



Goodman Group

Risk Management Policy

Contents

1. Overview	3
1.1 Introduction	3
1.2 Objectives of the Risk Management Policy	3
1.3 Application	4
1.4 Operative Provisions	4
2. Risk Management	5
2.1 Overview of Risk Management	5
2.2 Importance of Risk Management	5
3. Risk Appetite Statement.....	6
4. Responsibility	7
4.1 Structure	7
4.2 Risk governance – “Three lines of defence”	9
5. Enterprise Risk Management process	10
5.1 Establishing the context	10
5.2 Risk identification.....	10
5.3 Risk analysis.....	10
5.4 Risk treatment	11
5.5 Monitoring, reporting and outsourcing.....	12
5.6 Business continuity planning (BCP)	12
5.7 Insurance	12

1. Overview

1.1 Introduction

Goodman (“Goodman” or “Group”) is a global industrial property group that owns, develops and manages real estate including logistics facilities, warehouses and business parks in strategic locations globally. Goodman’s Partnerships also give capital partners access to specialist investment management services to industrial property assets.

Goodman:

- + Owns high quality properties for the long term;
- + Develops properties in key locations to meet our customers’ business needs and supply new investment opportunities for capital partners; and
- + Manages premium real estate globally. Our partnership approach ensures we have dedicated local teams responsible for all aspects of property, asset and investment management. Our investors include sovereign wealth, pension and large multi-manager funds, participating across our investment platform.

Goodman is a triple stapled entity comprised of the Australian company, Goodman Limited (“GL”), the Australian Trust, Goodman Industrial Trust (“GIT”) and the Hong Kong Company, Goodman Logistics (HK) Limited (“GLHK”). This stapled entity is known as Goodman Group and its securities are listed and traded on the Australian Securities Exchange as “GMG”.

Risk is inherent in Goodman’s business. The identification and management of risk is central to the delivery of its strategy. Risk will manifest itself in many forms and has the potential to impact the health and safety, environment, community, reputation, regulatory, operational, market and financial performance of the Group and its strategy. Risk management is a key element of effective corporate governance.

The Board has required that management design and implement a risk management and internal control system to manage Goodman’s material business risks under the oversight of the Risk and Compliance Committee. While the Board has the ultimate responsibility for the oversight of risk management, all management and employees of Goodman are responsible for the identification and management of risk issues on an ongoing basis.

Goodman’s risk management system has been developed in accordance with international and Australian/New Zealand standards on risk management and has been underpinned by this Risk Management Policy that sets out the oversight and management of risk for Goodman.

1.2 Objectives of the Risk Management Policy

Goodman’s Risk Management Policy recognises the Board’s obligation to create wealth for the security holders of Goodman Group and desire to maximise value for the capital partners of its listed and unlisted investment vehicles.

The Board acknowledges that to achieve the economic expectations of the Group’s security holders and capital partners, Goodman will need to pursue business development and investment opportunities that will involve risk.

By understanding and managing risk we provide greater certainty and confidence to our various stakeholders including security holders, capital partners, employees, customers and suppliers.

Risk management will be embedded into Goodman’s critical business activities, functions and processes. Risk understanding and our appetite for risk will be key considerations in our decision making.

1.3 Application

This Risk Management Policy applies to Goodman, including Partnerships. It addresses risk that arises from Goodman's core business being property and investment management, including the risks for responsible entities of managed investment schemes.

1.4 Operative Provisions

Date of Effect

This Risk Management Policy comes into effect from the date of approval by the Risk and Compliance Committee.

Review of the Risk Management Policy

This Risk Management Policy will be reviewed annually by the Risk & Compliance Committee to ensure its continued application and relevance. Senior Management review of the implementation and effectiveness of this policy will also be undertaken regularly.

2. Risk Management

2.1 Overview of Risk Management

Risk Management is an approach that enables risks to be identified and managed in a consistent, systematic, credible and timely way; its purpose being to minimise, to a practical level within appetite, the impact of unexpected and undesirable events and to provide the ability to consider opportunities as they arise.

