

Corporate Governance Statement

BABCOCK & BROWN RESIDENTIAL LAND PARTNERS CORPORATE GOVERNANCE STATEMENT 2009

INTRODUCTION

This statement reflects Babcock & Brown Residential Land Partners' (BLP) corporate governance framework as at 31 August 2009. A copy of this statement and other documents (or summaries thereof) can be accessed and downloaded from the Corporate Governance section on our website at www.bbresidentiallandpartners.com.

BLP comprises:

- Babcock & Brown Residential Land Partners Limited ACN 119 517 985 (BRLPL), an Australian public company;
- Babcock & Brown Residential Land Partners Trust ARSN 119 613 848 (BRLPT), an Australian trust of which Babcock & Brown Residential Land Partners Services Limited ACN 118 364 499, AFSL No 298788 (BRLPS) is the responsible entity; and
- the respective subsidiary entities of each of BRLPL and BRLPT.

Any reference contained in this statement to BRLPS is a reference to BRLPS in its capacity as responsible entity of BRLPT, unless otherwise indicated.

Each BRLPL share is stapled to a BRLPT unit. BLP Stapled Securities are quoted on the Australian Securities Exchange under the market code ASX: BLP.

The BRLPL Board, together with the BRLPS Board (the **Boards**), is responsible for overseeing the rights and interests of all investors and is accountable to them for the overall governance and management of BLP. The BRLPL Board, in consultation and agreement with the BRLPS Board, formulates and approves the strategic direction, investment objectives and goals of BLP.

The establishment of a sound framework of corporate governance and the implementation of the corresponding governance culture and processes throughout BLP is one of the primary responsibilities of the Boards. The Boards recognise that they are accountable to Securityholders for the performance of BLP and, to that end, are responsible for instituting and ensuring BLP maintains a system of corporate governance that operates in the best interests of Securityholders while also addressing the interests of other key stakeholders. A comprehensive corporate governance framework and good governance policies and procedures can add to the performance of BLP, the creation of Securityholder value and engender the confidence of the investment community.

The ASX Limited's Corporate Governance Council issued in August 2007 a revised set of guidelines entitled *Corporate Governance Principles and Recommendations*. These guidelines articulate eight core principles (**ASX Principles**) that the Council believes underlie good corporate governance, together with 27 recommendations (**ASX Recommendations**) for implementing effective corporate governance.

The ASX Listing Rules require listed entities such as BLP to include a statement in their Annual Report disclosing the extent to which they have followed the eight ASX Principles and 27 ASX Recommendations during the reporting period, identifying any ASX Recommendations that have not been followed and giving reasons for that variance. BLP's Corporate Governance Statement is structured with reference to the ASX Recommendations. Areas not fully complied with are disclosed under the relevant principle. All of the corporate governance practices referred to herein were in place for the entire year ended 30 June 2009 unless otherwise indicated.

INTERACTION BETWEEN THE ROLES OF BRLPL AND BRLPS

Although in practice BRLPL was primarily responsible for conducting the day-to-day operations of BLP during the 2009 Financial Year, it did and will continue to consult and exchange information with and seek the agreement of BRLPS when making decisions in relation to BLP in accordance with the terms of the stapling deed (**Stapling Deed**).

The Stapling Deed sets out the terms and conditions of the relationship between BRLPL and BRLPS in respect of BLP, for so long as the units in BRLPT and shares in BRLPL remain stapled. In summary, the Stapling Deed provides that each of BRLPL and BRLPS must:

- cooperate in respect of all matters relating to BLP and consult with the other prior to causing any act to be done or omission to be made which may materially affect the value of BLP Stapled Securities (including the announcement or payment of a dividend or trust distribution);

- make available to the other all information in its possession necessary or desirable to fulfil its respective obligations under the Stapling Deed, and make available to the other all information and provide all assistance in relation to the preparation of financial accounts;
- cooperate with the other to ensure that each complies with its obligations under the ASX Listing Rules (including disclosure obligations), coordinate disclosure to the ASX and investors, and liaise with the ASX in relation to ASX Listing Rule matters;
- perform its obligations under the Stapling Deed and its respective constitution with a view to enhancing the market value of BLP Stapled Securities;
- notify the other of an intention to acquire or sell assets where the value of those assets is greater than 5% of the entity's net tangible assets (BRLPS may only invest in additional material assets where management of the proposed investment has first been approved by the BRLPL Board of Directors);
- act consistently with the investment strategy of BLP as agreed between them and consult with the other on implementation of this strategy and any changes to its implementation;
- not borrow or raise any money unless the other agrees;
- cooperate to ensure that BRLPL Securityholder and BRLPT Unitholder meetings are held concurrently or, where necessary, consecutively; and
- consult with the other in relation to any reorganisation or restructure of capital or any changes to stapling arrangements, and not cause a placement, rights issue, distribution or dividend reinvestment plan, buy-back, repurchase or redemption without the prior consent of the other.

Therefore, as indicated, it is by operation of the Stapling Deed that the Boards of BRLPL and BRLPS (as responsible entity of BRLPT) are together responsible for overseeing the rights and interests of Securityholders in BLP and accountable to Securityholders for the overall corporate governance and management of BLP.

COMPLIANCE WITH THE ASX RECOMMENDATIONS

As at the date of this Corporate Governance Statement, each of the Boards of BLP advise that their corporate governance practices are in compliance with the Recommendations, except where specifically noted in this Corporate Governance Statement.

ASX PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Companies should establish and disclose the respective roles and responsibilities of board and management.

