

# Our Management Approach to Supply Chain

## A. Purpose

This document sets out our approach to managing our procurement and supply chain activities. It should be read in conjunction with our Supply Chain Deep Dive (available on our [website](#)), where we report on progress against supply chain priorities on an annual basis. Together, our management approach documents and deep dive reports comprise our sustainability reporting suite, which is prepared in accordance with the GRI Standards<sup>1</sup> and is third-party assured.

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

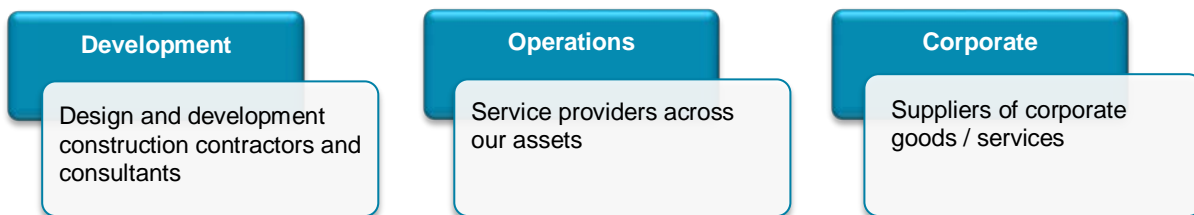
We are committed to responsible procurement and sustainable supply chain management. We recognise that having a sustainable supply chain is fundamental to having a sustainable business.



## B. Management approach

### B.1 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 75 per cent of our annual spend. Spend associated with operational assets and corporate expenditure represents approximately 10 per cent respectively of annual procured spend.<sup>2</sup>



### 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.

<sup>1</sup> The GRI Standards are global standards for sustainability reporting published by the Global Reporting Initiative (<https://www.globalreporting.org/standards/>). The relevant standard for this management approach document is contained within [GRI 103: Management Approach](#).

<sup>2</sup> The remaining five per cent of spend is associated with 'non-procurement' items such as taxes and rates.



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 upon their registration with us and is available via our website.

**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 and we respond to any environmental, social, and labour practice risks or impacts identified. Further information on our approach to upholding supplier performance can be found in the 'Contractor safety and performance' section of [Our Management Approach to Health and Safety](#).

**Supply chain procurement**

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 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**

BUILDING CONTRACTORS (CIVIL AND BUILT FORM)	MARKETING AND ADVERTISING	TRAVEL AND ACCOMMODATION
DESIGN CONSULTANTS (ARCHITECT, ENGINEERS)	UTILITY PROVIDERS	LEGAL
GENERAL CONSULTANTS	INSURANCE	REAL ESTATE
SERVICE PROVIDERS (CLEANING, SECURITY, WASTE)	INFORMATION TECHNOLOGY	HUMAN RESOURCES

We actively monitor and manage our suppliers by categorising suppliers by services provided 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.

Our development spend is predominantly procured with Australian suppliers. Given the geographic spread of our projects across Australia, we encourage our suppliers to procure from local communities. On some of our larger projects, such as our Stockland Green Hills (NSW) retail town centre redevelopment, we have worked with the principal contractor to collect data on



local procurement. While we do not have systems to report local 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, facilitating optimal sustainability outcomes in the delivery of our projects. All new critical suppliers are screened using labour practices criteria such as employment practices, health and safety practices, and history of incidents. See [Our Management Approach to Health and Safety](#) for more information on contractor health and safety priorities and achievements.

