





# Our marketplace



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**Our marketplace comprises our relationships with those stakeholders we do business with and the governance of this environment.**

# Our marketplace – progress and priorities

LAST YEAR WE SAID WE WOULD <b>Past</b>	THIS PAST YEAR WE HAVE <b>Present</b>	<b>RESULTS</b>	IN THE COMING YEAR OUR PRIORITIES ARE <b>Future</b>
<p><b>OUR CUSTOMERS</b> <b>Affordability</b></p> <p>Develop an organisation-wide methodology to examine our contribution to local employment.</p> <p>Engage with government on the benefits of creating smaller and more affordable housing lots.</p> <p>Establish targets for lower-cost housing (relative to the local area) in each of our residential communities.</p> <p>Continue to pilot and replicate innovative low-cost housing product with our partner builders.</p>	<p>Made a significant change to the profile of the stock we have developed with an overall increase in the proportion of affordable lots.</p> <p>Developed a simple process for defining affordability in the catchments of our communities and tracking the current level of affordability of our land offerings.</p> <p>In Retirement Living, all new development projects set a weekly levy that is equal to or less than 25 per cent of the weekly pension.</p>	<p>ONGOING </p>	<p>Use our new processes to shape our product initiatives in FY12.</p> <p>Continue to uphold the positive customer experience across our business units.</p> <p>Address key areas of feedback to better meet our customers' needs and improve/maintain our customer satisfaction ratings.</p> <p>We will incorporate a relevant metric into State Sales Managers' KPIs to meet the requirements of our Livable Housing Design Policy.</p>
<p><b>Customer engagement</b></p> <p>Continue to improve our customer understanding, satisfaction, retention and performance particularly through ongoing and wider surveying of customers.</p>	<p>Established a customer satisfaction tracking program in our Commercial Property business.</p> <p>Maintained a high level of resident satisfaction in our Retirement Living villages.</p> <p>Customer satisfaction remained high for Residential, with nine in 10 inquiries rating the experience as excellent/very good/good.</p>	<p>FY12 PRIORITY </p>	<p>Achieve the specified annual level of procurement from AIMSC-certified suppliers.</p> <p>Continue to engage with suppliers, making clear our expectations of social and environmental sustainability in their offering of services and products.</p> <p>Continue to refine and expand our responsible supply chain management policies and practices.</p>
<p><b>Accessibility</b></p> <p>Commence retrofitting to improve access for people with disabilities, starting with high priority sites.</p> <p>Design and build all new Retirement Living dwellings to meet the National Dialogue on Universal Housing Design Strategic Plan's silver standard in FY11. 25 per cent of our new residential community homes are to meet the silver standard by 2013.</p>	<p>Commenced retrofitting our assets to improve access for people with disabilities.</p> <p>Formalised our Livable Housing Design Policy outlining our commitment to:</p> <ul style="list-style-type: none"> <li>Retirement Living, all new Independent Living Units will be designed to meet or exceed the silver level Livable Housing Design Guidelines,</li> <li>Residential homes built by Stockland Residential Communities on any of our sites, we will target for 25 per cent of them per annum to comply to the silver level Livable Housing Design Guidelines.</li> </ul>	<p>FY12 PRIORITY </p>	<p>Continue to rollout Cm3 to all of our contractors in risk priority order.</p> <p>Continue to rollout Cm3 communication workshops to our relevant employee work groups.</p> <p>Continue to review and improve our online Contractor Induction process across other business functions.</p> <p>Review and improve our Contractor risk management processes to align with the new WHS Harmonisation Laws.</p> <p>Implement the Contractor Management Module in IRIS.</p>
<p><b>OUR SUPPLIERS</b> <b>Responsible supply chain management</b></p> <p>Continue to refine and expand our responsible supply chain management policies and practices, including:</p> <ul style="list-style-type: none"> <li>Embedding expectations in our contracts,</li> <li>Engaging with our suppliers to raise our combined performance,</li> <li>Improving how we measure and report our suppliers' performance.</li> </ul>	<p>Strengthened our commitment to diversity, sustainability and supplier engagement by joining the Australian Indigenous Minority Supplier Council (AIMSC) pilot program.</p> <p>Further embedded sustainability clauses into contracts, particularly Green Star requirements.</p> <p>Improved and expanded the rigour of the tracking and measurement of supplier performance.</p>	<p>ONGOING </p>	

# Our marketplace – progress and priorities (continued)

LAST YEAR WE SAID WE WOULD

## Past

### Supplier health and safety

Conduct HSE development forums with senior contractor and HSE personnel.  
 Review mechanisms for evaluating contractor HSE performance and audit results.  
 Roll out online contractor induction program to our Residential business.  
 Release the module and develop training and guidance on its use.  
 Evaluate the feasibility of developing a Contractor Module for IRIS.  
 Improve the functionality of IRIS by developing and releasing IRIS reports based on business needs.

### OUR INVESTORS

Revise our investor communications strategy at least every three years to capture the preferences of our typical shareholder demographics.

### OUR INDUSTRY AND GOVERNMENT

Continue to contribute to the discussions and development of market-based mechanisms that encourage low carbon, sustainable property.

Participate in developing the Green Building Council of Australia's Green Star Community Rating Tool.

THIS PAST YEAR WE HAVE

## Present

Implemented the first phase of our new online Contractor OH&S Pre-Qualification system, Cm3. It will help us meet our legislative duty of care by requiring that all our contractors provide upfront evidence they have adequate safety systems and insurances in place. The Cm3 pre-qualification process includes an assessment of contractor OHS management systems, insurances and indemnities, licensing and training, as well as continuous monitoring of critical documents and notification of pending expiries.  
 Implemented an online General Contractor OH&S Induction and a Site-Specific OHS Induction that all contractors engaged to work on our Residential Projects are now required to complete

Continued to refine our retail securityholder communications in line with the insights we gained from our 2009 securityholder research including reducing jargon, improving ease of access, and educating securityholders about our business.

Trialled and provided feedback on the effectiveness of the NABERS Retail tool.  
 Advocated complementary measures to accelerate eco-efficiency in the built environment.

Actively contributed to the development of Green Star Communities through workshop and committee participation and nomination of projects for BETA testing of indicators.

