

# Supply Chain

**FY18**

## Why this is important to Stockland

Every year, we partner with hundreds of suppliers including construction contractors, professional consultants, and service providers. 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.

This Deep Dive document is a component of our FY18 sustainability reporting suite, which is publicly available on our [website](#). Our sustainability reporting is third-party assured and drafted in accordance with the GRI Standards.<sup>1</sup>

This Deep Dive is to be read in conjunction with our published approach to supply chain management, available as part of our sustainability reporting suite at [Our Management Approach to Supply Chain](#).



## Our key achievements

- Continued to collaborate with our suppliers to achieve health, safety, environmental and quality outcomes including through our 'Sights on Safety' initiative, which focuses on identifying and implementing measures to reduce the number of serious incidents on our developments and assets.
- Developed a sustainability schedule for our construction contracts in collaboration with our contractors, targeting issues such as environmental impact, materials use, community engagement, and health and safety.
- Worked with the Supply Chain Sustainability School to develop a sustainability induction video for contractors and launched the use of the video within our Waterlea (Vic) residential development.
- Connected over 180 individuals with employment through the Green Hills Connectivity Centre during the two years of its operations (closed in March 2018 toward the conclusion of the Green Hills redevelopment).
- Partnered with our contractors to offer homes in our residential communities that include sustainability features such as Livable Housing Australia compliant design and enhanced energy efficiency.
- Set detailed sustainability criteria for accommodation providers as part of our approach to sustainable corporate procurement, which was recognised as best practice by City of Sydney.

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

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## FY18 priorities and progress

FY18 PRIORITIES	STATUS	FY18 PROGRESS
Launch our guideline 'Sustainability in our Development Supply Chain – What Stockland Expects' with strategic suppliers to communicate our sustainability expectations.	In progress	We have delayed the launch to FY19 to include emerging legislation focused on modern slavery. The guideline will now be launched as part of our FY19 supplier roadshow.
Implement the minimum materials quality and sustainability requirements to be used in the development of our assets.	Achieved	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.
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.	In progress	We continued our supplier roadshow in FY18, with a focus on our Sights on Safety initiative. Roadshow activities in FY19 will focus on the themes of our supply chain framework as outlined in our 'Sustainability in our Development Supply Chain' guideline.
Enhance awareness and readiness for emerging national regulation on modern slavery.	Achieved	We participated in several information sessions and worked closely with the Property Council of Australia to inform how the property industry can implement emerging regulation on modern slavery.
Undertake three-yearly compliance assurance of service contractors.	In progress	We undertook compliance assurance of our critical service contractors in FY16. These results are still valid for FY18. 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.

## Future priorities

- Partner with the Property Council of Australia to complete a pilot industry supply chain survey to help gain insights into human rights considerations as part of our commitment to the objectives of forthcoming legislation on modern slavery.
- Launch our guideline 'Sustainability in our Development Supply Chain – What Stockland Expects' at our annual supplier roadshow and continue to embed sustainability initiatives in support of the guideline.
- Launch our procurement management system that includes an increase in sustainability objectives for suppliers (part of our internal Core Systems program).

## FY18 performance and case studies

### Supply chain procurement overview

In FY18, we procured \$2.6 billion of goods and services from our direct supply chain, which consists of over 4,300 active suppliers, with the top 78 suppliers representing approximately 75 per cent of our spend. More information on how we categorise our suppliers and engage with them according to tier is provided in [Our Management Approach to Supply Chain](#).

#### SUPPLIER TIERING BY SPEND

TIER	TIER DEFINITION	NUMBER OF SUPPLIERS	SPEND (\$ MILLION)	% OF SPEND
Tier 1	Spend with supplier is greater than \$5 million p.a	84	1,950	75%
Tier 2	Spend with supplier is between \$1 million and \$5 million p.a	139	303	12%
Tier 3	Spend with supplier is less than \$1 million p.a	4,087	346	13%
<b>Total</b>		<b>4,310</b>	<b>2,599</b>	<b>100%</b>

## Supply chain framework and guidelines

Following the development of our supply chain framework in FY16 (summarised in the figure below), we have been working on our 'Sustainability in our Development Supply Chain' guideline. This guideline spells out key considerations for our development suppliers (such as health and safety, materials and resource use, and local employment), organised by the core themes of the supply chain framework.

We engaged with our suppliers on the themes and initiatives that support our supply chain framework, such as our Sights on Safety initiative, as well as emerging issues such as forthcoming legislation on modern slavery. We incorporated feedback from these engagements into the guideline throughout FY18. The guideline will be published in FY19 as part of our supplier roadshow.

