



Building a better working world

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Independent Assurance Report to the Management and Directors of Stockland Corporation Limited in relation to its 2018 Sustainability Reporting

Our Conclusion

- Based on our limited assurance procedures conducted, nothing has come to our attention that causes us to believe that the selected sustainability disclosures for the year ended 30 June 2018 have not been reported and presented fairly, in all material respects, in accordance with the Criteria.
- Based on our reasonable assurance procedures conducted, Stockland's description of its adherence to the AA1000 AccountAbility Principles of Materiality, Inclusivity, and Responsiveness for the year ended 30 June 2018 has been reported, in all material respects, in accordance with the Criteria.

Ernst & Young (EY) has carried out an assurance engagement pertaining to limited and reasonable assurance over aspects of Stockland Corporation Limited's ('Stockland') consolidated Corporate Reporting (as presented in the Annual Review and Online Sustainability Report: www.stocklandsustainability.com.au and www.stockland.com.au/corporate-reporting) ('the Report') for the year ended 30 June 2018.

Subject Matter

Limited assurance Subject Matter included the following:

- Selected material non-financial performance information ('Selected Performance Information') limited to those listed in Table 1
- Selected qualitative disclosures relating to performance data as outlined in Table 1, and selected qualitative disclosures pertaining to Stockland's material issues as outlined within the Report

Table 1: Selected Performance Data

Performance data	As presented within:
Greenhouse gas emissions, energy, water and waste data: 1. Total greenhouse gas (GHG) emissions, in tonnes of carbon dioxide equivalent (tCO ₂ -e) 2. Total Scope 1 GHG emissions (tCO ₂ -e) 3. Total Scope 2 GHG emissions (tCO ₂ -e) 4. Total Scope 3 GHG emissions (tCO ₂ -e) 5. GHG emissions intensity (kgCO ₂ -e/m ²) for the Commercial Property portfolio 6. Electricity intensity reductions in Commercial Property (% and Australian dollars [\$]) 7. Total Energy Consumption from Purchased Electricity, in kilowatt hours (kWh) 8. Renewables generation (kWh) 9. Total Energy Consumption from Gas Consumption, in megajoules (MJ) 10. Total Energy Consumption from Transport Fuel Consumption, in Litres (L), and kilograms (kg) 11. Water Consumption in kilolitres (KL) for Commercial Property 12. Operational waste in tonnes (t) for Commercial Property	<ul style="list-style-type: none"> Carbon and Energy Deep Dive Water Management Deep Dive Waste and Materials Deep Dive Environmental Data Pack Annual Review

Performance data	As presented within:
Community Contribution data: 13. Total Community Contribution including Community Development and Community Investment spend in Australian dollars (\$)	<ul style="list-style-type: none"> Community Deep Dive Community Data Pack Annual Review
Retail customer engagement data: 14. Retail tenant customer satisfaction scores (%)	<ul style="list-style-type: none"> Customer Engagement and Experience Deep Dive Annual Review
Employee engagement data: 15. Selected 'Our Voice' survey results 16. Absent Days per FTE 17. Turnover – employee initiated, employee initiated for employees with Strong performance or above, Stockland initiated and total	<ul style="list-style-type: none"> Employee Engagement, Development, Diversity, and Inclusion Deep Dive Annual Review
Health & Safety data: 18. Total number of Lost Time Injuries (LTIs) 19. Lost Time Injury Frequency Rate (LTIFR) 20. Contractor Lost Time Injury Frequency Rate (CTIFR) 21. Total number of Medical Treatment Injuries (MTIs) 22. Medical treatment Injury Frequency Rate (MTIFR)	<ul style="list-style-type: none"> Health and Safety Deep Dive People Data Pack Annual Review
Diversity data: 23. Workforce by gender (%) 24. Workforce by Cultural Background (%) 25. Women in Management by Business (%) 26. Average Fixed Remuneration Ratio by job band 27. Gender Pay Equity Ratio	<ul style="list-style-type: none"> Employee Engagement, Development, Diversity and Inclusion Deep Dive People Data Pack Annual Review

- Stockland's reported alignment to the self-declared Comprehensive level of 'in accordance' reporting requirements of the Global Reporting Initiative's ('GRI') Standards

Reasonable assurance Subject Matter included the following:

- Stockland's description of its adherence to the principles of Materiality, Inclusivity, and Responsiveness

The Subject Matter for both limited and reasonable assurance did not include Management's forward looking statements.