RESULTS

ONGOING 

ONGOING 

ONGOING 

ONGOING 

IN THE COMING YEAR OUR PRIORITIES ARE

## Future

Continue to improve online communications offerings to improve ease of access to information and two-way channels for investors.

Improve our capacity to communicate the value of eco-efficient buildings and continue to contribute to effective and pragmatic policy.

Contribute to the completion of the Green Star PILOT tool, participate in trials and promote the tool to peers, government and customers.

OUR MARKETPLACE **OUR CUSTOMERS**

Our marketplace comprises our relationships with those stakeholders we do business with and the governance of this environment. Our marketplace is defined by our value chain – those customers we sell products and services to, our suppliers who sell products and services to us, and our investors who provide capital. Our marketplace environment is regulated by government.

Our responsible interactions in the marketplace with our customers, suppliers, investors and government include:

- Improving our understanding of the needs of our customers throughout their journey,
- Setting clear performance expectations with our new and existing suppliers,
- Responding to the issue of housing affordability, and
- Engaging with government to inform policy development and attain project approvals.

**Our Customers**

**Customer engagement**

**Residential – customer engagement**

Residential business continues to place great emphasis on undertaking research to better understand our customers' needs. To track changes in the desires and experiences of our customers we use tracking research called Stockland Customer Pulse. Conducted by a third party, this research uncovers feedback from people who inquire or purchase at 39 Stockland residential communities via weekly telephone interviews. In FY11 more than 4,600 interviews were conducted with customers, giving us valuable insights into their experience and desires.

The survey data is integrated with internal information to paint a picture of our likely customer mix. On the whole, the customer profile for FY11 was very similar to the previous year, which is a mix of first home buyers, upgraders, and to a lesser extent investors. As a result we continue to develop and market a mix of products for this wide range of customers.

In addition to this research, we use an online system that provides information on what customers are requesting and actually buying. The system has increased the efficiency of the design approval process and enabled us to work more closely with our builder partners in three ways:

1. We are able to understand customers' needs today, and so are able to promote those housing solutions which best meet the needs of today's customers.
2. We are also able to track trends in new house development, such as the growing demand for smaller homes, so that we can work towards satisfying tomorrow's customers.

3. We are able to focus new development on those parts of the market that may not have many housing solutions provided by major builders, and increase the choice in that segment to better address the specific needs of a wider range of segments.

**Retirement Living – customer engagement**

In our Retirement Living business we conduct an annual Residents' Voice survey to find out how our residents feel about life in a Stockland retirement village.

Introduced in 2008, the Residents' Voice survey asks residents to rate their happiness from one to 10 on aspects such as overall happiness with the village, the Village Manager, Senior Nurse, social activities and outdoor areas. The third survey was expanded to include the 30 newly acquired Aevum villages and achieved a 60 per cent response rate.

This survey has given us very useful insights into how the new villages are operating and how satisfied residents are. This has enabled us to very quickly determine key focus areas for operational improvement in these villages.

Overall, the most recent results show a continued high level of resident satisfaction in our villages. While the former Aevum villages performed slightly below our previous average, the overall results were still very strong:

- 87 per cent are satisfied with their community centre,
- 86 per cent are satisfied with their village, and
- 90 per cent are happy with their home.

See our case study on customer satisfaction to discover why our residents are so happy.

In last year's report we identified a key focus area being the improvement of the Stockland representative score in the villages. Over the last 12 months we have refined the role of the Stockland representative to ensure that they are more visible and available in the villages. As a result, the average score out of 10 for the Stockland representative improved by 12 per cent to 7.67 (this includes the pre acquisition villages only to allow a like-for-like comparison). This represented a statistically significant improvement.

We have identified two key areas for improvement over the coming year:

- Identifying a consistent services offering that is aligned to our resident's service requirements,
- Refining the Village Manager (VM) role and establishing clear VM systems, procedures and training.

**In 2011**

More than 4,600 interviews were conducted with Residential customers giving us valuable insights about their experience and desires

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We conducted our third annual Residents' Voice Survey to find out how our residents feel about life in a Stockland retirement village

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# Mary Scott – Retirement Living customer service

**For many of our Retirement Living customers, making the move from their family home to a retirement village is a stressful and emotional time. It often means leaving familiar surroundings, selling their home and reducing their possessions. For this reason, our Retirement Living team recognises that we're here to do much more than selling a unit. We work closely with our customers to guide them along the entire journey from first point of contact, to moving in and settling into village life.**

This approach involves connecting with local real estate agents, removalists and solicitors to build a trusted network to refer our customers to should they need assistance with legal or conveyancing matters. And through this ongoing engagement with local professionals we emphasise the need for sensitivity when dealing with our customers.

Wherever possible, we encourage prospective and incoming residents to attend village activities such as morning teas and open days prior to moving in. These events give them the opportunity to meet other residents and establish friendships even before they move into the village.

We listen to our customer's concerns and fears by conducting thorough client inspections with our residents before they move in and begin the next phase of their lives. Our move-in managers walk through all the ins and outs of their units and discuss any issues or needs our residents may have. We show residents how to use items such as roller doors and electrical appliances, and explain how phone and security systems work. Small modifications, if needed, can often be made with minimal cost and make a huge difference to our resident's comfort and happiness in their new community.

This commitment to customer service is an important way that we create a better way to live for our retirement village residents – even through the difficult time before they are happily settled in their new home.

"Quite often what we do starts with a tissue box. When people come to us they don't always come on a positive note, as events in their life such as the death of a partner or health concerns have forced them to consider life in a Stockland Village. So not only do we have to listen to our customers, but actually hear what they're saying. We do a lot of hand-holding, but also heart holding. And quite often, our customers become our friends". Mary Scott – Sales Professional, Highlands Retirement Village.

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”

**Mary Scott**  
Sales Professional, Highlands Retirement Village



Focus on the need for

**sensitivity in customer service.**

Mary Scott introducing a new customer to one of the residents



**In 2011**

**68,503 surveys were completed by our shoppers in FY11 through the customer feedback touch pads located in our centres**

**Shoppers have told us they see an important and ongoing role for shopping centres as social hubs, offering things to see, feel, touch and taste**

**Commercial Property – customer engagement**

In Commercial Property, while shoppers are very important, our primary customers are the almost 3,200 retail, office and industrial tenants who collectively pay us circa \$850 million rent per annum.

