

Annual Review 2012



60 years
1952-2012

Our financial, social and environmental performance



About this report

Welcome to Stockland's Annual Review 2012 – our first to combine financial, social and environmental performance.

This initiative follows our selection earlier this year for an international pilot on integrated company reporting led by the International Integrated Reporting Committee (IIRC). Throughout the year we have participated in discussions with global reporting leaders, learning from their experiences, and conducted a review of our own stakeholder reporting framework.

The introduction of this Annual Review is a key outcome of that process. Another change is transitioning our more in-depth sustainability reporting to online only, rather than the previous printed report.

Our full reporting suite for 2012:

- **Annual Review** – focusing on strategy, corporate governance, and our financial, social and environmental performance.
- **Shareholder Review** – a concise version of the Annual Review sent to all securityholders.
- **Financial Report** – a detailed account of our FY12 financial performance.
- **Property Portfolio** – details on each of the assets within our portfolio, updated every six months.
- **Sustainability performance (online only)** – in-depth annual sustainability performance, including detailed discussion on our material issues, data sets and case studies.

Copies of all reports are available online at www.stockland.com.au/reports/2012

2012 is just the first step. We will continue our involvement in the IIRC pilot during FY13, review the outcome of this first integrated report and over the coming years seek to further enhance the transparency and accessibility of our stakeholder reporting.

Feedback

We welcome your questions and value your feedback about our new reporting approach. Please contact us at reporting@stockland.com.au

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Visit www.stockland.com.au/sustainability to view our full Sustainability Performance.

Further information

For more information on Stockland, including the latest financial information, announcements, property news and corporate governance information, visit our website at www.stockland.com.au

Letter from the Chairman

In FY12 Stockland delivered a reasonable, but disappointing result in a very difficult market environment. Underlying Profit was \$676.1 million, down 7 per cent on FY11, and Underlying Earnings per security was 29.3 cents, down 4 per cent.

Stockland's distribution per security rose 1 per cent to 24.0 cents. Our Statutory Profit was \$487.0 million, down 35 per cent on the prior year, due mainly to mark to market valuation adjustments on financial instruments, the majority of which will not be realised if held to maturity.

Reflecting our prudent approach, we maintained a strong balance sheet with low gearing in FY12 and took steps to reduce costs including reorganising our operations to achieve greater efficiency. We are managing the pace of our spending on new projects carefully to avoid the need for new equity and continue to pay steady distributions to securityholders in future years out of operating earnings, while maintaining low levels of debt.

We remain focused on improving shareholder returns through active allocation and management of our capital. During the year we made good progress towards our strategic portfolio, reweighting from Office and Industrial to Retail with the sale of \$964 million of non-core assets at an average price above book value. We used the proceeds to invest in Retail, Residential and Retirement Living projects that will provide significant future profits and to fund our security buyback.

Under our security buyback program during FY12 we acquired 7.5 per cent of our issued capital. This improved our earnings per security by 1 per cent in FY12 with expected full year impact of over 2 per cent. We will continue the buyback program up to 10 per cent taking into account the progress of our asset sales.

Leadership succession

In July we announced Matthew Quinn's decision to retire as Managing Director of Stockland by February 2013. As only our third Managing Director in 60 years, Matthew has made a transforming contribution to the company. Over more than 11 years at the helm, he has overseen Stockland's growth from \$1.7 billion in assets in 2000 to around \$12.7 billion today.

While Stockland's performance in the past year has been impacted by extremely challenging market conditions, under Matthew's leadership Stockland has grown to be a market leader in its core businesses. The Board applauds his commitment during the past 12 years and his many achievements.

Matthew will continue to lead the business while the Board undertakes a comprehensive internal and external search to select Stockland's next chief executive. The Board has every confidence that Matthew and our experienced executive team will continue to manage the business well and ensure a smooth transition to new leadership.

Sustainability

Our commitment to sustainability is now well recognised and to demonstrate its integration in our business this year we have brought together our financial and non-financial performance metrics in one document – our Annual Review. This report provides details on how our approach to sustainability is delivering improved returns for investors. To further underscore how central sustainable operations are to Stockland, we have expanded our Sustainability Committee to include all directors from July 2012.



Board and management

I would like to thank my Board and executive colleagues for their engagement and hard work through the past year. One area of special focus for the Board this past year was executive remuneration. During FY12 we conducted a thorough review of our remuneration policies and practices to more closely align executive remuneration with the interests of securityholders and to ensure that our policies reflect best contemporary practice. We made a number of significant changes, which are set out in our Remuneration Report.

Outlook

Clearly we are facing very uncertain times. World economies, particularly in Europe, are likely to remain volatile for some time and, despite the strength of our resources and energy sectors, continue to impact on consumer and business confidence here in Australia. We are experiencing one of the most sluggish housing market recoveries that many seasoned observers can recall after a substantial reduction in RBA interest rates. All indications are that we are in for another tough year if these highly uncertain conditions continue.

Stockland celebrates the 60th anniversary of its establishment in 2012. Over our 60 year history we have seen cycles come and go. Each has presented its own challenges and opportunities. Today is no different.

With a deep understanding of our customers, and our innovative approach to creating products, our business is well positioned to grow.

We are confident that with our deep understanding of our customers, and innovative approach to creating products that offer value and convenience, our business is well positioned to grow as business conditions improve in FY14 and FY15.

In summary, FY13 will be a year of transition, leading to improved returns in FY14 as our new shopping centre developments begin to yield income and as first sales from new major Residential projects commence. Unless there is continuing weakness in the residential market beyond FY13, we are confident that our earnings per security will grow in FY14. Accordingly, the Board expects to maintain Stockland distribution at not less than 24 cents per security in FY13.



Graham Bradley
Chairman

Letter from the Managing Director

Our strategy of delivering high quality and affordable residential communities, shopping centres and retirement living for middle Australia helped provide resilience in very challenging market conditions last year.

We achieved solid results in our Retail and Retirement Living businesses and strong Residential sales volumes in a very soft market.

We managed prudently, sharpened our focus on understanding our customers, delivered innovative products that meet their needs and executed our strategy to position our business for future growth.

Retail

Our Retail business Operating Profit was up 8 per cent to \$310 million, with comparable Net Operating Income growth of 3.8 per cent.

This result reflects the success of our strategy to adapt our portfolio to minimise the threat of online shopping. Our focus on creating community hubs weighted towards fresh food and services has seen us achieve solid sales growth. Using detailed research we are creating centres with the right mix of shops to attract and retain customers.

At the same time we have continued to invest in our development pipeline to ensure our centres are more resilient and to grow our returns. We currently have three major projects under construction – Merrylands, Townsville and Shellharbour – each on track to open on time and fully leased.

Office and Industrial

Our Operating Profit for Office and Industrial was down 16 per cent to \$219 million reflecting the impact of our asset sales and weakness in the market. Our ongoing reweighting out of Office and Industrial towards higher returning less volatile Retail assets is progressing well, with the sale of \$964 million of Office and Industrial assets in FY12 at prices on average slightly above book value. This does, however, create an earnings lag as reinvestment in our Retail pipeline takes two to three years to deliver returns. We will continue to focus on optimising the performance of our remaining assets as we progress our sales program.

Residential

Despite the market being at a deep cyclical low we achieved a record number of settlements in FY12, up 6 per cent to 5,388. However, pressure on our margins impacted on Operating Profit, which fell 15 per cent to \$198 million.

Interest rate cuts have not stimulated activity in the way they have traditionally and new home buyers remain cautious. Against this backdrop it is pleasing to see that our target corridor strategy remains very sound with areas where we operate outperforming the broader market in price, and Stockland outperforming within our corridors. This enabled us to hold our prices flat in this difficult market and maintain high market share through our focus on affordability. For the first time, in conjunction with our builder partners, we offered house and land packages below \$300,000 in all the states where we operate.

Our Residential business is well placed to achieve strong future growth, currently having 10 of the country's 20 largest projects and with 16 projects due to launch in the next three years, including Marsden Park and East Leppington in New South Wales, Caloundra South in Queensland and Lockerbie in Victoria.

Retirement Living

Our Retirement Living business progressed well in FY12, with operational efficiencies and a record number of sales contributing to an increase in Operating Profit to \$36 million, up \$20 million from last year. We enter FY13 in a strong position with over 200 reservations on hand and 12 active developments in four states.

Cash returns from this business are growing steadily and we continue to focus on lifting these further through development of new product, increased efficiency in our development process and as village maturity increases. The next five years will see a major shift in the market as population ageing gains momentum. By maintaining a pipeline of new product we will be ready to benefit from the resulting increase in demand.

Financial management

We have continued to manage our business conservatively, given ongoing uncertainty in global credit markets. Our balance sheet remains strong with relatively low gearing of 25.8 per cent, comfortably within our target range of 20 to 30 per cent. We actively managed our debt profile to ensure it remains long-dated and cost effective.

People

I would like to thank all our employees for their efforts during FY12. A high-performing team is critical for business success, particularly in a challenging market where adaptability and hard work are more important than ever.

This year we undertook significant restructuring to help us harness core capabilities that can be applied consistently across the business to deliver communities that integrate our retail, residential and retirement offerings. This has enabled us to remove duplication across our business units and refocus some core functions. While a number of roles were affected, we have sought to minimise the impact through natural attrition and redeployment.

The year ahead

FY13 will be a difficult year with ongoing residential market headwinds and the impact of the transition of our business as we position it for growth in FY14 and beyond.

While our Retail and Retirement Living businesses remain well placed to deliver increased returns in FY13, there will be no contribution from UK and Apartments and income from our Office portfolio will be lower due to asset sales. We are also anticipating lower Residential margins due to less sales of high margin lots in Victoria as the market slows, and increased sales of low margin or impaired lots in NSW.

The major uncertainty in our outlook is the state of the residential market. The new housing market remains soft and lower mortgage rates are not yet having the same positive impact as occurred in previous cycles. As a result, the short-term earnings outlook remains uncertain.

Farewell

This is my 12th and final annual report to securityholders. It has been a privilege to lead Stockland and I am very proud of the legacy I will leave behind. Thank you to all our securityholders for your commitment to Stockland. I am confident the Group is in good shape to deliver you growing returns from FY14 as the business completes its transition and market conditions improve.

Matthew Quinn
Managing Director

We have continued to manage our business conservatively and our balance sheet remains strong.



01.

Awarded Global Real Estate Super Sector Leader on DJSI World Sustainability Index

Named Employer of Choice for Women for a third year

Achieved Australia's first 6 Star NABERS Energy Retail rating

JULY

JUNE

Our performance in FY12

Our strategy of delivering high quality and affordable residential communities, shopping centres and retirement living for middle Australia helped provide resilience in very challenging market conditions.

Key financial results

We maintained a strong balance sheet with low gearing in FY12 and took steps to reduce costs including reorganising our operations to achieve greater efficiency.

Underlying Profit^{1,2} (\$M)

\$676.1

FY12	676.1
FY11	726.3
FY10	692.3
FY09	631.4
FY08	674.0

Our Underlying Profit, which reflects the profit we realise through daily business operations, was down 7 per cent on FY11, reflecting the challenging operating environment.

Underlying earnings per security¹ (¢)

29.3

FY12	29.3
FY11	30.5
FY10	29.1
FY09	36.5
FY08	46.2

Our underlying earnings per security was 29.3 cents, down 4 per cent on last year.

Distribution per security (¢)

24.0

FY12	24.0
FY11	23.7
FY10	21.8
FY09	34.0
FY08	46.5

Total distributions for the year were 24.0 cents per security, which represents a total payout of \$542 million. The Board's policy is to pay to securityholders the greater of 75–85 per cent of Underlying Profit or 100 per cent of Trust Taxable Income.

Statutory Profit (\$M)

\$487.0

FY12	487.0
FY11	754.6
FY10	478.4
(1,801.9)	FY09
FY08	704.6

Our Statutory Profit was down 35 per cent, predominately due to unrealised mark to market adjustments on financial instruments.