Criteria

Limited assurance Criteria:

- ▶ Definitions as set out in the Global Reporting Initiative's ('GRI') Standards and Stockland's own criteria as set out in the Report
- ▶ GRI Standards Comprehensive 'in accordance' reporting criteria

Reasonable assurance Criteria:

- ▶ AA1000 AccountAbility Principles Standard (2008)

Management's Responsibility

Management of Stockland is responsible for the preparation and fair presentation of the Subject Matter in accordance with the Criteria, and is also responsible for the selection of methods used in the Criteria. No conclusion is expressed as to whether the selected methods are appropriate for the purpose described above. Further, Stockland's management is responsible for establishing and maintaining internal controls relevant to the preparation and presentation of the Subject Matter that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate criteria; maintaining adequate records, and making estimates that are reasonable in the circumstances.

Limited Assurance Responsibility and Procedures

Assurance Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Subject Matter based on our assurance engagement, conducted in accordance with the Australian Auditing and Assurance Standards Board *Australian Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE 3000') and *Assurance Engagements on Greenhouse Gas Statements* (ASAE3410) and the terms of reference for this engagement, as agreed with Stockland.

Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and, as such, do not provide all of the evidence that would be required to provide a reasonable level of assurance. Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the Subject Matter, whether due to fraud or error. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls.

Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems, which would have been performed under a reasonable assurance engagement.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Summary of Procedures Undertaken

Our procedures included, but were not limited to:

- ▶ Conducting interviews with key personnel to understand the process for collecting, collating and reporting the Selected Performance Data during the reporting period
- ▶ Checking that the calculation criteria had been applied in accordance with the methodologies outlined in the Criteria
- ▶ Site visits to Stockland's Newport residential community, Cardinal Freeman Retirement Living Village, and Stockland Green Hills shopping centre to understand how site-level data was collected and reported to the group
- ▶ Undertaking analytical review procedures to support the reasonableness of the data
- ▶ Identifying and testing assumptions supporting calculations
- ▶ Testing, on a sample basis, to underlying source information to check the accuracy of the data
- ▶ Reviewing the Report and testing a sample of assertions and claims made throughout the Report including checking claims to evidence provided

Reasonable Assurance Responsibility and Procedures

Assurance Practitioner's Responsibility

Our responsibility is to express a reasonable assurance conclusion on the Subject Matter based on our assurance engagement conducted in accordance with the Australian Auditing and Assurance Standards Board *Australian Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE 3000') and the terms of reference for this engagement as agreed with Stockland.

Our reasonable assurance procedures were designed to express an opinion as to whether the Subject Matter, in all material respects, has been prepared in compliance with the Criteria based on our reasonable assurance engagement. Our procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the Subject Matter, whether due to fraud or error. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls, and therefore no opinion is expressed on this.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance conclusions.

Summary of Procedures Undertaken

Our procedures included, but were not limited to the following:

- ▶ Interviews with Stockland personnel, including the Chairman and some Non-Executive Directors of the Board, all of Stockland's executive management team, selected members of the senior management team, as well as selected external stakeholders. The purpose of these interviews being to understand the key sustainability issues related to the subject matter and the effectiveness of Stockland's response to the issues that matter to them

- ▶ Undertaking a gap analysis against Stockland's own materiality assessment to independently identify the material matters in order to test for completeness. The analysis was done with reference to the GRI Standards, Integrated Reporting <IR> framework, and AccountAbility's 'five-part materiality test'. This included an assessment of publically available information of Stockland's industry peers, media articles relevant to Stockland, assessment of key internal documentation provided by Stockland, and analysis against external guidelines and frameworks
- ▶ Site visits to Stockland's Newport residential community, Cardinal Freeman Retirement Living Village, and Stockland Green Hills shopping centre to understand how stakeholder needs are considered and responded to, and how material sustainability issues are managed and reported

EY observations in respect to adherence with the AA1000APS

Sustainability considerations are integrated within many aspects of Stockland's business processes, reflecting its longer-term commitment to the principles of Inclusivity, Materiality, and Responsiveness. We provide the following observations in relation to Stockland's adherence with AA1000APS, noting that these observations did not impact our ability to form an unqualified assurance opinion.