Recognising this, in FY11 we established an annual customer satisfaction tracking program. The first stage involved interviews and group discussions with our major retailers, national specialty chains and independent retailers. This qualitative research provided us with valuable insights into how we are perceived in the marketplace relative to industry peers. The second stage was an online survey of 314 retailers across 33 Stockland shopping centres. In addition, 194 Stockland employees responded to a similar survey to understand if there were gaps between how retailers rated our performance and how we rate ourselves.

Retailers rated us number two in terms of market leadership. Given the size of our portfolio relative to competitors, this is a credible result. However, we were disappointed to learn that only 54 per cent of retailers involved in leasing negotiations were either satisfied or very satisfied with the service that they receive from Stockland. We also learnt that there is a correlation between the size of retailer and their satisfaction with major and national retailers overall more satisfied than independent retailers. We now know how important various business and relationship drivers are in our retailers' leasing decisions.

While there were many areas where Stockland performed above expectations, we have also identified key areas that we need to address in order to better meet our tenants' needs and improve our customer satisfaction rating. A number of initiatives are being implemented, in particular:

- Specific KPIs will be set at a divisional, functional and individual level to ensure all employees are accountable for customer satisfaction.
- Responsibility for the renewal of independent retailers' leases has moved to Centre Managers who are generally their key relationship managers and in a better position to meet these retailers' needs.
- Leasing and Marketing functions have been brought together under the one team and General Manager to ensure we deliver better results for our customers.
- Key insights will be communicated to the Board and across Commercial Property employees.
- We have targeted our investment in Learning and Development for our employees.
- We are building on our existing retailer relationship communications program.
- Progress is being made on the development of a more robust CRM system to provide one source of truth on the customer.
- We will repeat the customer satisfaction research and will expand to include our Office and Industrial tenants. In addition, we will conduct ongoing move in and exit interviews to further improve our understanding of tenants and our ability to respond to issues and opportunities as they arise.

**Shoppers**

Our mystery shopper program has now been running for three years. This year our overall score was 91 per cent, a 1 per cent increase from last year's score and a 9 per cent increase on FY09.

In FY11, all categories rated above the 85 per cent benchmark. Shoppers rated the interaction and visual impact of our casual leasing sites at 99 per cent. The lowest rating areas were related to car park maintenance. Our customers rated our customer service at 90 per cent, the maintenance of our facilities such as parents rooms and toilets scored 90 per cent with the main centre upkeep scoring 96 per cent. The chart below shows how the mystery shoppers compared Stockland against our local competitors in FY11:

Focus Area	Competitor %	Stockland %
A. Car park signage visibility	91	93
*A. Car park maintenance	86	87
B. Centre signage visibility 2	86	94
C. Customer service	86	90
D. Centre facilities maintenance	88	90
E. Centre common area upkeep	97	96
F. Casual leasing experience	99	99
<b>Grand Total</b>	<b>88</b>	<b>91</b>

\* Additional questions asked compared to FY10 forming additional category to ensure like-for-like scoring comparison

**68,503 surveys** were completed by our shoppers in FY11 through the **customer feedback touch pads** located in our centres. These surveys provide our centre management teams with centre-specific feedback to help them to make customer-focused decisions. The consistent question asked across all centres "Would you recommend this centre to family/friends" rated at 62 per cent, a 2.5 per cent drop compared to last year. We know redevelopment can affect a customer's experience during construction, and removing centres under redevelopment from this calculation shows stability, with only a 0.3 per cent decrease.

**Online retailing**

Over the last year, we made a significant investment in consumer and retailer research to help us better understand the short and longer-term impact of online retailing on our shopping centres. This comprehensive quantitative and qualitative work revealed online retailing is currently small but growing and building towards an alternative shopping channel.\*\* While there is risk, we are confident we can adapt to the shifts in consumer behaviour. Shoppers have told us they see an important and ongoing role for shopping centres as social hubs, offering things to see, feel, touch and taste. Our centres provide tangible experiences that virtual shopping is unable to match. Importantly, the impact of online retailing is not linear and our response will vary by trade area. We need to remain flexible and have committed to continual monitoring so we can respond accordingly.

\*\* Online retailing currently represents around 5 per cent of total Australian retail sales. Source: Quantum Research 2011.

OUR MARKETPLACE **AFFORDABLE AND ACCESSIBLE COMMUNITIES****Affordable and accessible communities****Livable Housing Design**

In June 2011, Stockland established a policy for livable housing design, confirming its support for the national dialogue on Universal Housing Design and Livable Housing Design. The policy is forward looking for our Residential Communities. It applies to any house or display villages committed to (or allocated) after 1 July 2011 and applies to all of our Retirement Living Independent Living Units committed to after 1 July 2011.

We support the principle of building a significant number of homes in our communities that are adaptable for multiple living purposes. In FY12 we will pilot several initiatives to encourage the appetite of customers and our partner builders for adaptable housing, in support of the Government's voluntary targets. Stockland will also lead by example.

Stockland Retirement Living has undertaken extensive consultation with our team, partner builders and our residents to produce our Independent Living Units – Design Principles. These principles focus on creating a better way to live for our customers and, for new homes in our Retirement Living Portfolio, establishes the Silver level of Livable Housing Design Guidelines as our benchmark. The Principles also identify certain elements to exceed Livable Housing Silver level and meet the specific needs of our residents. The key is to deliver affordable homes that are responsive to the changing needs of the resident, so as they grow older they can enjoy living independently in their home and community.

Stockland Residential will also lead by example. In the rare instances where we control the exact dwelling outcome, we will achieve the agreed Silver level targets for 2013. Furthermore, Stockland will continue to participate in the development of the national dialogue on Universal Housing Design's Strategic Plan and Livable Housing Design Guidelines.

While Stockland is a developer and not a builder, our Residential business is committed to finding a pragmatic and equitable way to identify the 25 per cent of new dwellings in our communities that would be selected to meet the 2013 voluntary compliance target. Using covenants would potentially have an inequitable financial impact. Nevertheless, Stockland will promote the benefits of moving to Livable Housing design with both builders and customers, with a view to achieving the 25 per cent Silver target across our residential communities.

Stockland will review its approach to Livable Housing on an annual basis. This will include a qualitative review of our initiatives and their success. We will continue to contribute to government policy formation in this area through the work of Universal Housing Australia and the Federal Department of Families, Housing, Community Services and Indigenous Affairs.

