

Our Reporting Approach

FY18

Sustainability reporting at Stockland

Stockland's 2018 sustainability reporting is an account of our sustainability performance for the financial year from 1 July 2017 to 30 June 2018 (FY18). It is [independently assured](#) by Ernst & Young (EY).

This is the 13th year that we have publicly reported our sustainability performance. It includes detailed discussion of our material sustainability matters, as well as in-depth data sets and select case studies.

Sustainability reporting forms part of our suite of corporate reporting for FY18:

- Annual Review - our integrated report focusing on strategy, corporate governance and our financial, social and environmental performance
- Securityholder Review - a concise version of the Annual Review which is mailed to all securityholders
- Annual Report - a detailed account of our financial performance and governance, in compliance with statutory reporting requirements and the recommendations of the Task Force on Climate-related Financial Disclosures
- Property Portfolio - details on the assets within our portfolio.

Our sustainability reporting for FY18 was published in September 2018 and is publicly available at stockland.com.au/sustainability. It follows our FY17 sustainability reporting which was published online in September 2017.

We focus on embedding sustainability considerations in our business operations. This is consistent with our use of the AA1000 Principles of inclusivity, materiality and responsiveness, which has helped us identify, understand and respond to issues that potentially impact the long-term wellbeing of our communities, our people and our customers.

Key changes to our reporting in FY18

This year, we have streamlined our Deep Dive documents to focus on our annual performance, achievements, and priorities. Descriptions of management approaches related to each Deep Dive topic area now sit within standalone management approach documents also available on our [website](#). Management approach documents are reviewed annually and updated as required.

Our reporting approach

As a real estate owner, manager and developer, we recognise that we have a unique opportunity to create shared social, environmental and economic value for our communities, customers and investors now and in the future.

We have three strategic business priorities to support our growth and deliver returns for our investors: growing asset returns and our customer base, maintaining our capital strength, and delivering operational excellence.

Our [sustainability strategy](#) integrates with our business strategy and priorities, providing a better way to deliver shared value through three core sustainability priorities: shape thriving communities, optimise and innovate, and enrich our value chain.

Our sustainability reporting focuses on the matters of greatest relevance to our business during the reporting period.



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In our reporting we highlight two sets of sustainability matters:

- our enduring themes – these matters align with and help us to deliver on our three sustainability priorities of shape thriving communities, optimise and innovate, and enrich our value chain. Our management approach to each of these matters is well developed and embedded in our day to day operations.
- our material matters – these matters have been identified as the emerging issues that impact the landscape in which we operate and represent future risks and opportunities for our business and our stakeholders.

Enduring themes

We have a long history of addressing sustainability matters that respond to our stakeholders, such as our resource efficiency and the diversity of our workforce. Our responses to these matters are embedded in our day-to-day operations, and we continue to enhance our management of these themes given their importance to our stakeholders and to our business.

Our sustainability reporting suite consists of a series of Deep Dive documents specific to sustainability matters as outlined in the table below. Each Deep Dive document has an associated management approach document that is reviewed annually and available on our [website](#).

The reporting is prepared in accordance with the GRI Standards¹ (Comprehensive).

SUSTAINABILITY STRATEGY PRIORITY	ANNUAL DEEP DIVE REPORTS
Shape thriving communities	<ul style="list-style-type: none"> • Community • Customer Engagement and Experience
Optimise and innovate	<ul style="list-style-type: none"> • Asset Rating and Certification • Biodiversity • Carbon and Energy • Climate Resilience • Waste and Materials • Water Management and Quality
Enrich our value chain	<ul style="list-style-type: none"> • Employee Engagement, Development, Diversity and Inclusion • Health and Safety (employee and customer safety) • Human Rights • Governance and Risk • Stakeholder Engagement • Supply Chain

Material matters

In addition to our enduring themes, we have identified emerging issues that impact the landscape in which we operate. They represent future risks and opportunities for our business and our stakeholders over the short, medium and long-term.

Our material matters also align with the core priorities of our sustainability strategy. We anticipate that these matters will evolve over time and we will continue to work with relevant stakeholders to shape these issues going forward.

A summary of our material matters and where further information can be found is provided below.

1. Climate change impacts our assets, operations and the broader community

Extreme weather and other climate change related events have the potential to damage our assets, disrupt operations and impact the health and wellbeing of our customers and communities. We are committed to creating climate resilient assets that operate with minimal disruption in the event of increased climate events, as well as building strong communities that are equipped to adapt to climate change risks and opportunities.

To do this, we will continue to:

- assess our portfolio for climate and community resilience and implement action plans
- embed climate resilience within our standard asset risk assessments
- evolve our scenario analysis over time.

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

To further demonstrate our commitment to climate action and best practice disclosure we were an early adopter of the Financial Stability Board Task Force on Climate-related Financial Disclosures (TCFD) Recommendations.