ROLE OF THE BLP BOARDS AND MANAGEMENT

ASX Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

During the period, each of the BLP Boards were assisted in its management of the affairs of BLP by the Manager, Babcock & Brown Australia Real Estate Management Pty Ltd (**BAREM**). In accordance with the respective Management Agreements with each of BRLPL and BRLPS, the Manager provided management services to each of the two entities comprising BLP. These services include identifying and recommending investment opportunities for BLP, managing BLP's investments and advising in respect of any exit from those investments. In addition to these more strategic services, the Manager has specific operational management duties and carries out management services of BLP on a day-to-day basis. The Manager's appointment by each of BRLPL and BRLPS is exclusive and is for a term of 10 years from its appointment in 2006. This arrangement is commonly referred to as an "externally managed" fund.

Under the Management Agreements, BAREM as Manager has established a Dedicated Management Team comprising individuals performing the following functions: chief executive officer, chief financial officer and other accounting, tax and treasury personnel; operations management personnel; corporate counsel and company secretary; investor relations; and risk and compliance personnel. The chief executive officer led the management team which reports to the Board of BAREM. As an externally managed entity, the management team also effectively act in the same capacity for BLP as in their appointed functional role for BAREM as Manager.

The Management Agreements contain provisions which require the Manager, as a primary obligation, to give priority to the interests of BLP and, consequently, the BLP Securityholders. In accordance with the terms of the Management Agreements, the BLP Boards must consider any recommendations put to them by the Manager and determine whether the recommended action is in the best interests of BLP Securityholders.

Corporate Governance Statement (continued)

On 11 June 2009, BLP announced that it has reached an in-principle agreement with Babcock & Brown International Pty Ltd regarding the management rights of BLP. As part of this process, on 3 July 2009, BLP employed David Wightman to perform the role of Chief Executive Officer.

The BLP Boards have each adopted a formal *Board Charter* which details the functions and responsibilities of the relevant Board and distinguishes such functions and responsibilities from those which have been delegated to the Manager. A summary of the *Board Charters* are available in the Corporate Governance section on BLP's website at www.bbresidentiallandpartners.com.

As outlined in the respective *Board Charters*, the BLP Boards are together responsible for the management of the affairs of BLP. Specific matters reserved for determination by the BLP Boards, include among other things:

- developing and approving the corporate strategy, policy and objectives of BLP;
- monitoring the performance of BAREM;
- determining BLP's distribution policy;
- evaluating and approving major capital expenditure and all major acquisitions, divestitures and other transactions of BLP that fall outside the limits set out in the Management Agreements;
- approving all accounting policies, financial reports and material reporting of BLP;
- reviewing and evaluating the performance of the BLP Boards, each Board Committee, and each individual Director;
- reviewing the performance and effectiveness of BLP's corporate governance policies and procedures;
- approving contracts, commitments and capital expenditure above specified thresholds and limits determined by the Board from time to time;
- approving expenditure outside the ordinary course of business in excess of thresholds or limits specified by the Board for this purpose;
- major strategic decisions;
- adoption of BLP's annual budget;
- approval of financial reports and accounts for BLP which are to be lodged with any regulator, including the ASX;
- the issue of equity securities by BLP, except under a programme previously approved by the Boards; and
- commencing or taking a significant step in major litigation.

The Board has delegated a number of responsibilities to its Committees. The responsibilities of these Committees are detailed in Principle 2 below.

The *Board Charters* also set out the specific powers and responsibilities of the Chairman and the CEO (see Principle 2 below).

Each of the two BLP Boards acts separately and independently of each other and where there is a joint responsibility between BRLPL and BRLPS over aspects of BLP's operations, the BLP Boards will only have responsibility to the extent of their own specific involvement in those operations. However, the BLP Boards will cooperate to the extent required under the Stapling Deed in meeting those joint responsibilities to ensure that the interests of BLP Securityholders are met.

The *Board Charters* also include a summary of the responsibilities of each Director. To assist Directors to understand BLP's expectations of them, all Independent Directors have been provided with copies of relevant *Board Charters* and policies. Non-Independent Directors have formal letters governing their employment through the Babcock & Brown Group.

ASX Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

The Nomination, Governance & Remuneration Committee of the BRLPL Board has responsibilities relating to the review and monitoring of the performance of the BLP Boards, the Chairman, the Managing Director and other individual members of the BLP Boards, and for establishing Key Performance Indicators against which the performance of the Managing Director and other key management personnel in the BAREM fund management team are evaluated.

Following the announcement on 11 June 2009 regarding BLP's management rights, final negotiations are continuing and documentation is being prepared. As part of this process the Boards of BLP, through BRLPL's Nomination, Governance & Remuneration Committee are formulating Key Performance Indicators for the Chief Executive Officer and remaining positions that are envisaged to be internalised. Short and long term incentive plans are also being established as part of the remuneration structure and if internalisation occurs, any incentive plan requiring Securityholder approval will be considered at the following Annual General Meeting.

Details of the total remuneration, including any bonuses, of the CEO and other key management personnel in the BAREM fund management team are set out in the Remuneration Report.

ASX PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

STRUCTURE OF THE BOARD

ASX Recommendation 2.1: A majority of the board should be independent directors.

The size and composition of each of the BLP Boards is determined in accordance with the Constitution of the relevant entity. It is intended that each of the BLP Boards will comprise Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds, and will comprise either a majority of Independent Directors or, at a minimum, an equal number of Independent and Non-Executive Directors.