We continue to manage our business prudently and conservatively, given ongoing uncertainty in global credit markets.

Balance sheet (as at 30 June 2012)

We continue to manage our business prudently and conservatively, given ongoing uncertainty in global credit markets. Our balance sheet remains strong with relatively low gearing, comfortably within our target range of 20–30 per cent.

6.0%

Weighted average cost of debt

5.3 years

Weighted average debt maturity

25.8%

Gearing

Return on equity

The way we measure return on equity is set out in our Results Pack found on our website.

8.2%

Return on equity



For more detailed information on our financial performance please see our **Financial Report 2012**.

1 FY11 figures restated to reflect change in accounting for the Retirement Living business. See Financial Report 2012 for details.

2 Underlying Profit is a non-IFRS measure that is designed to present, in the opinion of the Directors, the results from ongoing operating activities in a way that reflects the Group's underlying performance. See Financial Report 2012 for details.

Key sustainability results

Our sustainability results reflect our non-financial performance. Focusing on the challenge and opportunity areas that are key to our ongoing success.

PEOPLE pg 32

Employee engagement

84%

Maintained our employee engagement score – 84 per cent – two points above Global High Performing Companies.

Diversity and flexibility

Overall proportion of women in management (%)

FY12	43%
FY11	37%
FY10	35%
FY09	34%

* Note: Our five year target is now 45 per cent of women in management roles by FY17.

CUSTOMER pg 26

Affordable products

<\$300,000

All states where we operate offer a house and land package under \$300,000.

Customer satisfaction

Residential

96%

of those who placed a deposit rated the experience around that part of the process as good, very good or excellent (up from 93 per cent).

Retirement Living

97%

of villages had an average satisfaction score of 7 or more.

Retail

69%

Average satisfaction with Stockland, up from 50 per cent in 2010.

Innovative products

\$205,000

House and land package offered at Bells Reach.



Launched 'My Stockland' retail centre smartphone app.

CLIMATE AND OUR ENVIRONMENT pg 42

Reducing our impact

Office greenhouse gas intensity (kgCO₂-e/m²)

FY12	77.3
FY11	85.1
FY10	97.0
FY09	103.8

Target is 20 per cent reduction by FY14

Retail greenhouse gas intensity (kgCO₂-e/m²)

FY12	69.2
FY11	73.0
FY10	76.0
FY09	74.6

Target is 20 per cent reduction by FY14

Sustainable and resilient assets and communities

6 Star

Achieved Australia's first 6 star 'market leading performance' NABERS Energy shopping centre.

Zero emissions

Launched a low-carbon, zero operating emissions sustainability hub at our Selandra Rise community.

Green Star

Caloundra South registered for Green Star communities pilot.

COMMUNITY pg 37

Liveable communities

Above Australian average

Successfully launched our Liveability pilot survey in three communities – satisfaction exceeds 80 per cent and our residents rate their personal wellbeing above the Australian average.

Measuring our impact

\$2.9m

Social Return on Investment calculations tell us a typical Stockland retirement village contributes \$2.9 million of value to residents, family and the local community every year.

Community involvement

10,627 hours

Over 700 employees participated in team volunteering, with over 10,627 hours of employee time contributed to community activities.



Operational review



John Schroder
Group Executive
and CEO,
Commercial
Property

Retail

\$310m Net Operating Income (NOI)

99.4%

Portfolio occupancy

8.0%

Return on Assets

Income growth

8%

Net Income growth

3.8%

Comparable Net Income growth

2.9%

Comparable moving annual turnover growth

Retail NOI movements between FY11 and FY12 (\$m)

FY12	310
FY11	286

Shopping centre productivity (turnover per sqm)

Average Stockland centres	\$7,526
Australian average (regional centres, 50-70,000 sqm)	\$6,571

The performance of our Retail centres demonstrates the effectiveness of our focus on creating community hubs with a clear value and convenience offering. This strategy helps insulate us from the threat of online shopping.

We continue to invest in our development pipeline to ensure that our centres are more resilient and to grow our returns. Our three major projects will be unique in their trade areas: Townsville, 40 new retailers for the trade area; Merrylands, the only regional centre with three supermarkets and three discount department stores; and Shellharbour, the only major regional centre servicing the Illawarra.

Energy efficiency performance Retail energy intensity kWh/m²

FY12	75.0
FY11	78.9
FY10	83.0
FY09	80.1

Office and Industrial

\$142m

in Office

Net Operating Income

\$77m

in Industrial

Net Operating Income

7.8%

Return on Assets

We continued to reweight our Commercial Property portfolio with the sale of \$964 million of Office and Industrial assets in FY12 at prices on average slightly above book value.

We are focused on optimising the performance of our remaining assets. We have outsourced day-to-day property management to a specialist provider to achieve cost savings, while retaining internal control of strategic asset management to focus on maximising returns.

Annual lease expiry profile (%)

Office leases



Industrial leases



■ 2012 ■ 2013 ■ 2014
■ 2015 ■ 2016 ■ 2017+

Down 16%

NOI down due to asset sales and weak demand

Up 4%

Comparable NOI: Office flat and Industrial

94.5%

Office portfolio occupancy

97.3%

Industrial portfolio occupancy

Energy efficiency performance Office energy intensity kWh/m²

FY12	84.7
FY11	93.1
FY10	104.8
FY09	109.8

Average NABERS
Office Energy rating

4.0 Stars



Mark Hunter
Group Executive
and CEO,
Residential

Residential Communities

\$198m

Operating Profit
(incl. interest in COGS)

\$270m

EBIT

5,388

Lots settled, up 6% on FY11

1,561

Contracts on hand at 30 June 2012,
around 700 lower than last year

25%

EBIT Margin, at the low
end of our target range

11.3%

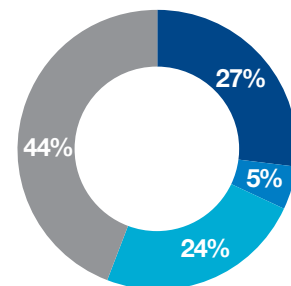
Return on Assets

We achieved a record number of settlements in FY12, despite the residential market being at a deep cyclical low, but pressure on our margins impacted our profit result.

Interest rate cuts have not stimulated activity in the way they have in the past and new home buyers remain cautious. Our ability to bring affordable product to the market has been central to maintaining our high market share in our chosen corridors in this challenging environment.

We are well placed to achieve strong future growth with the launch of up to 16 new projects in the next three years including Marsden Park and East Leppington in NSW, Caloundra South in Queensland and Lockerbie in Victoria.

Stockland market share in chosen corridors maintained within our target range



■ Stockland – 27%
■ Closest competitor – 5%
■ Rest of top 10 – 24%
■ Smaller Developers – 44%

UK and Apartments

\$17m

UK Operating Profit

\$Nil

Apartments Operating Profit

Our wind down of these businesses is on track and no further meaningful profit contribution is expected from UK and Apartments.



David Pitman
Group Executive
and CEO,
Retirement Living

Retirement Living

\$36m

Operating Profit

125% increase

Operating Profit up from FY11

4.2%

Return on Assets

94%

Portfolio occupancy

Record number of sales

519

existing units

268

new units

Our Retirement Living business progressed well in FY12, achieving operational efficiencies and increased revenue. We enter FY13 in a strong position with over 200 reservations on hand and on track to deliver a record number of sales including over 300 new unit sales, with 12 active developments in four states.

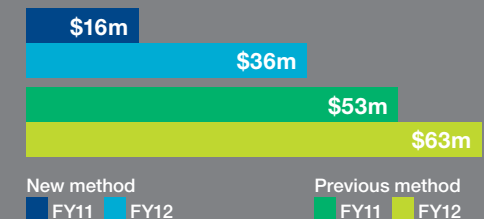
Cash returns from this business are growing steadily (ROA up from 2.9% in FY11) and we continue to focus on lifting these further through development of new product, increased efficiency in our development process and as village maturity increases.

Focusing Retirement Living on cash returns

We have simplified Retirement Living accounting. Historically earnings were a combination of cash and accrual/ accounting adjustments. Under our new method, Underlying Profit will be closely aligned with cash flows. We have:

- Replaced DMF accrual with actual turnover cash margin
- Removed unsettled development profit
- Community facilities are a fixed asset and costs will be capitalised

Underlying Profit in both methods



Number one masterplanned community in Australia

Our Highlands masterplanned community in Melbourne's northern suburbs showcases our strategy and strengths, bringing residential, retail and retirement living together in a new community informed and inspired by comprehensive community engagement.

Highlands exemplifies Stockland's approach to greenfield development: an integrated project that combines all of the elements necessary for a new community to thrive – elements which are progressively delivered so that from its earliest days it has all the ingredients required for a vibrant community. It's an approach that drives sales rates and prices.

In FY12, as a result, Highlands was the number one project in Australia by sales volumes. Surveys of current residents revealed 83 per cent are highly satisfied living in this community.

When completed Highlands will comprise more than 7,000 homes, retail centres and retirement living.

Highlands exemplifies Stockland's approach to greenfield development.



02.

1 of 3 Australian
companies selected
for International
Integrated
Reporting pilot

2012 marks the
60th anniversary
of Stockland

\$12.7 billion of
assets under
management

JULY

JUNE

About Stockland

We have a long and proud history of
creating places that meet the needs of
our customers and communities.



About Stockland

When Stockland was founded in 1952, Ervin Graf had a vision to “not merely achieve growth and profits but to make a worthwhile contribution to the development of our cities and great country.”

Celebrating 60 years in 2012, Stockland has a long and proud history of creating places that meet the needs of our customers and communities.

When Stockland was founded in 1952, Ervin Graf had a vision to “not merely achieve growth and profits but to make a worthwhile contribution to the development of our cities and great country.”

Pursuing that vision has seen us grow to become one of Australia's leading listed diversified property groups – developing and managing a large portfolio of residential community, retirement living, retail, office and industrial assets.

Our business is structured around three business units: Commercial Property, Residential and Retirement Living. In 2009 we adopted a strategy of realigning our portfolio to reflect three markets which serve as building blocks for vibrant local communities and offer the best opportunities to leverage our diverse capabilities – retail, residential communities and retirement living. Over the past three years we have begun to divest other non-core assets, as well as our UK business, while making strategic investments that have strengthened our position in core markets.



Ervin Graf



2012 marks the 60th anniversary of Stockland – a proud milestone in times when stability and longevity are so important

Our business

Retail

We are one of the largest owners, managers and developers in Australia. Our portfolio comprises 42 retail centres valued at approximately \$5.0 billion. We accommodate more than 3,000 tenants, generating over \$5.4 billion in retail sales each year.

42 retail centres valued at
\$5.0b

Residential

We are a leading residential developer, focused on delivering a range of masterplanned and mixed-use communities in growth areas across the country. We have 87,900 lots across 70 projects with an estimated total end value of approximately \$23.0 billion.

70 projects valued at
\$23.0b

Retirement Living

We are a top three retirement living operator within Australia, with 7,984 established units across five states. Our portfolio includes a development pipeline of over 3,800 units.

Established village units
7,984

Office

Our office portfolio is comprised of 21 properties valued at \$1.9 billion. We are focused on maximising investment returns across the portfolio.

