Goodman Group

Risk Management Policy

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1. Overview

1.1 Introduction

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 framework, operations, market and financial performance of the Group and its strategy. Risk management is a key element of effective corporate governance.

The Board requires that management design and implement a risk management and internal control system to manage Goodman's material business risks with 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, as described in this policy, is aligned to Australia/New Zealand Risk Management Standard ISO31000:2018 and ASIC's RG259 – Risk management systems of responsible entities.

1.2 Objectives of the Risk Management Policy

Goodman's Risk Management Policy recognises the Board's obligation to act in the interests of the company and its desire to maximise value for the capital partners of its listed and unlisted investment vehicles, whilst meeting its corporate and social responsibilities.

The Board acknowledges that to achieve the desired outcomes 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 the Group provides greater certainty and confidence to Goodman's various stakeholders including security holders, capital partners, employees, customers and suppliers.

Risk management is embedded in Goodman's critical business activities, functions and processes and it is the responsibility of all employees to adhere to policies and procedures to manage risk as part of their role. Risk understanding and Goodman's appetite for risk will be key considerations in 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 outcomes, 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 and that it can impact both financial and non-financial outcomes. The five main sources of risk faced by Goodman include:

+ Strategic
+ Governance
+ Operational
+ Investment
+ Financial.

2.2 Risk Management Principles

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
+ strengthens our culture for continued improvement.

3. Risk Appetite Statement

Goodman Group is a global leader in industrial real estate, through its integrated business model "own+develop+manage" built around our customers' needs.

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 strives to be an organisation that acts with integrity, through a culture and conduct that values principles of honesty, fairness, transparency and ethical behaviour. This extends to complying with all laws and regulations by which Goodman is governed.

Goodman's risk appetite which applies to the Group, including Partnerships[1] 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
+ Financial leverage.

Goodman has a very low appetite for risks associated with regulatory and compliance frameworks and risks to our standing and reputation with our stakeholders, including:

+ Safety
+ Environmental and climate related impacts
+ Taxation
+ Financial services licencing
+ Compliance with laws and regulations
+ Governance, conduct 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's values
+ Policies and procedures relating to conduct and ethical behaviour
+ Frameworks relating to areas of risk, such as safety

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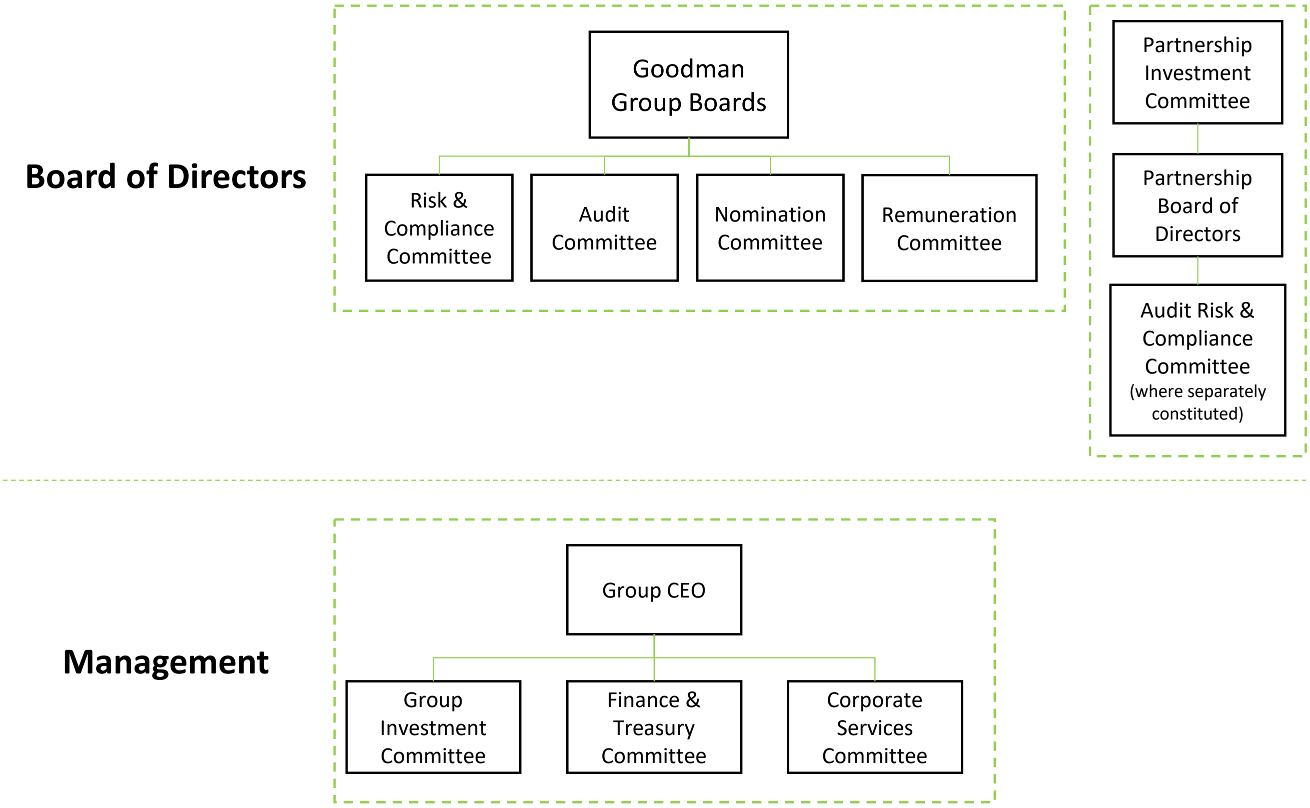
[1] The Partnership Board or Investment Committees set the risk appetite for the partnership.