**Universal access**

In May 2011, new accessibility standards were introduced via the Building Code of Australia. To prepare for this introduction and to better understand the level of accessibility in our commercial property portfolio, an assessment was undertaken of 35 shopping centres and 29 office buildings during 2010.

As part of this assessment, an Accessibility Checklist was created to assess how Stockland accommodates people with mobility, hearing, vision and dexterity impairments. The information collected helped establish an inventory of facilities that currently exist and identified what may be easily provided in the short-term, and what was needed to inform decision-making and planning for access upgrades in the long-term. Following the assessment, a report and action plan was presented summarising the key findings and recommendations for immediate and short-term actions.

We are seeking to improve the quality of our public amenities, including facilities for those with accessibility needs, through capital upgrades and whenever redevelopments and refurbishments are undertaken. Work is being undertaken to update our standard signage, with a view to improving the quality of way-finding within our assets.

**Housing affordability**

Housing affordability remains a key focus for the Residential Communities business, particularly as broader economic pressures weigh negatively on the Australian housing market. We have made good progress in understanding and addressing this critical issue in FY11.

During the year our focus has been to:

- Better understand and measure affordability,
- Include more affordable land products broadly across our portfolio, and
- Undertake new initiatives to achieve a significant improvement in affordability for entry level housing.

**Measuring affordability**

We have developed a simple process for defining affordability in the catchments of our communities and tracking the current level of affordability of our land offerings. The first results of this analysis were completed in late FY11 and will be used to shape our product initiatives in FY12.

The process involves three phases:

- Identifying the typical land budget of each of our five buyer segments (based on household segmentation),
- Identifying the core land product which each of these segments most typically demands,
- Comparing the current land price against the budget to the average price.

We determine household land budgets using a proprietary in-house method which includes:

- Calculating average household income by household type, based on various ABS data series,
- Determining average serviceable loans based on these incomes,
- Adding the average equity/deposit base which applies to each household type, and
- Using our knowledge of the land customers buy and the houses they build on these to estimate customer land budget by segment.

We identify the land product which each of these segments of buyers most typically demand by:

- Determining the current inquiry base of particular customer segments from our Customer Insights tools,
- Identifying the most common land size purchased by each customer segment,
- Understanding the house product needs of each customer segment and the characteristics of different land sizes.

This process enables us to reconcile the aspirational wishes of customers with the realities of their budgets and practicalities of their housing demands.

OUR MARKETPLACE **OUR CUSTOMERS**

*Improving average affordability*

FY11 saw significant change in the profile of the stock we have developed with an overall increase in the proportion of affordable lots. Projects in all the states where we operate were reconfigured to ensure a higher proportion of affordable lots were included in the mix of developed lots.

The following table shows the change in the mix of lot types developed nationally between FY10 and FY11.

Land Size (sqm)	FY11	FY10
Under 300	<b>10.5%</b>	5.2%
300–450	<b>38.7%</b>	36.9%
450–600	<b>31.8%</b>	35.7%
600+	<b>19.0%</b>	22.2%

Significantly, the proportion of lots under 450sqm has increased from 42 to 49 per cent while the proportion of lots over 450sqm has decreased from 58 to 51 per cent. We expect to achieve a further shift towards lots under 450sqms in FY12.

*New affordability initiatives*

The increased proportion of lots under 300 square metres is the result of our strong focus on working with our partner builders to innovate and create new housing forms to suit these smaller block sizes. This has enabled us to deliver products specifically designed to be affordable for first home buyers.

Since 2007, across our communities, we have seen new house sizes reduced by 20 per cent for four bedroom houses, and 26 per cent for three bedroom houses. At \$800-\$1,000 per square metre, reducing house sizes is presenting our customers with potential savings of \$40,000 – \$60,000 in purchase cost, and further cost savings through lower energy costs. Decline in customer preferences for larger five bedroom houses has been replaced by increased demand for more efficient three bedroom houses. In turn this will also lead to lower energy costs.

House size	FY11	FY07
Five bedroom	<b>2%</b>	10%
Four bedroom	<b>64%</b>	69%
Three bedroom	<b>34%</b>	21%

For example, following the success of our smaller lot housing product trialled at the Highlands project in Victoria in FY10, we rolled this out to other Victorian Communities (Mernda, Eucalypt) and are working with other councils to have this product approved for FY12. Our project team at North Lakes in Queensland has secured approval for these 8.5 metre frontage lots within a particular precinct adjoining the Town Centre and has begun detailed design work with builder partners on suitable product to take to the market in FY12.

At Newhaven in WA we used a combination of government funding, engagement with builders, and efficient planning to create 50 house and land packages that were sold in FY11 at price points well below the previous entry level price for the project.

Similarly, we have begun delivering house and land product to the markets of the Sunshine Coast, western Brisbane and eastern Melbourne.

**In 2011**

**The affordable price points were achieved through working collaboratively with two leading builders to create affordable and market-leading products that included floor coverings, landscaping and fencing – meaning no hidden expenses for buyers**

# Retailer Reference Groups

## Tenant value

Affordability extends beyond our Residential business as we aim to provide good quality space and good value services to our tenants throughout our retail, office and industrial assets. The significant customer research that has been conducted will assist us in this key focus area.

For many years we have worked with a variety of external agents, such as marketing experts, financial planners and merchandising specialists, to help our tenants facing financial difficulties. A key initiative has been a partnership with Westpac to provide financial literacy training for tenants. This training provides skills in business management and financial understanding and links to our community development focus on Learning and Economic Development.

We also provide low cost or free casual leasing space to not-for-profit and community groups in our retail centres. We see this as a tangible way to support community organisations (see Our community for more information).

**Sometimes improving relationships and business outcomes is a simple as starting a discussion. And that's what we're doing with our shopping centres tenants through our new Retailer Reference Groups.**

The idea for the group came about as a result of discussions with our retailers in 2010 aimed at identifying ways to improve the way we communicate with each other.

Retailer Reference Groups are face-to-face forums designed to encourage open discussion of issues such as marketing campaigns and centre improvements. The group includes a rotation of retailers representing different parts of the centre and the centre management team. Meetings are held regularly and increase in frequency if a centre is under development.