Goodman recognises that risks come from numerous sources, driven by both internal and external factors. The five main sources of risk faced by Goodman include:

- + Strategic;
- + Governance;
- + Operational;
- + Investment; and
- + Financial.

2.2 Importance of Risk Management

Goodman recognises the importance of risk management, believing it:

- + increases the likelihood of achieving its objectives;
- + increases the confidence and interests of stakeholders;
- + provides better information to help management be proactive in their decision making including the identification of opportunities and threats;
- + enables better asset management and maintenance through the identification and treatment of risk;
- + minimises legal liability;
- + enhances the health and safety and environmental management performance of Goodman;
- + improves controls and operational effectiveness;
- + strengthens the position of Goodman amongst competitors;
- + increases knowledge and understanding of exposure to risk;
- + minimises losses and disruptions to our business; and
- + strengthens our culture for continued improvement.

3. Risk Appetite Statement

Goodman Group's vision is to be a global leader in industrial property, through its integrated business model "own+develop+manage".

Goodman recognises that it faces a broad range of risks in striving to achieve this vision and the objectives set out in its strategic business plan as well as its day-to-day operational activity.

Goodman's risk appetite which applies to the Group, including Partnerships¹ is a moderate, balanced one that allows it to maintain appropriate growth, profitability and earnings stability. Goodman is willing to accept risk that is within the parameters and limits set in its strategic business plan, including:

- + Capital allocation;
- + Assessment of property returns;
- + Asset management strategy through selection, investment and divestment strategy;
- + Development exposure; and
- + Financial leverage.

Goodman has a low risk appetite with respect to its operational and support activities and ensuring compliance with regulatory frameworks, including:

- + Safety;
- + Environmental and climate related practices;
- + Taxation;
- + Financial services licencing;
- + Compliance with laws and regulations; and
- + Ethical behaviour.

In implementing a Risk Appetite Statement, there are a number of existing documents and sources setting out the Group's and the Board's appetite for risk. These include (but are not limited to):

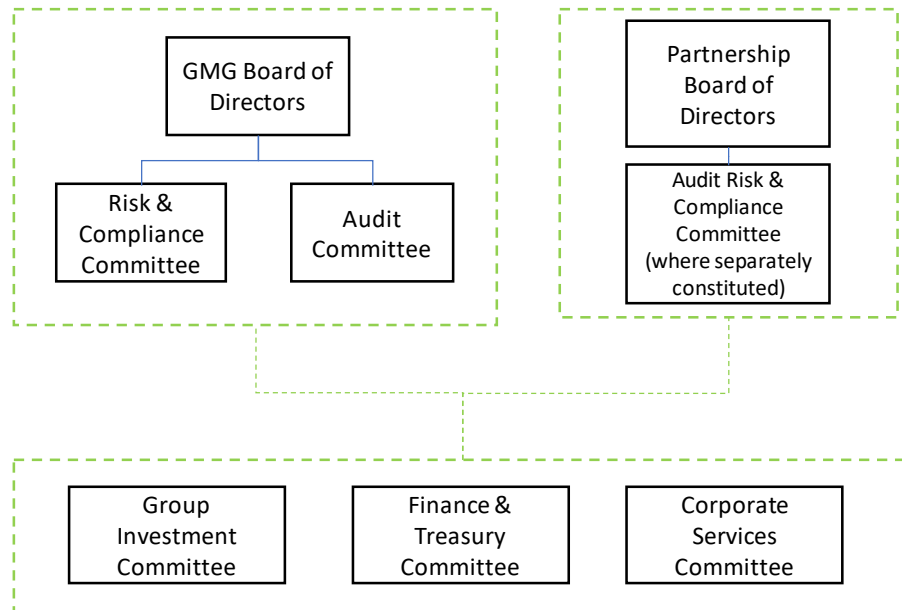
- + Annual Strategy and Business Plan;
- + Annual Risk Profile;
- + Annual Budget;
- + Financial Risk Management Policy;
- + Valuation Policy;
- + Tax Risk Management and Governance Framework;
- + Corporate Responsibility and Sustainability Policy;
- + Goodman Values Programme, Brand Manifesto, The Goodman Way and Project Greatman;
- + Policies and procedures relating to conduct and ethical behaviour;
- + Frameworks relating to areas of risk, such as safety;
- + Compliance Framework; and
- + Compliance Plan and Constitution for each managed investment scheme.

