

Supply Chain

FY19

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 FY19 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.¹

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

- Developed an industry supply chain survey tool in partnership with 15 member groups of the Property Council of Australia to strengthen property industry approach to human rights and other social and governance considerations within the supply chain.
- Continued to collaborate with our suppliers to achieve health, safety, environmental and quality outcomes including through our ever-growing 'Sights on Safety' initiative, which implemented its inaugural Sights on Safety Award, targeted at recognising the work undertaken by suppliers and stakeholders to focus on safety improvement within their organisation and work sites.
- Launched 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. Pilots are underway with key partners, with a view to implement across wider portfolio in FY20.
- Partnered with the Supply Chain Sustainability School (SCSS) to develop and launch a Sustainability Induction training video, targeting project contractors via the SCSS training and education website.
- Completed our first Innovate Reconciliation Action Plan (RAP) during FY19 and commenced work on our next Innovate RAP for FY20-22, with a focus on indigenous employment opportunities and procurement.

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

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FY19 priorities and progress

FY19 PRIORITIES	STATUS	FY19 PROGRESS
Launch our guideline 'Sustainability in our Development Supply Chain – What Stockland Expects' with strategic suppliers to communicate our sustainability expectations.	In progress	The guideline has evolved into a policy titled 'What Stockland Expects from its Suppliers'. We have delayed the launch to early FY20 to include Modern Slavery legislation. The policy will be launched through various channels including targeted correspondence and supplier webinars.
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.	Achieved	The property industry supply chain survey tool has been developed with input from 15 member groups of a Property Council of Australia working group. Piloting the tool will commence in early FY20 in line with the introduction of the Modern Slavery Act.
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 elected to defer the supplier roadshow to early FY20 to include the Modern Slavery legislation and renewed Reconciliation Action Plan commitments. We have also elected to undertake these communications through mixed channels including webinars.
Launch our procurement management system that includes an increase in sustainability objectives for suppliers (part of our internal Core Systems program).	In progress	Our procurement management system is an integral part of Stockland's investment in a new Enterprise Management System. The EMS and procurement management system has been rescheduled for delivery in FY20.
Undertake three-yearly compliance assurance of service contractors.	In progress	We undertook compliance assurance of labour-intensive service contractors in FY16 and engaged suitable contractors on 3 year terms. We are planning to repeat the assurance process in mid-2019 for selected service contracts.

Future priorities

- Develop and implement our Modern Slavery Act strategy including risk mapping and targeted due diligence of high risk suppliers.
- Deliver human rights training to key procurement staff and make the training available to suppliers through the Supply Chain Sustainability School.
- Undertake a supply chain mapping process to inform sourcing and specification processes for new built form developments over \$5 million.
- Launch our procurement management system that includes an increase in sustainability objectives for suppliers (part of our internal Core Systems program).
- Pilot the PCA Modern Slavery supplier survey tool in FY20, commencing with higher-risk developments and operational service providers.

FY19 performance and case studies

Supply chain procurement overview

In FY19, we procured over \$2.2 billion of goods and services from our direct supply chain, which consists of over 3,800 active suppliers. 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

CATEGORY	TIER DEFINITION	NUMBER OF SUPPLIERS	SPEND (\$ MILLION)	% OF SPEND
Tier 1	Supply goods and services directly to Stockland	3,867	2,295	100
Critical Tier 1	Limited number of alternative suppliers of the good or services they provide, and they are essential to meeting the business objectives.	16	597	26
Sustainability high-risk suppliers	Tier 1 suppliers with a spend over \$5 million per annum. ²	61	1,524	66

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 policy titled 'What Stockland Expects from its Suppliers'. This policy 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 policy throughout FY18-19. We will aim to communicate this policy in early FY20.

STOCKLAND SUPPLY CHAIN FRAMEWORK

<p>GOVERNANCE & MANAGEMENT</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>ENVIRONMENTAL IMPACT</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>HEALTH, SAFETY & QUALITY</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>SOCIAL VALUE</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>HUMAN RIGHTS</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>INNOVATION, CAPABILITY & CAPACITY</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 FY19 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](#).

