

# Managing Legislative Risk

Legislation which may impact Mirvac have been detailed in the table below in an effort to demonstrate to investors and stakeholders our approach to governance and legislative risk.

<b>Risk Category</b>	<b>Legislation</b>	<b>Significant legislative and regulatory changes in FY14</b>	<b>Significance of impact on property sector</b>	<b>Significance for Mirvac and Action being taken</b>
<i>Governance</i>	Australian Stock Exchange (ASX) Reporting Amendments	<p>Changes to the "ASX Corporate Governance Principles and Recommendations" incorporate economic, environmental and social sustainability risk reporting, and apply for new corporate financial years from 1 July 2014. All ASX listed companies must provide disclosure on these changes in an appendix (4G). Listing Rule 4.10.3 referenced in Appendix 4G detail requirements for disclosure in governance practices.</p> <p>There are 29 specific recommendations under 8 Principles. Of note are the following Principles:</p> <p>Principle 1: Lay solid foundations for management and oversight (Diversity)</p> <p>Principle 3: Act ethically and responsibly (Human Rights; Supply Chain; Environmental Responsibility)</p> <p>Principle 4: Safeguard Integrity in Corporate Reporting (Independent verification of reporting)</p> <p>Principle 5: Making timely &amp; balanced disclosure (Transparency)</p> <p>Principle 7: Recognise &amp; Manage Risk (Materiality of Risk; Social &amp; Environmental Risk)</p>	High significance for all Australian listed companies including all listed property companies	<p>These changes will have minimal impact on Mirvac as plans are in place to meet amendments by FY15, as detailed in the Mirvac Group Annual Report 2014.</p> <p>Principle 1: Mirvac have met all diversity requirements and will be refreshing the diversity strategy in FY15.</p> <p>Principle 3: Mirvac are committed to prequalifying 50% of the supply chain by 2015 and are also in the process of implementing an online procurement management system to better engage, track and report the supply chain performance.</p> <p>Principle 4: The Sustainability report contains assurance over key data sets. By transitioning to the GRI G4 this Report is required to be transparent, balanced and covers issues most material to the business.</p> <p>Principle 5: This is met through the Annual &amp; Sustainability Reports (see Principle 4 above).</p> <p>Principle 7: Mirvac's Fraud, Bribery &amp; Corruption Policies have been updated to be in line with UK &amp; US. These policies have also been reflected in Mirvac's supplier agreements to minimise supply chain risk.</p>

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	National Building Regulation Reform	Reforms will occur in 2016. These will involve free online access to the National Construction Codes (NCC), quantification of the NCC's performance requirements, enhanced useability of the NCC, inclusion of other onsite building regulation, continued reduction of State and Territory variations and limiting local government interventions. These are expected to impact process rather than outcomes.	Minimal impact in the short-term for all property companies	Mirvac are heavily engaged in all building code revisions through their membership and involvement in the Property Council of Australia.
<i>Environment-Carbon Management</i>	Clean Energy Act 2011-repealed	<p>The Clean Energy Act has been repealed. This has resulted in the cancellation of the emissions trading scheme and carbon pricing.</p> <p>The Emissions Reduction Fund (ERF) will be the primary vehicle for reducing emissions.</p>	High significance for Australian companies that had been operating with a carbon price	<p>The government's intended reduction in energy costs through the removal of the tax should result in lower bills for tenants; residents and indirect impacts through goods &amp; services. The risk for Mirvac is in the reduced cost of coal powered electricity. This may undermine the investment that Mirvac has made in renewable energy, making the return on investment slower than originally calculated.</p> <p>The targets Mirvac have committed to include becoming Net Positive (energy &amp; water) by 2030. Therefore the repeal of this Act poses risk to Mirvac's investment in renewables with the anticipated slower return on investment from lower energy bills.</p> <p>As it currently stands the ERF will increase uncertainty for the return on Mirvac's emission reduction program. Mirvac will monitor details of the ERF as they emerge.</p>
	Review of the Renewable Energy Target (RET)	The report of the Expert Panel established to review the RET Scheme has now been publicly released. The review has advised that the RET is not the most effective mechanism for reducing emissions	High significance for property companies that have invested in renewables	<p>Mirvac has made significant investment in renewables in recent years. The removal of the RET will reduce the incentive for increased and ongoing investment in renewables.</p> <p>Mirvac are engaging with the property sector and industry groups to promote retaining the RET in its current form.</p>