¹ The Partnership Board or Investment Committees set the risk appetite for the partnership.

4. Responsibility

4.1 Structure

The diagram below represents Goodman's risk management structure. This structure integrates risk management into the Group's key business operations. The structure also represents the lines of risk reporting to ensure that key business risks and actions are appropriately disclosed and managed at the right levels of management.



Goodman Board

The Board assumes ultimate responsibility for oversight of risk management and areas of key strategic risk, which includes:

- + Setting Goodman's risk appetite in conjunction with the company's strategy;
- + Promoting a culture in which risk management is valued; and
- + Assessing, reviewing and monitoring strategic risk.

In turn, this authority has been delegated in part to the Risk & Compliance Board Committee who has oversight for the establishment, implementation and supervision of the Group's risk management practices.

Goodman Risk and Compliance Committee

The primary function of the Risk and Compliance Committee is to assist the Board in fulfilling its risk management duties by:

- + Reviewing and monitoring the effectiveness of Goodman's risk management systems and framework;
- + Reviewing and monitoring the effectiveness of policies designed and implemented to manage risk;
- + Establishing boundaries of risk appetite;
- + Receiving reports on risk profiles, including identification, analysis and mitigation; and
- + Monitoring the implementation and performance of risk management practices.

The Risk & Compliance Committee reviews reports from management with respect to:

- + Legal, compliance and regulatory matters;

- + Operational risk; and
- + Development and asset-based risk.

Goodman Audit Committee

The primary function of the Audit Committee, with respect to assisting the Board in fulfilling its risk management duties includes:

- + Financial risk management policy and activities; and
- + Tax risk management policy and activities.

Partnership Board of Directors (including sub-committees where relevant)

The Partnership Board assumes responsibility for oversight of risk management for the Partnership, which includes:

- + Setting risk appetite in conjunction with the partnership's strategy and objectives; and
- + Reviewing and monitoring the identification and management of risks.

Group Investment Committee ("GIC")

The Group Investment Committee is a management committee that was established to centralise the decision-making process under the Group CEO's delegated authority.

The purpose of the GIC is to enhance the Group's existing investment and operational decision making and approval process by ensuring the ongoing effective deployment of Goodman and Partnership capital through:

- + Risk management around capital approval processes and investment criteria; and
- + Consistency and monitoring of process and information across all regions.

Finance and Treasury Committee

The purpose of the Finance and Treasury Committee is to receive reports, including the identification and management of risks, and to make decisions with respect to the following matters:

- + Group financial performance;
- + Treasury and capital management;
- + Tax;
- + Valuations; and
- + Procurement.

Corporate Services Committee

The purpose of the Corporate Services Committee is to receive reports from Group Corporate Services business functions on current operations and strategic initiatives. This reporting includes internal audit and risk activity and is also a forum for reporting new risks. Group Corporate Services also provides a forum for reporting of Information Technology, Marketing and Human resources activities and initiatives.

Group Risk function

Group Risk is responsible for the implementation of the Risk Management Policy globally.

Group Risk supports the Risk & Compliance Board Committee to drive risk management and culture to provide a platform for effective risk-reward decision-making. This is achieved by:

- + Reviewing Regional Divisions and profiling their key risks on an annual basis;
- + Undertaking a program of reviews and internal audits to assess the management of and actions to mitigate risk within the organisation;

- + Preparation of reports for Senior Management and the Risk & Compliance Committee on these activities; and
- + Overseeing the operation of the Group Investment Committee process.

All employees

Not every aspect of risk management can be formalised. Goodman places reliance on the skill experience and judgement of its people to take risk-based management decisions within policy guidance. This includes reporting any identified risks to an appropriate level of management in a timely manner.

Goodman encourages the development and maintenance of a culture where the consideration of risk and reward is instinctive in daily activities. Success in this objective requires the encouragement of employees and management to communicate risk management issues, concerns and recommendations in an Open + Fair manner.