### STOCKLAND SUPPLY CHAIN FRAMEWORK

<p><b>GOVERNANCE &amp; MANAGEMENT</b></p> <p>Stockland seeks to 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.</p>	<p><b>ENVIRONMENTAL IMPACT</b></p> <p>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 procurement practices and prioritise the use of sustainable materials.</p>	<p><b>HEALTH, SAFETY &amp; QUALITY</b></p> <p>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.</p>
<p><b>SOCIAL VALUE</b></p> <p>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.</p>	<p><b>HUMAN RIGHTS</b></p> <p>Stockland respects and promotes safe, fair, diverse and inclusive workplaces. We seek to work with suppliers who have appropriate labour practices and consistent values.</p>	<p><b>INNOVATION, CAPABILITY &amp; CAPACITY</b></p> <p>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.</p>

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 in FY18 we have not terminated any supplier agreements due to significant actual and potential negative environmental, social, or labour practice-related impacts.

The rest of this document describes initiatives and achievements organised by the categories of our supply chain framework. More information on the supply chain framework is provided in [Our Management Approach to Supply Chain](#).

### Governance, management and environmental impact

Over the course of FY18, we have worked with our suppliers to establish a sustainability schedule for inclusion in project requirements. The schedule aims to:

- improve environmental impact through environmental management systems, environmental and waste management plans, reuse of spoil on site and the use of recycled materials and materials that have lower embodied energy
- prioritise health, safety and wellbeing programs and initiatives such as Mates in Construction
- promote Aboriginal and Torres Strait Islander employment opportunities with our contractors
- seek to understand how we can partner with our contractors to improve female participation in the construction industry
- raise sustainability awareness through initiatives such as the Supply Chain Sustainability School and implementation of the Green Star suite of rating tools
- drive community engagement by working with contractors to hold events to involve residents in the delivery process of their new community
- enhance understanding of emerging risks such as modern slavery through working with the Supply Chain Sustainability School.

We continue to work across our business and with our suppliers to implement these requirements across the development of our assets.





CASE STUDY

**Enhancing community connectivity at Nicklin Way, Bokarina Beach**

At our development projects, we work with local communities to create the places that they will call their own. We understand that development work affects the local community, and our teams work closely with affected stakeholders to accommodate their needs and concerns.

At our Bokarina Beach (Qld) residential community on the Sunshine Coast, the conditions of development approval required by both the Queensland planning authority and local authorities included an upgrade to Nicklin Way, an arterial road adjacent to the development. The upgrade originally included a standard underpass offering pedestrian access underneath Nicklin Way. However, the project team considered that in addition to the pedestrian pathway, the underpass could include a connection between the existing lake on one side with a lake proposed on the other side.

The adjustment promised to enhance the amenity of the underpass and was agreed in partnership with both Queensland and local authorities. Whilst design was relatively straightforward, coordinating the delivery was complex and required extensive planning and engagement with the community, the contractor and local stakeholders.

As Nicklin Way carries approximately 40,000 vehicles every day, it was important to engage with road users and the community about the planned changes. A detailed stakeholder engagement strategy formed the backbone of the project and considered local motorists, pedestrians, service providers whose infrastructure crossed under the road, and the nearby Kawana Waters State College Secondary Campus.

The Kawana Waters campus caters for 2,000 children, with 500 of them using the underpass to get to and from school every day. Working with the contractor, an informative newsletter and a number of assemblies were coordinated to explain the project, introduce the people who would be working on the project, and discuss what was required of the students. As an incentive to encourage positive student engagement, at the end of each term two vouchers for bicycles were awarded to students who demonstrated the most responsible behaviour.

The project team has worked hard to maintain a spirit of collaboration with the local community and respond to concerns as they have arisen. Completion of the upgrade is due for FY19, from when the community will be able to enjoy continuous lakefront pedestrian and bicycle paths underneath Nicklin Way.



*Aerial image of upgrade works at Nicklin Way, adjacent to our Aura (Qld) community.*

## Creating local jobs

At our Stockland Green Hills (NSW) retail town centre redevelopment, we partnered with our principal contractor to establish the Green Hills Connectivity Centre, with the aim of leveraging our redevelopment to provide local procurement and employment opportunities. Over the course of our redevelopment at Green Hills, the Connectivity Centre focused on creating pathways and training for local people to find employment with participating local employers. Over 180 local individuals found employment through the Green Hills Connectivity Centre during the two years of its operation.

Initiatives such as the Green Hills Connectivity Centre 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 FY18 achievements from the Green Hills Connectivity Centre is provided in the [Community Deep Dive](#).