So far the groups have been introduced at two centres and thanks to the positive response from retailers we'll be setting up more over the coming year.

For those who have had the opportunity to be involved, the groups have proven a great opportunity to keep up to date with what's going on and interact with management and other tenants.

Of course Retailer Reference Groups are just one way we communicate with our tenants. We regularly communicate one-on-one on the centre floor and use newsletters, memos and updates to keep tenants informed and invite feedback.

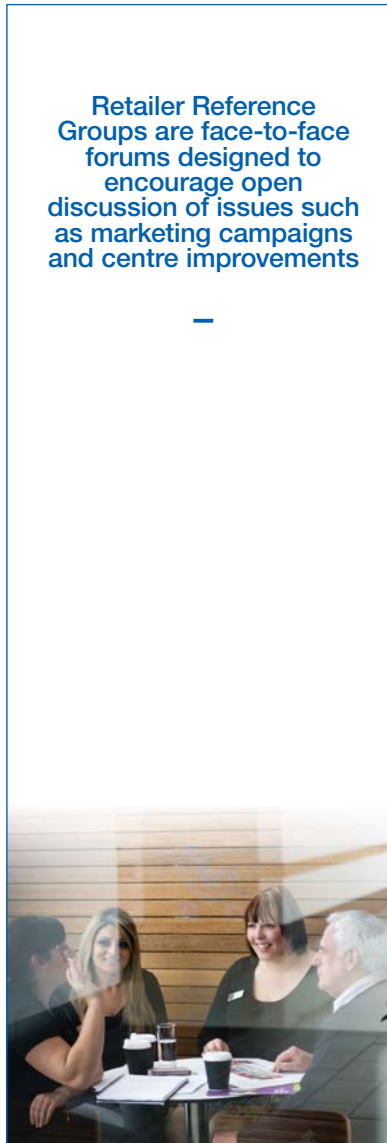
**Retailer Reference Groups are face-to-face forums designed to encourage open discussion of issues such as marketing campaigns and centre improvements**



Improving retailer engagement means

**better business outcomes.**

Stockland, Townsville



OUR MARKETPLACE **OUR SUPPLIERS**

**Our suppliers**

**Engaging our suppliers  
Supplier engagement**

Stockland continues to engage with and guide our suppliers in setting clear and concise CR&S objectives and targets, relevant to their specific supply and/or service agreement.

We provide all tenderers with the opportunity to comment on the form of proposed contracts through the use of a standard pro forma contract. This forms the basis for any commercial negotiation of terms.

In FY11, we conducted a number of in-depth interviews with some of our major suppliers spanning across all three business units. These discussions help us understand these suppliers' approach to CR&S and highlight areas that both parties can focus on in future projects.

Our major supplier engagement projects in FY11 were:

**Supplier Relationship Management program**

The Project Management division within Commercial Property commenced a Supplier Relationship Management (SRM) program with our major builders engaged in the development of our Retail and Retirement Living assets. As part of the SRM program our senior management and project execution teams conducted site visits at our shopping centres at Shellharbour and Merrylands and participated in interactive workshops with our major builders. Through this process we gained a good understanding of our suppliers' capabilities and shared Stockland's CR&S approach.

**Group Procurement Strategy**

A strategic review of Group Procurement was presented to the Board in March 2011. The strategy addresses aspects related to procurement procedural compliance, performance monitoring and ongoing governance, including fair contracting, risk management, and aligning our corporate values and procurement practices.

**Responsible Supply Chain Management**

Suppliers expect Stockland to provide clear CR&S objectives and targets as they relate to their policies. Throughout FY11, we continued our focus on the area of Sustainable Supply Chain Management (SSCM) by working closely with 20 of our key suppliers to review their current practices and assist our suppliers to improve their SSCM outcomes, systems and processes.

Stockland has taken a pragmatic approach to setting deliverable CR&S targets and incorporating them in contractual agreements with suppliers. These include, but are not limited to, waste diversion targets, energy and water usage reduction targets, and creating employment opportunities for local Indigenous and non-Indigenous communities.

Waste diversion targets are being reported monthly by the waste service providers and audited when required. Trends are noted and actions taken when targets are not met. Energy and water usage reduction targets are monitored through smart meters. Where applicable, suppliers are required to provide reports in accordance with National Greenhouse and Energy Reporting Act requirements.

Stockland requires all contractors to report on OH&S objectives in accordance with contractual guidelines. This is discussed in detail in the Supplier Safety and Performance section.

Throughout FY11, we partnered with specialist providers such as the Salvation Army and Australian Indigenous Minority Supplier Council to create training and employment opportunities around our projects.

**Australian Indigenous Minority Supplier Council**

Stockland is now a member of the Australian Indigenous Minority Supplier Council (AIMSC). AIMSC provides a direct business-to-business purchasing link between corporate Australia and Indigenous-owned businesses. As part of our membership we aim to achieve a specified annual level of procurement from AIMSC-certified suppliers in FY12.

**The Salvation Army**

The Salvation Army Employment Plus (TSAEP) initiative at Stockland Shellharbour clearly demonstrates our commitment to creating local employment strategies and Indigenous contracting opportunities. TSAEP provides training to local Indigenous workers with the aim of increasing their chances of finding jobs. Eighteen trainees are currently completing a four-week carpentry training course at The Salvation Army Training Centre at Stockland Shellharbour. We envision this will help the trainees gain employment with our principal contractor at Shellharbour, Brookfield Multiplex and other sub-contractors locally.

In the coming year, Stockland will work with major suppliers across key spend categories such as civil contractors and builders, cleaners, and waste contractors. We will focus on delivering targeted outcomes in the areas of sustainable raw material sourcing, waste management, and driving innovation through our facilities management service providers. We will work with our suppliers to establish contractual obligations that, where appropriate, require contractors to meet or exceed Stockland CR&S targets.

In FY11 we improved and expanded the rigour of the tracking and measurement of supplier performance and will continue to improve our approach to monitoring supplier CR&S performance.

