Why this is important to Stockland

Every year, we partner with hundreds of suppliers that range from construction contractors, operational consultants, and suppliers of office products. We work to build strong partnerships with our suppliers such that they are motivated to operate in a manner that is consistent with our values and standards.

We are committed to responsible procurement and sustainable supply chain management. We recognise that having a sustainable supply chain is fundamental to having a sustainable business. An overview of our supply chain management approach is provided on page 5.

Our key achievements

- Reused over 1.5 million cubic metres of spoil and saved over 305,000 kg CO2-e of greenhouse gas emissions on our Newport (Qld) development by working with our civil contractor to employ efficient spoil management strategies. Innovative spoil management strategies also resulted in saving over $3.5 million in haulage costs.
- As part of our ‘Sights on Safety’ initiative, we commenced a series of joint discussions with our development contractors to embed safety behaviours, with a particular focus on plant rollovers and services strikes.
- Celebrated Stockland Green Hills (NSW) becoming our first accredited Mates in Construction site. The accreditation involved 192 employees participating in one-hour suicide awareness training, and 11 employees participating in half- or two-day workshops aimed at developing a higher level of support skills.
- Created nearly 1,500 construction jobs within the local community and procured over one-third of construction services through local businesses (defined as within 50 kilometres from the project site) at our Stockland Green Hills (NSW) shopping centre redevelopment project.
- Created 74 job placements in construction, retail, and administration through the Green Hills Connectivity Centre.
- Achieved Fair Trade Certification for our Sydney head office.

In this document you will find:

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FY17 priorities and progress

<table>
<thead>
<tr>
<th>FY17 PRIORITIES</th>
<th>STATUS</th>
<th>FY17 PROGRESS</th>
</tr>
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<tbody>
<tr>
<td>Launch our guideline ‘Sustainability in our Development Supply Chain – What Stockland Expects’ with strategic suppliers to communicate our sustainability expectations.</td>
<td>In Progress</td>
<td>We identified an opportunity to enhance the guideline by using it to develop a business-wide approach to supply chain risk management. Development of this approach is in progress, with launch of the document planned for FY18.</td>
</tr>
<tr>
<td>Undertake a materials supply chain mapping program to inform the materials sourcing and specification process for new developments.</td>
<td>Achieved</td>
<td>We initiated the materials supply chain mapping program, using the Stockland Green Hills (NSW) redevelopment project as a case study. The results of the mapping program informed the development of minimum materials quality and sustainability requirements.</td>
</tr>
<tr>
<td>Implement the minimum materials quality and sustainability requirements to be used in the development of our assets.</td>
<td>In Progress</td>
<td>We developed minimum materials quality and sustainability requirements. We continue to work across our business and with our suppliers to implement these requirements across the development of our assets.</td>
</tr>
<tr>
<td>Run a supplier roadshow with our strategic suppliers to outline our planned development pipeline and our sustainability, supply chain, and health and safety strategies and initiatives.</td>
<td>In Progress</td>
<td>In FY17, our supplier roadshow has focused on health and safety strategies and initiatives. Roadshow activities for FY18 and beyond will relate to raising awareness of broader sustainability issues in our supply chain and in the development of our assets.</td>
</tr>
<tr>
<td>Undertake annual compliance assurance of service contractors.</td>
<td>In Progress</td>
<td>We undertook compliance assurance of our critical service contractors in FY16. These results are still valid for FY17. Following this FY16 assurance, we are planning to repeat the assurance process in late 2018 for services contracts that are to be renewed in FY19.</td>
</tr>
</tbody>
</table>

Future priorities

- Finalise work associated with the ‘Sustainability in our Development Supply Chain – What Stockland Expects’ and arrange a public launch of the document.
- Work with our supply chain to encourage greater social procurement outcomes with a particular focus on local procurement and employment.
- Continue to enhance sustainable materials selection for use in our developments across our assets.
- Expand our supplier roadshow to include outcomes related to the supply chain guideline and best practice sustainability case studies.

FY17 performance and case studies

Supply chain framework and guidelines

Following the development of our supply chain framework in FY16 (see the management approach section of this document), we developed our ‘Sustainability in our Development Supply Chain’ guideline. This guideline spells out key considerations for our development suppliers (such as materials and resource use), organised by the core themes of the supply chain framework (such as environmental impact).

Publication of the guideline was originally intended to occur in FY17, however during the year we identified an opportunity to use the guideline to inform a business-wide supply chain risk management review. It is anticipated that this risk management work will be completed in FY18 and the guideline will be published at that point.

