



Building a better working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Independent Assurance Report to the Management and Directors of Stockland Corporation Limited in relation to its 2019 Corporate 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 2019 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, Responsiveness and Impact for the year ended 30 June 2019 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 Online Sustainability Reporting (<http://www.stockland.com.au/sustainability/downloads>) and Annual Report (<https://www.stockland.com.au/~media/corporate/pdf/about-stockland/sustainability/stockland-annual-report-appendix-4e-fy19.ashx?la=en>) ('the Report') for the year ended 30 June 2019.

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 Report |

| 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 Report |
| Employee engagement data: 14. Selected 'Our Voice' survey results 15. Absent Days per FTE 16. 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 Report |
| Health & Safety data: 17. Total number of Lost Time Injuries (LTIs) 18. Lost Time Injury Frequency Rate (LTIFR) 19. Contractor Lost Time Injury Frequency Rate (CTIFR) 20. Total number of Medical Treatment Injuries (MTIs) 21. Medical treatment Injury Frequency Rate (MTIFR) | <ul style="list-style-type: none"> Health and Safety Deep Dive People Data Pack Annual Report |
| Diversity data: 22. Workforce by gender (%) 23. Workforce by Cultural Background (%) 24. Women in Management by Business (%) 25. Average Fixed Remuneration Ratio by job band 26. Gender Pay Equity Ratio | <ul style="list-style-type: none"> Employee Engagement, Development, Diversity and Inclusion Deep Dive People Data Pack Annual Report |

- 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, Responsiveness and Impact

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 (2018)

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 limited assurance 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 Elara residential community, Highland's Retirement Living Village, and Birtinya residential community and 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 reasonable assurance 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 publicly 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 Elara residential community, Highland's Retirement Living Village, and Birtinya residential community and shopping centre to understand how site-level data was collected and reported to the group

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, Responsiveness and Impact. 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 at group-level. Further, Stockland internally 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-term and longer-term material matters provides the business with a mechanism to identify and prioritise material issues, as required by AA1000APS. This approach provides 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, over the past year Stockland has placed greater focus on its customer engagement activities, especially within its Retirement Living business, due to an expanding customer experience landscape.

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 customer feedback regarding the settlement process in its Residential business, Stockland introduced a technology solution for tracking land sales, in order to provide customers with greater transparency.

Impact

Stockland has in place processes to understand the organisation's key impacts, and has integrated its analysis of these impacts within its wider risk assessment processes. Specifically, material issues are assessed with reference to the group's key risk register, which is reviewed by the Board. Furthermore, Stockland's assessment of its impacts extend beyond areas of direct control, and to its contractor and supplier base.

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 improvement opportunities and areas for sustainability leadership. These observations did not impact our ability to form an unqualified assurance conclusion.

- ▶ Stockland has championed wellbeing initiatives across the organisation and recognises mental health as an emerging risk for its employees. As such, Stockland expanded its wellbeing program throughout the year, piloting new training for both corporate and asset-based staff. In addition to general mental health awareness and training, Stockland is encouraged to more thoroughly interrogate the psychosocial risks associated with specific roles across the organisation, and to ensure that there are sufficient controls in place to manage these. For example, introducing mechanisms for village managers and other employees working within the Retirement Living business. We note this business has unique workplace risk exposures, such as facing issues associated with residents' mental and physical health and as a first responder to incidents.
- ▶ As Stockland continues to understand and assess its impact across the value chain, it will be important to measure and evaluate these impacts to better support decision-making. In 2018/19, Stockland piloted its Community Partner Valuation Framework and Tool to assess the social and business value created by community partnerships and programs. This following the Social Return on Investment (SROI) analysis for Retirement Living in the prior year. Extending on these approaches to other forms of capital referred to within the International Integrated Reporting Framework, such as natural, human and intellectual capital, may assist in analysing outcomes generated from under- or non-valued activities.
- ▶ Climate change remains a material issue for Stockland. The group was a first-mover in the Australian marketplace with its Climate-related Financial Disclosures publication last year. As other organisations follow suit, understanding of climate-related risks and opportunities is expected to improve, necessitating more detailed disclosures. For example, the general understanding of water-scarcity risks in Australia and the link to physical risks of climate change are becoming better understood. Accordingly, we recommend Stockland continues seeking opportunities to introduce longer-term planning considerations into its property portfolio through analysis of social and environmental returns over time across a changing climate.

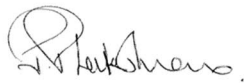
Use of our Assurance Engagement Report

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.

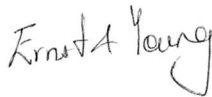
Our review included web-based information that was available via web links as of the date of this statement. We provide no assurance over changes to the content of this web-based information after the date of this assurance statement.

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 August 2019



Ernst & Young
Melbourne, Australia