Overall, the BLP Boards are comprised of Directors with a broad range of skills, expertise and experience from a diverse range of backgrounds. The BLP Boards consider that collectively, the directors have the range of skills, experience and expertise necessary to appropriately govern BLP.

Details of the Directors' skills, experience and expertise relevant to their position and their term in office and details of their attendance at Board and/or Committee meetings are set out in the Directors' Report of the 2009 Annual Report.

The Directors appointed to the respective BLP Boards, at any time during the period, along with their appointment dates, are set out below:

Name	Position	BRLPL Board Appointment	BRLPS Board Appointment
Robert Wright	Independent Non-Executive Chairman	31/05/06	31/05/06
Michael Balkin*	Managing Director	3/05/06	15/02/06
Michael Maxwell	Non-Executive Director	3/05/06	15/02/06
Richard Gelski	Independent Non-Executive Director	31/05/06	31/05/06
Chris Langford	Independent Non-Executive Director	31/05/06	-

* Michael Balkin resigned as a Director on 7 April 2009 and ceased as an employee of Babcock & Brown in June 2009.

Robert Wright was appointed Independent Chairman on 18 June 2008. Prior to this Non-Independent Director, Michael Maxwell, was Chairman from May 2006.

The continued tenure of each individual Director is subject to re-election from time to time in accordance with the Constitutions of BRLPL and BRLPS.

The BLP Boards have each determined the independent status of each Director utilising the criteria set out in Recommendation 2.1. As shown in the table above, the Board of BRLPS had equal numbers of Independent Non-Executive Directors and Non-Executive Directors during a majority of the 2009 Financial Year. This does not comply with ASX Recommendation 2.1, which recommends that the Board comprise a majority of Independent Directors. The BRLPL Board has a majority of Independent Directors and did so for the entirety of the 2009 Financial Year. The BRLPS Board now has a majority of Independent Directors.

Corporate Governance Statement (continued)

BOARD COMMITTEES AND MEMBERSHIP

The BLP Boards have established committees to support an effective governance framework and to advise and support the BLP Boards in carrying out its respective duties. The Chairman of each committee reports on any matters of substance at the next full Board meeting and all committee minutes are provided to the Board.

The committees in existence at the date of this report are as follows:

- The BRLPL Audit & Risk Management Committee;
- The BRLPL Nomination, Governance & Remuneration Committee; and
- The BRLPS Audit, Risk & Compliance Committee.

Each committee has its own *Charter* setting out the authority under which each committee operates and the responsibilities as delegated by the BLP Boards. *Charters* are reviewed annually and membership criteria are based on a Director's skills and experience as well as their ability to add value to the Committee. The Managing Director, prior to his resignation, attended all committee meetings by invitation and Non-Executive Directors may attend any meeting of a committee.

The Board committees and their membership as at 31 August 2009 are set out in the following table:

	Audit, Risk & Compliance Committee	Audit & Risk Management Committee	Nomination, Governance & Remuneration Committee
Robert Wright	✓	✓	Chair
Michael Balkin*	-	-	-
Michael Maxwell	✓	✓	✓
Richard Gelski	Chair	Chair	✓
Chris Langford	-	-	-

* Michael Balkin resigned as a Director on 7 April 2009 and ceased as an employee of Babcock & Brown in June 2009.

ASX Recommendation 2.2: The chairperson should be an independent director.

Robert Wright was appointed Independent Chairman on 18 June 2008. Prior to this Non-Executive Director, Michael Maxwell, was Chairman from May 2006.

To ensure that there is an appropriate balance in the manner in which the Directors discharge their responsibilities and an independent review of the performance of management, the BLP Boards have:

- established an Audit, Risk & Compliance Committee and an Audit & Risk Management Committee comprising of a majority of Independent Directors and a Nomination, Governance & Remuneration Committee comprising of a majority of Independent Directors;
- established protocols for dealing with conflicts of interest. In particular, the BLP Boards have put in place a range of internal policies designed to ensure that the interests of Securityholders are at all times preferred to those of Directors and that any actual or potential conflicts of interest are promptly disclosed and dealt with by the Directors. These include the *Board Charter*, the *Code of Conduct* and the *Security Trading Policy*;
- ensured that significant matters affecting BLP are reserved for consideration by the full Board, for example major strategic decisions, capital expenditure above specified thresholds and expenditure outside the ordinary course of business; and
- any Director is entitled to seek independent professional advice (including, but not limited to, legal, accounting and financial advice) at BLP's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures set out in the *Board Charter*. No Director availed himself of this right during the year.

ASX Recommendation 2.3: The roles of chair and chief executive officer should not be exercised by the same individual.

The roles of Chairman and Chief Executive Officer are not exercised by the same individual for BLP. The *Board Charters* provide that the roles of the Chairman and Chief Executive Officer must not be exercised by the same person. The respective roles and responsibilities of the Chairman and the Chief Executive Officer are described in the *Board Charters*.

ASX Recommendation 2.4: The board should establish a nomination committee.

The BRLPL Board has established a Nomination, Governance & Remuneration Committee which is responsible for advising the BLP Boards on the composition of the Boards and their Committees, reviewing the performance of the Boards, their Committees and individual Directors and advising the Board on appropriate corporate governance standards and policies. In making recommendations to the BLP Boards regarding the appointment of Directors, the Nomination, Governance & Remuneration Committee periodically assesses the appropriate mix of skills, experience and expertise required on the relevant Board and assesses the extent to which those skills and experience are represented. As BLP develops its existing asset base and continues to seek further investment opportunities, the Nomination, Governance & Remuneration Committee will review the composition of the BLP Boards to ensure they remain appropriate.