4.2 Risk governance – “Three lines of defence”

The structure outlined above can also be described in terms of the “Three lines of defence” risk governance model. The “Three Lines of Defence” model is a way of distinguishing among the groups that are involved in risk management. Within Goodman, the three lines of defence can be described as follows:

The first line of defence (functions that own and manage risks)

Operational management, i.e. the Regional Divisions – Divisional management are responsible for identification, managing risks and implementing and maintaining effective internal audit controls.

There is a common understanding between the Regional Divisions and Group on what is acceptable risk and appropriate risk management with co-ordinated feedback. This involves regular interaction and settings around capital management, profit targets and investment approvals, especially through the GIC process.

The second line of defence (functions that provide the oversight, support, tools, systems and advice necessary to support the first line in identifying, managing and monitoring risks)

At Goodman, this line of defence is represented by both governance bodies and the Group Corporate Services functions. Governance bodies provide oversight, direction and decision making and include the Group Investment Committee, Finance & Treasury Committee and Corporate Services Committee. Group Corporate Services provide support through the setting of policies and procedures to ensure operating platforms are well controlled, transparent and sustainable. The Group Corporate Services functions cover Risk Management, Legal & Compliance, Finance, Treasury, Tax, Insurance, Sustainability and Climate Change, Safety, Marketing & Communications and Human Resources. This second line of defence helps to set appropriate policies and procedures around risk and compliance for the Regional Divisions.

The third line of defence (functions that provide independent assurance)

Internal audit, whose role is to act independently and objectively to ensure the activities of the first two lines of defence and operating effectively. For specialised areas, this oversight can be performed by external service providers.

5. Enterprise Risk Management process

5.1 Establishing the context

This Risk Policy serves as a guideline to manage sources of risk. This step considers both the internal and external parameters to be taken into account when identifying and managing risk, and sets the scope and risk criteria for the remaining process.

The *internal context* can include, but is not limited to:

- + Goodman's governance, organisational structure, roles and accountabilities;
- + Policies, objectives, and the strategies that are in place to achieve them;
- + Capabilities in relation to resources and knowledge (e.g. capital, time, people, processes, systems and technologies); and
- + The relationships with and perceptions and values of internal stakeholders and Goodman's culture.

The *external context* can include, but is not limited to:

- + The social, environmental and cultural, political, legal, regulatory, financial, technological, economic and competitive environment;
- + Key drivers and trends having impact on the objectives of Goodman; and
- + Relationships with, perceptions and values of external stakeholders.

5.2 Risk identification

Each of the key elements established in the previous step must be systematically examined to identify, within each risk source and context, the actual risks and how they occur.

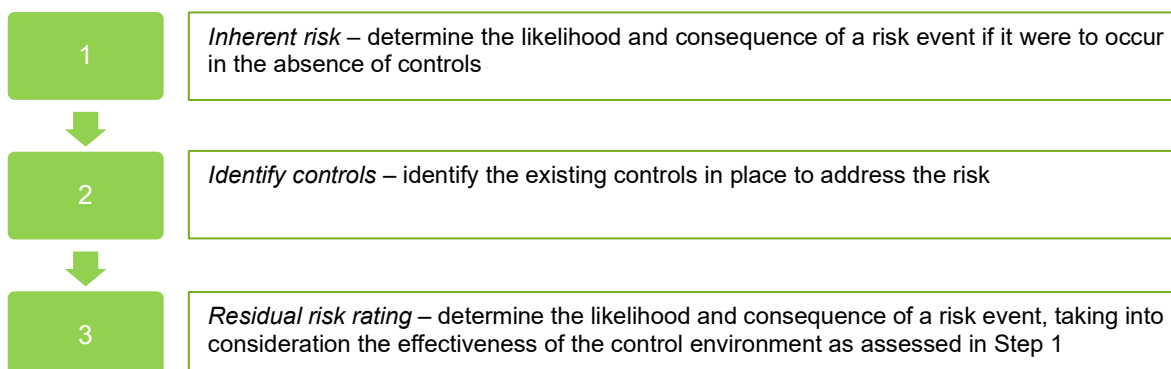
Methods of identifying risk include:

- + Review of business strategy, plans and budgets;
- + Focus group discussions (facilitated internally or externally);
- + Exception reporting;
- + Incidents and events;
- + Audit reports;
- + Stakeholder or customer communications;
- + Results from monitoring activities;
- + Benchmarking with competitors;
- + Advice from external experts; and
- + Examining similar or previous activities or projects.