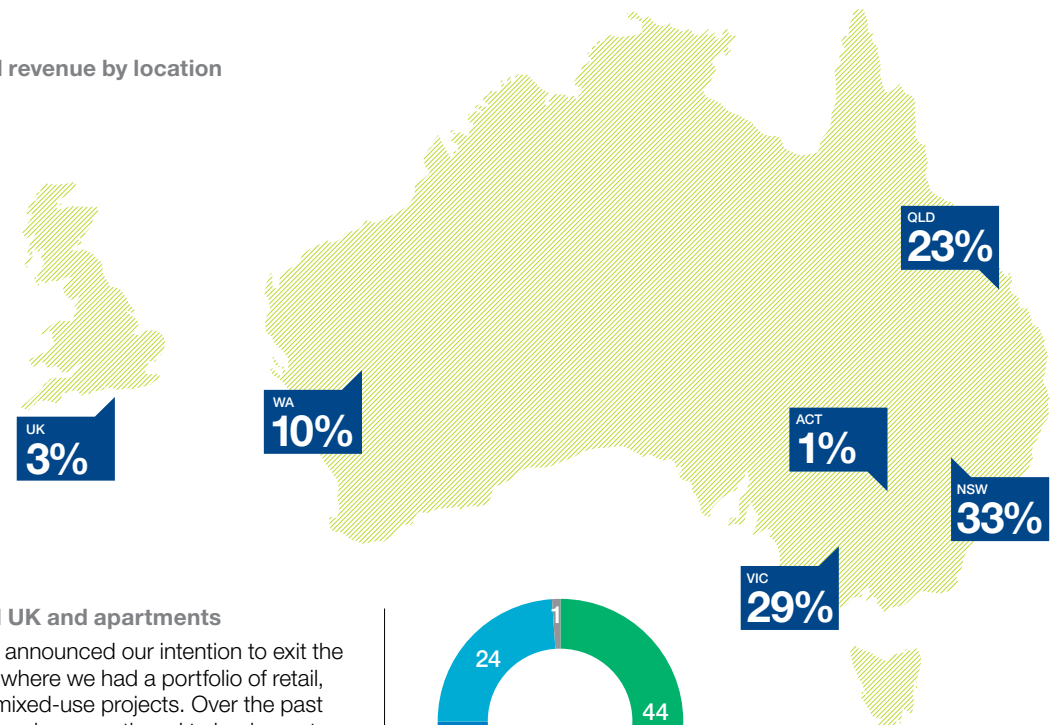
21 properties valued at
\$1.9b

Industrial

Our industrial portfolio is valued at \$0.8 billion, with 13 properties strategically positioned in key locations of logistics, infrastructure and employment.

13 properties valued at
\$0.8b

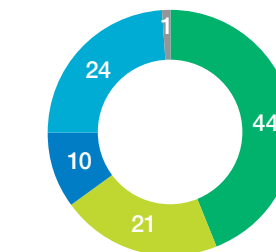
Stockland revenue by location



Stockland UK and apartments

In 2009 we announced our intention to exit the UK market where we had a portfolio of retail, office and mixed-use projects. Over the past 12 months we have continued to implement an orderly sale of assets that achieves the best possible financial outcome for Stockland securityholders. The size of the UK portfolio is now less than nine properties with a similar number of employees who are focused on winding up the remaining elements of the business. We are on target to complete our exit in 2013.

In June 2009 we announced that we will trade-out of our existing apartment projects. We have a range of quality apartment projects in high profile locations across Australia, with an estimated remaining end market value of approximately \$0.2 billion.



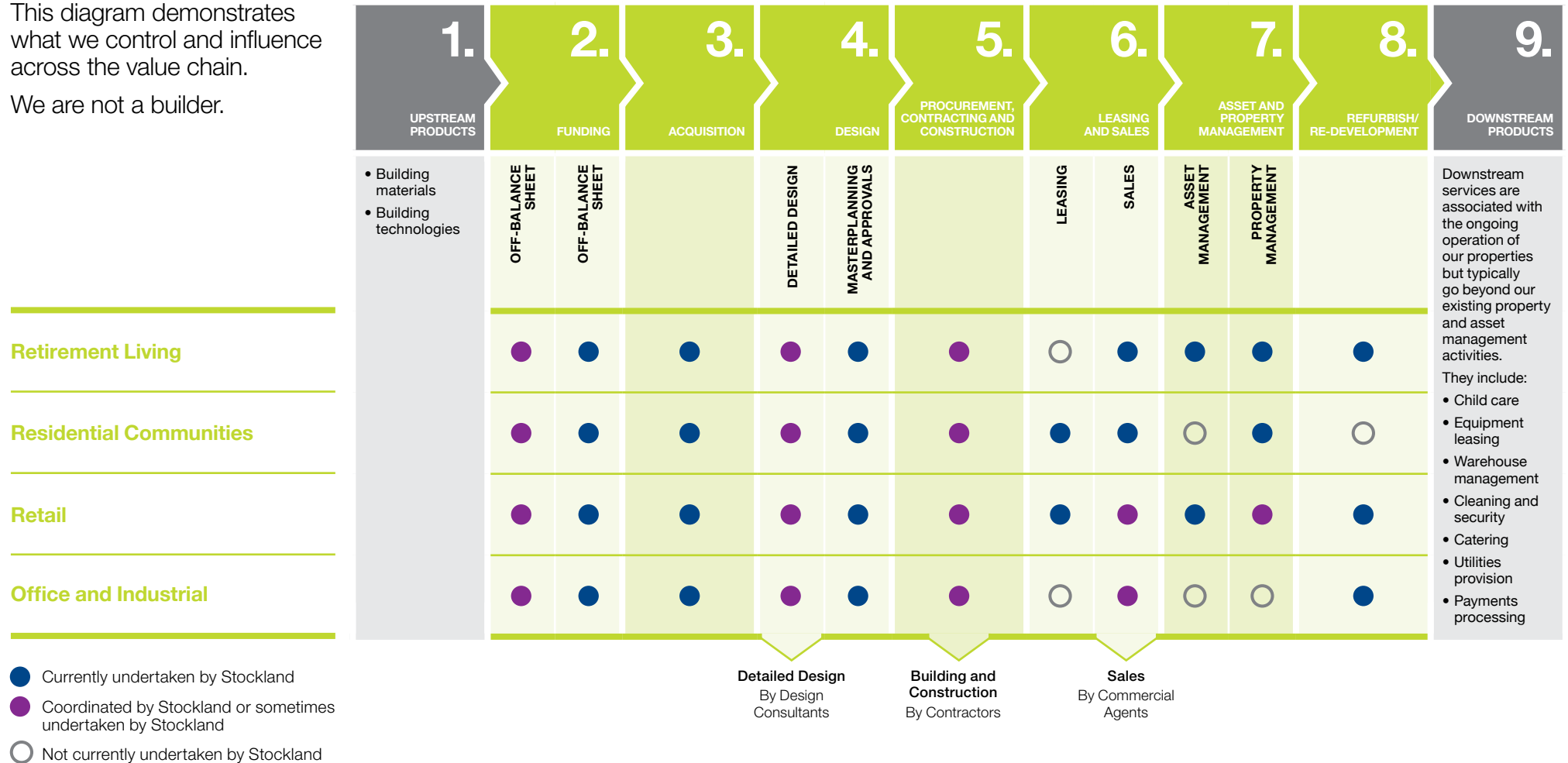
Business by Assets

Retail	44%
Residential	21%
Retirement Living	10%
Office & Industrial	24%
Apartments & UK	1%
Total Asset Value	\$12.7bn

Value chain

This diagram demonstrates what we control and influence across the value chain.

We are not a builder.



Our stakeholders



Government and industry engagement

Second only to market conditions, government regulations have the most substantial impact on the profitability of our business. We actively engage with governments, public servants, regulators and industry bodies with respect to policy decisions in general and those which affect our various assets and developments. This engagement is governed by a Board-endorsed government and stakeholder engagement policy that applies to all our people and covers donations, consultants, access to our properties, gifts and personal political participation. The policy is updated annually and communicated to our people through our Executive Committee. It is also published on our website.

Our stakeholders take great interest in our stance on political donations. In July 2008,

as part of our annual review, our Board moved from a bi-partisan donations policy to implement a zero political donations policy. We do not make direct or indirect transfers of money to political parties or politicians at any level of government. In adopting this policy we seek to reinforce our longstanding view that our projects be judged solely on their merits.

We actively monitor legislative and regulatory change directly through our businesses and our government relations team, as well as via key industry bodies. We are an active member of the Property Council of Australia (PCA), the Green Building Council of Australia (GBCA) and the Shopping Centre Council of Australia, and they continue to be our primary representative bodies at both federal and state levels. We also engage with the Urban Development Institute of Australia, the Investor Group on Climate Change and participate as an Organisational Stakeholder in the Global Reporting Initiative.

This year there were many government regulations and policy announcements that had influences on our business. These include regulations relating to the introduction of a carbon price and health and safety harmonisation laws. Both proactively and in response to governments' actions, we have made proposals and submissions to governments on matters such as planning, taxation and environmental regulation.

In general, regulation related to environmental sustainability performance has become increasingly complex with different layers of government seeking to take action. Through the Property Council of Australia and the Green Building Council of Australia we have advocated for the harmonisation and streamlining of reporting and regulatory requirements. Over the year, we have also engaged with government on urban planning, energy, climate change and wider environmental policy development.

We do not make direct or indirect transfers of money to political parties or politicians at any level of government.

There are also areas where we are required to comply with federal government reporting frameworks. In the past year these have included the Energy Efficiency Opportunities Act, National Greenhouse and Energy Reporting Act, and the Commercial Building Disclosure Act.

Investor relations

We have around 50,000 securityholders in Australia and overseas. We aim to ensure they are kept well-informed of all major developments and business events that are likely to materially affect our operations, financial standing and the market price of our securities. A copy of our policy on our communication to securityholders is available on our website in accordance with Principle 6 of the ASX Corporate Governance Principles and Recommendations.

We provide securityholders with information through our annual and half year financial reports, and announcements of market-sensitive and other information, including results and analysts' presentations. These documents are lodged with the ASX and made available on our website. The annual and half year financial reports are made available to all securityholders.

Securityholders are encouraged to engage with senior management and our Board of Directors at our Annual General Meeting. Copies of addresses made by the Chairman and Managing

Director and the minutes of the Annual General Meeting are also lodged with the ASX and are available on our website.

In addition, we communicate with the investment community via regular group and one-on-one management meetings with institutional investors and analysts, presentations by senior management and by participating in domestic and offshore investor conferences and roadshows. Company briefings are also webcast over the internet and telecast.

In FY12 we attended conferences in Sydney, Asia, Europe and America. At each conference we met with numerous investment groups, enabling us to enhance our profile in the global market and provide securityholders with direct access to management. Investors and analysts are also welcome to visit our assets and meet with state management for an overview and tour. Over the past year, we have showcased a wide range of our assets to investors, allowing them to deepen their understanding of our business.

A shared vision for Lockerbie

This year brought about a new way of approaching the visioning process for new residential and mixed-use communities that ensures sustainability principles are incorporated more strongly and earlier in the planning and design process.

The new process further clarifies how we analyse envisioned communities to determine regional, community and future customer priorities. It also examines in detail a project's potential response to the individual and collective elements that drive liveability. All of these factors are summarised in a set of guiding principles, each of which has detailed supporting initiatives designed to create a more sustainable and highly-liveable community.

We piloted the process earlier this year in the planning of our Lockerbie project, which at 1,200

hectares is Stockland's second largest residential project. It is also the largest ever undertaken in Victoria. With a future population of 30,000 residents, a principal town centre, train station and interchange, it is an ideal opportunity for Stockland to showcase its capability in mixed-use greenfield development.

Stockland's Lockerbie team hosted the first vision workshop for the project in March 2012. This brought together members of our Residential, Retirement Living and Commercial Property businesses, who put themselves in future residents' shoes. The visioning session then involved the group considering what Lockerbie would look like in 20 years, and what life there would be like. This enabled the group to develop a set of guiding principles which will set the vision framework for the project.