² Classified as sustainability high-risk suppliers due to their increased of impacting our ability to meet our business objectives relating to finance, health and safety, environment, and human rights.



Governance, management and environmental impact

Over the course of FY18, we 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.

In FY19 we launched the Sustainability Schedule and piloted it at Calleya with our builder partner, Georgiou. Work is underway and Stockland will follow up with Georgiou upon completion to track the success of the initiatives contained in the schedule. In FY20, we aim to pilot the schedule on projects in NSW and QLD along with consultation with Council, Consultant and Contractor representatives. It is expected that the schedule will evolve over time as Stockland and the Industry become more proficient in delivering the specified initiatives and the benchmark will raise accordingly to enable us to deliver best practice sustainability on our masterplan residential development sites.

CASE STUDY

Increasing materials visibility and collaboration in the supply chain

Our supply chain Sustainability Schedule, developed in FY18 as the result of an assessment of supply chain issues and risks impacting the construction industry, is now being piloted and integrated into development projects. One of the key aspects of the Schedule is the requirement of our contractors to clearly document and provide evidence of sustainability initiatives and measures, such as materials used in the projects via a materials verification register. This register outlines the minimum verification and certification requirements to ensure a responsible outcome. In FY19, we worked with project contractors for Birtinya to implement the improved materials register. Executing this was a collaborative process, with materials verification discussed in each project meeting, ensuring that the contractor was proactively reporting on progress of their materials compliance. Verifying the standards and qualities of our materials is crucial to meeting our business and sustainability objectives, including:

- **Quality:** Ensuring each raw material and final product is sourced from quality materials and using appropriate fabrication ensures the longevity and safety of an asset. Whilst sourcing structural steel for Birtinya, the register required Australian Certification standards and practices to be followed, with the contractor performing quality control inspections at the overseas fabrication plant to ensure quality control, of which evidence and outcomes were collected and documented.
- **Human Rights practices:** Labour affected by modern slavery has a higher than typical occurrence in the supply chain in materials such as tiles or stone. As such, tiles for Birtinya were sourced from a reputable Australian supplier who could provide a verified chain of custody. Doing so allowed our contractor visibility and certainty of the human rights practices within the manufacturing processes,
- **Environmental:** Ensuring timber products are sourced from renewable sources ensures long-term supply availability and environmentally sustainability. Birtinya has a higher extent of engineered timber product finishes than other similar projects (plywood, decorative timber veneers). We obtained certification that timber products used were certified by forest certification scheme or from a reused source.
- **Health:** High-VOC levels in chemical products (such as adhesives, sealants, paints, and PVC) can be toxic and harmful to health. Our materials register ensured all products sourced for Birtinya contained low-level VOCs, ensuring the health and safety of onsite workers, Stockland staff, tenants and the community.

Whilst materials standards are by no means a new concept for Stockland, with the new Sustainability Schedule requirements in part overlapping with Green Star obligations, this ensures the process is front of mind from project conception through to delivery. Typically, contractors would collect the minimum information required for Green Star and Stockland standards, and submit their information about the project once completed. This new practice ensures early and ongoing monitoring of progress, certification being cited before product selections or installations, and increased visibility and collaboration during the process for Stockland.



Creating local jobs

As a developer and asset owner and operator, we have the opportunity to leverage our resources to provide local procurement and employment opportunities for those in our communities and assets under development. In FY19, we worked with the Australian Retailers Association to run the Retail Ready program for Stockland Caloundra and Birtinya, with the focus on supporting local indigenous employment. In FY20, we aim to expand the coverage to at least two more retail centres, to train local residents and provide them with retail employment skills.

Initiatives such as the Retail Ready program 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 FY19 achievements relating to community development 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. Now with over 200 external contributors engaged, the next phase and development of this initiative is underway. More information on Sights on Safety achievements during FY19 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) and North Lakes (Qld) 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 are not aware of any incidents of child labour or forced/compulsory labour in the operations or supply chain of our principal contractors. In response to the Modern Slavery legislation, Stockland has undertaken a process to further understand our supply chain and operations and areas of possible exposure to modern slavery. We are developing and implementing a strategy to increase awareness of modern slavery risk both internally and with our suppliers, and strengthening our due diligence processes in this regard.