We continue to engage with our suppliers about the themes in our supply chain framework. In FY17, our Group Risk and Group Project Management teams initiated the supplier roadshow on the framework with a series of consultations focused on health and safety initiatives. These roadshow consultations will continue into FY18.

Managing environmental risks and impacts

Our supply chain framework continues to inform how we partner with our suppliers to deliver shared value at construction projects. At our Newport (Qld) development, we worked with our civil contractor to reduce our reliance on virgin materials and reduce spoil to landfill. These priorities relate to our supply chain framework theme of managing environmental risks and impacts. The project’s refined spoil management strategy enabled the reuse of 1.5 million cubic metres of spoil on site. We also saved 114,000 litres of fuel by prioritising the use of efficient equipment. These fuel savings also mean we have avoided...
emitting over 305,000 kilograms of greenhouse gases. More information on our approach to spoil management is provided in our Waste and Materials Deep Dive.

Delivering social value

At our Stockland Green Hills (NSW) shopping centre redevelopment, we have partnered with builders and community groups to provide local procurement and employment opportunities. These activities support our contractors to enhance the reach and achievements of our Green Hills Connectivity Centre, which we set up in 2016. The Connectivity Centre focuses on creating pathways and training for local people to find employment with participating local employers.

These initiatives show the social value component of our supply chain framework in action. They demonstrate the opportunities and broader social benefit that can eventuate when we partner with local communities as part of our development work. More information on FY17 achievements from the Green Hills redevelopment and the Connectivity Centre is provided in the case study below.

CASE STUDY
Delivering shared value at Green Hills

We expect our suppliers to actively engage with the communities in which we operate. Suppliers are encouraged to source labour, goods, and services from local communities, thus maximising the opportunities for our projects to benefit both Stockland and locals.

We partnered with the primary contractor of our $412 million shopping centre redevelopment of Stockland Green Hills (NSW) to focus on local employment opportunities provided by the project. Over the past year, the project created 1,495 construction jobs within the local community (defined as contractors residing within 50 kilometres from the site). Furthermore, the project has procured over one-third of its construction services from within the local area (measured by value).

Another feature of our Green Hills redevelopment is the Green Hills Connectivity Centre, which we set up in collaboration with the primary contractor on the project. The aim of the Connectivity Centre is to connect job seekers with employment opportunities, and to upskill individuals in preparation for the workplace. Over the past year, the Connectivity Centre placed 74 people into employment in construction, retail, and administration positions. The Centre also provided post-placement support to 18 employers to assist placement retention.

The Connectivity Centre also convened workshops such as the Customer Service Workshop, where young job seekers interested in working in industries such as retail and hospitality can gain a statement of attainment to increase their employability.

Other workshops hosted by the Connectivity Centre during the year include Driver Learner and Driver Awareness workshops, as well as Interview Technique workshops.

One of the highlights of the year for the Connectivity Centre was an art exhibition that the centre hosted in April 2017. The exhibition engaged job seekers in the local community who are artistic or undergoing art as therapy, and encouraged broader community engagement with the centre. The exhibition involved a collaboration with Maitland City Council and the Local Aboriginal Land Council, and was featured in the local paper the day after winners were announced.

Aerial photograph of construction at Stockland Green Hills. The Green Hills Connectivity Centre has assisted locals to find employment in construction, retail, and administration positions within the centre.
Safety and human rights

We continued to collaborate with our suppliers to achieve health, safety, and quality outcomes through our Sights on Safety initiative. Sights on Safety focuses on identifying and implementing measures to reduce the number of serious incidents and in particular plant rollovers and services strikes. The program is aimed at driving safety behaviours and advancing best practice on Stockland developments, construction sites, and where possible, the broader construction industry. More information on Sights on Safety achievements during FY17 is provided in our Health and Safety Deep Dive.

With regard to the human rights aspect of our supply chain framework, we have continued to work with Mates in Construction to improve mental health at our worksites. FY17 achievements related to Mates in Construction are provided in our Human Rights Deep Dive.

Supplier capability and capacity

Our supply chain framework includes a focus on partnering with innovative suppliers who can collaborate with us to deliver shared value. In FY17 our Stockland Wetherill Park (NSW) project received an award in recognition of the excellence in construction demonstrated by Stockland and our builder partner Multiplex and the innovative construction methods used to deliver the exceptional project outcomes. More information on projects is provided in the below case studies.

