

Our Management Approach to Asset Rating and Certification

A. Purpose

This document sets out our approach to the use of rating and certification schemes, which are important means of assuring and demonstrating the quality of our projects and assets. It should be read in conjunction with the **Environmental Data Pack** which contains a list of our asset ratings and certifications. Together, our management approach documents, deep dive reports and our data packs comprise our sustainability reporting suite, which is prepared in adherence to the International Integrated Reporting Framework principles of materiality, stakeholder responsiveness, reliability and completeness; in accordance with the GRI Standards¹(Comprehensive); and is **third party assured**.

Asset ratings serve as independent validation that key sustainability aspects, including social and environmental factors, have been considered in our project and 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 deliver 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 often demonstrate higher return on investment over time.²



A list of our asset ratings and certifications is contained in our **Environmental Data Pack**.

Stockland's Sustainability Strategy



¹ The GRI Standards are global standards for sustainability reporting published by the Global Reporting Initiative (<https://www.globalreporting.org/standards/>)

² Green Building Council of Australia, Value of Green Star – A decade of environmental benefits, May 2013. This was verified by the 2015 Property Council/ IPD Australia Green Property Index

B. Management approach

The table below lists the key rating and certification schemes that we use and how they are applied across our portfolio. The requirements for achieving

ratings and certifications are embedded in our strategy, targets, policies, and toolkits to assist decision-making as appropriate.

| Rating / Certification Scheme | Stage of Life Cycle | Asset Class |
|----------------------------------|--|---|
| Green Star | Design, Development, Operations | Workplace, Retail Town Centre, Retirement Living, Residential |
| NABERS | Design, Development, Operations | Workplace, Retail Town Centre |
| NatHERS and BASIX | Design | Retirement Living, Residential |
| Livable Housing Australia | Design, Operations (Retirement Living, Independent Living unit fitout) | Retirement Living, Residential |

B1. Green Star

Green Star relates to a suite of certification schemes developed and administered by the Green Building Council of Australia (GBCA). Green Star is a national and voluntary rating system for buildings and communities designed to drive the adoption of sustainable practices in the Australian property industry.

Green Star Design & As Built assesses the sustainability outcomes from the design and construction of new buildings or major refurbishments. We require our new Retail Town Centre, Workplace and Retirement Living developments, and Retail Town Centre and Workplace redevelopments in excess of 8,000 square metres, to achieve a minimum of 4 star Green Star Design & As Built certification with a review of opportunities to stretch to 5 stars. Our sustainability team works closely with project design and delivery teams to integrate targets into design briefs and contract documents.

Green Star Performance assesses the operational performance of buildings. We have used Green Star Performance to benchmark the performance of our Retail Town Centre, Workplace and Business Parks portfolio. Our Green Star Performance ratings also enable us to develop asset strategies for improving performance over time. We renew Green Star Performance ratings ahead of expiry of the three-year performance rating period.

Green Star Communities assesses the planning, design, and construction of large scale development projects at a precinct, neighbourhood, or community scale. We use Green Star Communities in our Residential portfolio to independently verify our leadership in delivering sustainable masterplanned communities.

B2. NABERS

The National Australian Built Environment Rating Scheme (NABERS) is a national rating system that measures the environmental performance of Australian buildings, tenancies and homes in occupancy. It uses measured and verified operational performance information to assess the energy efficiency, water usage, waste management and indoor environment quality of a building or tenancy and its impact on the environment. This performance is converted into a rating scale of 1 to 6 stars, with 6 being market-leading performance.

We undertake NABERS Energy and NABERS Water ratings annually on the base building across Retail Town Centre, Workplace and Business Parks assets, with tenancy ratings only undertaken on office tenancy space that we occupy. NABERS maintains an eligibility requirement specifying that assets under 15,000 square metres cannot be rated.

For our new Workplace and Retail Town Centre developments, we enter into a NABERS Commitment Agreement, which sets a clear target for achieving a NABERS rating outcome from the design of new buildings. Early commitment in the schematic design stage allows the project design team to follow a protocol for modelling energy performance in operation and having this independently reviewed and optimised. Following a strict energy monitoring and building tuning program, once in operation, gives greater certainty of achieving the target rating sometimes several years after the project is initially designed.