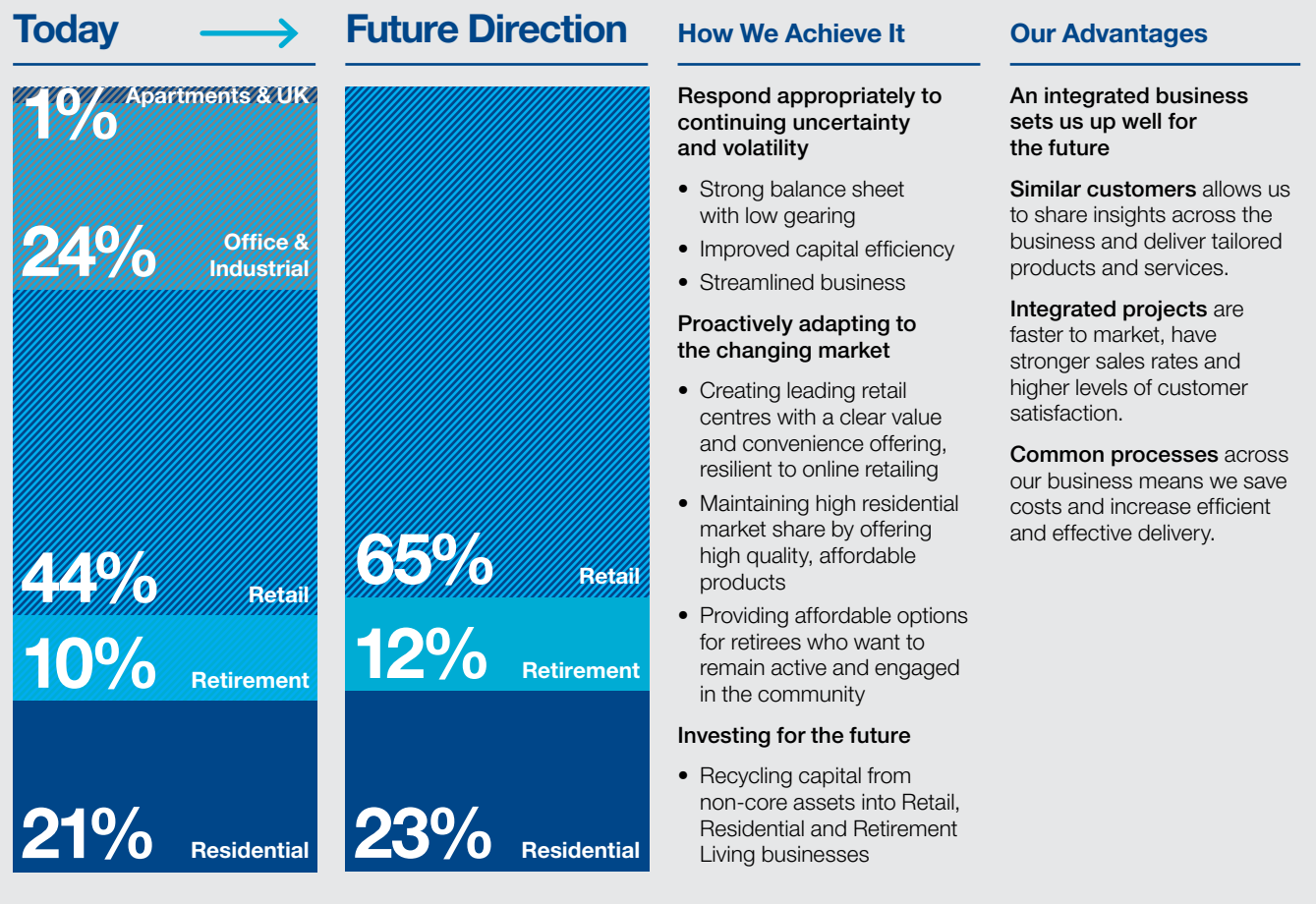


Stockland has now successfully negotiated the Precinct Structure Plan, Town Centre Structure Plan, Interchange and First Planning Permits. These have all gone on exhibition and have been approved by the Planning Minister.

Since the Lockerbie pilot, the visioning process has been refined and rolled out to four new projects as a standard planning framework.

Sustainability principles are incorporated more strongly and earlier in the process.

Our strategy



Looking ahead

We will continue to deliver on our strategy, liberating capital from our Office and Industrial assets and reinvesting capital into Retail, Residential and Retirement Living businesses, as market conditions enable us to do this advantageously.

We will continue to focus on unlocking value through development in our Retail business with the next wave of projects. Development approvals have been received for eight projects and we will continue to submit development approvals as opportunities arise over the coming years.

Our Residential strategy remains to deliver affordable, high-quality residential communities for middle Australia. Focusing on large-scale greenfield development with speed to market and targeting high-growth areas for improved market reach. Over the next three years we will launch 16 new projects, including Caloundra South, Lockerbie, East Leppington and Marsden Park.

Retirement Living's growth strategy is supported by a strong development pipeline capability across the next five years. We are on track to deliver 300 new units in FY13 in our Retirement Living business, with 12 developments across four states.

Responding to the challenges and opportunities

We are tackling the challenges of the current market conditions by managing our balance sheet conservatively, reducing our costs and delivering innovative products to meet customer needs.

We have market leading capabilities in the development and management of Retail, Residential and Retirement Living, which places us in a good position to take advantage of opportunities in a changing marketplace.

SHORT TERM Challenging market conditions

Challenge

Global and domestic economic uncertainty

Response

- Manage prudently and conservatively
- Maintain a **strong balance sheet** with low gearing and tight control of costs
- Restructured to capture synergies and **leverage capabilities**
- Focus on improving **securityholder returns** through active capital management – capital released from non-core asset sales is used to buy back shares, keep debt low and invest in **growing our core businesses**

Challenge

Consumers are more cautious

Response

- Sharpened focus on understanding our customers and maintaining high **customer satisfaction**
- Create leading retail centres with a clear **value and convenience** offering, resilient to online retailing
- Maintain high residential market share by offering **high quality**, affordable product
- Provide **affordable options** for retirees who want to remain active and engaged in the community

Investing for the future

We are confident Stockland is in good shape to remain resilient in the current challenging environment and well placed to grow as new projects come on line and conditions improve.

We will continue to drive our competitive advantage through our deep understanding of customers and community and leverage our integrated strategy to deliver projects that meet the needs of the changing market.

LONG TERM Changing marketplace

Challenge

Technology is changing spending habits in retail

Response

- Continually monitor consumer and market trends and **adapt accordingly**
- Invest in understanding future trends so we can **identify new opportunities**
- Create centres that **exceed expectations** and provide tangible experiences that virtual shopping is unable to match
- Ensure our retail centres become thriving **community hubs** by delivering quality retail and dynamic spaces

Challenge

Consumers expect more from their communities

Response

- Invest in the **early delivery of community facilities** such as schools, shops and playgrounds to enhance satisfaction, pricing and sales rates
- Continue to evolve our **market-leading research** in areas such as product innovation and customer insights
- Focus on elements that create **liveable and sustainable communities** including affordable living, access to employment and education, belonging and identity, health and wellbeing, and governance and engagement

03.

Executive remuneration review conducted

Third year listed on Global 100 Most Sustainable Corporations

Matthew Quinn announces retirement after 11 years

JULY

JUNE

Governance and remuneration

The Board takes its governance responsibilities very seriously and believes it has the necessary mix of experience and skills to oversee the high standard of corporate governance, integrity and accountability required of a professional and ethical organisation.

Governance

The Board takes its governance responsibilities very seriously and believes it has the necessary mix of experience and skills to oversee the high standard of corporate governance, integrity and accountability required of a professional and ethical organisation.

The Board believes that Stockland's governance accords fully with the principles and recommendations of the ASX Corporate Governance Council.

Outlined below are the main corporate governance policies and practices in place throughout the financial year, unless otherwise stated.

Role of the Board

The Board has overall responsibility for the good governance of Stockland. The Board:

- oversees the development and implementation of Stockland's corporate strategy, operational performance objectives and management policies with a view to creating sustainable long-term value for securityholders;
- establishes Stockland's overall framework of governance, risk management and internal control and compliance, which underpins the integrity of management information systems and fosters high ethical standards throughout the organisation;

- appoints the Managing Director, approves the appointment of the Company Secretary and Senior Executives reporting to the Managing Director and determines the level of authority delegated to the Managing Director;
- sets Executive remuneration policy, monitors Senior Executive performance and approves the performance objectives and remuneration of the Managing Director and his direct reports;
- approves the annual budget and monitors financial and operating performance;
- reviews and approves financial and other reports to securityholders and approves dividends from Stockland Corporation and distributions from the Trust;
- approves major capital expenditure, acquisitions and divestitures;
- reviews Executive and Board succession planning and Board performance; and
- monitors compliance with laws and regulations which apply to Stockland and its business.

The Board has delegated responsibility to the Managing Director to manage Stockland's business and to its various Board Committees to oversee specific areas of governance. Delegated responsibilities are regularly reviewed and the Managing Director regularly consults with the Board on Stockland's performance. Matters which are not specifically delegated to the Managing Director require Board approval, including capital expenditure decisions above delegated levels, expenditure outside the ordinary course of business, major acquisitions and sales, changes to corporate strategy, the issue of equity or debt by Stockland and key risk management and accounting policies.

Board diversity

In defining the Board's requirements for a new Director, consideration is given to the skills, business experience and educational backgrounds of ongoing members of the Board, including any identified skills "gaps".

The Board also recognises the advantage of having a mix of relevant business, executive and professional experience on the Board, the importance of cultural and ethical values, and the benefits of diversity, including gender diversity.

Board Committees

Five permanent Board Committees have been established to assist in the execution of the Board's responsibilities as described below. These are the:

- Human Resources Committee;
- Audit Committee;
- Sustainability Committee;

- Financial Services Compliance Committee; and
- Risk Committee.

The Board's policy is that a majority of the members of each Board Committee should be independent Directors. The Audit Committee, Risk Committee and the Human Resources Committee comprise only independent Directors. The Financial Services Compliance Committee and the Sustainability Committee are chaired by an independent Director and have a majority of independent Directors or external independent persons as members.

All Board Committees have written charters which are reviewed on a regular basis. The charters for all Board Committees (except the Financial Services Compliance Committee) may be viewed on the Stockland website.

Board and Director performance

The Board has instituted a formal annual process to review the performance and effectiveness of the Board, the Board Committees and individual Directors. The Human Resources Committee oversees this process.

Directors coming up for re-election are reviewed by the Human Resources Committee and, in their absence, the Board considers whether to support their re-election. It is the Board's policy that Directors offer themselves for re-election only with the agreement of the Board. It is also the Board's policy that Directors should serve only for as long as they have the confidence of their fellow Board members.

Risk management

Stockland adopts a rigorous approach to understanding and proactively managing the risks it faces in its business. We recognise that making business decisions which entail calculated risks and managing these risks within sensible tolerances is fundamental to creating long-term value for securityholders and meeting commitments to Stockland's employees, tenants, customers, business partners, consultants and the communities in which it does business. As an investor of capital, Stockland conducts risk assessments at critical decision points during the investment process to monitor risks to meeting target returns.

Stockland's approach to risk management is guided by the Australia/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009) and other applicable international standards.

The risk management framework is integrated with our day-to-day business processes and functional responsibilities and is supported by Group Strategic Risk, Group Operational Risk, Group Internal Audit, and Group Compliance ("the Group Risk functions").

A copy of Stockland's Risk Management Policy Statement is available on the Corporate Governance section of the Stockland website.

Board of Directors



Graham Bradley
BA, LLB
(Hons 1), LL.M,
FAICD
**Chairman
(Non-Executive)**

Mr Bradley was appointed to the Board on 9 February 2004 and was appointed Chairman on 25 October 2005. He is a member of the Human Resources Committee.

Stockland Board meetings FY12
Attended 11 of 11



Duncan Boyle
BA (Hons), FCII,
FAICD
(Non-Executive)

Mr Boyle was appointed to the Board on 7 August 2007. He served as Chairman of the Corporate Responsibility and Sustainability Committee since 2010. Mr Boyle was a member of the Risk Committee until 30 June 2012 and was appointed as a member of the Audit Committee from 1 July 2012.