The Nomination, Governance & Remuneration Committee is comprised of three members of the BRLPL Board, and contains a majority of Independent Non-Executive Directors. The Committee is chaired by the Independent Chairman.

The attendance of the Committee members at Committee Meetings is disclosed in the Directors' Report.

The Nomination, Governance & Remuneration Committee has adopted a Charter, a summary of which is available on BLP's website. The responsibilities of the Committee pursuant to its Charter include:

NOMINATION

In relation to its nomination function the Committee will:

- review and advise the Boards on the composition of the Boards and their Committees;
- periodically assess the skills required to discharge the Board's duties, having regard to the strategic direction of the Group;
- propose candidates for directorships for consideration by the Board having regard to the desired composition of the Boards as stated in their *Board Charters*;
- inform the Boards of the names of Directors who are retiring in accordance with the provisions of the relevant Constitutions and make recommendations to the Boards as to whether the Boards should support renomination of that retiring Director;
- establish and facilitate an induction program for new Directors with all such information and advice which may be considered necessary or desirable for the Director to commence their appointment;
- identify any specific responsibilities of individual Board members, including the Chairman and the Chief Executive Officer;
- review succession planning for the Chairman, Managing Director and other senior management of the Group and provide advice to the Boards on progress; and
- review the membership and performance of other Board Committees and make recommendations to the Boards.

REMUNERATION

- critically review the performance and effectiveness of the Chairman, the Managing Director or Chief Executive Officer, the Board and its individual members against the relevant charters, corporate governance policies and agreed goals and objectives at least once per year;
- monitor and review the performance of BAREM in providing services under the Management Agreement at least once per year. During this review, any Committee Member who is not independent from BAREM will exclude themselves from the room during discussion and any voting on BAREM's performance;
- consult with BAREM in respect of the Key Performance Indicators (KPIs) for each of the Manager's Key Personnel as determined by BAREM and provide feedback to BAREM about their respective performance against such KPIs at least once per year;
- review and advise the Board on the Remuneration Report to be disclosed in the Company's annual financial report; and
- make recommendations to the Board for determining the level of remuneration to be applied to the Independent Directors.

Corporate Governance Statement (continued)

GOVERNANCE

- review developments in corporate governance in Australia and internationally that may be relevant to the Group and to the expectations of the investor market and other stakeholders;
- monitor the corporate governance requirements of regulators, including the Australian Securities and Investments Commission and the Australian Securities Exchange;
- review ethical guidelines and standards for Directors;
- advise the Board on corporate governance standards, and on the adoption or amendment of corporate governance policies that would be appropriate for the Group;
- review annually the Group's compliance with its corporate governance policies and procedures, and report to the Board on the results of the review together with any recommendations of the Committee; and
- assist the Board to prepare the Group's corporate governance disclosure statements in its Annual Report.

ASX Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Nomination, Governance & Remuneration Committee informs the BRLPL Board of the names of Directors who are retiring in accordance with the provisions of the Constitution of the Company and makes recommendations to the Board as to whether it should support the renomination of such retiring Directors. In order to make such recommendations, that Committee first reviews the retiring Director's performance during the period in which the Director has been a member of the BRLP Board.

The Nomination, Governance & Remuneration Committee also reviews the membership and performance of the various committees established by the Board and makes recommendations to the BLP Boards in that regard. A member of the Committee will not participate in the review of their own performance and must not be present for discussions at a Committee meeting on, or vote on a matter regarding, his or her election, re-election or removal.

The Nomination, Governance & Remuneration Committee undertook a performance evaluation of the Board as a whole, its Committees and individual members during the 2009 Financial Year. Each Director was provided with a detailed questionnaire which was then used to facilitate a discussion with the Chairman. The BLP Boards as a whole were provided a summary of the discussions that had taken place and reviewed the findings. The BLP Boards were satisfied with regard to the individual and collective performance of the Directors and there were no significant issues that required attention.

The Nomination, Governance & Remuneration Committee is also responsible for establishing and facilitating an induction program for new Directors and making available to them sufficient information and advice to allow them to participate fully and actively in Board decision-making at the earliest opportunity.

The BLP Boards and their Committees may seek advice from independent experts whenever it is considered appropriate. As noted above, individual Directors, with the consent of the Chairman, may seek independent professional advice on any matter connected with the discharge of their responsibilities, at the Group's expense.

ASX PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Companies should actively promote ethical and responsible decision-making.

CODE OF CONDUCT

ASX Recommendation 3.1: Companies should establish a code of conduct and disclose the code or a summary of the code.

The BLP Boards are committed to delivering returns and Securityholder value while also promoting Securityholder and general market confidence in BLP and to fostering an ethical and transparent culture within BLP.

To this end, each BLP Board has adopted the Babcock & Brown formal *Code of Conduct* which is designed to ensure that:

- high standards of corporate and individual behaviour are observed by all Directors and Babcock & Brown employees seconded to the Manager in the context of their employment and in relation to all of BLP's activities; and
- Babcock & Brown employees seconded to the Manager are aware of their responsibilities to BLP under their contract of employment with Babcock & Brown and always act in an ethical and professional manner and in the best interests of BLP Securityholders.

The *Code of Conduct* requires Directors, employees of BBRLP and Babcock & Brown employees seconded to the Manager, among other things, to:

- avoid conflicts of interest between their personal interests and those of BLP and its clients;
- not take advantage of opportunities arising from their position for personal gain or in competition with BLP; and
- comply with BLP's *Security Trading Policy* and other policies.

