

Asset Rating and Certification

FY19

Why this is important to Stockland

Asset ratings and certifications are a key means of assuring and demonstrating the quality of our assets. These ratings serve as independent validation that key sustainability aspects, including social and environmental factors, have been considered in our asset designs, developments and operations.

Rating and certification schemes also enable us to demonstrate compliance with state and national regulations, benchmark our sustainability performance against our peers and regularly track and improve our performance across our various asset classes.

Assets that are highly rated and can demonstrate optimal performance are often more attractive to customers and investors. Not only do they offer a certain level of energy and water efficiency, and therefore cost savings over the long term, they also incorporate various design features that promote social inclusion and enhance health and wellbeing. Buildings with high environmental ratings can demonstrate higher return on investment over time.¹

This document is a component of our FY19 sustainability reporting suite, which is publicly available on our [website](#). Our sustainability reporting is third-party assured and drafted in accordance with the GRI Standards.²

This Deep Dive is to be read in conjunction with our published approach to asset rating and certification, available as part of our sustainability reporting suite at [Our Management Approach to Asset Rating and Certification](#).



Key achievements

- Achieved a 5 Star Green Star – As Built rating (Retail Centre v1) for our Stockland Green Hills (NSW) development.
- Completed Green Star – Performance portfolio recertification rating on our Retail Town Centre portfolio achieving a rating of 3 stars.
- Completed our first Green Star Performance rating on one of our Logistics assets 32 Toll Drive Altona in Victoria achieving a rating of 2 stars
- Developed a Common Credits approach for use in our Green Star Communities Developments.
- Stockland Newport Retirement Community (Qld) was awarded a 4 Star Green Star Design & As Built v1.1 Design Review certified rating, the first retirement village under the Design and As Built tool to be awarded the Design Review rating.
- Partnered with Sustainability Victoria and a number of home builders on a project that will develop and deliver a 'net zero homes' certification. We anticipate certifying two homes in FY20.

¹ Green Building Council of Australia, Value of Green Star – A decade of environmental benefits, May 2013.

² The GRI Standards are global standards for sustainability reporting published by the Global Reporting Initiative (<https://www.globalreporting.org/standards/>)

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FY19 priorities and progress

Commercial Property

FY19 PRIORITIES	STATUS	FY19 PROGRESS
Achieve a 5 stars NABERS Energy portfolio average for our Workplace and Business Parks portfolio by FY20	In progress	Our NABERS Energy average for our Workplace and Business Parks portfolio is 4.48 stars (up from 4.35 stars at end of FY18). The decline since we achieved 4.74 stars in FY17 is attributable to asset disposals, portfolio vacancies, and increased hours of occupancy at one of our business parks resulting in higher energy usage.
Achieve a 4.5 stars NABERS Energy portfolio average for our Retail Town Centre portfolio by FY20	In progress	Our NABERS Energy average for our Retail Town Centre portfolio is 4.34 stars (up from 4.18 stars at end of FY18).
Achieve a 4 stars NABERS Water portfolio average for our Workplace and Business Parks portfolio by FY20	In progress	Our NABERS Water average for our Workplace and Business Parks portfolio is 3.44 stars (down from 3.57 stars at end of FY18). The decline is attributable to increased vacancy in the portfolio and the exclusion of the Optus Campus from the average due to a disputed data issue related to billing information from Sydney Water which meant we could not achieve a certified rating in FY19.
Achieve a 3.5 stars NABERS Water portfolio average for our Retail Town Centre portfolio by FY20	Achieved	Our NABERS Water average for our Retail Town Centre portfolio is 3.5 stars (up from 3.18 stars at end of FY18).
Pilot three NABERS Waste ratings in our Retail portfolio	In progress	We are in the process of working with the NABERS Administrators to develop a tool for use by Retail Centres, as there is currently no NABERS waste rating available for Retail. As this is an ongoing project it was not possible to achieve this priority in FY19.
Renew the Green Star – Performance rating for our Retail Town Centre portfolio	Achieved	We renewed the Green Star Performance rating for the Retail Town Centre portfolio achieving a rating of 3 stars.
Complete a Green Star – Performance rating on one of our Logistics assets	Achieved	We completed a Green Star Performance rating on one of our Logistics assets 32 Toll Drive Altona (Vic) achieving a rating of 2 stars.
Pursue Green Star – Design & As Built ratings using the new tool on our Retail Town Centre developments at Birtinya (Qld), Baringa (Qld), Elara (NSW) and Whiteman Edge (WA)	In progress	Construction was completed on Stockland Birtinya (Qld) and the centre commenced trading in December 2018. The submission documentation for Green Star is currently being collated for certification in FY20. Construction of Stockland Baringa is in progress with completion expected in August 2019. Collation of submission documentation has commenced but will not be complete until after construction is complete. Our projects at Elara and Whiteman Edge have been deferred so there has been no activity in FY19.