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<i>Environment- Energy, Waste, Water</i>	Energy Efficiency Opportunities (EEO)- repealed	In May 2014, the EEO was cancelled by the Federal government, effective from 29 June 2014. The intent is this will reduce costs for business and meet the government's deregulation agenda.	Medium significance for Australian property companies with main relevance being only to those companies that worked within these requirements	<p>This has little impact on Mirvac, whose EEO commitments had ceased in 2012, following the divestment of the Hotel Management business. This has meant that the EEO was no longer a requirement for Mirvac to report on.</p> <p>The requirements imposed by the EEO resulted in an adjustment to Mirvac's internal processes to manage risk associated with legislation. These process amendments have been continued to ensure energy plans are implemented</p>	
	National Australian Built Environment Rating Scheme (NABERS)	A review is currently underway on Activity Based Working (ABW) rule changes to ensure this approach to flexible working is not inadvertently penalised.	Medium significance to all Australian property companies as all are users of this tool and adopters of ABW	Energy	<p>ABW ruling will be welcomed by Mirvac as they continue to build and own cutting-edge commercial space.</p> <p>Mirvac's membership of the Better Buildings Partnership (BBP) has assisted in the development and implementation of Green Lease clauses. Mirvac are reviewing the suitability of these clauses for their standard leases and will focus on clauses that protect landlords from tenants negatively impacting NABERS energy ratings.</p>
		A new methodology for the treatment of Cogeneration and Tri-generation Systems in NABERS ratings was introduced in 2013 to ensure these methods of energy generation are given more equitable assessment.	Low risk for property companies that have invested in this technology		Mirvac has made significant investment in cogeneration and tri-generation. The amendments are a positive step and Mirvac sites with this form of energy generation will receive the benefit of increased rating accuracy. This includes the already highly performing 101 Miller and 8 Chiefly Street assets in Sydney.

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		The NABERS Waste tool is currently under review.	Minimal impact	Waste The NABERS Waste tool in its current has been prohibitive due to the assessment process and associated costs. Mirvac welcomes the review. Mirvac will also look at the applicability of the BBP waste guidelines
		Some elements of the NABERS Water tool (supplementary equipment) are currently under review.	Minimal impact	Water Minimal impact to Mirvac however increased accuracy in the tool will result in better communication and measurement across the sector.  More broadly, Mirvac currently have commitments to reduce water consumption by: <ul style="list-style-type: none"><li>• Reducing potable water intensity by 15% by 2018; and</li><li>• Increasing water capture and recycling to 15% by 2018.</li></ul>
		A new NABERS Indoor Environment (IE) tool is currently being developed. A number of consultation papers will be released for comment by NABERS Assessors before the tool will be finalised.	Minimal impact	Indoor Environment In its current form the NABERS IE tool is prohibitive to implement and manage. A review is welcomed by Mirvac.  As part of a commitment to enhancing and measuring the quality of indoor environments Mirvac have conducted Building Occupants Survey System for Australia (BOSSA) and are now better aligned to implement changes which are in the NABERS IE pipeline. Pre and post occupancy evaluations, such as this, have also been recognised in FY14 by the Green Building Council of Australia (GBCA) in their new Innovation Challenges.