CASE STUDY

Master Builders Association recognises supplier excellence at Stockland Wetherill Park

We partner with contractors that share our strategic focus on operational excellence and delivering positive customer experiences. In November 2016, the Stockland Wetherill Park (NSW) shopping centre extension project won a Master Builders Association award for retail building extensions valued over $30 million. The award was received by our principal contractor on the project, Multiplex.

We recognise that construction at shopping centres can disrupt the experience of both shoppers and centre tenants, and so the project was designed so that construction of the new extension could take place while the existing centre remained fully operational.

One of the major challenges with regard to maintaining centre operations was to increase the floor-to-floor height under the Hoyts cinema in order to convert an existing car park into retail space. Multiplex was able to plan and complete these works without disturbing cinema operations. The extension was completed ahead of schedule, and was the first of its kind to receive a 5 Star Green Star – Design rating. In delivering the award, the Master Builders Association said, “the high standard of workmanship and finishes achieved is a credit to the skill and experience of the builder’s project design and construction team.” We will continue to partner with contractors and suppliers that deliver excellent results for our customers.

Supply Chain Sustainability School

We continue to encourage our suppliers to participate in programs initiated by the Supply Chain Sustainability School, of which we are a founding member and financial contributor. The school now has 965 members and 15 supporting partners across public, private and not-for-profit sectors. We are currently partnering with the school to develop a supplier education video featuring Stockland case studies on sustainable development.
Housing affordability continues to be an issue of concern for our stakeholders, particularly in the Sydney and Melbourne housing markets. We can deliver shared value for housing affordability by making it easier for first home buyers to enter the market by purchasing a Stockland product. Over half of our land sales have been to first home buyers in FY17, supported by our initiatives such as 100 Homes in 100 Days. Our increased delivery of medium-density housing is also targeted at providing affordable product given that many apartments and townhouses are lower cost than detached homes.

We realise that opportunities to lower cost and thus improve affordability is more than just delivering different types of product. Rather, we are identifying how innovations in project design and delivery can drive efficiencies that improve affordability.

Innovations in project design and delivery include the use of advanced manufacturing techniques and applications such as Building Information Management (BIM). Advanced manufacturing techniques we are investigating include innovative methods of construction such as Design for Manufacture and Assembly (DfMA), which simplifies product structures to reduce manufacturing and assembly costs. Other concepts under investigation include the use of modular and prefabricated construction, which has the potential to deliver products more quickly, cheaper and of higher quality.

BIM, on the other hand, provides industry professionals the insight and tools to more efficiently plan, design, construct, and manage buildings and infrastructure. More advanced BIM technology delivers efficiencies through enhanced collation of data for key stakeholders such as insurers, and collaborative project scheduling and costing.

We recognise the potential for partnering to both enhance our capabilities and extend our impact. The value of partnerships is also recognised by the United Nations Sustainable Development Goal 17, which states that a successful sustainable development agenda requires partnerships between governments, the private sector, and civil society.

We have developed partnerships with industry, research institutions, and government agencies to explore the potential of the next phase of building technology. One such partnership is the Steel Research Hub, where we are working with the University of Wollongong and other industry participants to investigate innovative steel manufacturing for use in mid-rise apartments.

Corporate Procurement

Our supply chain management activities extend to corporate procurement, where we seek to influence sustainability outcomes via the purchase of goods and services for our own workforce. Over the past year, we have focused on sustainability in corporate procurement through working with indigenous suppliers and achieving Fair Trade Certification for our Sydney head office. Our achievements related to indigenous procurement are detailed in our Human Rights Deep Dive.

Achieving Fair Trade Certification involved working with suppliers to switch to fairtrade options where available. As a result, we offer a variety of Fair Trade Certified coffee, tea, and drinking chocolate in all of our 10 tea points at our Sydney head office.

An important part of the certification is communicating the value of choosing fairtrade products to employees. We have launched a communication campaign with fairtrade information provided at tea points as well as conducting events focused on raising awareness about fairtrade. Each year for the past two years, we have participated in the World Fairtrade Challenge, which asks participants to report on consumption of fairtrade products. Our reported consumption this past year doubled when compared to the previous year’s result.

Achieving Fair Trade Certification demonstrates our commitment to working with suppliers who champion sustainability. The availability of fairtrade products and information within the office also encourages employees to integrate fairtrade purchasing into their lives more broadly. We are looking at expanding the certification to our other office locations across Australia.
Management approach

Management approach overview

We adopt a Group-wide strategic approach to managing our procurement and supply chain activities across our three key focus areas, which represent different aspects of our business, as outlined below. Direct procurement spend associated with the development of our assets accounts for approximately 80 per cent of our annual spend. Spend associated with operational assets and corporate expenditure represents approximately 10 per cent respectively of annual procured spend.

