

Board Charter

**Babcock & Brown Residential Land
Partners Limited**

Board approved 31 May 2006

Babcock & Brown Residential Land Partners Limited Board Charter

1. Background

Babcock & Brown Residential Land Partners (**BBRLP**) is a stapled structure comprised of the following entities:

- Babcock & Brown Residential Land Partners Trust (**BBRLPT**); and
- Babcock & Brown Residential Land Partners Limited (**BBRLPL**).

The responsible entity of the Babcock & Brown Residential Land Partners Trust is Babcock & Brown Residential Land Partners Services Limited (**BBRLPS**). The issued units of BBRLPT and the issued shares of BBRLP are stapled together and quoted jointly on the Australian Stock Exchange. The relationship between BBRLPT and BBRLPL is governed by the terms of a stapling deed (“Stapling Deed”).

The Board of BBRLPL as well as the Board of BBRLPS as responsible entity for BBRLPT, are subject to their own Board Charter.

2. Role of the BBRLPL Board and this Charter

This Board charter (**Board Charter**) sets out the principles for the operation of the Board of Directors (**Board**) of BBRLPL.

The Board must at all times act honestly, fairly and diligently in all respects in accordance with the law applicable to BBRLPL and must act in the best interests of BBRLPL’s shareholders.

This Board Charter and the charters adopted by the Board for any Committees established by the Board have been prepared and adopted on the basis that corporate governance and good governance procedures can add to the performance of BBRLPL and the creation of shareholder value, and engender the confidence of the investment market.

The Board of BBRLPL, in consultation with the Board of BBRLPS will formulate and approve the strategic direction, investment objectives and goals of Babcock & Brown Residential Land Partners.

3. Responsibilities of the Board

The manager of each of BBRLPL and BBRLPS under separate long-term management agreements (“**Management Agreements**”) is Babcock & Brown Australia Real Estate Management Pty Limited (**BBAREM**). Under the terms of the Management Agreement with BBRLPL, BBAREM provides comprehensive management services to BBRLPL and makes

recommendations to the BBRLPL Board in respect of various matters set out in the Management Agreements, including prospective investments.

Under the terms of the BBRLPL Management Agreement, the Board must consider any recommendations put to it by BBAREM and determine whether the recommended action is in the interests of BBRLPL shareholders. Where there is a joint responsibility with the BBRLPS Board over aspects of BBRLP's operations, the BBRLPL Board will only have responsibility to the extent of BBRLPL's involvement in those operations. However, the Boards of BBRLPL and BBRLPS will co-operate to the extent required under the Stapling Deed in meeting those joint responsibilities to ensure the interests of BBRLP security holders are met.

Specific matters reserved for determination by the Board include:

(a) Strategic and financial performance

- Developing and approving the corporate strategy, policy and direction of BBRLPL.
- Monitoring BBAREM's performance as BBRLPL Manager.
- Determining BBRLPL's distribution policy and the amount and timing of all dividends paid to BBRLPL shareholders.
- Evaluating and approving capital expenditure, acquisitions, divestitures and other corporate transactions of BBRLPL that fall outside the limits set out in the Management Agreement.
- Approving all accounting policies, financial reports and material reporting by or on behalf of BBRLPL.
- In relation to any Incentive Fees potentially payable to BBAREM in the form of BBRP stapled securities, the Independent Directors determining the proportion of the Incentive Fee to be paid to BBAREM in BBRP stapled securities.

(b) Audit and risk management

- Considering recommendations of the Audit & Risk Management Committee and appointing the external financial auditor.

(c) Corporate governance

- Regularly reviewing the performance and effectiveness of BBRLPL's corporate governance policies and procedures and considering any amendments to those policies and procedures.
- Reviewing and approving all disclosures related to any departures from the ASX Principles of Good Corporate Governance.
- Monitoring compliance with the Continuous Disclosure requirements.

- Subject to BBRLPL's Constitution, relevant legislation and ASX Listing Rules, approving the appointment of Directors to the Board and to Committees established by the Board.