Stockland Board meetings FY12
Attended 11 of 11



Carolyn Hewson
B.Ec (Hons),
M.A (Ec), FAICD
(Non-Executive)

Ms Hewson was appointed to the Board on 1 March 2009. She is Chair of the Risk Committee and a member of the Human Resources Committee.

Stockland Board meetings FY12
Attended 11 of 11



Barry Neil
B.Eng (Civil)
(Non-Executive)

Mr Neil was appointed to the Board on 23 October 2007. He is Chairman of Stockland Capital Partners Limited, the Responsibility Entity for Stockland's unlisted funds and a member of the Stockland Audit Committee. He became a member of the Corporate Responsibility and Sustainability Committee in 2009.

Stockland Board meetings FY12
Attended 11 of 11



Matthew Quinn
B.Sc (Hons),
ACA, ARCS,
FAPI, FRICS
**Managing
Director**

Mr Quinn joined Stockland in 1999 and was appointed to his current role of Managing Director in October 2000. He is a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds and has been a member of the Corporate Responsibility and Sustainability Committee since 2008.

Stockland Board meetings FY12
Attended 11 of 11



Carol Schwartz
BA, LLB, MBA,
FAICD
(Non-Executive)

Ms Schwartz was appointed to the Board on 1 July 2010. She was a member of the Stockland Audit Committee until 30 June 2012 and has been a member of the Corporate Responsibility and Sustainability Committees since 2011. Ms Schwartz was appointed as a member of the Risk Committee from 1 July 2012.

Stockland Board meetings FY12
Attended 10 of 11



Peter Scott
B.E (Hons),
M.Eng Sc, FIE.
Aust, CPEng,
MICE
(Non-Executive)

Mr Scott was appointed to the Board on 9 August 2005. He is Chairman of the Human Resources Committee and a member of the Risk Committee.

Stockland Board meetings FY12
Attended 11 of 11



Terry Williamson
B.Ec, MBA, FCA,
FCIS, MACS
(Non-Executive)

Mr Williamson was appointed to the Board in April 2003. He is Chair of the Stockland Audit Committee and Stockland Capital Partners Audit and Risk Committee and the Stockland and Stockland Capital Partners Financial Services Compliance Committees.

Stockland Board meetings FY12
Attended 11 of 11

Remuneration

The Board views setting remuneration policies as one of its most important responsibilities – ensuring that Stockland’s remuneration policies and practices are fair, responsible, competitive and effective.

Our remuneration approach is designed to attract, motivate and retain the best people. It is also directly linked to business performance and aligns incentive payments to securityholder interests via business outcomes such as Total Securityholder Return (TSR) and Earnings per security (EPS).

Short-term incentives (STIs) awarded in FY12 reflected the Group’s reasonable performance in difficult market conditions.

Long-term incentives (LTIs) are aligned to securityholder interests and will only vest if three-year total TSR and stretch EPS hurdles are exceeded. In FY12 no 2009 LTIs were vested.

Given the current challenging business climate, the Board has decided to continue restraint on senior executives’ fixed pay with no increase for FY13 which follows no increase in FY12. The Managing Directors’ Fixed Pay has not increased since FY07.

Non-Executive Director remuneration remains at around the median for companies of comparable size and complexity. Accordingly, the Board has decided to make no changes in base Board or Committee fees in FY13.

Executive remuneration review

While Stockland’s remuneration policies have served us well and proven to be resilient over many years, remuneration practices continually evolve. In response to this and to investor feedback, the Board undertook a thorough review of our remuneration policies and practices to ensure that they remain in line with current best practice, are consistent with anticipated regulatory changes and market trends, and continue to be effective given the changing shape of Stockland’s business priorities and market challenges.

Our review was completed during FY12, with changes applicable for senior executives taking effect from FY12. These include:

- Maximum potential STI reduced from 200% to 125% of Target STI;
- At least one-third of any STI awarded will be in Stockland securities, with half to vest 12 months after award and the remaining 50% to vest 24 months after award provided the Executive’s employment continues to the applicable vesting date;
- Total STI pool available for all employees will not exceed 5% of Underlying Profit;
- For new LTI awards, vesting of 50% of LTI awarded will be extended from three to four years (with hurdles based on a three year performance period); and
- Board continues to have discretion to adjust or forfeit unvested LTI and/or deferred STI under certain circumstances.
- The outgoing Managing Director’s entitlements on termination were revised and substantially reduced to align with market practice.



Full details of the review’s findings, resulting changes and statutory remuneration tables are in our Remuneration Report in the **Financial Report 2012**.

In response to investor feedback, the Board undertook a thorough review of our remuneration policies and practices to ensure that they remain in line with current best practice.

Executive remuneration outcomes

		Fixed pay ¹ (A)	Short-term incentives awarded and received in cash (B)	Short-term and long- term incentives awarded but deferred (C)	Prior years' equity awards realised ² (D)	Total received in cash or equity (E) = [A+B+D]	Prior years' awards lapsed ³ (F)
Executive Director							
Matthew Quinn ⁶ <i>Managing Director</i>	2012	1,900,000	665,000	0	0	2,565,000	3,880,800
	2011	1,900,000	2,200,000	1,710,000	1,232,715	5,332,715	1,232,715
Senior Executives							
Tim Foster <i>Chief Financial Officer</i>	2012	875,000	210,000	630,000	0	1,085,000	696,080
	2011	875,000	710,000	612,500	0	1,585,000	–
Mark Hunter <i>Group Executive and CEO Residential</i>	2012	800,000	220,000	590,000	0	1,020,000	1,191,960
	2011	800,000	740,000	560,000	138,272	1,678,272	138,272
Karyn Munsie <i>EGM Corporate Affairs</i> <i>(ceased employment 1/7/2012)</i>	2012	394,000	90,000	300,000	0	484,000	668,360
	2011	500,000	405,000	350,000	0	905,000	–
David Pitman <i>Group Executive and CEO Retirement Living</i>	2012	700,000	210,000	525,000	0	910,000	1,062,600
	2011	700,000	570,000	490,000	236,995	1,506,995	236,995
Michael Rosmarin <i>Group Executive, Strategy and Human Resources</i>	2012	550,000	186,667	423,333	0	736,667	–
	2011	550,000	415,000	385,000	0	965,000	–
John Schroder <i>Group Executive and CEO Commercial Property</i>	2012	1,030,000	333,333	784,667	0	1,363,333	1,635,480
	2011	1,030,000	955,000	721,000	528,550	2,513,550	528,550

1 Fixed pay includes salary, superannuation and salary sacrificed items.

2 The value shown in FY11 represents the value of LTI realised due to the Company exceeding the applicable performance hurdles.

3 The value shown represents the value of LTI lapsed due to the Company not exceeding the applicable performance hurdles and is based on the closing security price as at 30 June 2012 of \$3.08 and as at 30 June 2011 of \$3.41 respectively.

Non-executive director remuneration

		Board and Committee fees \$	Non-monetary benefits \$	Superannuation \$	Total remuneration \$
Graham Bradley <i>Chairman</i>	2012	484,225	–	15,775	500,000
	2011	442,810	–	32,430	475,240
Duncan Boyle	2012	191,725	–	15,775	207,500
	2011	172,349	–	15,199	187,548
Carolyn Hewson	2012	194,225	–	15,775	210,000
	2011	175,440	–	15,199	190,639
Barry Neil	2012	219,425	–	15,775	235,200
	2011	189,673	–	17,027	206,700
Carol Schwartz	2012	186,725	–	15,775	202,500
	2011	165,619	–	14,906	180,525
Peter Scott	2012	196,725	–	15,775	212,500
	2011	188,616	–	15,199	203,815
Terry Williamson	2012	231,285	–	15,775	247,060
	2011	224,045	–	15,199	239,244

Gender equality

Another focus area for Stockland is working to increase gender equality in remuneration at each level of our organisation. The tables show our performance over the past two years at Stockland and past two years in our aged care workforce.

Average fixed remuneration ratio – gender and job band

Executive Management

FY12	♀ 1.00	♂ 1.95
FY11	♀ 1.00	♂ 1.95

Leadership Team

FY12	♀ 1.00	♂ 1.13
FY11	♀ 1.00	♂ 1.13

♀ Female ♂ Male

Senior Management

FY12	♀ 1.00	♂ 1.16
FY11	♀ 1.00	♂ 1.21

Management

FY12	♀ 1.00	♂ 1.20
FY11	♀ 1.00	♂ 1.14

Professional/Technical

FY12	♀ 1.00	♂ 1.13
FY11	♀ 1.00	♂ 1.10

Employee

FY12	♀ 1.00	♂ 0.91
FY11	♀ 1.00	♂ 0.97

Aged Care average fixed remuneration ratio – gender and job band

Professional/Technical

FY12	♀ 1.00	♂ 0.85
FY11	♀ 1.00	♂ 1.03

♀ Female ♂ Male

Employee

FY12	♀ 1.00	♂ 1.13
FY11	♀ 1.00	♂ 1.13



For more detailed information on our employee metrics please visit our sustainability website www.stockland.com.au/sustainability

04.

Average retirement village resident satisfaction remained high at 8.38/10

Delivered house and land packages under \$300,000 in all states of operation

Launched 'My Stockland' retail centre information smartphone app

JULY

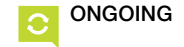
JUNE

Our customers

We have a diverse range of customers that includes office, retail and industrial tenants and shoppers, as well as the people who live in our residential and retirement communities. Understanding their changing needs and exceeding their expectations is critical to our business success.



Progress & priorities



Last year we committed to

This past year we have

In the coming year our priorities are to

PAST

PRESENT

FUTURE

Affordability

- Use our new processes to shape our product initiatives in FY12.

- Maintained our strategy of moving increasingly towards smaller lot and home sizes to maximise affordability.
- Refined our Affordability Index introduced during 2011 and embedded this within our business.
- Delivered house and land packages under \$300,000 within the states we operate in.



- ▶ Continue to develop house and land packages that match the purchasing budgets and requirements of the majority of new home buyers within the markets we operate in.

Customer engagement

- Continue to uphold the positive customer experience across our business units.
- Address key areas of feedback to better meet our customers' needs and improve/maintain our customer satisfaction ratings.

- Undertaken customer satisfaction tracking across all key stakeholders: residents, prospective residents, shoppers, retailers.
- Maintained and/or increased high customer satisfaction ratings across all three business units.
- Established ongoing tracking amongst retailers who move into a centre, exit or renew a lease.
- Launched a Retail Customer Relations Management (CRM) system to support increased understanding of our customers and provide a single information source.



- ▶ Maintain or further increase customer satisfaction across our three business units.
- ▶ Address key areas of feedback to better meet our customers' needs.
- ▶ Increase insight sharing with our customers, particularly our retailers.

Accessibility

- We will incorporate a relevant metric into State Sales Managers' Key Performance Indicators (KPIs) to meet the requirements of our Liveable Housing Design Policy.

- Incorporated a metric related to Liveable Housing Design into State Sales Managers' KPIs.
- Incorporated a section on Liveable Housing Design into our Sales Learning Journal so sales teams are trained to explain and sell the benefits of Liveable Housing Design to customers.



- ▶ Continue to promote the benefits of Liveable Housing Design via sales team training and Display Village inclusion where feasible.

We have a diverse range of customers that include office, retail and industrial tenants and shoppers, as well as the people who live in our residential and retirement communities. Understanding their changing needs and exceeding their expectations is critical to our business success.

Stockland Managing Director Matthew Quinn declared 2011 'The Year of the Customer' and this top-down commitment continues to be reflected in the products we offer and the way we interact, value and respect our customers. Each of our business units has customer-focused key performance indicators (KPIs) designed to continually improve customer engagement, and all customer facing employees are evaluated on their customer service. To enable the right level of performance we make a considerable investment in research and training.