**TOTAL SPEND OF SUPPLIERS WHO COMPLETED OUR CR&S QUESTIONNAIRE FY11**

Business unit	FY11 - Spend (\$million)	FY10 - Spend (\$million)	FY09 - Spend (\$million)
Commercial Property	188.2	58.7	62.4
Corporate	10.1	2.8	11.9
Residential & Retirement Living	377.7	260.1	126.1
<b>Total</b>	<b>576.08</b>	<b>321.6</b>	<b>200.4</b>

**In 2011**

Throughout FY11, we partnered with specialist providers such as the Salvation Army and the Australian Indigenous Minority Supplier Council to create training and employment opportunities around our projects

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In the coming year, Stockland will work with major suppliers across key spend categories such as civil contractors and builders, cleaners and waste contractors

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OUR MARKETPLACE **OUR SUPPLIERS**

**Safety and performance**

This year we have renewed our approach to Occupational Health and Safety (OH&S) and focused on engaging contractors to improve how we manage safety performance at Stockland. We implemented a number of initiatives in FY11, including:

**Establishing a National OH&S Strategy**

- This Strategy is our roadmap for the next two years to reassess key risks and align with the new Work, Health and Safety Harmonisation Laws.

**Implementing our new online contractor OH&S pre-qualification system, Cm3**

- The OH&S and Procurement teams have worked together to incorporate Cm3 into our contractor management processes.
- Cm3 is an externally developed and managed online system that assists organisations to meet their legislative duty of care by requiring that contractors provide upfront evidence that they have adequate safety systems and insurances in place.
- Cm3 registration and pre-qualification is used to assess contractor OH&S management systems, insurances and indemnities, licensing and training, as well as the ongoing monitoring of critical documents and notifications of pending expiries.

- All contractors engaged by Stockland must satisfy Cm3 requirements before commencing work, to ensure that contractors have OH&S and risk management systems in place.
- The Cm3 project has three rollout phases that will continue to capture all contractor groups, in risk priority order, throughout FY12.

We have also implemented an online general contractor OH&S induction, as well as site specific OHS inductions across our residential business in all states. All contractors engaged to work on our Residential projects are now required to complete these inductions.

**Contractor OH&S performance**

We have begun to capture our contractor lost time and serious incidents through a monthly contractor report that all contractors on major residential projects are required to complete. These incidents are also reported to our Executive Committee and Board of Directors.

In FY12 we will automate this process by creating a new contractor module in IRIS, our online incident reporting management system. Contractors will be required to enter their data directly into IRIS, and online notification controls will allow us to monitor the frequency of incidents.

Where entries show any repeatedly unmanaged risks, contractors will be required to formally review their work methods and supervision, to ensure the risks are controlled in the future. We have also continued to engage with contractors to highlight the importance of proactive OH&S efforts with their people.

**In 2011**

**We have implemented an online general contractor OH&S induction as well as site specific OHS inductions across our residential business in all states**

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**Our investors****Investor relations**

We have close to 50,000 securityholders in Australia and overseas. We aim to keep them well-informed of major developments and business events that are likely to affect our operations, financial standing and the market price of our securities. We communicate with our securityholders through our annual and half year financial reports, announcements of market-sensitive and other information, results, and analyst presentations. These documents are lodged with the ASX and are available electronically on our website at [www.stockland.com.au](http://www.stockland.com.au). In addition, the annual and half year financial reports are made available to all securityholders. Securityholders are encouraged to engage with senior management and our Board of Directors at our Annual General Meeting. Copies of addresses by the Chairman and Managing Director and the minutes of the Annual General Meeting are also lodged with the ASX and are available electronically on our website.

We also communicate with the investment community through regular group and one-on-one management meetings with institutional investors and analysts, site visits and presentations by senior management and participate in domestic and offshore investor conferences and roadshows. Group briefings are webcast over the internet and telecast.

Over the past year we have continued to refine our communications using the insights we gained from our 2009 securityholder research. We have focused on removing jargon from our Shareholder Review, making the information securityholders have requested easy to find, providing appealing easy access to information online, and continuing to utilise the AGM to educate shareholders more broadly about our business through information displays.

A copy of our policy on our communication to securityholders is provided in our Annual Report and is available on our website ([www.stockland.com.au](http://www.stockland.com.au)), in accordance with Principle 6 of the ASX Corporate Governance Principles and Recommendations.

**In 2011**

**We communicate with our securityholders through our annual and half year financial reports, announcements of market-sensitive and other information, results, and analyst presentations**

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**In 2011**

**We did not make direct or indirect transfers of money to political parties or politicians at any level of government**

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**We seek to reinforce our long-standing view that our projects be judged solely on their merits**

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**Our industry and government**