Communities

Residential

FY19 PRIORITIES	STATUS	FY19 PROGRESS
Pilot Green Star – Design & As Built certification on one new apartment project	Achieved	We currently have two Retirement Living apartment developments targeting a minimum 4 Star Green Star – Design & As Built rating: Shine (Birtinya) (Qld) and Newport (Qld).
Develop a set of Common Credits in collaboration with the GBCA that can be applied across all new Green Star targeted residential developments.	Achieved	We have worked with the GBCA to develop a set of common credits for our Green Star Communities projects. We anticipate the Common Credits Framework will deliver a more efficient and cost-effective certification process for new projects
Identify a carbon zero tool for use in assessing our built form residential projects	Achieved	In FY19 we were successful with our application to Sustainability Victoria to partner on developing a Zero Net Carbon (ZNC) Tool, constructing and certifying homes to the ZNC standard, and developing marketing approach for ZNC homes.



Retirement Living

FY19 PRIORITIES	STATUS	FY19 PROGRESS
Achieve 4 Star minimum Green Star – Design & As Built rating for all new retirement living developments completed within the reporting period (excluding non-DMF projects).	In progress	We currently have two Retirement Living developments targeting 4 Star minimum Green Star – Design & As Built: Shine (Birtinya) (Qld) and Newport (Qld). Stockland Newport Retirement Community was awarded a 4 Star Green Star Design & As Built v1.1 Design Review certified rating in FY19.
Develop a set of Common Credits in collaboration with the GBCA that can be applied across all new Green Star targeted retirement living developments.	In progress	Our focus for FY19 has been to work with the GBCA to develop a set of common credits for our Green Star Communities projects. We are using this formally agreed approach as the foundation to develop a similar set of common credits for our future Design & As Built projects. This work will also take into consideration the GBCA's Future Focus Strategy and how that will relate to the current version of Green Star tools.

Future priorities

Commercial Property

- By FY20, deliver the following NABERS rating achievements:
 - 5 stars Energy portfolio average for Workplace and Business Parks
 - 4.5 stars Energy portfolio average for Retail Town Centres
 - 4 stars Water portfolio average for Workplace and Business Parks
 - 3.5 stars Water portfolio average for Retail Town Centres.
- Complete Green Star Performance improvement strategies for our Retail Town centre and Workplace, Logistics and Business Parks portfolios.