The *Code of Conduct* requires Directors, employees of BBRLP, the Manager and Babcock & Brown employees seconded to the Manager, to report any actual or potential breach of the law, the *Code of Conduct* or other BLP policies. In accordance with Babcock & Brown's *Whistleblowing Policy*, BLP promotes and encourages ethical behaviour and provides protection for those who report violations. A summary of the *Code of Conduct* is available on BLP's website.

In addition to the *Code of Conduct*, the *Board Charters* require that all Directors conduct their duties with the highest level of honesty and integrity, observe the rule and spirit of the law, comply with any relevant ethical and technical standards, not make improper use of any confidential information, and set a high standard of fairness, diligence and competency in their position as a Director.

BLP recognises that it has a number of legal and other obligations to its non-securityholder stakeholders, including employees, clients and the wider community.

As outlined above, BLP has established a *Code of Conduct* requiring Directors and employees seconded to the Manager to observe high standards of corporate and individual behaviour. The objectives of the Code include ensuring that employees seconded to the Manager, suppliers, clients and competitors can be assured that BLP will conduct its affairs in accordance with ethical values and practices. Employees seconded to the Manager are required to comply with both the spirit as well as the letter of the ASX Listing Rules and all laws which govern the operations of BLP. The *Code of Conduct* specifically requires all employees seconded to the Manager to always deal with Securityholders, clients, customers, suppliers, competitors and other employees in a manner that is lawful, diligent and fair and with honesty, integrity and respect.

SECURITY TRADING POLICY

ASX Recommendation 3.2: Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

BLP has implemented a formal *Securities Trading Policy* which regulates the manner in which Directors and employees seconded to the Manager can buy or sell BLP Securities, and requires that they conduct their personal investment activities in a manner that is lawful and avoids conflicts between their own interests and those of BLP.

The policy is specifically designed to raise awareness and minimise any potential for breach of regulations relating to insider trading contained in the Corporations Act. The policy is also designed to minimise the chance that misunderstandings or suspicions arise regarding employees seconded to the Manager trading while in possession of non-public price-sensitive information. The policy is applicable to all BLP Directors and employees seconded to the Manager, as well as key executives of BLP's subsidiary companies.

The policy specifies trading windows as the periods during which trading in BLP Stapled Securities can occur. These trading windows will generally be four to eight week periods following the release of BLP's full-year or half-year results, a four to eight week period following BLP's Annual General Meeting, and the offer period under any prospectus or similar offer document. Trading is prohibited despite a window being open if the relevant person is in possession of non-public price-sensitive information regarding BLP. The BLP Boards may authorise the opening of trading windows at other times. The CEO and other key management personnel of the Manager are required to notify the Company Secretary (who in turn notifies the Chairman) of any proposed trading by them in securities issued by BLP and the details of any completed trades.

Further, Babcock & Brown also has a policy which regulates the manner in which its Directors and employees may buy or sell shares in other companies, which may be affected by the activities of Babcock & Brown (including BLP). This policy is called the *Employee Investment Policy*.

A summary of BLP's *Securities Trading Policy* is available on BLP's website.

Corporate Governance Statement (continued)

ASX PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

AUDIT, RISK & COMPLIANCE COMMITTEE

ASX Recommendation 4.1: The board should establish an audit committee.

The BLP Boards are committed to the basic principle that BLP's financial reports are true and fair and comply with the relevant accounting standards. To assist the BLP Boards with this commitment, an Audit, Risk & Compliance Committee of the BLP Boards has been established which is responsible for advising the BLP Boards on internal controls and appropriate standards for the financial management of BLP. It is the BLP Boards' responsibility to ensure that an effective internal control system is in place across BLP. This includes internal controls to deal with both the effectiveness and the efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records and the reliability of financial information. The BLP Boards have delegated the responsibility for the establishment and maintenance of the Company's system of internal control to the Audit, Risk & Compliance Committees.

The respective Committees oversee the financial reporting process, the systems of internal control and risk management, the audit process and BLP's processes for monitoring compliance with laws and regulations.

The respective Committees provide advice to the BLP Boards and report on the status of the business risks to BLP through its risk management processes aimed at ensuring risks are identified, assessed and properly managed.

The respective Committees work on behalf of the BLP Boards with the external auditor and reviews non-audit services provided by the external auditor to confirm that they are consistent with maintaining external audit independence.

ASX Recommendation 4.2: The audit committee should be structured so that it:

- consists only of non-executive directors;
- consists of a majority of independent directors;
- is chaired by an independent chair, who is not the chair of the board; and
- has at least three members.

At the date of this statement, each Committee is wholly comprised of a majority of Independent Non-Executive Directors. Each Committee comprises Mr Richard Gelski (Independent Non-Executive Committee Chairman), Mr Robert Wright (Independent Non-Executive Committee Member) and Mr Michael Maxwell (Non-Executive Committee Member). All members possess the requisite financial expertise.

The attendance of the Committee members at Committee Meetings is disclosed in the Directors' Report.

The structure of the Committees accords with ASX Recommendation 4.2 in that the Committee comprises a majority of Independent Directors, has an Independent Chairman who is not the chairman of the BLP Boards and has at least three members.

The Committees generally meet as required but normally not less than four times per year and report to their respective full Board following each Committee meeting, including making any recommendations from the Committees that require Board approval or action. The Committees met four times in the period to 30 June 2009 and all Committee Members attended each Committee meeting. The Directors who are not members of each Committee also attended a number of Committee meetings.

