

# Supply Chain

## 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 FY20 sustainability reporting suite, which is publicly available on our [website](#). Our sustainability reporting is prepared in adherence to the International Integrated Reporting Framework principles of materiality, stakeholder responsiveness, reliability and completeness; in accordance with the GRI Standards<sup>1</sup>(Comprehensive); and is **third party assured**.



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**.

### Stockland's Sustainability Strategy



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

## Our key achievements

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- Undertook a detailed mapping exercise of modern slavery risk across our operations and supply chain and undertook an assessment of our high-risk, high-spend suppliers through the Property Council of Australia Modern Slavery supplier survey tool.
- Delivered human rights training to key procurement staff and made the training available to key suppliers through the Supply Chain Sustainability School.
- Undertook two pilot projects on built form construction projects to better understand modern slavery risk deeper within our supply chain.
- Undertook third party compliance assurance of our major cleaning service contractors including a review of human rights issues.
- Updated and launched our **What Stockland Expects from its Suppliers** policy to include a greater focus on sustainability, including diversity and inclusion, human rights and Indigenous procurement and employment.
- Continued to collaborate with our suppliers to achieve health, safety, environmental and quality outcomes, including through our growing Sights on Safety initiative and annual awards to recognise the work undertaken by suppliers and stakeholders to focus on safety improvement within their organisation and work sites.
- Continued to improve quality processes and procedures delivered through our internal Quality Working Group in collaboration with our construction supply chain.

Assessed for modern slavery

100%

high-risk, high-spend suppliers

## FY20 targets and progress

### Enrich our value chain

Focus area	Target	FY20 progress	Status	Future priorities
<b>Collaborate with our partners to raise awareness of sustainability issues and encourage sustainable procurement.</b>	Launch our policy 'What Stockland Expects from its Suppliers' with strategic suppliers to communicate our sustainability expectations.	Launched updated policy to our key suppliers through a series of webinars and then communicated to all suppliers through written correspondence from our CEO.	Achieved	
	Launch our procurement management system, which includes an increase in sustainability objectives for suppliers (part of our internal Core Systems program).	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 early FY21.	In progress	Launch our procurement management system, which includes an increase in sustainability objectives for suppliers (part of our internal Core Systems program).  Undertake a gap analysis of direct procurement practices against the international standard for Sustainable Procurement ISO 20400.  Improve social and economic outcomes for Aboriginal and Torres Strait Islander people through increased indigenous procurement.
	Compliance assurance including human rights issues for selected services contracts	Undertook third party compliance assurance of our major cleaning service contractors, including a review of human rights issues. Cleaning contractors have been identified as our high-spend, high-risk for modern slavery service within our operations.	In progress	
<b>Identify and address key environmental, social and governance risks in our supply chain.</b>	Pilot the PCA Modern Slavery risk assessment tool.	Invited our high-spend, high-modern slavery risk category suppliers to participate in the PCA Modern Slavery assessment tool.  100% of these suppliers undertook the assessment and many of our other suppliers have also made their response available to us through the tool when responding to other industry peers.	Achieved	Continue implementation of our Modern Slavery Act response strategy including broadening the assessment of our suppliers to progressively include Category B (high modern slavery risk, low spend) suppliers.  Progress the Materials supply chain management pilot which responds to the sustainability strategy and incorporates key learnings from the modern slavery pilots undertaken in FY19.
	Run a supplier roadshow with our strategic suppliers.	Delivered supplier 'roadshow' as a series of webinars, reaching over 450 of our key suppliers. The webinar outlined our sustainability, supply chain, and health and safety strategies and initiatives within the context of our policy 'What Stockland Expects from its Suppliers'.	Achieved	

# FY20 performance and case studies

## Supply chain procurement overview

In FY20 we procured over \$1.9 billion of goods and services from our direct supply chain, which consists of over 3,660 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
<b>Tier 1</b>	Supply goods and services directly to Stockland	3,660	1,919	100
<b>Critical Tier 1</b>	Limited number of alternative suppliers of the good or services they provide, and they are essential to meeting the business objectives.	16	350	18
<b>Sustainability high-risk suppliers</b>	Tier 1 suppliers with a spend over \$5 million per annum. <sup>1</sup>	53	942	49

<sup>1</sup> Classified as sustainability high-risk suppliers due to their increased risk of impacting our ability to meet our business objectives relating to finance, health and safety, environment, and human rights.