Communities

Residential

- Achieve recertification of Aura (Qld) through the Green Star Communities Rating tool in FY20.
- Deliver two certified Zero Net Carbon (ZNC) homes (Design and As Built) by 2021 in partnership with Sustainability Victoria and our builder partners Vcon and Creation Homes.
- Investigate opportunities to develop an industry partnership to develop a residential Carbon zero “in operations” certification tool

Retirement Living

- Achieve 4 Star minimum Green Star – Design & As Built rating for all new retirement living developments completed within the reporting period (excluding non-DMF projects)

FY19 performance and case studies

Green Star – Communities

The Green Star Communities rating tool, administered by the Green Building Council of Australia (GBCA) is a voluntary certification for developers of masterplanned communities that recognises the achievement of best practice sustainability outcomes. During FY19 we have worked closely with the GBCA to build a framework for Common Credit certification. Common Credits refer to Green Star credits that will be met through initiatives or processes that are repeatable across a large number of projects. As the name suggests Common Credits allow efficiencies for our projects to gain certification of those credits that are common to all projects rather than individual assessment. Benefits include removal of duplication and improved consistency while redirecting resources to advance other aspects of sustainability specific to each individual project.

In FY20 we will begin to look at developing a recertification framework and process for use across our existing Green Star projects. Our Aura project on the Sunshine Coast will be the first project to be recertified under the Green Star Communities tool.



During the year we have undertaken research to better understand how to communicate our sustainability and in particular targets and certifications to our customers. On our North Lakes (Qld) townhome project, for example, we have delivered homes to a higher thermal comfort design standard than that required by Queensland regulation. Through our direct mail outs to customers, we included education around the NatHERS ratings. By educating our customers in this way, we aim to help them understand how higher NatHERS ratings can provide benefits through maintaining the thermal comfort of their home, and a reduced requirement to spend money on energy to heat and cool.

This year we were successful in being selected to partner with Sustainability Victoria to partner in the development of a Zero Net Carbon (ZNC) homes design and as built certification. One of the key elements of the partnership will include further research into branding sustainability and communicating customer benefits. At this stage our homes have been designed to Sustainability Victoria's Net Zero requirements. We will move into construction and marketing phases early in FY20.

Green Star – Performance

Green Star – Performance, also administered by the GBCA, is a voluntary certification that rates a buildings performance in operation. We use the Green Star – Performance tool to: complement our other Green Star certifications, set performance targets, and deliver improved outcomes.

Retail Town Centres

Our Retail Town Centre portfolio received a Green Star – Performance portfolio recertification rating in March 2019 scoring 35 points and achieving a 3 star rating. This is the same portfolio rating achieved in 2016, however we improved the total points scored from 30 points and there has been an improvement in the ratings for some individual centres from 14 of 22 scoring 3 stars in 2016 to 22 of 25 scoring 3 stars in 2019. Ratings for individual Retail Town Centres are provided in our [Environmental Data Pack](#).

Workplace and Business Parks

We completed a Green Star – Performance rating for our Workplace and Business Parks portfolio in FY18, which achieved a 2 star rating (representing 'Average Practice') with a score of 28 points. In FY19, we have undertaken a Year 1 Maintenance Review in order to maintain the rating for the three year certification period

Ratings for individual workplace and business parks assets are provided in our [Environmental Data Pack](#).

Logistics

In FY19 we undertook a pilot Green Star – Performance rating on one of our Logistics assets, 32 Toll Drive Altona (Vic) and achieved a rating of 2 stars. We undertook this rating to test the difficulty of the process on a building type that does not have a NABERS rating tool available to benchmark energy and water performance and where we do not have access to utility billing data (because we are not deemed to have operational control). In FY20 we will undertake early work ahead of registering for a Green Star Performance portfolio rating for our Logistics portfolio in FY21 to assist in achieving a higher score on first rating.



CASE STUDY

Stockland Green Hills 5 star Green Star Rating

The \$414 million transformational redevelopment of Stockland Green Hills in Maitland in the lower Hunter Valley is an example of a considered design approach and repositioning strategy that has created an authentic retail, dining and entertainment destination centred around community connection and enrichment, accessibility and inclusivity.

Stockland Green Hills combines sustainable and high-quality design that responds to the diverse needs of shoppers and creates a strong sense of place that encourages social interaction, walkability and cultural activity. The carefully curated retail environment provides new experiences and public art that resonate with the community and will contribute to the long-term economic and social vitality of Maitland.