Innovation, capability and capacity

We work closely with a number of members in our supply chain to deliver great outcomes in our communities. Some key collaborations from FY19 include:

Highlands and Orion Braybrook (Vic) - This year we launched our Zero Net Carbon (ZNC) home pilot programme in partnership with Sustainability Victoria and our builder partners Creation Homes and Vcon Homes. We aim to deliver Stockland's first ZNC home product at our Highlands and Braybrook developments. The partnership will see us undertaking a number of key activities including, zero carbon energy modelling, cost benefit studies, best practice design and construction, as-built air tightness testing and insulation integrity, builder partner education and research on marketing the ZNCH message to our customers. The pilot programme is also aligned with our residential built form targets and our broader net zero business commitment in Logistics, RL and at our Head Offices. The programme participation will position us to deliver homes that meet the new, tighter energy regulations and will continue to strengthen Stockland's sustainability leadership position.

Baringa (Qld) - Stockland has a long standing relationship with the Caloundra Chamber of Commerce who operate markets locally. The Baringa civic square has been designed as an active public realm and from early on, markets have been viewed as a key part of this. Baringa's first market is scheduled to occur in Spring and we are currently working with the Caloundra Chamber of Commerce and council to secure required permits. The markets will offer a variety of food and craft stalls and provide an opportunity for local community and businesses to buy and sell local produce. As planning progresses, we will be working with the local businesses including the Baringa Community centre and the new retail operators to ensure the markets are a success.

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 1900 people registered and over 1000 unique organisations engaged, ranging from small businesses to large organisations in the public, private, and non-for-profit sectors.



CASE STUDY

Increasing contractor awareness via the Supply Chain Sustainability School

As part of the Sustainability Schedule, which launched in FY19, we identified a key objective of raising the sustainability awareness of our key contractors. Working collaboratively with our contractors ensures we can not only improve the sustainability outcomes at our communities, but more broadly in the property industry.

For maximum impact, we needed the learnings to be simple, scalable, and efficient, delivered in a way that was easily accessible to our contractors. To achieve this, we worked with the Supply Chain Sustainability School to develop free, interactive learning modules, that are easily accessed via their website. Contractors can complete the mobile-friendly modules on-the-go, allowing them to engage with the content as it suits their individual and team needs.

Head Contractors are first required to complete a self-assessment, which is designed to help them assess their current sustainability knowledge and identify areas of improvement for their organisation. From there, they are required to participate in the Stockland Sustainability Induction, Sustainable Procurement, and Human Rights and Modern Slavery e-learning modules [available on the site](#).

If the Contractor is also involved in delivering Stockland's Built Form, they are required to complete the additional module on 'Livable Housing'. They can also choose to engage with a variety of resources available on the site, including modules on waste, biodiversity, climate change adaptation, and local economy and community.

To further maximise the impact of our collaboration with the Supply Chain Sustainability School, the 'Sustainability Induction' and 'Livable Housing' modules have been designed to enable Stockland to access Skills Development and Industry Capacity Building Credits in the Green Building Council's Communities Green Star Tool, making it easier for Stockland teams to deliver Green Star projects as part of our wider business strategy relating to Green Star certifications.

As part of the process, we intend to deliver a survey to all those Contractors who completed the modules as part of working on Stockland Masterplan Communities. This will enable us to track the benefits of the modules and identify any potential improvements and other areas of supplier awareness that we could address.

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.

With a human rights issue review completed in FY18 that highlighted 11 risks and opportunity areas and validated supply chain as the highest human rights risk for our business, Corporate Procurement's FY19 focus was assessing and addressing risk in our supply chain against our What Stockland Expects from Its Suppliers Policy.

A key to sustainable procurement and addressing risk is knowing your supply chain. As part of developing and readying the business for adoption of the procurement management system Corporate Procurement has undertaken data analysis to improve group oversight of suppliers and how we work with them to deliver sustainable, cost effective services.

Over the past year, we have also continued working with indigenous suppliers. Our achievements related to indigenous procurement are detailed in our [Human Rights Deep Dive](#).



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