Customer engagement and satisfaction

Commercial Property

Over the past year we have continued to monitor consumer and retailer research to help us better understand the short and longer term impact of online retailing on our shopping centres. Online retailing remains small, at around 6 per cent of Australian retail sales, and we are confident we can adapt to the shifts in consumer behaviour and innovate and work with our tenants to help them do the same.

Shoppers

Shoppers have told us they see an important and ongoing role for shopping centres as social hubs, offering things to see, feel, touch and taste. Our centres provide tangible experiences that virtual shopping is unable to match. Importantly, the impact of online retailing is not linear and our response will vary by trade area. We need to remain flexible and have committed to continual monitoring so we can respond accordingly.

We operate a comprehensive mystery shopper program which covers all Stockland centres (40 times per year) and comparable local competitors (16 times). This year our centres achieved an average score of 93 per cent – outperforming the average competitor score and improving 2 per cent on FY11.

We also use the Mosaic geo-demographic tool to profile shoppers within each trade area, as well as working with The Quantum Group to extract insights from transactional data. This year we responded to the challenging trading environment by undertaking additional centre-level research to help drive the best possible returns from each asset. This involved

'My Stockland' smartphone app



This year we launched a free smartphone app providing shoppers with information on 31 local centres and a range of useful tools to improve their shopping experience. Shoppers can access key information such as stores, opening hours and amenities.

'My Stockland' is designed to give customers anywhere, anytime access to information and the ability to connect the offline and online shopping experience. They can also find in-store promotions on their mobile as they wander through our centres – creating a win-win for both retailers and customers. 'My Stockland' also provides real-time responses to customer queries via a feedback tool that allows customers to communicate directly with centre management.

It also includes a shopping list tool, discount calculator, feedback tool and the 'My Funland Dress Up' game for children.

Anywhere,
anytime access
to information
and the ability
to connect
the offline and
online shopping
experience.

interviewing more than 8,000 shoppers across 16 shopping centres. Collectively, these initiatives enable us to identify the optimal tenancy mix and better focus our leasing and marketing strategies.

On retail developments we also use qualitative research of our target market to develop a detailed understanding of their needs and aspirations for the project. This involves interviews with retailers and key community stakeholders, as well as focus groups with representative samples of each target customer segment.

This year we introduced a new research program where tenants are surveyed on their leasing experience as they move in, exit or renew a retail lease.

Retailers

314 tenants participated in this year's online customer satisfaction survey. Average satisfaction was 69 per cent, up from 50 per cent in 2010. Ranked against our competitors we improved from fifth place in 2010 to third in 2011. This year we introduced a new research program where tenants are surveyed on their leasing experience as they move in, exit or renew a retail lease. 130 retailers participated, with 81 per cent satisfied with the service they received from Stockland and 83 per cent of renewing tenants having a better experience than with their previous lease.

The insights gained through tenant engagement have led to a range of initiatives over the past 18 months to improve customer satisfaction and retention. These include:

- Setting customer-focused KPIs for our people,
- Implementing a new learning and development program,
- Moving the responsibility of tenant renewals from leasing teams to our centre managers,
- Communicating key customer insights across our Commercial Property business, and
- Introducing a CRM system to provide integrated analysis of our various customer measures.

Office and Industrial tenants

We delivered on the commitment made in last year's CR&S Report to extend our customer satisfaction survey to include office and industrial tenants. 45 completed the survey, with 70 per cent satisfied with the level of service they received from Stockland.

Residential

We use third party research – Stockland Customer Pulse – to track changes in customer habits and desires, and gain insights into their experiences with Stockland.

In 2012 this involved 5,300 telephone interviews with people who had either enquired about or purchased a home within a Stockland community. 93 per cent rated the experience as good, very good or excellent (up from 90 per cent in 2011), and 96 per cent of those who placed a deposit rated the experience around that part of the process as good, very good or excellent (up from 93 per cent).

We also use an online system to compare what our customers say they are looking for and what their actual purchase decision is. This informs key decisions on where we develop new communities, the mix of lot and home sizes, house design and project marketing.

This year we have found that first home buyers and those upgrading to a new home continue to form the majority of our customers, with investors making up a much smaller share. We will continue to respond to this by delivering products suitable for this customer profile, with a strong focus on quality and affordability.

Retirement Living

We use an annual satisfaction survey called Residents' Voice to monitor how our residents feel about life in their Stockland retirement village. This rates on a scale of one to 10 the level of satisfaction with various aspects of village life, such as the village manager, outdoor areas, community facilities, social activities and their overall satisfaction with the village itself. This year 61 per cent of residents participated in the survey, with key results including:

- Average satisfaction remained steady at 8.38 out of 10,
- 97 per cent of villages had an average satisfaction score of 7 or more, and
- Average satisfaction with Stockland improved from 7.19 to 7.55.

The insights gained from Residents' Voice enable us to monitor and refine our customer strategy. Based on last year's results there were two clear focus areas for 2012: village managers and the need for a consistent range of village services. In response to this we designed and implemented a success profile for village managers. Now used to guide recruitment and training, this defines the skills and attributes required to succeed in this role.

To drive a more consistent service offering we are focusing on local customisation of service offerings across four key service areas: transition, care and support, day-to-day and retail. We have also developed engagement principles to help interview potential partners, together with performance criteria and a Service Level Agreement to help ensure consistent service levels. A trial of this partner framework is now underway.

Housing and product affordability

Residential

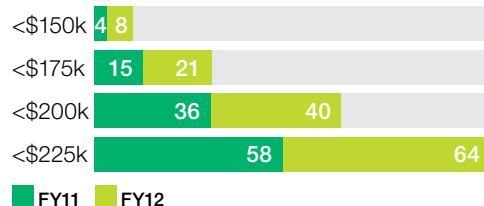
Housing affordability remains a key focus for our residential business, with domestic and international economic pressures continuing to weigh heavily on the Australian housing market. This year we maintained our strategy of moving increasingly towards smaller lot and home sizes to maximise affordability, as well as working to refine our Affordability Index introduced during 2011 and embed this within our business.

Our Affordability Index tells us how well our residential projects are responding to the market in terms of price and product mix. This year we have improved project level reporting and incorporated the Index within business planning.

In terms of lot delivery, we increased the proportion of lots under 450 square metres, and for the first time these have outnumbered lots over 450 square metres. This change was driven primarily by greater supply of lots under 300 square metres – a category in which there has been growth of 140 per cent over the past two years.

This strategy has enabled us to deliver an improved supply of affordable housing stock over the past year, with growth in all price segments under \$225,000. Each of our state businesses was able to offer a house and land package priced at less than \$300,000. There have also been some particularly strong results achieved on individual projects. Both the Wungong Reach (Western Australia) and North Lakes (Queensland) projects have delivered house and land packages for under \$270,000, while the Bower series in the new Queensland community of Bells Reach achieved a starting price of just \$205,000.

Lot Supply – % of total Stockland Supply



We expect these trends to strengthen in the coming year. We will continue to develop house and land packages that match the purchasing budgets and requirements of the majority of new home buyers, with a priority being the more widespread release of the Bower and Mode series.

The Bower series in the new Queensland community of Bells Reach achieved a starting price of just \$205,000.

Retirement Living

We are committed to delivering affordable Retirement Living homes that are responsive to the changing needs of the resident and have this year continued to focus on entry costs and the cost of living. At the same time we recognise that, as an industry, retirement village operators need to provide greater clarity surrounding the Deferred Management Fees applied when a resident leaves the village.

Entry price

Entry price affordability is a key factor for our residents, most of whom are no longer in the workforce. The value of their current dwelling is a key indicator of what they can afford and our average price of \$349,000 is significantly lower than the national median sale price of \$540,000.

Living costs

We are able to influence two main living costs: the fee residents pay for ongoing management of the village and utility charges (particularly energy) for operating their homes. Over 60 per cent of our villages have a monthly fee that is equal to or less than 25 per cent of the monthly aged pension and, typically, our residents do not have mortgage repayments.

Energy consumption is something we can influence through the size, orientation and thermal efficiency of homes, and Stockland has committed to having all new homes exceed Building Code of Australia requirements for energy performance by 5 per cent. We also seek to educate residents about energy efficiency.

Deferred Management Fees

Retirees moving into a retirement village typically enter via a 'right to occupy' contract, usually in the form of a loan/lease or loan/licence agreement aligned to each state's Retirement Villages Act. A resident makes a 'loan' to the retirement village operator that is repaid when they leave, minus exit or Deferred Management Fees (DMFs), which principally cover the cost of maintaining village infrastructure.

However, there are many different DMF structures in existence across the industry – approaches which can produce very different financial outcomes. The 2010 acquisition of Aevum left us in a position where we had a number of different contracts across our portfolio. We have this year introduced a standardised loan/lease arrangement and simplified contract that applies for new customers across all Stockland retirement villages.

Commercial Property

Affordability is also critical to the sustainability of our Commercial Property business. Our efforts are focused in two areas: improving the financial sustainability of our tenants' businesses and developing flexible, cost-effective solutions for smaller or emerging retailers.

Casual Mall Leasing

Casual Mall Leasing (CML) helps maintain vibrant retail centres and maximise shopper numbers for the benefit of our tenants. We do this through use of public spaces for special events and promotions. CML also provides a flexible, cost-effective option for smaller or emerging brands, exposing them to the retail environment and progressively enabling them to commit to larger spaces and longer term leases.

Examples of our special events this year include a series of major Sydney markets at Stockland Wetherill Park in western Sydney. Poppyseed Markets featured during school holiday entertainment periods, while Sydney Boutique Markets and My Bambini baby and children's markets are taking place on the last Sunday of every month. This year we also piloted a new CML product called The Pod at Stockland Merrylands. This transforms from four comfy seats to an open retail space comprised of two racks and a counter.

Helping tenants achieve better financial outcomes

In our FY11 CR&S Report we outlined a trial in financial training conducted in conjunction with Westpac. This trial has been well received by our centre teams and tenants. We have also seen improvements in profit among tenants who have taken part. As a result, we are extending the trial to a more extensive arrangement with Westpac and in FY13 will look to involve more Stockland centres so that we can improve financial literacy and profitable outcomes for many more of our retail tenants.

We also help our tenants remain informed on emerging trends through regular research reports. This year these included the impacts of online retailing and key customer insights. Information is shared with tenants through newsletters and face to face meetings.

Accessibility

Stockland is a supporter of Livable Housing Australia (LHA), the not-for-profit organisation established to increase provision of homes that are accessible and safe for people of all ages. We support and reinforce the LHA's Livable Housing Design Guidelines through our own Home Design Principles, which outline the standards required for all new homes in Stockland Residential and Retirement Living communities.

These principles are designed to ensure homes achieve the Silver performance level of the Liveable Housing Design Guidelines, outlining criteria for aspects of home design such as sustainable design, circulation, kitchens, bathrooms and storage.

Stockland also supports the principle of building a significant number of homes within our communities which are adaptable for multiple living purposes. We are committed to leading by example through our display villages and retirement units.

Universal Access

In 2011 the Building Council of Australia introduced new Premises Standards to address the accessibility of commercial buildings for people with mobility, hearing, vision or dexterity impairments. Stockland undertook an assessment of 35 shopping centres and 29 office buildings prior to the introduction of the standards and last year began a program of work to identify, prioritise and action upgrade works across our portfolio. This work continued in 2012 and has seen us improve the quality of our public amenities through ongoing capital upgrades and whenever redevelopment or refurbishments are undertaken.

We support and reinforce the LHA's Livable Housing Design Guidelines through our own Home Design Principles.



For more detailed information on customer satisfaction metrics and additional case studies please visit www.stockland.com.au/sustainability

05.

Launched employee mentoring program in Sydney and Melbourne

Maintained our employee engagement score of 84 per cent

Increased women in management from 37 per cent to 43 per cent

JULY

JUNE


Our people

We foster an environment where our people can give their best, continue to grow, develop their careers and make a positive contribution to our business and communities.