(d) Performance evaluation

- At least once per year, reviewing and evaluating the performance of the Board, each Board Committee, and each individual Director.

4. Structure of the Board

4.1 Overview

The size and composition of the Board is determined in accordance with the Constitution of BBRLPL.

Generally it is intended that at least 50% of the directors will be independent. The Chairman of the Board will be an executive of the Babcock & Brown group, nominated by the Babcock & Brown group.

4.2 Criteria for an "Independent" Director

Where this Charter or the charter of a Board Committee requires one or more "independent" Directors, the following criteria are to be applied.

An "independent" Director is a director who is not a member of management (ie. a non-executive Director) and who meets the following criteria:

- is not a substantial shareholder (as defined in the Corporations Act) of Babcock & Brown or BBRLP or an officer of, or otherwise associated directly with, a substantial shareholder of BBRLPL;
- is not, and within the last three years has not been, employed by BBRLPL or a related company of Babcock & Brown or BBRLP, or a senior manager of a related company of Babcock & Brown or BBRLP, or a director after ceasing to hold any such employment;
- is not, and within the last three years has not been, a principal of a material professional adviser or a material consultant to BBRLPL or a related company of Babcock & Brown or BBRLP, or an employee materially associated with the service provided;
- is not a material supplier or customer of BBRLPL or a related company of Babcock & Brown or BBRLP, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;

- (e) is not a member of a partnership that is, or has been in the previous three years, substantially involved in business dealings, or in a professional capacity, with BBRLPL or a related company of Babcock & Brown or BBRLPL;
- (f) has no material contractual relationship with the Babcock & Brown Group or a related company of BBRLPL other than as a director of BBRLPL;
- (g) is not a relative or a de facto spouse of a person who has a material interest in BBRLPL or a related company of BBRLPL;
- (h) has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of BBRLPL; and
- (i) is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the Director's ability to act in the best interests of the BBRLPL.

Family links and cross-directorships may be relevant in considering interests and relationships which may compromise independence, and should be disclosed by Directors to the Board.

4.3 Directors' responsibilities

The Directors of BBRLPL are required to act in accordance with the Code of Conduct adopted by the Board, along with other relevant policies. The Code of Conduct sets out principles and standards to the Directors in respect of practices considered necessary to maintain confidence in BBRLP's integrity, and the responsibility and accountability of individuals for reporting and investigating reports of unethical behaviour.

In particular, each Director is bound by the following charters, policies and codes of conduct:

- the Code of Conduct adopted by the Board;
- BBRLPL's Security Trading Policy relating to trading in BBRLP stapled securities;
- BBRLPL's Continuous Disclosure Policy; and
- such other policies and charters as may be adopted or approved by the Board from time to time.

The Directors of BBRLPL must:

- (a) conduct their duties at the highest level of honesty and integrity;
- (b) observe the rule and the spirit of the law and comply with any relevant ethical and technical standards;
- (c) maintain the confidentiality of all information acquired in the course of conducting the role and not make improper use of, or disclose to third parties, any confidential information unless that disclosure has been authorised by the Board, or is required by law or by the ASX Listing Rules (in relation to BBRLPL, as a listed entity);

- (d) observe the principles of independence, accuracy and integrity in dealings with the Board, board committees, internal auditors, external auditors, compliance plan auditors and senior management;
 - (e) disclose to the Board any actual or perceived conflicts of interest, whether of a direct or indirect nature, of which the Director becomes aware and which the Director reasonably believes may compromise the reputation or performance of BBRLPL; and
 - (f) set a standard of honesty, fairness, integrity, diligence and competency in respect of the position of Director.
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5. Roles and responsibilities of the Chairman, Lead Independent Director and the Chief Executive Officer

5.1 Objective

BBRLPL recognises that it is important for the Chairman and the Chief Executive Officer to have defined roles in the organisation and operate in accordance with clear functional lines. BBRLPL also recognises the importance of Independent Directors to Board deliberations and for this reason has established the position of Lead Independent Director.