In December 2018 the project was awarded a 5 star Green Star Retail Centre v1 As Built rating scoring 70 points, the highest ever score achieved by Stockland on a Retail Town Centre project. A key component of our corporate strategy is to future-proof our retail town centres, and this Green Star accreditation is a significant contributor to achieving that goal.

Key features of the development that contributed to this high Green Star score included:

- Energy efficient LED lighting with occupancy sensors
- Energy efficient central air conditioning plant;
- 1.8 MW of renewable energy with Australia’s largest single rooftop solar PV system.
- Maximised use of natural day light
- Tuning of building services for optimal performance
- Water efficient toilets, tapware, showers and waterless urinals
- Rainwater collection for toilets, irrigation and air conditioning
- Water and energy metering systems to monitor building performance
- Recycled 86 per cent of demolition and construction waste
- Improved air quality through increased fresh air rates
- Low volatile organic compound flooring, paints and adhesives and use of certified sustainable timber products
- Provision of waste storage area for recycling
- Four electric vehicle charging stations.
- A quiet room for children with sensory disorders and intellectual disabilities
- Two inclusive playgrounds designed in collaboration with Touched by Olivia
- A Changing Places certified adult change facility
- Innovation points awarded for life cycle impact assessment, solar PV system and community benefits.

During the project and in collaboration with our builder partner Multiplex, a Connectivity Centre was established as an employment and skills training facility to create job opportunities in construction and retail for the community. Through construction and commencement of trade, 183 job seekers were placed into employment. demonstrating how effective alignment of community needs with business strategy leads to immediate and ongoing benefits for stakeholders. This initiative was also recognised and awarded points for innovation in the Green Star rating.



Stockland Green Hills



Green Star – Design & As Built

We have the largest number of Green Star rated (Design and As Built) retail town centres in Australia, as verified by the GBCA. We continue to target our Green Star certifications across our new Retail Town Centre and Retirement Living development projects.

Below are some key Green Star achievements for our business in FY19. A comprehensive list of Green Star ratings for our Commercial Property assets, Retirement Living communities, and Residential communities as at 30 June 2019 is provided in our [Environmental Data Pack](#).

Commercial Property

In FY19, we achieved a 5 Star Green Star – As Built rating (Retail Centre v1) on our Stockland Green Hills (NSW) Retail Town Centre development.

We also have several smaller retail town centre projects currently registered for Green Star Design and As Built ratings. These include Elara (NSW), Whiteman Edge (WA), Birtinya (Qld) and Baringa (Qld). These will be the first Stockland retail town centres to be certified under the newer Green Star – Design & As Built version of the rating tool. Construction was completed on Stockland Birtinya and the centre commenced trading in December 2018. The submission documentation for Green Star is currently being collated for certification in FY20. Construction of Stockland Baringa is in progress with completion expected in August 2019. Collation of submission documentation has commenced but will not be complete until after construction is complete. Our projects at Elara and Whiteman Edge have been deferred so there has been no activity in FY19.

For our Logistics and Business Parks portfolio, we have committed to integrate sustainability standards into our design brief, so we maintain consistency in the design of logistics buildings to deliver good environmental outcomes. Examples of minimum sustainability standards outlined in the design briefs include:

- energy efficient LED or fluorescent lighting in office, warehouse and external areas, zoned and time controlled with occupancy and daylight sensors
- HVAC (heating, ventilation and air conditioning) systems with minimum energy performance ratings, time controlled and using refrigerants with zero ozone depletion potential and free of chlorofluorocarbons (CFCs) and hydrochlorofluorocarbons (HCFCs)
- water efficient bathroom and kitchen fixtures and fittings with WELS³ ratings and solar hot water heating
- rainwater collection for toilet flushing and landscape irrigation.

Retirement Living

Stockland Newport Retirement Community was awarded a 4 Star Green Star Design & As Built v1.1 Design Review certified rating, the first retirement village under the Design and As Built tool to be awarded the Design Review rating.