Other stakeholders potentially impacted by this issue include investors, the property industry, community, and government.

(See our [Climate Resilience Deep Dive](#), our [Carbon and Energy Deep Dive](#), our [FY18 Annual Report](#) (pages 19-23), and 'Operational Excellence' and 'Optimise and Innovate' within our [Annual Review 2018](#)).

2. Housing affordability continues to impact the dynamics of the Australian housing market

Our Communities business is influenced by the dynamics of the Australian housing market. Housing affordability remains of key concern for Australians. We consider a suite of measures is required to unlock housing supply and address affordability, including early planning and delivery of infrastructure, and simplified development controls to enable housing diversity.

To address affordability, we will continue to:

- partner with government and industry to drive solutions
- provide a broader mix of value for money housing options including house and land packages, completed housing and townhomes
- balance the demand from home owners and investors so that our residential communities remain attractive to future buyers
- improve efficiency across the business and manage costs while investigating alternative building methods and build-to-rent models
- address what our customers want by providing a strong community value proposition.

Other stakeholders potentially impacted by this issue include the property industry, investors and customers.

(See 'Our Business' and 'Grow Our Asset Returns and Customer Base' within our [Annual Review 2018](#)).

3. Security risks and unexpected market events impact business continuity and community resilience.

The safety of our customers and employees is a key priority. Managing their safety and the resilience of the communities in which we operate is becoming increasingly complex. This includes safety and security risks associated with terrorism, cyber threats and extreme weather events.

To make our business more resilient we will continue to:

- train our employees and increase their risk awareness
- undertake regular scenario testing
- engage with peers and across industries
- invest in asset upgrades and adapt community design to improve resilience
- actively manage our corporate insurance program.

We also have strategies in place for unexpected market events that may impact business continuity such as potential volatility within our supply chain and energy price shocks.

Other stakeholders potentially impacted by this issue include investors, customers, community, industry and employees.

(See our [Health and Safety Deep Dive](#), our [Climate Resilience Deep Dive](#), our [Governance and Risk Deep Dive](#), and 'Optimise and Innovate' within our [Annual Review 2018](#)).

4. Changes within the retail sector impacts retail operating models

The retail landscape is constantly evolving. Within the last 10 years the sector has seen a convergence of technological advances, in particular e-commerce, the entry of new, international retailers and changes in underlying consumer behaviour. These changes have challenged some of our retailers. We have been proactive and have pre-empted many of the changes and will continue to:

- remix our assets with a focus on experiential retail, food catering and retail services including beauty and health service providers
- redevelop our assets to create diverse, walkable town centres that form the social hub of the community
- leverage deep customer insights and analytics to inform our tenant remixing and centre design
- divest non-core assets subject to market conditions.



Other stakeholders potentially impacted by this issue include our customers and the property industry.

(See our [Customer Engagement and Experience Deep Dive](#), [Community Deep Dive](#), and 'Grow Our Asset Returns and Customer Base' within our [Annual Review 2018](#)).

5. Regulatory and policy changes impact our business and customers

Substantial policy reform presents both opportunities and potential impacts for our business and customers. Planning, infrastructure and tax reform remain key policy areas where we will continue to engage with industry and government.

We will also continue to:

- focus our development activity in areas where governments support growth
- drive leadership in areas including the retirement living sector, housing affordability and energy policy through proactive initiatives and engagement
- create developments in line with best practices to garner support from governments and community and prepare for potential regulatory changes.

Other stakeholders potentially impacted by this issue include investors, customers and the property industry.

(See our [Stakeholder Engagement Deep Dive](#), and 'Our Business' within our [Annual Review 2018](#)).

6. Ability to develop products and deliver experiences that meet future customer and societal demands

Our ability to develop products that meet anticipated future customer and societal demands is crucial to the sustainability of our business, particularly considering Australia's changing demographics, including an ageing population and more socially conscious millennials.

To continue to meet and exceed the expectations of our customers and the community, we will remain focused on:

- customer choice including diverse housing products and offering retirement living contract options
- evolving our market leading product innovation and deepen our customer insights using our proprietary Liveability Index research, Stockland Exchange (our online research community), Quantum (which provides data-driven customer insights to inform how we view markets and opportunities) and other data sources
- enhancing our design excellence, providing greater functionality and value for money that meets the demands of Australia's changing demographics
- creating sustainable and liveable communities and assets, resilient to changes in climate.

Other stakeholders potentially impacted by this issue include our customers.

(See our [Customer Engagement and Experience Deep Dive](#), [Climate Resilience Deep Dive](#), [Community Deep Dive](#), and 'Grow Our Asset Returns and Customer Base' and 'Optimise and Innovate' within our [Annual Review 2018](#)).