5.2 Chairman

The Chairman of BBRLPL will be a Babcock & Brown Executive and will be appointed by Babcock & Brown.

5.3 Specific duties of the Chairman

The Chairman will:

- (a) chair Board meetings;
- (b) chair meetings of securityholders, including any Annual General Meeting of BBRLPL;
- (c) with assistance from the Chief Executive Officer, be the primary spokesperson for BBRLPL at any Annual General Meeting of BBRLPL; and
- (d) together with the Chief Executive Officer, represent the views of the Board to securityholders, the general public, government, regulators and other stakeholders.

5.4 Lead Independent Director

The Lead Independent Director of BBRLPL will be an independent director who is appointed by the BBRLPL independent directors.

5.5 Specific duties of the Lead Independent Director

The Lead Independent Director will:

- (a) chair any meetings of the independent directors;
- (b) be the primary spokesperson for the independent directors at any general meeting of BBRLPL;
- (c) represent the views of the independent directors to the Board, the Chief Executive Officer, and to BBAREM; and
- (d) be the primary channel of communication and point of contact between independent directors and the Board, the Chief Executive Officer and BBAREM.

5.6 Role and responsibilities of the Chief Executive Officer

The Chief Executive Officer will be appointed by BBAREM and has primary responsibility to the Board for the affairs of BBRLPL. The Chief Executive Officer will:

- (a) be the primary channel of communication and point of contact between BBAREM and the Board;
- (b) consult with the Chairman and the Company Secretary in relation to establishing the agenda for Board meetings;
- (c) in conjunction with other BBAREM executives allocated responsibilities for BBRLPL, review and monitor all matters material to the interests of BBRLPL; and
- (d) otherwise oversee the day to day management of BBRLPL.

5.7 Management delegations

The Board has delegated to BBAREM the power to manage the day-to-day business of BBRLPL and its investments in accordance with the terms of the Management Agreement. BBAREM may from time to time sub-delegate its powers within the scope of its authority to certain individuals within BBAREM, to the boards of subsidiary entities or to executives involved in the management of individual investments.

6. Confidential Information and external communication

The Board has established the following principles to apply in respect of information concerning BBRLPL:

- (a) generally, the Chairman and Chief Executive Officer will speak for BBRLPL. Individual Board members are expected not to communicate on behalf of the Board or BBRLPL without prior consultation with the Chairman;
- (b) the Lead Independent Director should speak for the independent directors, in situations where it is appropriate to communicate the views of the independent directors;
- (c) any disclosure of information to a shareholder in BBRLPL which is not disclosed to the market must be approved under the Continuous Disclosure Policy and must comply with the ASX Listing Rules; and

- (d) all Directors are required to keep all information provided to them in their capacity as a director confidential.
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7. Conflicts of interest

The Directors are required to act in a manner which is consistent with the Code of Conduct adopted by the Board.

If a Director considers that he or she might be in a position where there is a reasonable possibility of conflict between his or her personal or business interests, the interests of any person associated with the Director, or his or her duties to any other company, on the one hand, and the interests of BBRLPL or his or her duties as a Director of BBRLPL, on the other hand, the Board requires that the Director:

- (a) fully and frankly inform the Board about the circumstances giving rise to the conflict; and
- (b) abstains from voting on any motion relating to the matter and absents himself or herself from all board deliberations relating to the matter, except in circumstances where the Corporations Act permits otherwise.

If a Director believes that he or she may have a conflict of interest or duty in relation to a particular matter, the Director should immediately consult with the Chairman or, where appropriate, the Lead Independent Director.

8. Related Party Transactions

The Directors must ensure that any dealings between BBRLPL and any member of the Babcock & Brown Limited group of companies is conducted in accordance with the Corporations Act, the ASX Listing Rules and any other laws or regulations in respect of related party transactions.

The Board may adopt policies or procedures from time to time to assist in identifying and appropriately managing related party transactions.