NABERS

We completed NABERS Energy and NABERS Water ratings for the calendar year 2018 for the full number of eligible assets in our Retail Town Centre, Workplace and Business Parks portfolios. Stockland Green Hills (NSW) is not eligible for rating as it has been in development and does not yet have a full 12 months of operational utility data to undertake a rating.

NABERS ratings – Retail Town Centre

Following the NABERS Energy ratings undertaken in FY19 on our Retail Town Centre portfolio, the area weighted portfolio average for NABERS Energy has improved to 4.34 stars (4.18 stars in FY18) against our target of 4.5 stars by FY20. Eight assets out of 23 achieved an improved energy rating in FY19, and one asset achieved a lower rating.

From the NABERS Water ratings undertaken in FY19 on our Retail Town Centre portfolio, the area weighted portfolio average has improved at 3.5 stars (3.18 stars in FY18). Seven assets out of 23 received an improved rating while five assets received a lower rating.

Key achievements regarding our NABERS ratings for our retail town centres include:

- energy ratings of 4.0 stars or better for 83 per cent of our retail town centres (19 out of 23 ratings).
- Stockland Hervey Bay, Caloundra, Rockhampton, Bundaberg and Merrylands were the most improved with each achieving a half star increase in their ratings.
- water ratings of 4.0 stars or better for 52 per cent of our retail town centres (12 out of 23 ratings).

³ WELS is Australia's water efficiency labelling scheme requiring certain products to be registered and labelled with their water efficiency (www.waterrating.gov.au).

- Stockland Glendale, Point Cook and Traralgon were the highest rated improvements, each achieving a half star increase in their ratings.
- Gladstone increased its rating to 4.5 stars after not having any rating for the past two years improving from 3 stars in FY16.

A full list of NABERS ratings in our Retail Town Centre portfolio is provided in our [Environmental Data Pack](#).

NABERS ratings – Workplace and Business Parks

In our Workplace and Business Parks portfolio for FY19, the NABERS Energy area weighted portfolio average has improved to 4.64 stars (4.52 stars in FY18) for our Workplace portfolio and 4.37 stars (4.22 stars in FY18) for our Business Parks portfolio. The combined portfolio average for Workplace and Business Parks is 4.48 stars which is a reduction on the FY17 result of 4.74 stars. The decline is attributable to asset disposals, portfolio vacancies, and increased hours of occupancy at one of our business parks resulting in higher energy usage.

From 16 assets rated, three achieved a higher energy rating in FY19 with the remainder of the portfolio maintaining their previous ratings. We expect this portfolio rating to increase toward our FY20 target of 5 stars with increased occupancy, upgrades to building management systems and installation of additional sub-metering.

Following the NABERS Water ratings undertaken in FY19 on our Workplace and Business Parks portfolio, the area weighted portfolio average for our Workplace portfolio has improved to 3.61 stars (3.55 in FY18) and for our Business Parks portfolio reduced to 3.26 stars (3.59 in FY18).

The improvement in the water rating for the Workplace portfolio is due to several buildings with higher ratings this year, most notably 2 Victoria Avenue in Perth which had high vacancy in FY18 impacting the rating and has a higher rate of occupancy this year.

The decrease in the water rating for the Business Parks portfolio is due to the exclusion of the Optus Campus because of a disputed data issue related to billing information from Sydney Water. This meant we were unable to achieve a certified water rating this year. The Optus Campus, due to its large floor area, has a significant impact on the average. Our combined portfolio average is 3.47 stars, which is a reduction on FY18 (3.57 stars) as a result of the decrease in our Business Parks portfolio average.