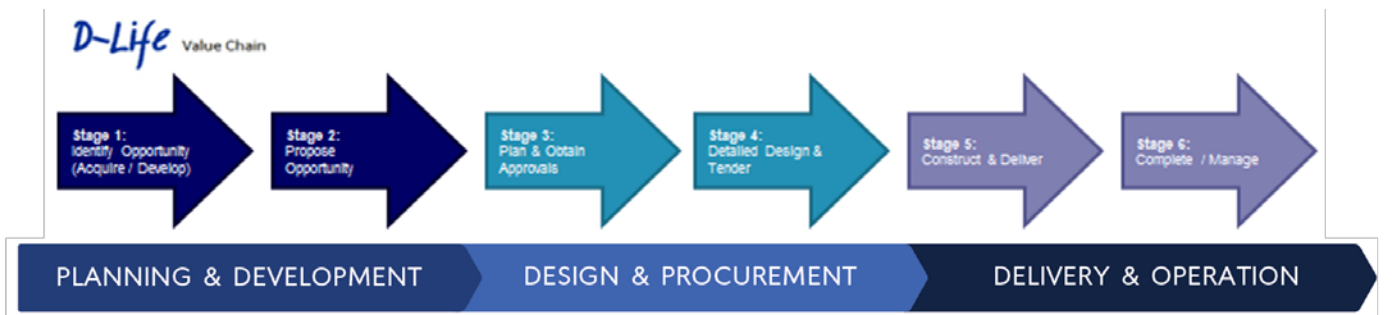
All of our contractors on projects seeking a Green Star rating with contracts over \$5 million (for Green Star – Communities) or \$10 million (for Green Star – Design & As Built) are required to have a valid ISO14001 Environmental Management System accreditation prior to and throughout the duration of 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.

D-Life identifies specific gates with critical control points, requiring approval before proceeding to the next phase of the project life cycle, enabling 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.

#### D-LIFE VALUE CHAIN: CRITICAL CONTROL POINTS WITHIN THE PROJECT LIFECYCLE



##### Design briefs

- Clearly outlining and defining project objectives and deliverables with specific sustainability objectives.

##### Prequalification and assessment process

- To ensure suppliers have the capability and demonstrated ability to meet general and project-specific sustainability and quality requirements.
- This process assesses the proven occupational health and safety systems, financial viability, environmental, social and sustainability capabilities of potential suppliers.
- Tender assessments are weighted to achieve a balance of cost, time, capability and sustainability objectives.

##### Contracts

- Project delivery is controlled through prescriptive scoping of the project objectives and deliverables and through standard contracts, by which the suppliers commit to meeting specific requirements.
- Contracts incorporate specific requirements regarding occupational health and safety systems and environmental, social and sustainability obligations (e.g. Workplace Health and Safety, Green Star, Environmental Management Plan).

##### Monitoring, reporting and compliance

- Detailed reviews and reports on our strategic suppliers are undertaken, requiring information on workplace health and safety, environmental, community grievances, quality and financial viability.
- These reports are provided monthly and enable early qualification and quantification of potential project risks and where required are elevated through the project risk governance framework for review by senior management and the Executive Committee.
- Corrective action plans are developed and implemented where required, in conjunction with our suppliers, outlining plans and a road map for improvement. Corrective action plans are then reviewed for compliance.
- We conduct in-house and third party audits on various aspects of our sustainability requirements including health and safety and environmental performance.

## C. Review and evaluation of the management approach

We review and report on our progress against annual procurement and supply chain priorities in our annual [Supply Chain Deep Dive](#). In this reporting, we include:

- a status update and description of progress against key priorities
- the identification of future priorities
- highlights of initiatives implemented over the reporting period
- case studies that explore key achievements, usually at particular locations.

To further 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 and material issues and regularly benchmark against our peers.

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

We also undertake an annual 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 [Our Management Approach to Governance and Risk](#)).

## D. Responsibilities

The table below describes roles and responsibilities associated with our approach to supply chain management.

ROLE	RESPONSIBILITIES
<b>Business unit CEOs, and Managing Director and CEO</b>	Responsibility for procurement and supply chain management practices within their teams, business units and activities
<b>General Manager – Project Management and Direct Procurement</b>	Execution of procurement processes and procedures on our development projects Reports directly to Chief Investment Officer and indirectly to business unit CEOs
<b>General Managers of Property Management (Retail Town Centre and Workplace), Logistics and Business Parks, and Operations (Retirement Living) supported by Procurement Manager, Asset Management &amp; Operations</b>	Oversight of supply chain and procurement activities related to operations of Commercial Property and Retirement Living assets Report directly to respective business unit CEOs
<b>General Manager – Sustainability and Corporate Procurement</b>	Procurement activities in our indirect supply chain and procurement administration across the business Reports directly to Chief Financial Officer

## E. Version control

REVISION	PUBLISHED	OWNER(S)	CHANGES
1	September 2018	General Manager – Project Management and Direct Procurement General Manager – Sustainability and Corporate Procurement	