

Our Reporting Approach

FY19

Sustainability reporting at Stockland

Stockland’s 2019 sustainability reporting is an account of our sustainability performance for the financial year from 1 July 2018 to 30 June 2019 (FY19). It is [independently assured](#) by Ernst & Young (EY).

We have publicly reported our sustainability performance on an annual basis since 2005. 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 corporate reporting suite which includes the following documents:

- Annual Report – an integrated report outlining how the company creates value for stakeholders focused on our strategy, governance, financial, social and environmental performance 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; and
- Presentations relating to our financial results and operating performance, quarterly updates, Annual General Meeting, investor days and attendance at industry conferences.

Our sustainability reporting for FY19 was published in August 2019 and is publicly available at stockland.com.au/sustainability. It follows our FY18 sustainability reporting which was published online in September 2018.

We focus on embedding sustainability considerations into our business operations. This is consistent with our use of the AA1000 Principles of inclusivity, materiality, responsiveness and impact, 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 FY19

This year, we have integrated our financial and non-financial performance into one document, the Annual Report. This approach aligns with industry best practice, whilst streamlining our reporting processes, driving internal efficiency and improving our communications to investors and our broader stakeholders. Our full suite of sustainability reporting documents are available on our website, including our Deep Dive series and Management Approach documents.

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.



In this document you will find:

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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. Ability to deliver on our strategic priorities in challenging market conditions

We will continue to deliver sustainable and growing returns by focusing on:

- Accelerating improvement in the quality of our Retail Town Centre portfolio
- Broadening our capital partnering initiatives across the whole portfolio
- Increasing our weighting in Workplace and Logistics
- Enhance our capability to drive growth opportunities

Other stakeholders potentially impacted by this issue include investors.

(See our [FY19 Annual Report](#))

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



2. Increased competition and changing market conditions impact our opportunity for growth

To respond to changing market conditions and competition we will:

- Maintain a diversified business model at scale in each sector
- Reinvest in our assets to meet changing customer needs including agile redevelopment of our properties to capture value add opportunities
- Focus on retaining a strong balance sheet with appropriate gearing
- Use diverse funding sources including capital partnering and asset recycling
- Concentrate on efficiency and cost management
- Maintain a prudent approach to forecasting
- Proactively replenish our land and asset pipelines
- Maintain discipline and agility in our investment decision making
- Include a focus on governance and compliance to provide a stable environment for growth
- Use a rigorous whole-of-business approach informed by detailed research to drive our capital allocation process
- Support innovative culture to improve our customer experience and identify further growth opportunities. This is being facilitated through our new digital platform LAB-52, which is designed to assess and accelerate investment in potential growth areas.

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

(See our [FY19 Annual Report](#).)

3. Systems enhancements impact business process efficiency

As part of our continued focus on operational efficiency, we continue to drive progress in improving our systems capabilities. We have introduced a new Customer Relationship Management system, Salesforce and the Human Resources system SAP SuccessFactors, which have been effective in enhancing the customer and employee experience. We continue to maintain two-way engagement with employees to enable a smooth transition, as well as find additional ways to provide ongoing systems enhancements and use technology to supplement our risk management processes.

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

(See our [Employee Engagement, Development, Diversity and Inclusion Deep Dive](#) and our [FY19 Annual Report](#).)

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

To help address affordability we will continue to:

- Partner with government and industry to drive solutions including innovative construction processes to lower costs
- Provide a broader mix of value for money housing options including house and land packages, completed housing, medium density and apartments
- Balance the demand from home owners and investors so that our residential communities remain attractive to future buyers.

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

(See our [FY19 Annual Report](#).)

5. Extreme weather, security risks and energy price shocks impact business continuity and community resilience

To make our business more resilient we will continue to:

- Train our employees and increase their risk awareness including undertaking regular scenario testing
- Invest in asset upgrades and adapt community design
- Assess and implement wholesale energy strategies and renewable energy installations, to provide alternative sources of energy to mitigate the risk of price shocks
- Be vigilant in protecting, managing and governing data threats from cyber attacks
- Actively manage our corporate insurance program to provide adequate protection against insurable risks.

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 [Carbon and Energy Deep Dive](#), our [Governance and Risk Deep Dive](#), and our [FY19 Annual Report](#).)



6. Ability to dispose of non-core Commercial Property assets

Over the past 12 months we have completed independent valuations of 98 per cent (by value) of the Commercial Property portfolio and adopted a disciplined approach to the disposal program for individual assets in consultation with external agents. We have made good progress to date and are on track to achieve our targets.

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

(See our [FY19 Annual Report](#).)

7. Change within the retail sector impacts rental growth

Over the past ten years, the retail landscape has undergone structural change and seen a convergence of technological advances, in particular e-commerce, changes in underlying consumer behaviour, and the entry of new, international retailers. These changes have challenged some of our retailers. We have been proactive and pre-empted many changes.

We will continue to:

- Focus on experiential retail, health, services and food catering
- Apply our 'placemaking' strategy across our assets to create convenient, curated communities that form the social hub
- Leverage deep customer insights and analytics to inform our tenant re-mixing.

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 our [FY19 Annual Report](#).)