Key achievements regarding our NABERS ratings for Workplace and Business Parks include:

- From 16 energy ratings we have 11 buildings scoring 4.0 stars or better
- 2 Victoria is our most improved building, due to increased occupancy over the last 12 months. This asset improved from 0 stars to 4.0 stars in FY19.
- The Trinita Business Park buildings were treated as one single rating instead of three separate ratings in FY19 and have achieved our highest energy rating of 5.5 stars.
- From 16 water ratings, we have 5 buildings scoring 4.0 stars or better.

NABERS ratings – Stockland Corporate Office

We are a CitySwitch⁴ signatory for our corporate offices in Sydney, Melbourne and Perth. We complete a NABERS Tenancy rating each calendar year for our corporate offices, as outlined below.

NABERS RATINGS – STOCKLAND CORPORATE OFFICES

	TENANCY RATING				
	2018	2017	2016	2015	2014
Sydney Head Office, L22-29, 133 Castlereagh Street	4.0	4.0	4.0	4.5	4.5
Melbourne Head Office, L7, 452 Flinders Street	4.0	3.5	3.5	3.5	3.5
Perth Head Office, L12, 263 Adelaide Terrace	4.5	3.5	3.5	3.5	3.0
Brisbane Head Office, L4, 99 Melbourne Street	4.5	4.5	NA	NA	NA

⁴ CitySwitch supports commercial office tenants to improve office energy and waste efficiency (www.cityswitch.net.au).

Australia's first corporate Green Bond

The diversity of our debt funding is a key element of our capital strength. By leveraging our position as one of Australia's leading sustainable property companies, we sought to appeal to a new type of investor and raise funds in a new market. In November 2014, we successfully issued Australia's first corporate Green Bond, raising €300 million (A\$433 million),⁵ enabling us to further invest in leading edge sustainable projects with competitive long-term funding.

The Green Bond Principles (2016) defines that "Green Bonds raise funds for new and existing projects with environmentally sustainable benefits. The Green Bond Principles (GBP) are voluntary process guidelines that recommend transparency and disclosure and promote integrity in the development of the Green Bond market." Our Green Bond is compliant with these principles. The table below outlines the allocation of these funds across our eligible projects in FY19. These projects include new and recently developed assets that meet the sustainability criteria of our Green Bond. Our Green Bond is audited and the audit statement from auditors KPMG can be reviewed on our [website](#).

GREEN BOND ALLOCATION

TYPE OF PROJECT	SITE	FINANCIAL ALLOCATION (\$ MILLION AUD)	GREEN STAR RATING
Development (Use of Proceeds Category I)	Aura (Qld)	157.1	6 Star – Communities (achieved)
	Cloverton (Vic)	9.5	6 Star – Communities (achieved)
	Willowdale (NSW)	51.1	6 Star – Communities (achieved)
	Altrove (NSW)	14.8	5 Star – Communities (achieved)
	Newport (Qld)	35.6	5 Star – Communities (achieved)
Redevelopment (Use of Proceeds Category II)	Stockland Green Hills (NSW)	142.9	5 Star – Retail Centre Design (achieved)
Capital Expenditure Projects	Solar projects at 14 Retail Town Centre assets	22.0	
Total		433.0	

Additionally, we have completed post-development performance monitoring on operational assets that we featured in the bond. The key aspect that we have been monitoring is carbon emissions. We confirm that Stockland Retail Policy applies to these assets.

SITE	FY16 (KGCO ₂ -E/M ²)	FY19 (KGCO ₂ -E/M ²)	VARIATION FY16 - FY19	NOTES
Baldivis	83	40	-52%	
Green Hills	52	45	-14%	
Hervey Bay	60	31	-48%	
Shellharbour	38	31	-18%	
Wetherill Park	75	50	-33%	
Total	57.73	39.52		Weighted average reduction of assets



To access the complete list of documents in Stockland's Sustainability Deep Dive Series, [click here](#).

⁵ Conversion rates AUD/EUR was 1.443 corresponding to the swap rates used on the date the bond was priced (24 October 2014). This is unchanged for the life of the bond.