach to risk management is 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. Our Risk Management Framework includes supporting guidelines, procedures and tools to help manage risk consistently across the business.

We recognise 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. Our risk management approach is assured according to the Three Lines of Defence, which, along with a strong and sustained commitment at all levels of the organisation, contribute to our resilient, risk-aware culture.

First Line of Defence

All functions (Business Units and Group, including the Executive Committee) are responsible for managing risk through the 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 confirm they are, and remain, effective.

Second Line of Defence

Our Group Risk functions assist the First Line of Defence, develop our risk management framework, and adapt it to changes in the business and the external environment in which we operate (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 include:

- **Strategy** – providing advice to management and the Board on strategic risks.
- **Group Legal** – providing 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 and Assurance** – providing 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, assessing internal controls, and managing the group insurance program. We keep our Board updated on key risks by discussing the key risks at each meeting of the Risk Committee.
- **Operational Risk** – providing advice and establishing frameworks on operational risk, including developing and providing assurance of systems and processes for risks relating to environment, Work Health and Safety (WHS), business continuity, and public and physical asset safety.
- **Compliance** – overseeing the operation and suitability of the compliance framework and its review and continuous improvement. Our Compliance function actively supports identifying and managing risks and opportunities, including those associated with regulatory changes. Key policies owned by Compliance include Conflict of Interest, Employee Property Purchase Policy, Escalation Policy, Policy Management, Whistleblowing and Third Party Due Diligence.

Third Line of Defence

Involves independent assurance and checking from:

- **Internal Audit** – which regularly and independently assesses the effectiveness and efficiency of our controls and provide periodic reporting. Audit actions and review recommendations are tracked and reported to our leadership team on a monthly basis with status reports submitted to the Audit Committee on a quarterly basis (at Audit Committee meetings). Our Group Risk team works with respective business units and key stakeholders to address the findings contained within audit reports.

Oversight

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.

External Audit provides regular and independent assessment on the effectiveness of financial controls and processes in connection with preparing 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.

Investment review procedure

As an investor of capital, we conduct risk assessments at critical decision points during the investment process to monitor the risks to our meeting of target returns. Making sound investment decisions is fundamental to our success and to creating long-term value for our stakeholders.

Investment decisions impact our capital allocation, cash flow, financing arrangements and also create a range of other risks and opportunities that we need to identify and manage carefully.

Our investment and divestment review procedure specifies that we obtain input from Group functions to highlight potential challenges that need to be considered and managed before making financial commitments and divestments.

Our Investment Committee reviews preliminary investment and divestment proposals very early in the acquisition/development lifecycle. The preliminary proposal is assessed against the Group strategy, individual business unit strategies, tactical flexibility, financial commitments and the long-term forecast. The Investment Committee process aims to focus our scarce resources on the highest priority capital transactions.

The Investment Review Group (IRG), comprising representatives from our Group functions, reviews investment and divestment proposals later in the proposal's lifecycle, in addition to large capital expenditure proposals. The IRG highlights issues for consideration which may not have been covered in the proposal as submitted, including environmental, legal, social and governance concerns as well as operational and financial considerations. Financial considerations include reviews against long term forecast metrics such as funds from operations, earnings per share, debt to total tangible assets ratio, total liabilities to total tangible assets ratio, and recurring income ratio. IRG reviews occur at major milestones throughout a project's life.

C. Review and evaluation of the management approach

We review and evaluate progress against governance and risk objectives as part of our annual [Governance and Risk Deep Dive](#), published after the close of each financial year. In this reporting, we include:

- identification of key priorities and explanation of progress on priority actions
- identification of future priorities
- highlights of initiatives implemented over the reporting period
- case studies that explore key achievements, usually at particular locations.

As per ASX Corporate Governance Recommendation 4.2, before approving the financial statements for a financial period, the Board receives a declaration from the CEO and Chief Financial Officer that, in their opinion:

- the financial records of the entity have been properly maintained
- the financial statements comply with the appropriate standards and give a true and fair view of the financial position and performance of the entity
- the opinion has been formed based on a sound system of risk management and internal control which is operating effectively.

The Board oversees the Executive Committee's maintenance of a sound system of internal controls for the management of material business risks. In addition, comprehensive reports detailing material risks and progress against action items are provided to our Executive Committee and Risk Committee on a quarterly basis.

Internal Audit regularly and independently assesses the effectiveness and efficiency of internal controls and provide periodic reporting (at least quarterly to the Audit Committee).

Our participation in investor surveys and voluntary reporting initiatives enables us to stay abreast of international best practice sustainability governance and to review and evaluate our performance against industry and broader global benchmarks. We undertake a gap analysis each year against key criteria presented in key investor surveys and reporting frameworks and review our approach accordingly. We also undertake periodic reviews of trends and best practice with regard to sustainability management and endeavour to remain at the forefront of sustainability leadership in Australia.

D. Responsibilities

The table below describes key roles and responsibilities associated with our approach to governance and risk. Additional roles and responsibilities pertaining to risk management are outlined above in the Three Lines of Defence model.

ROLE	RESPONSIBILITIES
Board of directors	Oversees management's implementation of an effective system of risk management, compliance and control across the organisation
Board Risk Committee	Assist the board to discharge its responsibilities in relation to assessing the effectiveness of our overall risk management framework Support a prudent and risk aware approach to business decisions across the company Works with the Audit Committee, Sustainability Committee and Human Resources Committee to assist the board in fulfilling its responsibilities for sound management of risk and compliance across the company
General Counsel and Company Secretary	Responsibility for risk and governance at a Group level Reports directly to Managing Director and CEO
Group Risk Officer	Leadership of Group Risk team and establishment and management of our risk management framework, compliance framework and internal audit function
General Manager – Sustainability and Corporate Procurement	Leadership of Sustainability team and establishment and management of our sustainability strategy implementation framework and CARE Foundation governance through company secretariat role

E. Version control

	PUBLISHED	OWNER(S)	CHANGES
1	September 2018	Group Risk Officer General Manager – Sustainability and Corporate Procurement	