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	NABERS Retail	Amendments to the NABERS retail tool were implemented in 2013. Mandatory disclosure of retail assets has been postponed.	Minimal impact presently, with possible increase in risk if mandatory disclosure is introduced	<p>The amendments to the tool have been welcomed by Mirvac.</p> <p>Two Mirvac employees currently sit on the NABERS Retail Technical Working Group. There has been a broad application of NABERS Retail by Mirvac as a result of positive amendments to the tool. Mirvac is well placed to meet the regulatory requirements if and when mandatory disclosure is</p>
	Energy Savings Scheme (ESC)	There have been 2 new amendments to the scheme. These include data collection methods and calculation methods.	Minimal impact	<p>Mirvac do not hold accreditation to generate ESC's. This responsibility sits with accredited contractors who are required to generate the certificates. In this way, contractors are responsible for keeping abreast of changes to this legislation.</p>
	Waste Levy Increases- all states	Most states and territories have continued to see increases in waste levies (ongoing for the past 4 years). Ongoing increases in commercial waste and residential waste generation have necessitated waste cost increases to act as disincentives.	Medium impact for all property companies in highly exposed states with increasing impacts going forward	<p>Mirvac has operations in states with significant waste cost increases- NSW, Vic, Qld and WA. These states have shown increases as high as 59% in NSW and as low as 14% in WA.</p> <p>Mirvac's commitments to reduce waste and increase recycling will assist the business in mitigating ongoing increases in pricing for managing, transporting and disposing of waste. This approach has resulted in savings of approximately \$980,000 in FY14.</p> <p>Mirvac's strategy commitments will assist minimising impacts in future years. These commitments include:</p> <ul style="list-style-type: none"> <li>• 75% waste to be recycled by 2020</li> <li>• Zero waste to landfill by 2030</li> </ul>

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	Building Sustainability Index (BASIX)	Projected target increases to BASIX by 10-50% depending on region and development type.	Significant impact for Australian property companies with residential assets	Mirvac has recently demonstrated that BASIX +25% can be achieved at their residential development at Harold Park, NSW. An increase of up to 50% would be significantly more difficult, particularly on high rise residential developments. Mirvac is currently working with councils to find a way forward. Significant increases in BASIX would be difficult to achieve on high rise developments with a high energy and
<i>Environment-Biodiversity</i>	NSW Biodiversity Offset Policy	Changes are underway to standardise the method for assessing impacts of major projects on biodiversity. Under the present framework, biodiversity offsets are usually negotiated between proponents and the consent authority on a case-by-case basis. There are often wide variations in assessments and lengthy and costly debates around the adequacy of an assessment and its outcomes. The resulting offset requirements can vary widely, leading to uncertainty for proponents.	Low impact as the change streamlines the process of negotiating offsets	Mirvac is currently creating a standard template for Biodiversity plans across the investment portfolio and will keep ahead of amendments as they emerge in NSW.
	City of Sydney Green Roof Policy	<p>The City of Sydney released Australia's first Green Roof policy in FY14 as part of their Green Roofs and Walls Strategy (2012).</p> <p>The policy supports the increased installation of green walls and roofs within the local government area.</p>	Low impact with provision of support for green wall/roof installation	Support from the City of Sydney for green roofs is welcomed by Mirvac and will assist in enhancing biodiversity on our Sydney CBD assets.

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<i>Community</i>	National Rental Affordability Scheme (NRAS)	In the FY15 Budget, the Government announced that it will not proceed with Round 5 of the NRAS.	Significant impact for Australian property companies with residential assets	NRAS cancellation limits incentives to developers to provide solutions for affordable housing. To ensure Mirvac continues to deliver on its social commitment an internal resources has been recruited to find a workable model in affordable housing. The business is also committed to measuring its community investment through application of Social Return
	Council requirements on stakeholder engagement	Although no regulation has been determined, key councils have stated the growing importance of community engagement in urban regeneration projects.	Significant impact for property companies invested in urban regeneration	Mirvac has a Social Sustainability Manager that coordinates Mirvac's community involvement and stakeholder engagement on developments. As well, Mirvac has a Community Liaison Officer for all major projects to ensure new communities are built in consideration of stakeholder views. Mirvac are in the process of developing internal frameworks to deliver consistent consultation across the business.
	Native Title Act	The release of the Native Title Issues Paper considers for the possible reform of a number of elements related to connection to the land. This may effectively shift the onus of proving (or disproving) continuity of connection from the claimants themselves to respondents to native title claims (particularly State, Territory or Commonwealth), as well as other respondents.	Medium to high impact for sites that are exposed to native title claims	Native title is currently included on Mirvac's Risk Register and Project Management Groups' considerations.