B.3 NatHERS and BASIX

Both the Nationwide House Energy Rating Scheme (NatHERS) and Building Sustainability Index (BASIX) are rating schemes applicable to dwellings.

NatHERS is a national framework developed for regulating the classification of Australian homes for their thermal performance. A NatHERS thermal performance rating assesses the amount of mechanical heating and cooling (e.g. air conditioners) that will be required to keep a home at a comfortable temperature.

Each state in Australia has minimum standards around thermal performance based on specific NatHERS ratings. NSW is different in that it uses BASIX (Building Sustainability Index) as a measure of energy use in the home; however, thermal performance forms a part of a BASIX rating. We use these regulations as well as other state-based building requirements as benchmarks for our sustainability targets and initiatives. Our current target requires our homes to be designed to exceed energy efficiency regulations by 10 per cent.

The NatHERS rating scale is from 1 to 10, with 10-star rated homes being the most thermally efficient and having minimal heating and cooling requirements. We work with builders to build homes that go beyond the 6-star minimum rating mandated by governments across Australia.

B4. Livable Housing Australia

Livable Housing Australia (LHA) maintains a voluntary three-tier performance range for liveable housing design: Silver, Gold and Platinum. This LHA certification promotes good design principles focused on accessibility, and can add to the long-term value of homes in our communities. The Livable Housing Design Guidelines describes 16 easy living design elements based on simple principles, such as minimum width corridors and more generous bathrooms. Each element details the performance expected to achieve Silver, Gold or Platinum level accreditation. LHA issues the Livable Housing Design Quality Mark to accredited building projects that are assessed at the Design and As Built stages of development.

As the largest residential property developer in Australia, with an overarching commitment to liveability, we use LHA guidelines to improve industry standards and to deliver liveable communities. We are committed to all sustainability hubs in our communities being constructed to minimum LHA Silver level, and increasing the number of homes constructed to Silver level standards in our display villages, retirement living villages, medium density and completed homes projects.

C. Review and evaluation of the management approach

We set LHA commitments and targets for guiding NABERS ratings on a three-yearly basis to focus our investment in performance improvements across our portfolio. We report on asset ratings and other certification achievements across our portfolio in our **Carbon and Energy Deep Dive** and our **Environmental Data Pack**.

The use of rating and certification schemes, as well as commitments or targets related to the schemes, are reviewed along with the review of our performance. We are corporate members of the Green Building Council of Australia, which provides us with insight into the review and evolution of Green Star rating tools and other industry trends in asset rating and certification. We also work closely with the NABERS Administration team on developments and improvements to the NABERS suite of rating tools.

D. Responsibilities

Roles and responsibilities related to our approach to asset ratings and certifications are provided in the table below.

| Role | Responsibilities |
|--|--|
| Board Sustainability Committee | Oversight of sustainability approach, targets and performance tracking |
| Chief Financial Officer (CFO) | Responsibility at a Group level for environmental performance, including asset ratings and certification Reports directly to Managing Director and CEO Chairs our internal Sustainability Steering Committee, which is composed of senior management from various organisational departments including Strategy, Investor Relations, Stakeholder Relations, Project Management, People and Culture, Legal, Risk, Operations, Development and Sustainability. |
| Group Executive and CEO Commercial Property Group Executive and CEO Communities | Delivery of asset ratings and certifications |
| Executive Committee | Supports delivery of asset ratings and certifications |
| National Manager – Group Sustainability supported by National Sustainability Managers and National Operations Managers (for Commercial Property and Retirement Living portfolios) | Strategic identification and evaluation of asset ratings and certifications across our diverse portfolio of assets |
| Development Managers and Asset Managers | Management of asset ratings and certifications at project and asset level |

E. Version control

| Revision | Published | Owner | Changes |
|----------|----------------|--|---------|
| 1 | September 2018 | General Manager – Sustainability and Corporate Procurement | |
| 2 | August 2019 | National Manager – Group Sustainability | |
| 3 | April 2020 | National Manager – Group Sustainability | |