

15 August 2016

Stockland Green Bond – Use of Proceeds Statement 2016

As outlined in Schedule 2 of the Pricing Supplement of the Stockland Trust Management Limited (Stockland) EUR 300,000,000 Medium Term Note due 3 November 2021, Stockland has committed for the term of the notes to publish annual updates as part of 'Sustainability Reporting' detailing, at a minimum, the allocation of the net proceeds of the notes to "Eligible Green Projects" together with key features and where applicable.

These updates are accompanied by:

- (i) an assertion by management that the proceeds of this offering were invested in qualifying "Eligible Green Projects".
- (ii) an independent assurance report in respect of management's assertion on the use of proceeds in compliance with the Green Bond Principles, 2014 and Stockland's Green Bond Management Statement, performed in accordance with International Standard on Assurance Engagements ISAE 3000 Assurance Engagements other than Audits and reviews of Historical Financial Information.

Stockland is responsible for the completeness and accuracy of the listing of specified investments to which the Medium Term Note Proceeds have been applied and for ensuring that the specified investments meet the "Eligible Green Projects" criteria (set out below). Stockland has established and continues to maintain control procedures which are suitably designed and implemented to meet the requirements of the "Green Bond Principles, 2014".

"Eligible Green Projects" means

- I. Developments which have received, or are expected to receive, a Green Building Council of Australia¹ (GBCA) 4, 5 or 6 star certification or equivalent certification
- II. Redevelopments which have received, or are expected to receive, a 4, 5 or 6 GBCA star certification or equivalent certification
- III. Tenant improvement projects funded by us (Stockland) which have received, or are expected to receive, a GBCA 4, 5 or 6 star certification or equivalent certification
- IV. Capital projects which are and/or are not yet certified by GBCA but which are based on a third-party engineering and/or specialist consultant study, improve the efficiency (energy, water and/or waste) of a building and/or development.
- V. Capital projects, executed in a manner in line with Stockland sustainability policies and focus areas which yield a measurable benefit in line with the "Green Bond Principles, 2014".

The table below outlines the allocation of these funds across the following assets:

Type of project	Site	Financial allocation (\$ million AUD)	Green Star rating
Development (Use of Proceeds Category I)	Aura (previously named Caloundra South)	67.8	6 Star - Communities Pilot v0.1 - Rating achieved
	Merndaⁱⁱ	29.2	4 Star - Custom Design – Rating achieved
	Selandra Riseⁱⁱ	30.4	4 Star - Custom Design – Rating achieved
Redevelopment (Use of Proceeds Category II)	Wetherill Park	149.5	5 Star - Retail Centre Design v1 - Rating achieved
	Baldivis	95.5	4 Star - Retail Centre Design v1 - Rating achieved
	Hervey Bay	17.6	4 Star - Retail Centre As Built v1 - Rating achieved
	Shellharbour	8.7	4 Star - Retail Centre As Built v1 - Rating achieved
	Green Hills	18.4	4 Star – Retail Centre Design v1 – Target rating
	Harrisdale	15.9	4 Star - Retail Centre Design v1 - Rating achieved
	Total	EUR300m / AUD 433mⁱⁱⁱ	

Further information on the performance of these assets can be found in Stockland's Sustainability Reporting (to be released 21st September 2016).



Tiernan O'Rourke
Chief Financial Officer
Stockland

15 August 2016

ⁱ The Green Building Council of Australia (GBCA) was established in 2002 to develop a sustainable property industry in Australia and drive the adoption of green building practices through market-based solutions.

Key Objectives - To drive the transition of the Australian property industry towards:

- Sustainability by promoting green building programs, technologies, design practices and operations
- Integration of green building initiatives into mainstream design, construction and operation of buildings.

What GBCA do:

- Rate – through Australia's only national, voluntary, holistic rating system for sustainable buildings and communities – Green Star.
- Educate – people on how to design and deliver sustainable outcomes for our buildings and communities.
- Advocate – policies and programs that support GBCA's mission and work with industry and government to achieve these goals.

ⁱⁱ Retirement Living Village

ⁱⁱⁱ Conversion rates EUR/AUD was 1.443 corresponding to the swap rates used on the date the Green Bond was priced (24 October 2014). This will be unchanged for the life of the bond.



Independent Reasonable Assurance Report to the Directors of Stockland Trust Management Limited and Stockland Corporation Limited (collectively “Stockland Group”)

Conclusion

In our opinion, in all material respects, as at 30 June 2016:

- The investments to which the Medium Term Note proceeds have been applied, meet the Eligible Green Projects Criteria; and
- The management statement, that controls have been suitably designed and implemented to meet the requirements of the Green Bond Principles, 2014, is fairly stated.

Information subject to assurance

We have undertaken a reasonable assurance engagement on Stockland Group’s investments to which the proceeds from Medium Term Notes have been applied and management’s statement on the design and implementation of controls as at 30 June 2016. Details of the investments and management’s statement on controls are contained the Green Bond Use of Proceeds Statement 2016 and collectively referred to in this report as the “Assured Subject Matter”.

We have not been engaged to provide an assurance conclusion on the financial performance of the Medium Term Notes. The obligation to perform financial due-diligence remains with the investors.

Criteria used as the basis of reporting

The criteria used to evaluate the investments to which the proceeds have been applied and management’s statement on suitability of design and implementation of controls are The Eligible Green Projects criteria and the Green Bond Principles 2014 and collectively referred to in this report as the “Criteria”.

Basis for our conclusion

We conducted our work in accordance with International Standard on Assurance Engagements ISAE 3000. We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

In accordance with ISAE 3000 we have:

- used our professional judgement to assess the risk of material misstatement and plan and perform the engagement to obtain reasonable assurance that the Assured Subject Matter is free from material misstatement, whether due to fraud or error;
- considered relevant internal controls when designing our assurance procedures, however we do not express a conclusion on their effectiveness; and
- ensured that the engagement team possesses the appropriate knowledge, skills and professional competencies.

How we define reasonable assurance and material misstatement

- Reasonable assurance is a high level of assurance, but is not a guarantee that it will always detect a material misstatement or material control deficiency when it exists.
- Misstatements or deficiencies, including omissions, are considered material if, individually or in the aggregate, they could reasonably be expected to influence relevant decisions of the intended users taken on the basis of the Assured Subject Matter.



Use of this Assurance Report

This report has been prepared for the Directors of Stockland Trust Management Limited and Stockland Corporation Limited for the purpose of providing an assurance conclusion on the Assured Subject Matter and may not be suitable for another purpose. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the Directors of Stockland Trust Management Limited and Stockland Corporation Limited, or for any other purpose than that for which it was prepared.

Directors' responsibility

The Directors are responsible for:

- determining that the Criteria is appropriate to meet their needs;
- preparing and presenting the Assured Subject Matter in accordance with the Criteria; and
- establishing internal controls that enable the preparation and presentation of the Assured Subject Matter that is free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to perform a reasonable assurance engagement in relation to the Assured Subject Matter as at 30 June 2016, and to issue an assurance report that includes our conclusion.

Our independence and quality control

We have complied with our independence and other relevant ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Australian Professional and Ethical Standards Board, and complied with the applicable requirements of Australian Standard on Quality Control 1 to maintain a comprehensive system of quality control.

Chi Mun Woo

KPMG

Sydney

15 August 2016