This approach enables us to leverage best practice and effective risk management. It also enhances the certainty and quality of project delivery as well as the sustainability of our supply chain, and in turn, our business.

Supply chain framework

We work with a wide and varied range of suppliers and endeavour to build partnerships with suppliers that operate in a manner that is consistent with our values and standards. Our expectation is that our suppliers comply with Australian state and federal laws and regulations, including, but not limited to, applicable competition, consumer protection, environmental, employment, health, safety and welfare laws.

Our supply chain framework outlines six key focus areas for our supply chain to help us deliver sustainable outcomes. This is supported by our guideline ‘What Stockland Expects from its Suppliers’, which is provided to our suppliers as part of our annual supplier update and available via our website.

<table>
<thead>
<tr>
<th>STOCKLAND SUPPLY CHAIN FRAMEWORK</th>
</tr>
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<tbody>
<tr>
<td>GOVERNANCE &amp; MANAGEMENT</td>
</tr>
<tr>
<td>Stockland seeks to ensure we work with suppliers who are transparent and accountable in how they do business. This includes complying with all legislation and standards as well as acting ethically in all their dealings with us and in the marketplace.</td>
</tr>
<tr>
<td>ENVIRONMENTAL IMPACT</td>
</tr>
<tr>
<td>Stockland believes every organisation has a responsibility to understand and manage their environmental impacts. As such, we seek to work with suppliers who have sustainable materials and procurement practices.</td>
</tr>
<tr>
<td>HEALTH, SAFETY &amp; QUALITY</td>
</tr>
<tr>
<td>Stockland provides a safe and healthy work environment. We implement high standards in health, safety and quality across our operations and expect the same standards from our suppliers.</td>
</tr>
<tr>
<td>SOCIAL VALUE</td>
</tr>
<tr>
<td>Stockland believes business can play a positive role in society. We encourage our suppliers to identify ways to positively contribute to the communities in which we operate.</td>
</tr>
<tr>
<td>HUMAN RIGHTS</td>
</tr>
<tr>
<td>Stockland respects and promotes safe, fair, diverse and inclusive workplaces. We seek to work with suppliers who have appropriate labour practices and consistent values.</td>
</tr>
<tr>
<td>INNOVATION, CAPABILITY &amp; CAPACITY</td>
</tr>
<tr>
<td>Stockland works collaboratively with suppliers to achieve innovative and sustainable outcomes. We seek to work with suppliers who have proven capability and capacity to work collaboratively to achieve better outcomes.</td>
</tr>
</tbody>
</table>

We use the supply chain framework to hold suppliers accountable for demonstrating our values. We respond to any environmental, social, and labour practice risks or impacts identified and have not identified any significant impacts in the reporting period. We have not terminated any supplier agreements due to significant actual and potential negative environmental, social, or labour practice-related impacts. Further information on our approach to upholding supplier performance can be found in the ‘Contractor safety and performance’ section of the Health and Safety Deep Dive.
Supply chain procurement

In FY17, we procured goods and services of almost $2 billion from our direct supply chain, which consists of over 3,600 active suppliers, with the top 100 suppliers representing approximately 75 per cent of our spend. We procure goods and services from a diverse range of suppliers with the main categories shown in the diagram below. In addition, we recognise that those directly engaged suppliers often depend on products and services supplied by others, who in turn may depend on another level of suppliers, and so on. This means we engage a number of producers and service providers in addition to our immediate suppliers.

### HOW WE CATEGORISE SUPPLIERS

Our main supplier expenditure falls within the following categories.

<table>
<thead>
<tr>
<th>Building Contractors (Civil and Builtform Contractors)</th>
<th>Marketing and Advertising</th>
<th>Travel and Accommodation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Consultants (Architect, Engineers)</td>
<td>Utility Providers</td>
<td>Legal</td>
</tr>
<tr>
<td>General Consultants</td>
<td>Insurance</td>
<td>Real Estate</td>
</tr>
<tr>
<td>Service Providers (Cleaning, Security, Waste)</td>
<td>Information Technology</td>
<td>Human Resources</td>
</tr>
</tbody>
</table>

We actively monitor and manage our suppliers by categorising suppliers by services provided as shown in the table below as well as tiers based on annual spend. Our Tier 1 suppliers are classified as those that have a direct spend greater than $5 million, with these suppliers predominantly being those involved in the development and construction of our assets. This process provides a means of identifying strategic business opportunities to influence sustainability within our supply chain, further mitigating risk and enhancing the quality of business and sustainability outcomes.