Inclusivity

Throughout the Report Stockland has detailed its approach for identifying and engaging with key groups of stakeholders, including employees, government, investors, customers, suppliers, communities, and the media. We found this approach to be inclusive, as defined by AA1000APS. For example, Stockland has in place policies, procedures, and a framework that facilitates a consistent way to recognise and engage with key stakeholder groups, both at an asset and group-level. Further, Stockland tracks and reports on the key outputs from its engagement activities, and uses this as an input to shaping the business' sustainability priorities.

Materiality

We found Stockland's approach for identifying short- and longer-term material matters provides the business with a mechanism to fairly identify and prioritise material issues, as required by AA1000APS. This approach provided Stockland with the ability to take into account the changing sustainability context and the maturity of these matters. Stockland also disclosed these emerging matters to external stakeholders. For example, Stockland has been more actively managing the risks and opportunities of digital disruption through the appointment of key personnel and development of a digital strategy.

Responsiveness

Stockland has both formal and informal processes in place to respond to stakeholder concerns and feedback. These processes are carried out at both an asset and group-level. We found Stockland's processes for responding to stakeholder concerns to be timely and balanced. For example, in response to investor interest in climate risk, Stockland has committed to adopting the Recommendations of the Taskforce on Climate-related Financial Disclosure (TCFD) to inform its climate risk disclosures.

Other observations on particular aspects of our engagement

Stockland has requested that we provide selected observations and areas for improvement, as identified throughout the assurance procedures, for the purpose of identifying areas for sustainability leadership. These observations did not impact our ability to form an unqualified assurance conclusion.

- ▶ Stockland announced an industry-leading solar project during the year, committing to install more than 39,000 Photo-Voltaic (PV) panels across ten retail centres (providing 12.3 MW capacity). This presents a significant opportunity for Stockland to be integrating more renewable sources of electricity, and thereby managing the transition risks associated with climate change. Such initiatives will become increasingly important across all forms of property, and we recommend that Stockland continue seeking opportunities for utilising lower cost and renewable forms of energy in other parts of the business
- ▶ Stockland continues to make progress toward its Women in Leadership targets, particularly at the Executive and Senior Management levels. Results across the Manager job band remained strong in FY18, albeit slightly lower than in prior years. Core diversity initiatives introduced in recent years are expected by Stockland to realise improvements in relation to gender diversity over time. We recommend Stockland also considers implementing targets and specific initiatives toward advancing cultural, including Indigenous, diversity in order to maintain its positive position in terms of Diversity & Inclusion
- ▶ Safety on development and operational sites remains a priority for Stockland, with recent initiatives (including reporting on contractor safety and the Sights on Safety campaign) indicating sustained commitment beyond areas of direct control. Stockland has also championed mental health and wellbeing initiatives. We recommend that for Stockland to achieve ongoing improvements in its safety performance, in relation to both physical safety and mental health, continued engagement across the sector is needed. Specifically, Stockland is encouraged to more thoroughly interrogate performance data provided by its contractors, to understand underlying trends and identify root causes of contractors' and sub-contractors' safety performance
- ▶ In the current business environment, characterised by heightened sensitivity in relation to corporate responsibility to customers, it will be important for Stockland to proactively identify and manage potential areas of emerging risk (whether real or perceived) from inappropriate conduct. In particular, sales and leasing practices may be more heavily scrutinised, particularly as Stockland commonly interacts with new home buyers, retirees, and franchisees. We note that Stockland is currently monitoring and responding to this risk actively. Going forward, we recommend that as stakeholder expectations evolve, Stockland continues to enhance its stakeholder accountability approach by linking engagement to the three lines of defence

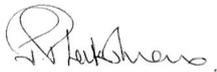
Use of our Assurance Engagement Report

We disclaim any assumption of responsibility for any reliance on this assurance report, or on the Subject Matter to which it relates, to any persons other than Management and the Directors of Stockland, or for any purpose other than that for which it was prepared.

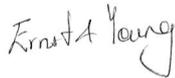
Our review included web-based information that was available via web links as of the date of this statement. We provide no assurance over changes to the content of this web-based information after the date of this assurance statement.

Independence and Quality Control

In conducting our assurance engagement, we have met the requirements of the APES 110 Code of Ethics for Professional Accountants. We have the required competencies and experience to conduct this assurance engagement.



Terence Jeyaretnam
Partner
20 September 2018



Ernst & Young
Melbourne, Australia