9. Meetings

9.1 Overview

The Board will formally meet not less than four times per annum and as frequently as may otherwise be required to deal with urgent matters.

A meeting of the Board will usually be convened by the Chairman, although a meeting may be called by any Director.

All Directors are expected to diligently prepare for, attend, and participate in all Board meetings. At a minimum, a quorum of Directors is two, of whom one of those Directors must be an Independent Director. Meetings of the Board may be held or participated in by

conference call or similar means. Resolutions of the Board may be passed by circular resolution or in writing in accordance with the Constitution of BBRLPL.

The Chairman, in conjunction with the Chief Executive Officer and Company Secretary should ensure the availability and, if necessary, the attendance at the relevant meeting, of any member of BBARE responsible for a matter included as an agenda item at the relevant meeting.

9.2 Agenda

An agenda will be prepared for each Board and Committee meeting. The agenda will be prepared by the BBRLPL Company Secretary in consultation with the Chairman of the Board (or the relevant Board Committee) and/or the Chief Executive Officer.

10. Board committees

To assist it in fulfilling its duties, the Board has established the Audit & Risk Management Committee which is responsible for monitoring and advising the Board on BBRLPL's audit and risk management and regulatory compliance policies and procedures. The Audit & Risk Management Committee is constituted under a separate charter.

The Board may establish such other committees as it determines appropriate from time to time and the terms of reference for any Board committee will be determined by the Board at the time the committee is established.

Although the Board may delegate powers and responsibilities to a committee, the Board retains ultimate accountability for discharging its duties.

The Board will consider and approve the charters of committees established on a permanent basis. These charters will identify the areas in which the Board will be assisted by the committee. The Board will ensure that such charters are reviewed at least every two years.

11. Independent advice

A Director of BBRLPL is entitled to seek independent professional advice (including, but not limited to, legal, accounting and financial advice) at BBRLPL's expense on any matter connected with the discharge of his or her responsibilities, in accordance with the procedures and subject to the conditions set out below:

- (a) a Director must seek the prior approval of the Chairman, or where the advice sought relates to an issue in respect of which the Chairman has declared an interest or where it would be otherwise inappropriate for the Chairman to approve the seeking of independent professional advice, the Lead Independent Director;
- (b) in seeking the prior approval of the Chairman or Lead Independent Director (as the case may be), the Director must provide the Chairman or Lead Independent Director (as the case may be) with details of:
 - o the nature of the independent professional advice;

- the likely cost of seeking the independent professional advice; and
 - details of the independent adviser he or she proposes to instruct;
- (c) the Chairman or Lead Independent Director (as the case may be) may set a reasonable limit on the amount that BBRLPL will contribute towards the cost of obtaining such advice;
- (d) all documentation containing or seeking independent professional advice must clearly state that the advice is sought both in relation to BBRLPL, and to the Director in his or her personal capacity. However, the right to advice does not extend to advice concerning matters of a personal or private nature, including for example, matters relating to the Director's appointment as a director or any dispute between the Director and BBRLPL; and
- (e) the Chairman or Lead Independent Director (as the case may be) may determine that any advice received by an individual Director will be circulated to the remainder of the Board.

All Directors are entitled to the benefit of BBRLPL's standard Deed of Access, Indemnity and Insurance which provides ongoing access to Board papers, an indemnification and, at BBRLPL's expense, Directors and Officers insurance for 7 years after the Director leaves the Board.

12. Remuneration

The Board of BBRLPL will consider remuneration payable to its independent directors. Independent directors will be entitled to a director's fee. Fees paid to BBRLPL's independent directors will be disclosed in BBRLPL's annual financial statements. BBRLPL Independent Directors will not be entitled to BBRLP options or securities or to retirement benefits as part of their remuneration package.

13. Continuous Disclosure

The Board has adopted a policy related to the continuous disclosure obligations of BBRLPL under the ASX Listing Rules. The Company Secretary has the responsibility of overseeing the implementation of the Continuous Disclosure Policy.