+ Compliance Framework
+ Compliance Plan and Constitution for each managed investment scheme.

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.



+ Reports to the Finance & Treasury Committee provide the basis for reporting to the Audit Committee.
+ Reports to the Corporate Services Committee provide the basis for reporting to the Risk & Compliance Committee.

Board of Directors

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
+ 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 monitoring 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 Boards fulfil their responsibilities in relation to Goodman's system of risk and compliance management, including:

+ Compliance including internal compliance systems and external compliance audit functions (including the obligations of GFML as the responsible entity of GIT, a registered managed investment scheme)
+ Strategic and operational risk management including internal risk management systems, internal audit and insurance requirements
+ Development and asset risk management, sustainability and safety.

The Committee provides a structured reporting line for Goodman's risk, assurance and compliance functions and also provides a formal forum for communication between the Boards, Audit Committee and risk and compliance management of Goodman.

Goodman Audit Committee

The primary function of the Audit Committee is to assist the Boards fulfil its responsibilities in relation to:

+ Financial reporting principles and policies, controls and procedures
+ The integrity of financial statements
+ Compliance with legal and regulatory requirements in relation to financial statements
+ The independent external audit of financial statements.

In addition, the Committee's responsibilities include oversight of

+ Financial Risk Management Policy
+ The Group's capital structure including financing arrangements across the stapled entities
+ Tax compliance and Tax Risk Management Policy.

Goodman Remuneration Committee

The primary function of the Remuneration Committee with respect to assisting the Boards to fulfil their responsibilities to Securityholders in relation to:

+ The remuneration of Directors, executives and employees
+ Key human resources policies and strategies including in relation to Diversity.

Goodman Nomination Committee

The primary function of the Nomination Committee with respect to assisting the Boards to fulfil their responsibilities to Securityholders in relation to:

+ Board composition and nomination of Directors
+ Performance and effectiveness of Board, Committees and Directors
+ Management succession
+ Director induction and education

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

+ Reviewing and monitoring the identification and management of risks.

Goodman management

To effectively monitor and report on risk management across the Group, the following management committees are in place:

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
+ Consistency and monitoring of process and information across all regions.

Finance and Treasury Committee

The Finance and Treasury Committee is a management committee that was established to receive reports, assess any risks and to make decisions with respect to financial risk, including the following matters:

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

Corporate Services Committee

The Corporate Services Committee is a management committee that was established to receive reports from Group Corporate Services business functions on current operations and strategic initiatives. This reporting includes legal and compliance, internal audit, insurance, development activities including safety, sustainability and other non-financial risk. It 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 supports the Risk and Compliance Committee and management in delivering risk management and culture to provide a platform for effective risk-reward decision-making. The Chief Risk Officer reports functionally to the Risk and Compliance Committee and administratively (i.e. day to day operations) to the Chief Executive Officer.

This is achieved by:

+ Supporting the implementation of the Risk Management Policy
+ 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
+ Overseeing the operation of the Group Investment Committee process.

All employees

Not every aspect of risk management can be formalised. Goodman places appropriate 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 with integrity and transparency.

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:

<u>The first line of defence</u>

Operational management, including Regional Divisions – Regional management are responsible for identifying and managing risks and implementing and maintaining effective internal audit controls.

Regional Divisions and Group Corporate Services collaborate on determining acceptable risk and appropriate risk management. This involves regular interaction around capital management, profit targets and investment approvals, especially through the GIC process.

<u>The second line of defence</u>

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 functions 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, Information Technology, 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.

<u>The third line of defence</u>

Internal audit acts independently and objectively to ensure the activities of the first two lines of defence are 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 identify and 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 *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
+ Relationships with, perceptions and values of external stakeholders.

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)
+ The relationships with, perceptions and values of internal stakeholders and Goodman's culture.

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 present or 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
+ 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.

1	*Inherent risk* – determine the likelihood and consequence of a risk event if it were to occur in the absence of controls
2	*Identify controls* – identify the existing controls in place to address the risk
3	*Residual risk rating* – determine the likelihood and consequence of a risk event, taking into consideration the effectiveness of the control environment as assessed in Step 1

5.4 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.

5.5 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
+ 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
+ Affecting the likelihood
+ Affecting the consequences
+ Sharing the risk with another party or parties (including contracts and risk financing)
+ 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.

5.6 Monitoring, reporting and outsourcing

Monitoring

Monitoring of risks is an ongoing activity. 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 the continued adequacy of controls. 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 holds 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, Remuneration Committee and Nomination Committee and relevant management committees. To facilitate the necessary monitoring, Risk Management is reported at the Risk and Compliance Committee meeting, to confirm if and how risks are being managed. New and emerging risks will also be reported. Dashboards are used to convey whether risks or emerging issues are being managed within the risk appetite and are used to report on compliance, operational and non-financial risks.

Strategic risks are assessed annually by the Board as part of the business strategy process. The Risk and Compliance Committee regularly review strategic risks and reports to 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.

5.7 Incident management and Business continuity planning (BCP)

Incident management refers to the ability of the business to detect, investigate, respond and recover from events that could have a material impact on our operations. This could include:

+ Business interruption
+ Temporary or permanent loss of key resources such as people, systems and building or
+ Breach of our technology infrastructure and services.

It encompasses plans and procedures which ensure that key personnel, processes and systems are identified, communication protocols and procedures are in place, and continuity and recovery arrangements are established and working. A Group BCP, disaster recovery plan (DRP) and IT Major Incident Plan is in place and operational, with testing occurring frequently (typically annually). Each Region is responsible for their own BCP and it is reviewed by Group Risk.

5.8 Insurance

The global insurance program 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 generally described as corporate, property and employee related. The global insurance program is integrated with the risk management approach to ensure an acceptable level of risk is transferred.