5.3 Risk analysis

Once risks have been identified, their significance must also be assessed. The assessment process involves a consideration of the risk criteria in terms of likelihood and consequence.

The risk analysis process involves the assignment of an overall residual risk rating for each documented risk documented in the risk register through the following steps.



Risk evaluation

Risk evaluation involves a decision as to whether a particular risk is acceptable or not, taking into consideration:

- + Existing controls;
- + Cost and consequence of managing the relevant risk or leaving it untreated;
- + Benefits and opportunities prescribed by the risks, and
- + Risks borne by other stakeholders.

The outcome of this process is the Risk Register, with agreed priority ratings from which decisions are made on acceptable levels of tolerance for particular risks and where greatest effort should be focused. The Risk Register records the output of the Risk Management process.

Where management determines that the residual risk lies outside an acceptable level, additional controls will be implemented to reduce the residual risk to an appropriate level. This activity is undertaken for each key risk.

5.4 Risk treatment

Risk treatment involves selecting one or more options for addressing and modifying risks, and implementing those options. Risk treatment involves a cyclical process of:

- + Assessing a risk treatment;
- + Deciding whether residual risk levels are tolerable;
- + If not tolerable, generating a new risk treatment; and
- + Assessing the effectiveness of that treatment.

Risk treatment options are not necessarily mutually exclusive or appropriate in all circumstances. The options can include the following:

- + Avoiding the risk by deciding not to start or continue with the activity that gives rise to the risk;
- + Taking or increasing the risk in order to pursue an opportunity;
- + Removing the risk source;
- + Changing the likelihood;
- + Changing the consequences;
- + Sharing the risk with another party or parties (including contracts and risk financing); and
- + Retaining the risk by informed decision.

Selecting the most appropriate risk treatment option involves balancing the costs and efforts of implementation against the benefits derived.

5.5 Monitoring, reporting and outsourcing

Monitoring

Monitoring of risks is ongoing. Goodman has in place a monitoring program (including Internal Audit activities) which is used to ensure that risks are monitored and controlled by responsible personnel. Group Risk oversee the management of the Risk Policy.

The monitoring program confirms that controls continue to be adequate. In situations where monitoring has identified areas of improvement in business processes, results are reported to the relevant management committees.

Risk Management reporting

The Board bears ultimate responsibility for Goodman's corporate governance and risk management standards and is assisted in this responsibility by the Risk and Compliance Committee, Audit Committee and relevant management committees. To facilitate the necessary monitoring, Risk Management is reported at the Risk and Compliance Committee meeting to confirm that all risks are being managed. New emerging risks will also be reported as relevant. Dashboards are used to convey whether risks or emerging issues are being managed within appetite and are used to report on compliance and operational risks.

Strategic risks are assessed annually by the Board as part of the business strategy process and addressed regularly by the Board.

Outsourcing

Goodman has not engaged an external service provider to provide risk management systems. Goodman's Risk function is internally resourced, with external service providers engaged, as necessary, to provide supplementary technical support on projects and initiatives.

5.6 Business continuity planning (BCP)

Business Continuity Planning refers to the ability of the business to continue to operate in the face of unexpected business interruption, temporary or permanent loss of key resources, such as people, systems and buildings. It encompasses plans and procedures which ensure that key personnel, processes and systems are identified, communication protocols and procedures are in place, and alternative accommodation and arrangements are established. A Group BCP and disaster recovery plan is in place and operational and tested annually.

5.7 Insurance

The global insurance programme ensures an appropriate range of insurances for Goodman and Partnerships are in place in order to ensure that its people, assets and business are adequately protected against a variety of contingent and uncertain events and is a means of protection from financial loss. The insurances can be loosely described as corporate, property and employee related. The global insurance programme is integrated with the risk management approach to ensure an acceptable level of risk is transferred.