ASX Recommendation 4.3: The audit committee should have a formal charter.

The Audit, Risk & Compliance Committees have each adopted a Charter. The responsibilities of the Committees pursuant to their respective Charters include:

FINANCIAL REPORTS FOR THE HALF-YEAR AND FULL-YEAR

- review and consider the financial reports for the half-year and full-year;
- consider in connection with the half-year and full-year financial reports the CEO and CFO letter of representation to the BLP Boards;
- review the financial sections of the Annual Report and related regulatory filings before release; and
- review with management and the external auditors the results of the audit.

INTERNAL CONTROL

- review the effectiveness of BLP's internal controls regarding all matters affecting BLP's financial performance and financial reporting, including information technology security and control; and
- review the scope of internal and external auditors' review of internal control, review reports on significant findings and recommendations, together with management's responses, and recommend changes from time to time as appropriate.

INTERNAL AUDIT

- review with the Manager and the internal auditor, the charter, plans and activities of the internal audit activity;
- meet with the internal auditor to review reports and monitor management response;
- meet separately, when necessary, to discuss any matters that the Committee or internal audit believes should be discussed privately;
- review the effectiveness of the internal audit activity; and
- ensure there are no unjustified restrictions or limitations, and review and concur in the appointment, replacement or dismissal of the internal auditor.

EXTERNAL AUDIT

- review the external auditors' proposed audit scope and approach;
- meet with the external auditors to review reports, and meet separately, at least once a year, to discuss any matters that the Committee or auditors believe should be discussed privately without the presence of management;
- recommend to the BLP Boards policies regarding independence of the external auditor;
- review and confirm the independence of the external auditors; and
- review the performance of the external auditors, and consider the re-appointment and proposed fees of the external auditor and, if appropriate, conduct a tender of the audit for the review of the BLP Boards. Any subsequent recommendation following the tender for the appointment of an external auditor will be put to the BLP Boards.

COMPLIANCE

- monitor to what extent the Responsible Entity complies with the Trust's Compliance Plan and report on its findings to the Board;
- report to the Board:
 - any breach of the Corporations Act involving the Trust;
 - any breach of the Trust's Constitution,
 of which the Committee becomes aware or that it suspects;
- report to the Australian Securities and Investments Commission if the Committee is of the view that the responsible entity has not taken, or does not propose to take, appropriate action to deal with a breach of the Corporations Act or the Trust's Constitution;
- assess at regular intervals whether the Compliance Plan is adequate, report to the Board on the assessment and make recommendations to the Board of the responsible entity about any changes that the Committee considers should be made to the Compliance Plan;
- obtain regular updates from management and the Trust's compliance manager regarding compliance matters;
- review the effectiveness of the system for monitoring compliance with laws and regulations affecting the Trust and the responsible entity (in its capacity as responsible entity of the Trust) and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance;
- review the findings of any examinations by regulatory agencies; and
- review the process for communicating the *Code of Conduct* to the responsible entity's personnel, and for monitoring compliance therewith.

Corporate Governance Statement (continued)

RISK MANAGEMENT

- consider the overall risk management framework for BLP and review its effectiveness in meeting sound corporate governance principles and keep the BLP Boards informed of all significant business risks;
- review with the Manager the system for identifying, managing and monitoring the key risks of BLP; and
- obtain reports from management on the status of any key risk exposures or incidents.

REPORTING RESPONSIBILITIES

- regularly report to the BLP Boards about Committee activities, issues and related recommendations;
- provide an open avenue of communication between internal audit, the external auditors and the BLP Boards. For the purpose of supporting the independence of their function, the external auditor and the internal auditor have a direct line of reporting access to the Committee;
- report annually to the Securityholders on matters relating to Committee responsibilities as required by law or the ASX Listing Rules; and
- review any other reports the Company issues that relate to Committee responsibilities.

The Committee meets at least four times a year and reports to the full Board following each meeting, including in respect of recommendations of the Committee that require BLP Board approval or action.

INTERNAL AUDIT

The BLP Boards have overall responsibility for BLP's systems of internal control, supported by the Audit, Risk and Compliance Committees. BLP did not have an internal audit function during the period to 30 June 2009. Appointment of an internal auditor has been considered by the Audit, Risk & Compliance Committees and although the Committees believe that the appointment of an internal auditor is unnecessary at this time they periodically assess the appointment of an internal auditor.

BLP continued to enhance the BLP risk management framework during the year.

To assist the BLP Boards and the Audit, Risk & Compliance Committees to discharge their respective responsibilities, the CEO (or the Managing Director) and the Chief Financial Officer are required to provide the BLP Boards with a letter of representation in connection with the half-year and full-year financial statements of BLP. Such letter of representation confirms to the BLP Boards that BLP's financial reports present a true and fair view, in all material respects, of BLP's financial condition and operational results and are in accordance with relevant accounting standards. The letter describes the process and evidence that the CEO (or the Managing Director) and Chief Financial Officer have adopted to satisfy themselves on these matters.

In respect of the 12 months ended 30 June 2009, the Chief Executive Officer and Chief Financial Officer provided such a letter to the BLP Boards (refer to "CEO and Chief Financial Officer Declaration" in the Directors' Report).

A summary of the *Audit, Risk & Compliance Committee Charters* are available in the Corporate Governance section on BLP's website.

ASX PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Companies should promote timely and balanced disclosure of all material matters concerning the company.