Progress & priorities

 **FY13
PRIORITY**

 **ONGOING**

 **ACHIEVED
OUTCOME**

Last year we committed to

This past year we have

In the coming year our priorities are to

PAST

People capabilities

- Deliver capabilities that support business unit growth strategies.

Leadership capabilities

- Design and deliver management and leadership development initiatives aligned with the new Leadership Success Profile.
- Extend the mentoring program more broadly across the organisation.

Aligned, connected and engaged culture

- Reduce employee initiated turnover.
- Review and update our performance management and reward frameworks.

Diversity and flexibility

- Increase the percentage of women in management roles in line with our target of 40 per cent by 2015.
- Foster a more flexible and diverse work environment through targeted initiatives.

Occupational Health and Safety (OH&S)

- Continue to deliver briefings on the new Workplace Health and Safety Harmonisation ('Harmonisation') laws to workgroups across the business.
- Develop OH&S Risk Leadership Standards and deliver OH&S Risk Leadership Training.
- Implement a new safety management system and audit program aligned with ASNZ4801.

PRESENT

- Continued to build our sales and leasing capability by defining the expectations, skills and experiences needed for each major role and developing a curriculum to support development of these skills.



- Launched a full curriculum of leadership development programs focused on building self-insight, coaching, strategic thinking and building successful teams.
- Refreshed our 360° feedback process based on the new Leadership Success Profile.
- Launched the mentoring program in Melbourne and Sydney.



- Improved employee initiated turnover for FY12 to 13.6 per cent, decreasing from 14.8 per cent in FY11.
- Undertook a comprehensive review of our performance management and reward frameworks.
- Implemented organisational changes to enhance a 'One Stockland' approach across many of our support functions.



- Further embedded our flexible working practices to support our employees to balance work priorities with family and other important personal responsibilities.
- Maintained our Parental Transition program to support our employees before, during and when returning from parental leave.
- Increased the percentage of women in management roles from 37 per cent to 43 per cent.
- Introduced a new training program for key people leaders on recruitment and interviewing skills to build greater awareness of unconscious bias impacting decisions during the recruitment process.



- Delivered 'Harmonisation' training for senior management, leadership teams and development teams.
- Developed an OH&S Management System Framework.
- Commenced the implementation of a safety management system and audit program aligned with ASNZ4801.
- Rolled out national OH&S training programs focusing on improvements to procedures in our key risk areas.



FUTURE

- Further embed organisational structural changes.

- Focus on continuing to develop managers' skills through the leadership curriculum and 360° feedback process.
- Launch the mentoring program in Brisbane and Perth.

- Extend the reward framework changes across the organisation.
- Continue to embed a 'One Stockland' culture.

- Expand the diversity mix of our workforce to be more reflective of the communities in which we operate.
- Increase the percentage of women in management roles, in line with our target of 45 per cent by 2017.

- Continue to deliver on our OH&S Strategy against a number of fundamental risk management initiatives focusing on systems and audits.

We recognise that developing sustainable relationships with our people is critical to Stockland's success. This is why we are fostering a culture and working environments where our people are empowered to excel, can develop their careers and are recognised and rewarded for the contribution they make to our business and the communities that Stockland is helping to create.

We have a People Strategy which is updated each year with strategic focus areas designed to achieve and sustain this outcome. In FY12 these were:

- Building people capabilities to support our growth strategies;
- Strengthening our leadership capabilities;
- Fostering an aligned, connected and engaged culture;
- Support diversity and flexibility; and
- Continuing to evolve and strengthen our best practice Occupational Health and Safety (OH&S) system.

Organisational restructuring

Central to the success of our business strategy is our 'One Stockland' approach. This is focused on harnessing core capabilities and leveraging these across our business units so that best practice in retail, residential and retirement living is helping to create vibrant communities across Australia. Earlier this year we reviewed a number

of key functions to explore potential duplication across our business units and identify the best structure to efficiently and effectively deliver on our strategy. We decided to establish centres of expertise that combine roles and capabilities previously housed within each operating business. This move reinforced our 'One Stockland' approach, while also achieving synergies and cost efficiencies.

A number of roles were impacted. These were managed in accordance with Stockland's Redundancy Policy and throughout the process we sought to ensure affected employees (and their peers) were treated fairly and with respect. Where possible, we have sought to minimise the impact through natural attrition, voluntary redundancy and redeployment, with a number of new positions created through the restructuring internally advertised.

Employee engagement

The cornerstone of our approach to employee engagement is Our Voice – our annual employee survey, now in its eighth year. Based on sets of questions globally benchmarked by survey provider Towers Watson, this tells us how well we are doing in areas such as internal communication, team management and learning and development, and how satisfied our people are with aspects of their employment such as pay and work-life balance.

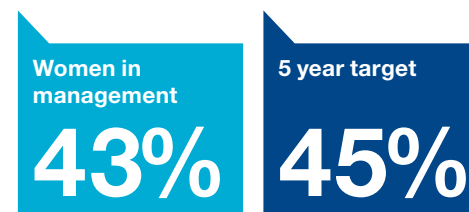
This year our overall employee engagement score was 84 per cent – the same as 2011. This places Stockland two points above the Global High Performing Norm (GHPN), Towers Watson's highest benchmark. Other key results included:

- Customer focus (up 5 per cent on the previous year);
- Innovation (up 6 per cent);
- Immediate manager (up 4 per cent); and
- Work/life balance (up 4 per cent).

Team level briefings were held to share and discuss results. Employee feedback and detailed analysis of the results then informed our annual review and update of our People Strategy.

Diversity and inclusion

We have in place a Diversity Strategy designed to create a vibrant and inclusive workforce which is reflective of the communities in which we operate. Implementation of this is overseen by a Diversity Steering Committee comprised of employees from across the business. Over the past year we have worked to embed gender diversity initiatives, expand unconscious bias training, establish more flexible working practices and create opportunities to expand the cultural mix of our workforce.



Gender diversity

Our key metric is women in management roles, for which we have a target of 40 per cent by 2015. This year Stockland exceeded that level, climbing from 37 to 43 per cent.

We are now targeting 45 per cent by 2017. We continue to run leadership development programs for high potential women and provide ongoing development opportunities through our women's networking forums and mentoring programs.

Workplace flexibility

Our commitment exceeds the minimum requirements of the Fair Work Act, providing opportunities for all employees to request flexible working arrangements. 18 new requests were approved in FY12 and in this year's One Voice 83 per cent of our people said their working arrangements provide sufficient flexibility to meet their personal and family needs.

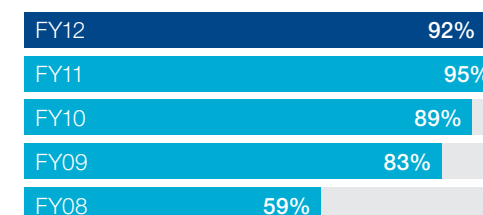
Cultural diversity

This year we developed a training module called 'Stockland Diversity' to help our people reflect on and respond to the diversity of the neighbourhoods in which we work. We also launched a Multicultural Scholarship that provides an opportunity for someone from a refugee or asylum seeker background to secure training and employment opportunities with Stockland. The first recipient was placed in our Merrylands shopping centre in western Sydney and is also studying a relevant TAFE Certificate.

Disability inclusion

Last summer Stockland provided paid work experience opportunities to five university students with a disability. The students worked in our Sydney and Melbourne offices as part of the 'Stepping Into...' program run by the Australian Network on Disability. One of the students continues to work in our Sydney head office.

Parental leave return rate



Health and safety

Our people are our greatest asset and their safety and wellness are of paramount importance. This year there has been a major focus on working to embed our National OH&S Strategy, developed last year in preparation for the introduction of the new Workplace Health and Safety Harmonisation Laws in January 2012. This strategy provides a framework for a nationally-consistent approach and outlines four priority areas: engaging and empowering committed leadership; simplifying and strengthening OH&S systems; mitigating and managing key risks; and mastering sustainable capability and a risk aware culture.

This year we worked on a number of initiatives aligned with these priorities. These have included:

Leadership

We delivered a suite of leadership reports to provide business units with a monthly overview of their OH&S performance. Support tools and briefings on the 'Harmonisation' laws for all responsible officers, together with our leadership, development and senior management teams.

OH&S systems

A National OH&S Management System was developed to reflect the new regulatory environment and provide simpler, nationally-

consistent safety processes. We also reviewed our Incident Reporting and Investigation System to assess compatibility with the new regulatory environment and identify possible enhancements.

Risk management

We addressed the impact of the 2010 Aevum acquisition on our lost time injury rate and risk profile through prioritisation of remedial efforts on the most high-risk facilities, OH&S training specific to Retirement Living, and injury management and workers' compensation training. We also combined the physical asset safety audits necessary for insurance and AS/NZS 4801 Safety Management Systems into a single audit process. Following a successful

pilot, this has moved forward as a national initiative.

Culture and capability

A new National OH&S Training Program was implemented across our Commercial Property business and we established monthly OH&S working groups at each retail and office asset with Stockland employees and contractors. These focus on incident reviews, risk register updates, OH&S action plan implementation and OH&S audits, inspections and training. Physical wellness was the focus of Stockland's participants in the Global Corporate Challenge for the fourth consecutive year, with 273 employees in 39 teams representing all Stockland business units.

Health and safety performance

	FY12	FY11	FY10	FY09	FY08
Total average workforce*	1,384	1,330	1,243	1,320	1,372
Total hours worked	2.42 million	2.32 million	2.17 million	2.31 million	2.40 million
Independent contractors working onsite to whom Stockland is liable for the general safety of the working environment	Not recorded	Not recorded	Not recorded	Not recorded	Not recorded
Number of lost time injuries	18	5	13	6	7
Lost time injury frequency rate (the number of injuries per million person hours worked)	7.4	2.2	6	2.6	2.9
Number of injuries requiring medical treatment (not including lost time injuries)	13	8	12	12	10
Frequency rate of medical treatment (MT) injuries (the number of MT injuries per million person hours worked)	5.4	3.7	5.5	5.2	4.2
Frequency rate (LT and MT) (the number of injuries (lost time and medical treatment injuries per million person hours worked. Does not include injuries requiring first aid treatment only)	12.8	5.9	11.5	7.8	7.1
Occupational diseases instances	0	0	0	0	0
Fatalities	0	0	0	0	0
Lost days (total for the recorded lost time injuries)	148	70	87	31	14
Average lost day rate – severity rate (Average number of days lost per lost time injury)	8.2	14	6.6	5.2	2.3

* Average workforce uses monthly employee totals rather than end of financial year figure used in Our People metrics.

Number of employees

	FY12	FY11	FY10	FY09
FY12				
FY11				
FY10				
FY09				
	FY12	FY11	FY10	FY09
Full-Time*	1,182	1,183	1,139	1,107
Part-Time*	190	152	119	108
Casual	32	32	30	21
Total	1,404	1,367	1,288	1,236
FTE	1,332	1,306	1,243	1,193

Note: FTE includes those on extended leave and employed on a casual basis.

* Including fixed term.

Capability development

This year we implemented a range of new and existing programs to further develop the capabilities of our people. One of our primary performance measures is the Our Voice employee survey, where over 80 per cent responded favourably to our training and learning activities – eight points higher than the GHPN high performing benchmark. We also scored 74 per cent on personal development, which measures perceived opportunities for growth and development. This is five points higher than the GHPN.

Mentoring program

Building on last year's pilot, we formally launched our mentoring program in Sydney and Melbourne. This gives employees an opportunity to gain advice and discuss career and other work related challenges with an objective party. It also promotes relationship building and knowledge sharing. In Melbourne, 67 staff signed up to the program as either mentors, mentees or both, while 179 of our Sydney staff nominated to take part.