## Health, safety and human rights

Throughout the year 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 at our developments and assets. The program is aimed at driving safety behaviours and advancing better practice on our developments, construction sites, operational assets and where possible, across the broader construction industry. More information on Sights on Safety achievements during FY18 is provided in our [Health and Safety Deep Dive](#).

With regard to the human rights aspect of our supply chain framework we have been working with our contractor partners regarding participation in health, safety and wellbeing initiatives on our sites. This has been demonstrated with our continued work with Mates in Construction to improve mental health awareness at our worksites. We have undertaken Mates in Construction training at various sites, including our Newport (Qld), North Lakes (Qld) and Stockland Green Hills (NSW) projects. We have also extended this to our head office by raising awareness about mental health issues facing construction workers in conjunction with our national mental health promotion campaigns such as RUOK Day.

[Our Management Approach to Human Rights](#) and our [Human Rights Policy](#) provide additional information on our commitment to human rights both in our organisation and across our supply chain. We have not identified any operations or suppliers among our principal contractors that have a significant risk of incidents of child labour or forced/compulsory labour. We acknowledge that within the broader construction industry supply chain there may be risks associated with labour practices. For this reason, we consider that industry collaboration is an appropriate means to increase transparency and have committed to working with members of our peer group to create an industry-wide supplier survey across our broader supply chain. Our approach to forthcoming legislation on modern slavery is also discussed within our [Human Rights Deep Dive](#).

## Innovation, capability and capacity

We participate in research collaborations to advance our understanding of how our developments can innovate to respond to our stakeholders' needs and expectations. We remain involved in the University of Wollongong Steel Research Hub Market-Focused Product Innovations initiative, where we are researching the development of a prototype steel-intensive mid-rise residential building. The overarching goal of the project is to develop a new construction system to suit Australian conditions, focusing on the use of cold-formed steel to lower costs, reduce environmental impact, and increase capabilities across our supply chain.

We have partnered with our development contractors to deliver several other innovations across our projects, including:

- Sustainable Drive in Highlands (Vic), which is being delivered with a number of initiatives which showcase sustainability. Homes on Sustainable Drive have been built to Livable Housing Australia (LHA) design standards, as well as energy and water efficiency initiatives above those required by regulatory design controls, water efficient streetscapes with native plant verges, tree-pits, and best practice water sensitive urban design. The application of recycled material in road asphalts and E-Crete concrete footpaths are also features of the precinct.
- Foreshore (Qld), where a more environmentally friendly primer is being used prior to laying the asphalt for the roads. The primer is water based, making it less toxic to the landscape and reducing the likelihood of runoff carrying pollutants to local waterways. Additionally, the composition reduces drying time from 72 to 24 hours, enhancing project delivery timeframes.
- Innovation House in North Shore (Qld), which is a highly efficient, 9.5 star NatHERS<sup>2</sup> home in the project's display village. The home has been delivered with passive solar design features, LHA compliant design, improved indoor air quality and advanced capabilities including smart locks and home automation. Our sales team currently uses the home as a sales office, which means people looking to build a home can learn about these sustainability initiatives when they visit our sales professionals.

<sup>2</sup> NatHERS (Nationwide House Energy Rating Scheme) provides homes with a star rating out of ten based on an estimate of a home's potential (heating and cooling) energy use ([www.nathers.gov.au](http://www.nathers.gov.au)).



### 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 has over 1,350 members across close to 800 supporting businesses including public, private and not-for-profit sectors.

#### CASE STUDY

### Contractor induction training on sustainability

Our commitment to sustainability is a critical component of how we achieve our purpose of delivering a better way to live. We collaborate with our contractors not just to deliver our strategy on the ground, but also to enhance the knowledge and capacity of the industry more broadly.

Most recently at Waterlea (Vic, formerly known as Stamford Park), the project team developed a Sustainability Induction video with the Supply Chain Sustainability School. The video targets our contractors, and aims to improve sustainability awareness and in particular how Sustainable Development can maximise 'environmental, social and economic value'. In addition the video covers initiatives specific to Waterlea as well as a section on Green Star certification and the role played by the contractor.