CONTINUOUS DISCLOSURE POLICY

ASX Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

BLP is committed to complying with its continuous disclosure obligations pursuant to the Corporations Act and the ASX Listing Rules. BLP's *Continuous Disclosure Policy* is designed to ensure that all investors have equal and timely access to material information concerning the Company. BLP has complied at all times with the ASX Listing Rules on continuous disclosure.

The Policy is designed with the intention of ensuring that all investors have equal and timely access to information concerning BLP, and to ensure that price-sensitive information from any part of BLP is immediately notified to the ASX in a complete, balanced and timely manner.

The Company Secretary, in conjunction with the Chairman and the Managing Director or Chief Executive Officer, is responsible for overseeing the implementation and operation of the Policy. The Company Secretary is responsible for reviewing information reported by the Directors or staff and which is or may be material, determining with the Chairman and the Managing Director or Chief Executive Officer whether any such information is required to be disclosed to the ASX, and making ASX announcements and issuing media releases and other written public statements on behalf of BLP. Directors and staff of BLP and BAREM are required to ensure that they are familiar with the Policy, report material information to the Company Secretary to allow a view to be formed as to whether the information requires disclosure.

In addition, BLP Boards are actively and regularly involved in discussing disclosure obligations in respect of all major matters that come before it.

The Company Secretary is primarily responsible for communications with the ASX and for overseeing and maintaining the *Continuous Disclosure Policy*.

A summary of the *Continuous Disclosure Policy* is available in the Corporate Governance section on BLP's website.

CONTINUOUS DISCLOSURE PROCESSES

The specific processes adopted by BLP in relation to its continuous disclosure responsibilities are as follows:

- **website:** all information released to the ASX is posted on the Investor Information section of BLP's website as soon as practicable;
- **authorised spokespersons:** communication with the media, share analysts and the market generally in relation to BLP activities will normally be undertaken only by: the Chairman, CEO, the Chief Financial Officer or Head of Investor Relations;
- **media releases:** no media release of a material nature is to be issued unless it has first been sent to the ASX; and
- **analyst and investor briefings:** BLP recognises the importance of the relationship between BLP, investors and analysts. From time to time BLP conducts analyst and investor briefings and in these situations the following protocols apply:
 - no price-sensitive information will be disclosed at these briefings unless it has been previously, or is simultaneously, released to the market;
 - questions at these briefings that relate to price-sensitive information not previously disclosed will not be answered; and
 - if any price-sensitive information is inadvertently disclosed, it will immediately be released to the ASX and placed on BLP's website.

ASX PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

COMMUNICATIONS WITH SHAREHOLDERS

ASX Recommendation 6.1: Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Consistent with our Continuous Disclosure Policy, BLP is committed to communicating with its Securityholders in an effective and timely manner to provide them with ready access to information relating to BLP. In this regard, BLP maintains a website www.bbresidentiallandpartners.com which provides access to the following information of interest to BLP Securityholders:

- detailed information regarding the Board, executive management and the business groups and activities of BLP;
- all BLP announcements and media releases, which are posted to the website promptly following release;
- copies of full-year and half-year financial reports;
- summaries of Board and Committee Charters and relevant corporate governance policies;
- copies of BLP's Annual Reports;
- copies of disclosure documents relating to BLP's capital raisings; and
- the website of BLP's Security Registry, Link Market Services, including a facility for Securityholders to amend their particulars.

Corporate Governance Statement (continued)

BLP encourages Securityholders to utilise its website as their primary tool to access Securityholder information and disclosures. In addition, the Annual Report facilitates the provision to Securityholders by BLP on a yearly basis of detailed information in respect of the major achievements, financial results and strategic direction of BLP.

BLP has a practice that information to be given by BLP at analyst briefings is first released to the ASX to ensure that the market operates on a fully informed and equal basis.

Securityholders are strongly encouraged to attend and participate in general meetings of BLP, especially the Annual General Meeting. BLP provides Securityholders with details of any proposed meetings well in advance of the relevant dates.

BLP's external auditor is always requested to attend the Annual General Meeting and be available to answer Securityholder questions about the conduct of the audit and the preparation and content of the auditor's report. This allows Securityholders an opportunity to ask questions of the auditor and reinforces the auditor's accountability to Securityholders.

ASX PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Companies should establish a sound system of risk oversight and management and internal control.

RISK MANAGEMENT POLICY

ASX Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Management of risk, particularly preservation of capital, continues to be a primary objective of BLP in all its business activities. BLP is committed to ensuring that its system of risk oversight, management and internal control complies with the ASX Principles and that its culture, processes and structures facilitate realisation of BLP's business objectives, including potential opportunities, while managing adverse effects and preserving capital.

The BLP Boards are ultimately responsible for overseeing and managing the material risks of BLP. The respective Audit, Risk & Compliance Committees assist the Boards in this role. In accordance with their respective Charters, the role of the Committees include reviewing and managing the system for identifying, managing and monitoring the key risks of BLP and obtaining reports from the Manager on the status of any key risk exposures or incidents. In undertaking these responsibilities, the Committee principally relies on the resources of the Manager to implement and report upon the risk management systems and procedures implemented, such that the Committee is able to keep the BLP Boards informed of all material business risks.

BLP has adopted a *Risk Management Policy* consistent with Australia/New Zealand Standard 4360, which clearly defines responsibilities for managing risk under BLP's risk management process. The material risks of BLP's business, including operational, financial, market and regulatory compliance risks, have been identified and are required to be regularly managed, monitored and reported. Methods for treating and mitigating risks include transferring, reducing, accepting or passing on risk following assessment using a variety of methods. A summary of the *Risk Management Policy* is available on BLP's website.