## 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 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 modern slavery. We incorporated feedback from these engagements into the policy throughout FY18-19. We communicated this policy in FY20 through various mediums, including written correspondence to all suppliers from our Managing Director and targeted webinars on the policy for key suppliers.

### Stockland supply chain framework

#### Governance & Management

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.

#### Environmental Impact

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.

#### Health, Safety & Quality

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.

#### Social Value

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.

#### Human Rights

Stockland respects and promotes safe, fair, diverse and inclusive workplaces. We seek to work with suppliers who have appropriate labour practices and consistent values.

#### Innovation, Capability & Capacity

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.

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. In FY20 we have not terminated any supplier agreements due to significant actual and potential negative environmental, social, or labour practice-related impacts. Where potential issues are identified, we work with and continuously engage with the supplier to learn more about the issue and implement mitigation and monitoring strategies through corrective action plans. We provide the necessary support and encouragement to those suppliers who have a plan and a commitment to demonstrate continuous improvement.

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 and management

As part of our direct and asset management procurement due diligence process, we undertake a legal, reputational and a financial viability assessment of our Critical Tier 1 suppliers and Sustainability High Risk suppliers to allow us to make sound business decisions when managing our suppliers.

We also conduct contract assurance reviews to assess the end-to-end procurement process to ensure that our procurement governance and contract obligations are met by Stockland and the supplier (contractor). The contract assurance reviews include all development works, for example, civil and infrastructure projects, communities-built form projects and commercial property projects.

Within our asset management portfolio, our facilities management contracts pertaining to preventative and corrective maintenance services include key performance indicators which govern our supplier's contract performance in delivering the services.

During FY20 we have strengthened our approach to stakeholder management and engagement. We developed a National Procedure for Stakeholder and Supplier Management to establish and maintain key stakeholder and supplier relationships. This new procedure delivers a proactive and consistent approach to capturing valuable conversations with our stakeholders and suppliers, providing as well as measuring and sharing performance throughout the business. The engagement process is two-way, with feedback regularly sought from suppliers on Stockland's performance.

During FY20 we also updated and launched our '[What Stockland Expects from its Suppliers](#)' policy to include a greater focus on sustainability, including diversity and inclusion, human rights, and Indigenous procurement and employment.

## Environmental impact

Stockland continuously applies innovation to reduce our environmental impact. During the year we have been investigating asphalt alternatives (see the Reconophalt case study below). This work involved testing the use of alternative asphalt products by incorporating recycled materials that would typically be destined for landfill, such as single use plastics. With one project successfully delivered, a cross-business Working Group is now investigating opportunities to apply such products more broadly both on our assets and in the public realm through our developments. We will continue to investigate new products and industry innovations.

## Health, safety and quality

With a targeted focus on influencing industry practice around safety, Stockland's second annual National Sights on Safety Award offered our suppliers and contractors the opportunity to showcase enhancements to their businesses with a view to improve safety performance. The FY20 awards were well supported by our suppliers, with over 40 applications received and our 2021 Awards will include safety practices embedded during the COVID-19 crisis. More information on Sights on Safety achievements during FY20 is provided in our [Health and Safety Deep Dive](#).

Stockland has a Quality Working Group, which focuses on key strategic initiatives that ensure a quality product and experience is provided consistently to our customers, delivering on our purpose of 'a better way to live'. One of the key initiatives delivered by this group in FY20 was the standardisation of quality inspection checklists across our medium density project sites. This was the result of a collaboration with our contractors, and involved sourcing and sharing best practice to improve standards across our sites and ultimately across the industry.

## Social value

Our business continues to concentrate efforts on generating greater outcomes with proving social value. Engagement with indigenous owned and operated businesses to deliver projects and provide advice in the development space is continuing and gaining further traction, with the support of Supply Nation. This also includes indirect local resource sourcing and employment opportunity generation with our more typical (existing) suppliers, seeking to develop and grow the engagement and benefit with those parties, in line with our Reconciliation Action Plan obligations.