7. Ability to harness digital business opportunities to remain competitive

There are myriad challenges and opportunities that arise from digital disruption, including changes to the way we use digital technology. To remain competitive, we must continually assess and leverage digital innovation. This includes facilitating a connected and agile workforce, more efficient business and supply chain processes, and digital lead nurturing and customer-centric innovation.

In March 2018, the executive-level position, Chief Innovation, Marketing and Technology Officer, was created to enhance our ability to progress commercial outcomes from innovation projects. It will also position us to use technology to further improve the mobility and flexibility of our workforce, enhancing customer service and the competitive advantage of our business.

To remain competitive, we will also continue to execute our Information Technology strategy with a focus on long-term strategic investment, and the identification and integration of technical enhancements across the business. This includes developing online residential and retirement living engagement opportunities, improved development and management processes and e-enabled retail town centres.

Other stakeholders potentially impacted by this issue include our customers and employees.

(See our [Customer Engagement and Experience Deep Dive](#), and 'Grow Our Asset Returns and Customer Base' and 'Operational Excellence' within our [Annual Review 2018](#)).

8. Capital market volatility impacts our ability to transact and access suitable capital

Our long-term growth is dependent on our ability to access capital at the appropriate time and cost even as capital markets fluctuate in response to domestic and global economic shifts. Variable economic activity and changing capitalisation rates may impact the valuation of our assets and our ability to access capital.

So that we can continue to raise sufficient capital to fund growth, we will continue to:

- focus on retaining a strong balance sheet at appropriate levels of gearing
- maintain and increase access to diverse funding sources
- maintain our prudent capital management policies
- recycle capital from divested non-core assets.

Other stakeholders potentially impacted by this issue include investors, customers, community and employees.

(See 'Capital Strength' in our [Annual Review 2018](#)).

9. Ability to meet the changing nature of the workforce to attract, engage and retain employees

The ability to attract, engage and retain our employees is critical to our overall business performance. Similar to customer experience, employee experience is becoming increasingly important. Employees expect a work environment that enables greater flexibility in both where and how they work.

We are focused on how we actively set employees up for success and will continue to:

- improve our systems and processes to provide more efficient ways to work
- encourage flexible work practices supported by our new collaboration platforms
- train our senior leaders to be more agile and resilient through programs such as our Senior Leadership Experience program.

Other stakeholders potentially impacted by this issue include our employees.

(See our [Employee Engagement, Development, Diversity and Inclusion Deep Dive](#), and 'Operational Excellence' and 'Enrich our Value Chain' within our [Annual Review 2018](#)).

10. Increasing expectation on organisations from the community

Community expectations on the social and behavioural operations of a "good corporate" are changing. Corporates are increasingly expected to work in partnership with the community and government on societal issues.

Corporate leaders are also expected to create a positive corporate culture by shaping business outcomes through a system of beliefs, values and behaviours.

We are well placed to meet these expectations and have a strong reputation for sustainability leadership and community development. We use a variety of tools to assess and progress the health of our culture including our annual employee engagement survey to capture employee feedback and our Stockland Leadership Framework to build leaders that align with our values.

Other stakeholders potentially impacted by this issue include our employees, community, and investors.

(See our [Supply Chain Deep Dive](#), our [Community Deep Dive](#), our [Climate Resilience Deep Dive](#), our [Human Rights Deep Dive](#), and 'Operational Excellence' and 'Chairman's Letter' within our [Annual Review 2018](#)).

Materiality process

We have used the materiality definition from the Integrated Reporting Framework that states ‘an integrated report should disclose information about matters that substantively affect the organisation’s ability to create value over the short, medium and long term’.

We identified our FY18 material matters using the following process.



IDENTIFY	EVALUATE AND PRIORITISE	ALIGNMENT AND DISCLOSURE
<p>We combined the outcomes of the following two materiality processes to identify draft material matters:</p> <ul style="list-style-type: none"> Materiality test capturing internal and external perspectives in alignment with the principles of AA1000 and GRI Standards, including: <ul style="list-style-type: none"> Investor research and engagement; Customer feedback and insights; Employee surveys; Political and regulatory developments; Industry engagement and advocacy; and Social and mainstream media. An internal operational and strategic risk assessment. <p>The resulting list of matters served as a starting point for our integrated reporting materiality workshop.</p>	<p>An integrated reporting materiality workshop was held with members of the leadership team to identify any additional relevant issues, rank issues of greatest significance and prioritise them based on their ability to affect value.</p> <p>Material matters were mapped in terms of their potential impact on value creation over the short, medium and long term.</p>	<p>Following the materiality workshop, the identified material matters were presented to our internal Integrated Reporting Committee.</p> <p>Once confirmed, the matters formed the basis of the Board and Executive Committee’s strategy discussion.</p>

United Nations Sustainable Development Goals






We are a signatory to the United Nations Global Compact (UNGC) and support the 10 principles of the Global Compact on human rights, labour, environment and anti-corruption. Our FY18 sustainability reporting also serves as our UNGC Communication on Progress.