#### SUPPLIER TIERING BY SPEND

<table>
<thead>
<tr>
<th>TIER</th>
<th>TIER DEFINITION</th>
<th>NUMBER OF SUPPLIERS</th>
<th>SPEND</th>
<th>% OF SPEND</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier 1</td>
<td>Spend with supplier is greater than $5 million p.a</td>
<td>78</td>
<td>$1.39 billion</td>
<td>71%</td>
</tr>
<tr>
<td>Tier 2</td>
<td>Spend with supplier is between $1 million and $5 million p.a</td>
<td>141</td>
<td>$304 million</td>
<td>15%</td>
</tr>
<tr>
<td>Tier 3</td>
<td>Spend with supplier is less than $1 million p.a</td>
<td>3477</td>
<td>$266 million</td>
<td>14%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>3,696</td>
<td>$1.96 billion</td>
<td>100%</td>
</tr>
</tbody>
</table>

Our development spend is predominantly procured with Australian suppliers. Given the geographic spread of our projects across a range of Australian locations, we engage with our suppliers to facilitate procurement from local communities. At some of our larger projects, such as our Stockland Green Hills (NSW) shopping centre redevelopment, we have worked with the principal contractor to collect data on local procurement. While we do not have systems to report procurement spend across all of our projects, we are committed to sourcing labour, goods, and services from local communities in which we operate.

### Supplier management systems

We seek to work with suppliers who have demonstrated sustainability capability and have certified management systems, ensuring optimal sustainability outcomes in the delivery of our assets. All new critical suppliers are screened using labour practices criteria such as employment practices, health and safety practices, and history of incidents. See the [Health and Safety Deep Dive](#) for more information on contractor health and safety priorities and achievements.
All of our contractors on projects seeking a Green Star rating with contracts over $5 million (for Green Star – Communities) or $10 million (for Green Star – Design & As Built) are required to have a valid ISO14001 Environmental Management System accreditation prior to and throughout the duration of the project contract.

Development projects D-Life process

Due to the inherently complex nature of property development, the large number of suppliers involved and the diverse services, materials and equipment required to deliver large-scale developments, we apply our project lifecycle process for development projects (D-Life), which covers the development life cycle from concept to completion.

As outlined in Figure 2, D-Life identifies specific gates with critical control points, requiring approval before proceeding to the next phase of the project life cycle, ensuring compliance and reducing risk. In addition, we set minimum sustainability, environmental and social requirements of our suppliers during the tender and project delivery processes, as outlined in the figure below.

CRITICAL CONTROL POINTS WITHIN THE PROJECT LIFECYCLE

Roles and responsibilities

Procurement and supply chain responsibility at a Group level is shared by the Executive Committee, including the Managing Director and CEO and the respective business unit CEOs, who assume responsibility for procurement and supply chain management practices within their teams, business units and activities. Further, responsible supply chain management is considered the responsibility of all employees and is driven by policies, procedures and shared best practices.

The General Manager Project Management and Direct Procurement reports directly to the Chief Investment Officer and indirectly to the CEOs of the three business units, and is responsible for the execution of procurement processes and procedures on our development projects.

Within Operations, oversight sits with the respective General Managers of Property Management (Retail and Office), Logistics and Business Parks, and Operations (Retirement Living) who report directly to the CEO of their respective business unit.

The General Manager Sustainability reports directly to our Chief Operating Officer and is responsible for procurement activities in our indirect supply chain and procurement administration across the business.
Review and evaluation process

To evaluate the effectiveness of our management approach, we engage with industry bodies and incorporate best practice process and procedures across our business. We also consult external stakeholders to stay informed about current trends, material issues and industry benchmarks, and regularly assess our performance against that of our peers.

Through regular reporting of our progress to senior leadership teams and to our Board, we continually review our performance, ensuring that our approach remains relevant and effective.

Further, we undertake an annual spend analysis to review spend patterns and identify opportunities to reduce capital and operational expenditure. The spend analysis also serves to inform our procurement strategy and enable the setting of tactical and strategic initiatives for the new financial year.

Additional mechanisms for evaluating the effectiveness of our approach include our internal strategic review and the internal audit process within our broader risk management approach (see Governance and Risk Deep Dive).