More information on our participation with Career Trackers, the Indigenous university student and emerging leader internship program, can be found in our [Human Rights Deep Dive](#).

During FY20 Stockland partnered with suppliers to implement social value initiatives during the development project of the Baringa Retail Town Centre in Queensland. We started with an analysis of the local community and identified areas of opportunity and value, including opportunities to engage with local community groups and First Nations peoples. The initiatives undertaken included Indigenous education and awareness training of site personnel, covering topics such as cultural identity, racism, reconciliation, and employment opportunities. A whole-of-site talk was also held during National Reconciliation Week 2019 to highlight the role that each and every person on site can play to make the construction industry more inclusive for Aboriginal and Torres Strait Islander workers. As a result of these initiatives, one Indigenous person was recruited and provided with mentoring support. Additional social value initiatives included mental health and skin cancer awareness, and engagement with the local state Primary school through a presentation and discussion around construction and safety awareness.

## Human Rights

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 have developed and implemented a strategy to increase awareness of modern slavery risk both internally and with our suppliers, and strengthened our due diligence processes in this regard. More information can be found in our [Modern Slavery Statement](#).

## Innovation, capability and capacity

Stockland continues to track, test and discuss supplier capability and capacity with work pipeline to ensure a sustainable and achievable balance of appointed work. As an example, Corporate Scorecard is utilised to test supplier financial capability on a regular basis and in line with potential award values and timelines, as well as with shifting market cycles that adjust risk profiles.

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

### WHITEMAN EDGE RECONOPHALT TRIAL

The Whiteman Edge Reconophalt Trial in Western Australia has demonstrated the ability to re-purpose waste materials destined for landfill into high-performing roads. This trial further supports Stockland's sustainability outcomes whilst creating a new supply chain opportunity.

Delivered in April 2020 the trial replaced 1km of traditional asphalt with the Downer Reconophalt product made up of 30% recycled content; diverting 500,000 plastic bags and packaging equivalents, 165,000 glass bottles equivalents and 12,000 printer toners from landfill.

The materials are sourced through a partnership with Close the Loop, a resource recovery and recycling company. Then Downer innovatively tailors the soft plastic and toner solution to suit a road construction application.

Prior to the implementation of the trial, a detailed review was undertaken on:

- performance and quality;
- environmental impact; and
- approvals and acceptance.

Performance testing undertaken as part of the review process indicates the Reconophalt product mix increases the fatigue life of the asphalt, improving durability and resistance to cracking.

The review provided assurances that the product did not pose a new or significant risk to human health and the environment. Certification was also received from NSW Environment Protection Authority (EPA). Engagement with Local Authorities was required in order to secure engineering approval and acceptance of the road at handover.

Since the completion of the trial, a National Working Group has been established to seek out a potential strategy for the business to embrace 'a better way' to pave our roads by introducing a sustainable alternative to traditional asphalt.

The Working Group includes a Project Manager state lead for NSW, QLD, VIC and WA who will act as the key point of contact between Stockland and the Contractor/Supplier, ensuring that due diligence is undertaken prior to award and coordinating the implementation across our assets to achieve best-in-industry rates and product performance.



## CASE STUDY

### INCREASING MATERIALS VISIBILITY AND COLLABORATION IN THE SUPPLY CHAIN

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In FY19 Stockland set out to identify potential modern slavery risk in the development of the Willowdale Retirement Village (NSW), Stage 8 Project. In conjunction with our contractor, Patterson Building Group, we sought to map the supply chain of an independent living unit and identify potential modern slavery risks in the supply chains for the construction materials and labour.

Fair Supply was engaged to run the project cost data through their proprietary risk assessment technology and provide an assessment report that measured the risk of modern slavery by industry, country and modern slavery risk factors.

This enabled the project team to identify seven key building materials that required further investigation and engagement deeper in the supply chain to assess and manage the risk.

Further information on this case study can be found at our Willowdale Retirement Village on our website.