We contribute to a number of the 17 United Nations Sustainable Development Goals, as highlighted in the table below.

LINKAGES BETWEEN OUR ACTIVITIES AND THE UN SUSTAINABLE DEVELOPMENT GOALS

ICON	GOAL	HOW WE DO IT
	Goal 3 – Good health and wellbeing	Through our focus on employee wellbeing (Employee Engagement, Development, Diversity and Inclusion Deep Dive), community wellbeing (Community Deep Dive), and health and safety (Health and Safety Deep Dive).
	Goal 4 – Quality education	Through our community development activities and partnerships focused on education (Community Deep Dive).



ICON	GOAL	HOW WE DO IT
	Goal 5 – Gender equality	Through our commitment to gender pay equity and targets for women in management (Employee Engagement, Development, Diversity and Inclusion Deep Dive).
	Goal 7 - Affordable and clean energy	Through our focus on energy efficiency and renewable energy (Carbon and Energy Deep Dive).
	Goal 8 – Decent work and economic growth	Through our focus on our employees (Employee Engagement, Development, Diversity and Inclusion Deep Dive) and our focus on local economic outcomes where we operate (Supply Chain Deep Dive).
	Goal 9 - Industry, innovation and infrastructure	Through our appointment of a Chief Innovation, Marketing and Technology Officer, our Employee Innovation Groups (Employee Engagement, Development, Diversity and Inclusion Deep Dive) and our focus on innovation in our supply chain (Supply Chain Deep Dive).
	Goal 11 – Sustainable cities and communities	Through our focus on resource efficiency (Carbon and Energy Deep Dive , Water Management Deep Dive , Waste and Materials Deep Dive), climate risk management (Climate Resilience Deep Dive), and thriving communities (Community Deep Dive).
	Goal 13 – Climate Action	Through our focus on energy efficiency and renewable energy (Carbon and Energy Deep Dive), as well as our focus on climate resilient assets (Climate Resilience Deep Dive).
	Goal 15 – Life on land	Through our commitment to have a net positive impact on biodiversity across our residential developments (Biodiversity Deep Dive).



ICON

GOAL

HOW WE DO IT



Goal 17 – Partnerships for the Goals

Through our strong engagement with our stakeholders ([Stakeholder Engagement Deep Dive](#)), our focus on our customers ([Customer Engagement and Experience Deep Dive](#)), and our expectations on our suppliers ([Supply Chain Deep Dive](#)).

Reporting scope

We operate exclusively in Australia.

We own, manage and develop a growing portfolio of retail town centres, logistics centres, business parks, workplace assets, residential communities and retirement living communities. Throughout our sustainability reporting, our data and content are broken down and presented by our business units (Commercial Property and Communities) to capture and reflect the unique challenges and achievements specific to each business unit.

In some instances, however, we have reported data and content more holistically as the challenges, achievements and management approaches are inherently similar across all businesses.

With regard to external boundaries, unless otherwise stated we do not include data for entities outside the organisation. For our supply chain, we discuss management of our consultants, contractors and sub-contractors, but only provide data relating to these external entities if and when they fall within our 'operational control' boundary, as defined by the *National Greenhouse and Energy Reporting Act 2007 (NGER Act)*.

External assurance

We have reported in adherence to the AA1000 AccountAbility Principles of inclusivity, materiality and responsiveness and in accordance (Comprehensive) with the Global Reporting Initiative Sustainability Reporting Standards. Please refer to the [GRI Index](#) for more detailed information on where relevant indicators are disclosed in our reporting suite.

The sustainability reporting content has been externally assured in accordance with the Australian Standard for *Assurance Engagements (ASAE3000): Assurance Engagements other than Audits and Reviews of Historical Financial Information* and (ASAE 3410): *Assurance Engagement on Greenhouse Gas Statements* by Ernst & Young (EY).

EY provides **limited assurance** over:

- material non-financial performance information including data on greenhouse gas and energy, community contribution, retail customer engagement, employee engagement, health and safety, gender diversity, water consumption, and waste production
- selected qualitative disclosure relating to performance data, and selected qualitative disclosures pertaining to our material issues as outlined within our reporting
- alignment to Comprehensive level of 'in accordance' reporting requirements of the GRI Standards.

EY provides **reasonable assurance** over our adherence to the AA1000 Principles of materiality, inclusivity and responsiveness.

A copy of EY's assurance statement is available on our [website](#).

Feedback

We welcome your questions and value your feedback about our reporting approach.

Please contact us at sustainability@stockland.com.au