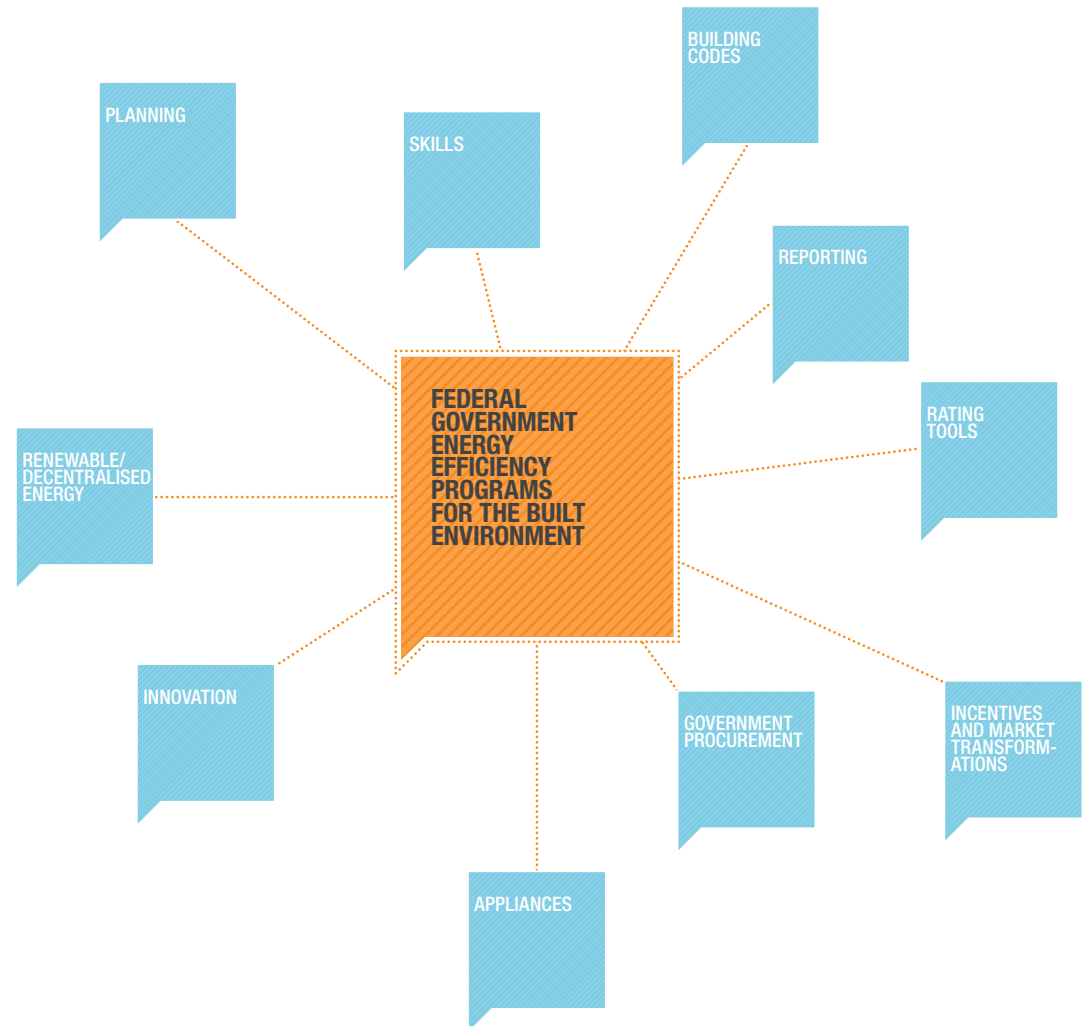
**Government relations**

Second only to market conditions, government regulations have the most substantial impact on the profitability of our businesses. By necessity we actively engage with governments, public servants, regulators and our industry bodies with respect to policy decisions in general and those that affect our many properties. This engagement is governed by a Board-endorsed government and stakeholder engagement policy that applies to all our people and covers donations, consultants, access to our properties, gifts and personal political participation. The policy is updated annually and communicated to our people through our Executive Committee.

Stakeholders take great interest in our stance on political donations. In July 2008, as part of our annual review, our Board moved from a bi-partisan donations policy to implement a zero political donations policy. We do not make direct or indirect transfers of money to political parties or politicians at any level of government. In adopting this policy we seek to reinforce our longstanding view that our projects be judged solely on their merits.

We actively monitor legislative and regulatory change directly through our businesses and the corporate affairs team, as well as via key industry bodies. The Property Council of Australia (PCA), Green Building Council of Australia (GBCA) and Shopping Centre Council of Australia continue to be our primary representative bodies at both federal and state levels.

**GOVERNMENT ENERGY EFFICIENCY PROGRAMS**



OUR MARKETPLACE **OUR INDUSTRY AND GOVERNMENT**

**Emerging regulation**

The most significant areas of policy that will inform our business decisions in the coming years are policies about population levels and land use planning. We believe that population growth and both brownfield and greenfield development are sustainable in the long-term if governments engage in significant infrastructure and planning reform. We have engaged in this discussion with every level of government and many other stakeholders in Australia over the past year.

This year there were many state regulations and policy announcements that had substantial influences on our business. These include regulations relating to the introduction of health and safety harmonisation, planning panels, land tax valuation changes, industrial land zoning, developer levies, urban boundary extensions and competition policy. Both in response to governments' actions and proactively, we have made many proposals and submissions to governments on matters such as planning, taxation and environmental regulation.

The government has continued to increase its focus on energy efficiency as a means to reduce greenhouse gas emissions. Regulators recognise that buildings represent a key opportunity in realising significant improvements in energy efficiency. As a consequence, our sector has encountered increasing regulatory requirements. Areas of strengthening regulation include:

- Emissions and energy efficiency disclosure – particularly for buildings,
- Identification of opportunities to improve energy efficiency,
- Adaptation to the physical impacts of climate change,
- Increasingly stringent building code requirements.

In general, regulation related to environmental sustainability performance has become increasingly complex with different layers of government seeking to take action. Through the Property Council of Australia and the Green Building Council of Australia we have advocated for the harmonisation and streamlining of reporting and regulatory requirements. Over the year, we have also engaged with government on urban planning, energy, climate change and wider environmental policy development.

Specific engagement in relation to a range of sustainability matters has included:

- Tax Breaks for Green Buildings: specifically that the provision \$1 billion of funds to accelerate green retrofits of commercial buildings will not be available to real estate investment trusts such as Stockland,
- Commercial Building Disclosure – Tenancy Lighting Energy Efficiency Assessment: an inefficient tool that is unlikely to provide reliable information nor drive significant improvements in energy efficiency performance,

- Review of *Energy Efficiency Opportunities Act*: proposed to become more complex, principally focused large major-emitting industrial plants, and not tailored to the complexities of a diverse property portfolio and contractor activities across a large array of sites,
- NABERS Rating Scale Expansion: supporting NABERS expansion to 6 Star aligning with Green Star,
- Sustainable Population Strategy Issues Paper, and
- National Urban Policy Discussion Paper *Our Cities*.

Specific federal government reporting requirements over the past year have included:

- *Energy Efficiency Opportunities (EEO) Act*,
- National Greenhouse and Energy Reporting System (NGERS),
- Commercial Building Disclosure (CBD),

Key pieces of government policy that have affected our business in FY11 include:

**Council of Australian Governments (COAG) – National Strategy on Energy Efficiency (NSEE).**

The National Strategy on Energy Efficiency was released by COAG on 2 July 2009. The strategy addresses a vast range of topics including: proposed increases in building code requirements, reporting legislation, rating tool harmonisation, green building incentives, government procurement policies, appliance labelling regulation, innovation programs, renewable/decentralised energy programs and targets, skills programs and market transformation.

Aspects of the strategy with significant implications for us include:

- Improving consistency in energy-efficiency standard setting and performance assessment frameworks,
- Introducing mandatory disclosure of energy performance in existing commercial buildings (CBD),
- Introducing mandatory disclosure of eco-efficiency performance of residential buildings at point of lease or sale,
- Increasing energy-efficiency standards for residential buildings to 6 Stars nationally.