8. Regulatory and policy changes impact our business and customers

We will continue to:

- Implement forward looking practices to remain well positioned for regulatory change. For example, we are amongst the first Australian corporates to disclose our climate-related risks with our financial reporting, and we now provide contract choice to provide more certainty for our Retirement Living residents
- Engage with industry and government on policy areas including taxation and planning reform. As part of our commitment to tax transparency and demonstrating good corporate citizenship, we have adopted the Australian Federal Government's Voluntary Tax Transparency Code (TTC), which provides a set of principles and minimum standards to guide medium and large businesses on public disclosure of tax information
- Focus our development activity in areas where governments support growth.

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

(See our [Stakeholder Engagement Deep Dive](#), and our [FY19 Annual Report](#).)

9. Increasing expectations on organisations from the community

Standards for interaction with customers have been under intense scrutiny in Australia. It is important that we engage with our customers in an ethical and considered manner.

At Stockland we have prioritised our focus on customer engagement including regular customer surveys, extra training for our customer-facing employees, and the implementation of a customer feedback framework with reporting through to our Board and Committees.

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

(See our [Supply Chain Deep Dive](#), [Customer Engagement and Experience Deep Dive](#), [Climate Resilience Deep Dive](#), [Community Deep Dive](#), and our [FY19 Annual Report](#).)

10. Retirement living residents have high expectations about value and fairness

We will continue to:

- Have an open and respectful relationship with our Retirement Living residents, and continue our commitment to being transparent and up-front about costs associated with living in our retirement villages
- Proactively engage with residents to maintain high satisfaction levels and standards of care
- Focus on health and wellbeing and our approach to care
- Demonstrate industry leadership and work with our peers to lift industry standards
- Review product and contract choice to meet changing customer preference.

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 our [FY19 Annual Report](#)).

11. Anticipating changing customer and community expectations to meet future demand

We will continue to:

- Foster a culture of innovation to identify and take advantage of opportunities to leverage movements in stakeholder preferences
- Evolve our market leading product innovation and deepen our customer insights using our proprietary Liveability Index research, Stockland Exchange (our online research community) and other data sources
- Create sustainable and liveable communities and assets, resilient to changes in climate
- Enhance our design excellence, providing greater functionality and value for money that meet the demands of Australia's changing demographics, including an aging population and more socially conscious millennials

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 our [FY19 Annual Report](#)).

12. Our ability to harness opportunities arising from digital disruption

We will continue to:

- Identify, develop and integrate technological enhancements across our business, including online residential and retirement living engagement opportunities
- Support Stockland Retail Town Centres as thriving communities by delivering quality services and spaces that are e-enabled

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

(See our [Customer Engagement and Experience Deep Dive](#), and our [FY19 Annual Report](#)).

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

So that we are able to 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 across global capital markets
- maintain our prudent capital management policies including a target gearing range of 20 to 30 per cent
- Retain favourable investment grade ratings across multiple credit agencies to demonstrate our strong credit value proposition
- Regularly update existing and potential debt investors to inform them about the business

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

(See our [FY19 Annual Report](#).)

14. Ability to adapt our operating model to meet the changing nature of the workforce

The ability to attract, engage and retain our employees is critical. Physical and organisational boundaries are becoming increasingly blurred as new technology enables greater workplace flexibility, including when and where employees work and encouraging creative and adaptive teamwork. We have successfully deployed Office365, Salesforce and SAP SuccessFactors to improve collaboration and flexible working.

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

- Maintain a focus on fostering a positive culture to deliver value to all stakeholders
- Encourage flexible work practices supported by our new collaboration platforms
- Train our senior leaders to be more agile and resilient through Stockland leadership programs
- Provide employees with technology devices which increase their mobility and flexibility and facilitate improved productivity in a balanced way

Other stakeholders potentially impacted by this issue include our employees.

(See our [Employee Engagement, Development, Diversity and Inclusion Deep Dive](#), and our [FY19 Annual Report](#).)

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 FY19 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 review the material matters, 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 helped inform the Board and Executive Committee’s strategy discussion.</p> |

United Nations Sustainable Development Goals







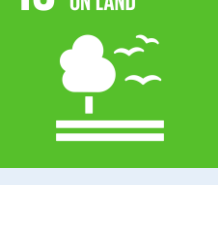
We are a signatory to the United Nations Global Compact (UNGC) and support the 10 principles of the Global Compact on human rights, labour, environment and anti-corruption. Our FY19 sustainability reporting also serves as our UNGC Communication on Progress.

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 |
|--|--|--|
|  <p>5 GENDER EQUALITY</p> | 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). |
|  <p>7 AFFORDABLE AND CLEAN ENERGY</p> | Goal 7 - Affordable and clean energy | Through our focus on energy efficiency and renewable energy (Carbon and Energy Deep Dive). |
|  <p>8 DECENT WORK AND ECONOMIC GROWTH</p> | 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). |
|  <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> | 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). |
|  <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p> | 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). |
|  <p>13 CLIMATE ACTION</p> | 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). |
|  <p>15 LIFE ON LAND</p> | 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 and 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, responsiveness and impact 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, responsiveness and impact.

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