The respective Audit, Risk & Compliance Committees include among their responsibilities:

- consideration of the overall risk management framework of BLP and the review of its effectiveness in meeting sound corporate governance principles;
- keeping the BLP Boards informed of all significant business risks;
- reviewing, in conjunction with the Manager, the system for identifying, managing and monitoring the key risks of BLP; and
- obtaining reports from the Manager on the status of any key risk exposures or incidents.

The role of the Manager also plays an important part in the management of risk. In accordance with the Management Agreements, the Manager first reviews, evaluates and recommends substantial investments before they are considered by the BLP Boards.

With respect to the commitment of capital, an investment approval process has been adopted which brings rigour to the selection, assessment and approval of investment risks assumed under BLP's principal investment activities. Matters such as legal, accounting, tax and general risk assessment issues are considered in each case. In addition to requiring a recommendation from the Manager for all investment decisions, the Manager's most senior Executives are

involved in major investment decisions, and all capital investments above specified thresholds require approval of the BLP Boards.

ASX Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company’s material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company’s management of its material business risks.

BLP has continued to enhance its risk management framework. BLP’s risk function plays a key role in developing and building an approach to assist the BLP Boards and subsidiary companies in identifying, monitoring and treating risk and in reporting material risks to the Committees. Key risk areas are identified in a Risk Register and progress in implementing action plans is monitored via regular meetings with management and reported to the ARCC quarterly.

BLP’s Compliance Function, promotes a compliance-conscious culture while ensuring BLP complies with regulatory requirements across its businesses, functions, and group entities.

To facilitate monitoring and evaluation of the effectiveness of internal controls, BLP has established accounting policies, reporting and risk management and compliance systems to keep the Committees informed of strategic, reputational, financial and operational risks facing the Group. Quarterly management certification confirms that internal controls are in place and that the BLP *Risk Management Policy* and other key guidelines and procedures are being observed.

ASX Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

As outlined above, and in accordance with Recommendation 7.3, the CEO and Chief Financial Officer have stated to the Board in writing that internal compliance and control systems applicable to the Group’s business lines and functional groups were operating efficiently and effectively in all material respects during the period to 30 June 2009 (see the “CEO and Chief Financial Officer Declaration” in the Directors’ Report).

ASX PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

REMUNERATION POLICY

The remuneration policies of BLP are currently under review in anticipation of internalisation of management rights occurring. These policies are being reviewed with the desired outcome to be competitive in the industry and global marketplace and to ensure that BLP can attract and retain the talent needed to achieve both short and long-term success, while maintaining a strong focus on team work, individual performance and the interests of Securityholders.

Employees who are secondees to the Manager are employees of the Babcock & Brown Group. As such these people are remunerated not by BRLPL or BRLPS but rather by the Babcock & Brown Group.

The policies and principles which are applied to determine the nature and amount of remuneration paid to the Directors and Key Management Personnel of BLP are set out in the Remuneration Report.

Total remuneration of Manager secondees by the Babcock & Brown Group is delivered through a combination of base salary, an annual performance bonus and incentive payment.

REMUNERATION COMMITTEE

ASX Recommendation 8.1: The board should establish a remuneration committee.

As noted above in relation to ASX Recommendation 2.4, in order to assist the Board in achieving fairness and transparency in relation to remuneration issues and overseeing the remuneration and human resources policies and practices of BLP, the BRLPL Board has established a Nomination, Governance & Remuneration Committee.

Corporate Governance Statement (continued)

The BRLPL Nomination, Governance & Remuneration Committee has adopted a Charter of which a summary is available on BLP's website. The responsibilities of the Committee pursuant to the Charter in relation to remuneration include:

- critically review the performance and effectiveness of the Chairman, the Managing Director or Chief Executive Officer, the Board and its individual members against the relevant charters, corporate governance policies and agreed goals and objectives at least once per year;
- monitor and review the performance of the Manager in providing services under the Management Agreement at least once per year. During this review, any Committee Member who is not independent from the Manager will exclude themselves from the room during discussion and any voting on the Manager's performance;
- consult with the Manager in respect of the Key Performance Indicators (KPIs) for each of the Manager's Key Personnel as determined by the Manager and provide feedback to the Manager about their respective performance against such KPIs;
- provide input and advice to the Manager about remuneration of Key Management Personnel or other individuals, as requested by the Manager, based on the Babcock & Brown Group's remuneration principles and practices;
- review and advise the Board on the Remuneration Report to be disclosed in the Company's annual financial report; and
- make recommendations to the Board for determining the level of remuneration to be applied to the Independent Directors of the Company.

The BRLPL Nomination, Governance & Remuneration Committee consists of three members, a majority of whom are Independent Directors of BLP. The Members of the Committee as at the date of this statement are Robert Wright (Chairman), Richard Gelski and Michael Maxwell.

NON-EXECUTIVE DIRECTOR REMUNERATION

ASX Recommendation 8.2: Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executives.

The total remuneration paid to the Independent Non-Executive Directors to 30 June 2009 is set out in the Remuneration Report. Independent Non-Executive Directors are paid an annual fee according to which Boards and Committees they sit on. Non-Executive Directors' fees for BRLPL are determined within a Non-Executive Director's aggregate fee pool limit which has been approved by Securityholders. The maximum aggregate sum for BRLPL has been set at \$600,000 annually.

Non-Executive Directors are not provided with retirement benefits other than statutory superannuation and did not receive options or other equity incentives, or bonus payments.