Release of a revised NSEE is imminent and is expected to address revised timelines, tool harmonisation, a road map for emissions reductions in buildings and reference the government's proposed national energy efficiency trading scheme.

**In 2011**

This year there were many state regulations and policy announcements that had substantial influences on our business

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The government has continued to increase its focus on energy efficiency as a means to reduce greenhouse gas emissions

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OUR MARKETPLACE **OUR INDUSTRY AND GOVERNMENT****Commercial Building Disclosure**

Stage One of the federal government's Commercial Building Disclosure (CBD, also commonly referred to as mandatory disclosure of energy efficiency) program began 1 November 2010. The scheme requires owners and lessors of commercial office space with a net lettable area of 2,000 square metres or more to disclose the energy efficiency rating to prospective purchasers and tenants when the space is to be sold, leased or subleased.

We contributed to industry feedback in relation to the initial design of the regulation. In response, the government made a number of significant changes to the program including phasing-in disclosure requirements and initially narrowing disclosure to buildings that are principally office buildings. Other changes included reducing the maximum penalties and introducing transitional provisions.

We have rated and disclosed the energy and water performance of office buildings through application of the National Australian Built Environment Rating System (NABERS) since 2006, and commenced rating retail assets in 2010.

Commencing November 2011, Building Energy Efficiency Certificates (BEECs) will be required to be registered online for all office buildings. BEECs will comprise:

- A NABERS Energy rating,
- A tenancy lighting assessment,
- Energy efficiency guidance (a simple energy efficiency check list for tenancies).

It is intended that the CBD program be extended to other building types, with retail centres likely to be next.

**Low Carbon Australia**

We have engaged with Low Carbon Australia in a bid to secure financial assistance to accelerate energy efficiency outcomes across our retail portfolio.

**Green Building Fund**

We have been successful in attaining funding through the federal government's Green Building Fund (refer to Climate change and energy section) to accelerate a number of low carbon and renewable technology initiatives across our Commercial Property portfolio.

**Environmental Upgrade Agreements Act**

In November 2010 the New South Wales Government passed legislation to provide easier access to finance for building upgrades. Modelled on the US system PACE (Property Assessed Clean Energy) funding, this Bill helps to overcome two key barriers to retrofitting large commercial buildings:

- Access to low-cost loan funds – The environmental upgrade loan is directly attached to the property, and is then repaid via an agreed extra Council rate. This means loans can be secured more readily and at a lower interest rate, and
- Split incentives – Presently we are unable to pass through the cost of undertaking energy efficiency projects that directly benefit tenants (by lowering their energy bills). As the loan repayment will be via a Council rate charge, the portion of the project cost that will benefit the tenant can be passed through to the tenant.

The success of the Bill is reliant upon willing and sufficiently resourced Councils as well as building owners. The New South Wales Government is looking to pilot this program in late 2011. We are presently exploring opportunities in the Sydney and North Sydney LGAs.

**Carbon price announcement**

The government's intention to put a price on carbon emissions has been the focus of intense media scrutiny throughout FY11. For an overview of the implications this will have for Stockland, and our response to this announcement, please see our section on Climate Change in this report.

**Industry engagement**

We are an active member of the Property Council of Australia (PCA), the Green Building Council of Australia (GBCA) and the Shopping Centre Council of Australia. We also engage in the work of the Urban Development Institute of Australia and increasingly the Housing Industry Association. Additionally, we are an active member of the Investor Group on Climate Change and an Organisational Stakeholder in the Global Reporting Initiative. Over the past year, our employees have been active in groups such as the Australian Institute of Architects, the Planning Institute of Australia, the Australian Building Codes Board and the Federal Government's Built Environment Industry Innovation Council and Built Environment Roundtable.

Our key areas of engagement are:

- Promoting dialogue between our sector and government, through both direct discussion and involvement in the many industry body forums that involve elected representatives and public servants,
- Continuing to take a key role in the development of voluntary tools, most notably the National Australian Built Environment Rating System (NABERS) Retail Energy and Water tools and the GBCA's Green Star Communities Framework,
- Working with sector peers through the PCA to take a collaborative approach in creating a more eco-efficient built environment,
- On state regulations relating to the introduction of planning panels, land tax valuation changes, industrial land zoning, bans on covenants, developer levies, urban boundary extensions and greater strictures relating to moth populations.

Over the past year this engagement has led to more balanced outcomes regarding key federal and state regulations.

# Delivering affordable and diverse products

**Delivering Housing Affordability Fund (HAF)-supported affordable housing at our Newhaven estate in Western Australia required more than government funding. And as the only non-government applicant in Western Australia to receive such a grant last year, we were keen to ensure we delivered a quality affordable product for our customers.**

The grant, which was the result of a joint application with the city of Armadale, enabled us to create 50 two and three bedroom house and land packages starting from \$295,000. This is around a 15 per cent discount on the current market. Armadale Mayor Linton Reynolds summarised the outcome: "Many people currently unable to break into the housing market will now have access to quality homes with a high environmental rating in a developing part of our region, which is great news."

The affordable price points were achieved through working collaboratively with two leading builders to create affordable and market-leading products that included floor coverings, landscaping and fencing – meaning no hidden expenses for buyers.

As identified last year, Stockland has also been shortlisted for an additional \$1.5m grant for the Baldivis Town Centre at Settlers Hills to create 50 affordable dwellings. Discussions are underway with the relevant Government departments to reach a potential agreement. We are hoping for a positive outcome to help us continue to increase housing diversity and affordability in Baldivis.

**Continued search for innovative and sustainable housing solutions**  
Grants are certainly not the only way to create affordable products, and like in the example above, innovation is the key. We are working on lots of ideas including:


- The use of modular and prefabricated housing – researched overseas by a small team thanks to our Peter Daly Fellowship,
- Product-focused working groups across the business to identify and pilot new housing concepts and learn from them (the 8.5 metre lot home in Highlands came from one of these), and
- Piloting innovative construction materials and in-house environmental solutions to improve the efficiency of the household e.g. solar panels, alternative building materials and customer education programs.

“

**Many people currently unable to break into the housing market will now have access to quality homes with a high environmental rating in a developing part of our region, which is great news**

”

**Armadale Mayor**  
Linton Reynolds




Housing Affordability Fund Live  
Ballot event, Newhaven, WA

Working together

delivering affordable housing.