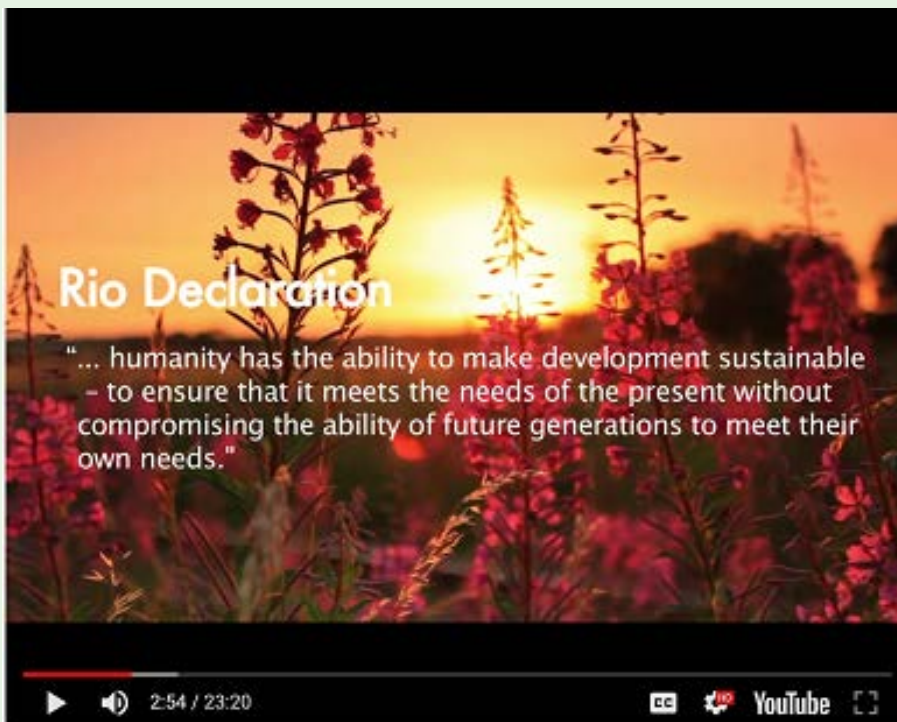
At the end of the video, the contractor is required to complete a short quiz to show their understanding of the issues discussed.

Completing the module not only improves contractor knowledge on sustainability, it also aligns contractors with our sustainability aspirations and aligns with the development's Green Star strategy. The module is also eligible for the GBCA's Industry Capacity Building credit in the Green Star Communities Tool.

Kim Ly, from Waterlea's development team says "The module, as well as the video are a great platform to provide contractors information on sustainability, both at Stockland and at Waterlea."

It also underlines the reason why sustainability is important and the roles each contractor has on site to contribute to sustainable development. The Supply Chain Sustainability School has done a great job to provide a module that is engaging and inspiring."

With the encouraging uptake of the video amongst contractors we are currently ascertaining how we can adapt the material to engage with contractors more broadly across our residential portfolio



*A still image from the Waterlea (formerly Stamford Park) contractor induction video.*

This video is a 20 minute induction for anyone involved in the Stamford Park project, and is part of Stockland's mandatory sustainability training.



## 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 through participating in the City of Sydney's Making Sydney a Sustainable Destination Plan. Our achievements related to indigenous procurement are detailed in our [Human Rights Deep Dive](#).

### CASE STUDY

#### Best practice business accommodation procurement with City of Sydney

The Council of the City of Sydney is committed to a 70 per cent reduction in carbon emissions by 2030, net zero emissions by 2050, as well as improvements in water and waste efficiency. The Council is focusing on the hotel and entertainment sector as over 10 million visitors come to Sydney every year. City of Sydney modelling shows that the sector leads to 21 per cent of total greenhouse gas emissions in the City of Sydney local government area, as well as 14 per cent of potable water consumption and 47 per cent of the City's commercial waste. To reduce the environmental impact of this sector, the City of Sydney's Making Sydney a Sustainable Destination Plan sets a vision for Sydney to be recognised globally as a sustainable destination for business and holidays.

We have collaborated with the City of Sydney to understand how we can support the objectives of the Plan. We build strong relationships with our suppliers, including accommodation providers, so that they are motivated to operate in a manner that is consistent with our sustainability leadership. We have set detailed sustainability criteria for accommodation providers, where we ask for performance data on waste management, energy efficiency, water efficiency, and overall sustainability management. Our preferred hotels provide data back to our Corporate Procurement team on how their business is performing over time against its sustainability commitments.

We have found that sustainability is a good differentiator in a market where pricing can be similar across accommodation brands. Our approach has been recognised as best practice by the City of Sydney as it seeks to improve the sustainability performance of the accommodation sector. Pip Harley, Sustainability Engagement Manager – Accommodation and Entertainment, said "Together with government, business and the tourism sector City of Sydney is working to build Sydney's reputation as a leading sustainable destination. Procurement practices are an essential driver to motivate suppliers to demonstrate environmental leadership. Stockland's collaborative engagement and procurement approach through its hotel program stands out as best in class."



To access the complete list of documents in Stockland's Sustainability Deep Dive Series, click here.