Developing our leaders and managers

This year we launched a comprehensive leadership development curriculum to build the key skills required by managers, senior managers and general managers. This focuses on four key aspects of management: building self-insight, coaching skills, strategic thinking and team leadership. We continued to embed our leadership success profiles through our recruitment and 360° feedback processes. Reinforcing our focus on employee retention, we also launched a recruitment and interviewing skills course to help managers make the right decision and reduce year-one turnover. This is run in conjunction with a session aimed at raising awareness of unconscious bias.

Building capability in job families

FY12 has seen us develop success profiles for sales and leasing roles to provide clarity and direction for our people and their managers. These outline key responsibilities together with the experience, attributes and thinking styles critical for success. The profiles are now being used for recruitment and development frameworks. Similarly, our Retirement Living business has created a draft framework for high performing village managers. This will be used to drive improved and more consistent customer service.

Embedding sustainability

We continue to embed sustainability objectives into all employees' KPIs and sustainability is embedded into our development and asset management processes. Our internal project management methodology, D-Life, sets minimum requirements in terms of environmental sustainability and community development. We also have an operational policy which governs the management of Stockland assets. This year we focused on improving employee awareness of our sustainability approach, position and achievements. We shared sustainability stories and information through channels such as face-to-face briefings and training sessions, development manager conferences and through our employee online portals.



For more detailed information on our people metrics please visit www.stockland.com.au/sustainability

Flexibility to work smarter

We recognise that personal circumstances may change during the course of employment, so we make it possible for our people to continue to develop a successful career with Stockland while balancing work with family and other personal commitments.

We believe that embracing flexibility enables people to work smarter and is critical to maximising productivity and building a high performance work culture.

This year we supported a report produced by the Diversity Council Australia *Get Flexible: Mainstreaming Flexible Work in Australian Business* examining why it is important and what organisations need to do to mainstream flexibility in the workplace.

Our Flexible Working Policy has a range of options that our employees can take advantage of including flexible starting and finishing times, part-time working, job-share, working from home, extended leave without pay and an option to purchase two additional weeks annual leave.



Ramana James, National Environment Manager and his daughter Marlowe. He took three months off work to take care of his daughter and works four days a week.
Image: Tamara Voninski/Fairfax Syndication

06.

JULY

Commenced
social research
partnership with
the Centre for
Social Impact

Launched liveability pilot
survey in three Stockland
communities

Established
a youth
engagement
partnership
with Beacon
Foundation

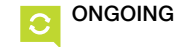
JUNE

Our community

We have a role in developing
and sustaining communities
through design, engagement
and our operations.



Progress & priorities



Last year we committed to

PAST

Measure our community impact

- Pilot, confirm and roll out Stockland liveability metrics for residential communities and retail centres.

- Improve our capacity to better measure the success of community development initiatives across our projects.

Develop community and partnership strategies

- Complete and implement a community partnership strategy.
- Develop an organisation-wide local employment strategy.
- Develop an organisation wide approach to understanding and responding to the interests of young people in our communities.
- Build tools and systems to aid easy sharing of information, ideas and case studies between our national community development team and more broadly to all engaged employees.

This past year we have

PRESENT

- Successfully launched the liveability pilot in three communities. Refined the pilot survey through detailed qualitative work.

- Developed key metrics and reporting frameworks to communicate and measure the success of community development. Applied a social return on investment methodology to existing community programs.

- Commenced the delivery of a National Community Partnership Strategy and supporting methodology to assess the shared value of our existing partnerships.

- Prepared a tailored community strategy and initiated partnerships to address employment, youth engagement, and health and fresh food.

- Compiled best practice case studies for the Employment and Youth Strategies.
- Established an internal knowledge sharing tool for community development with organisation-wide access to toolkits, best practice case studies, ideas and innovation.

- Committed to prioritising best practice education and learning models through our Peter Daly fellowship.

In the coming year our priorities are to

FUTURE

- ▶ Roll out the liveability survey across selected communities.

- ▶ Measure and report the shared value of community development investment to our communities.

- ▶ Evaluate existing partnerships, looking to extend these across business units and encourage collaboration with our communities.
- ▶ Provide a National Community Partnership toolkit.
- ▶ Refresh our Giving and Volunteering Strategy.

- ▶ Leverage key partnerships to deliver against the implementation of our community strategies on employment, youth engagement and health initiatives.

- ▶ Develop toolkits for new community partnerships and engagement.
- ▶ Implement a community development quarterly reporting tool for our Residential business. Provide and pilot a community governance toolkit.

- ▶ Design a framework for delivery of improved education and learning opportunities in our communities.

Contributing to and participating in communities is central to what we do. Stockland helps to create communities through our Residential, Commercial Property and Retirement Living projects. We also have a role in developing and sustaining them through considered design and the approach we take to operating our assets. How much we can contribute comes down to the work we do in two core areas: community development and community involvement.

This year we continued to refine and embed our approach to community development, with a particular focus on the material issues that affect our communities. We have strengthened our approach to health and wellbeing through the development of a Healthy Living and Fresh Food Strategy for our retail centres. A new Employment Strategy also sees us looking at how we can stimulate and support business formation in and around our communities.

In terms of community involvement, we commenced a partnership with the Centre for Social Impact that will help us to better align community initiatives with our principal objectives. We also achieved a 9 per cent increase in the number of employee hours contributed to community activities.

Community development

Community development is about how we engage local stakeholders in our development projects to ensure we understand and can embrace their values and aspirations. It is also about having this engagement shape what we do so that, once completed, our projects are embraced in a way that delivers long-term community benefit. In doing this, we have three principle objectives:

- Enable a sense of belonging and vitality,
- Promote wellbeing and healthy living, and
- Provide opportunities for learning and development.

Residential

Almost 60 per cent of all community activity focused on improving the physical and mental health and wellbeing of our residents. Key achievements included the launch of the walking school bus in Dapto (New South Wales), our North Shore Farmers Market and a Selandra Rise Community Hub in Victoria, which provides a meeting place for community members to connect and learn about local services and amenities.

We have made substantial progress towards quantifying the value of our investment in community development.

Another focus area has been providing learning opportunities for people of all life stages. We supported Ipswich State High in successful bid for an on-site Trade Training Centre, established outdoor classrooms within three communities in partnership with Greening Australia, and at Highlands launched the Hume Global Learning Centre.

We have also made substantial progress towards quantifying the value of our investment in community development, piloting our liveability survey in three residential communities. This enables us to measure community satisfaction, identify how this is being achieved and determine the relationship between resident satisfaction and referrals. The results have already provided us with a better understanding of who residents are and how they feel about their communities.

Retirement Living

Community development is a critical part of our customer offering as residents can be faced with the challenges of social isolation, loss of independence and a decline in physical, mental and emotional health. We aim to ensure that community need informs village design and that we are supporting our residents as best we can through the type and quality of services we provide.

Resident wellbeing is another key focus area. One example of work in this area is Macarthur Gardens in New South Wales, where we have partnered with Arthritis NSW to provide tai chi classes in an effort to encourage physical activity. At Stockland the Pines in Victoria, we are working with the Timehelp community organisation to place residents in volunteering roles within local schools.

Retail and Residential projects with a community development plan

100%

Commercial Property

Our core challenge is to ensure our retail centres become thriving community hubs. Health and wellbeing partnerships exist across our Retail portfolio, through which we provide services such as breast screening, heart checks and walking groups. Over half of our centres also support or provide Healthy Living programs.

Projects with a community development plan (%)

	FY12	FY11	FY10
Residential	100	100	23
Retirement Living	81*	65*	25
Commercial Property	100**	95**	0

* Percentage of development and operating Stockland-managed Retirement Living villages that have a plan for community development initiatives as of 30 June 2012.

** Commercial Property Joint Ventures and assets being sold are not included.

We have established a three year national partnership with the Beacon Foundation designed to help disengaged youth within our communities reach their full potential. This involves Stockland employees, tenants and local business partners across nine retail centres working with local youth to provide hands-on workplace experiences, develop personal skills and build knowledge to help them gain employment, dignity and self-respect.

Other initiatives are based on community art and national marketing campaigns linked to diversity, environment and culture. Almost half our centres are supporting their local schools, TAFE, university or another local education provider.

Making liveability a reality

This year Stockland has made substantial progress in enhancing our capability to measure, track and communicate the social performance or liveability of our communities.

We have successfully developed and piloted a liveability and community development insights survey in three residential communities – Highlands, Mernda Villages and North Shore – gaining responses from more than 4,000 residents. The survey focused on six liveability themes: affordable living, economic prosperity, access and connectivity, belonging and identity, health and wellbeing, and governance and engagement.

The ability to measure liveability is essential. It means we can aggregate our communities' needs and priorities, translate them into clear outcomes and use these to both inform our approach and measure our performance – particularly in terms of community development.

The results of the three pilot surveys were very encouraging, both in terms of the strength of our methodology and what the responses told us about the liveability of our communities. Satisfaction with living in the communities exceeds

80 per cent and, contrary to the common criticism that all greenfield development on the urban fringe results in pockets of social disadvantage and community isolation, our residents rate their personal wellbeing highly.

In fact, wellbeing in our pilot communities is above the Australian average.

The pilot study has also given us a clear hierarchy of resident needs from which we can further improve liveability and satisfaction. At the top is self-actualisation ("I've made it"), followed by esteem, belonging, safety and the physical need to live somewhere that meets one's needs. To be a 'desirable place to live', identified by the survey as the most important driver of overall satisfaction, a community must satisfy all five of these needs.

Armed with these results, we now have evidence and metrics on which to base our strategic direction and priorities for individual projects and the wider business. In the coming year we will also work towards the formalisation of a Liveability Index against which we can benchmark the performance of all Stockland communities.



The ability to measure liveability is essential. It means we can aggregate our communities' needs and priorities and translate them into clear outcomes.

Community involvement

Our community involvement program enables our people to support charities and community programs through workplace giving, where their donations are matched dollar for dollar by Stockland up to \$5,000 per person, and by volunteering their time and expertise using their annual entitlement of two days personal volunteering leave.

Efforts are coordinated by state-based committees in line with a new national Giving and Volunteering Strategy. Introduced this year, the strategy concentrates our efforts on affordable housing, disadvantaged youth and creating pathways to employment through training and development. It also outlines three avenues through which our people can get involved:

- Community partnerships – working with our Community Development Managers to identify organisations and initiatives that will make a real difference to the communities around our assets and development projects;
- Mentoring opportunities – continuing to expand our student mentoring programs, such as those run in conjunction with the Australian Business Community Network and the Beacon Foundation; and
- Supporting our employees – giving our people the flexibility to support those charities and community groups they feel most passionate about.

Hours employees contributed to community activities

10,627

This year over 700 employees participated in team volunteering, with over 10,627 hours of employee time contributed to community activities. Our overall participation rate of 49 per cent is lower than last year as our FY12 figure excludes our major Queensland team volunteering days which occurred outside the boundary of this report.

Measuring community investment

This year we have invested in a three-year research partnership with the Centre for Social Impact (CSI) that will help us evaluate community partnerships and provide a more sophisticated tool for measuring social impact and return on investment.

CSI is a partnership between the University of New South Wales, the University of Melbourne, Swinburne University of Technology and the University of Western Australia. Its mission is to create beneficial social impact in Australia through teaching, research, measurement and the promotion of public debate.

CSI is working with us to review our existing community partnerships and evaluate other opportunities that are aligned with our business strategy of creating shared value, can be implemented nationally and are able to be leveraged by all assets and projects.

Within Retirement Living, we have this year undertaken a study using the Social Return on Investment (SROI) methodology developed by UK think-tank the New Economics Foundation. This was designed to quantify the community benefit of our Retirement Living operations and help us to identify opportunities to provide further social value. The study used surveys and focus groups of residents and families at a Stockland retirement village. We then conducted detailed analysis at four villages representative of our product mix.

The key findings were that a typical Stockland retirement village contributes \$2.9 million of value to residents, family and the local community every year, while as a whole our portfolio contributes \$106 million worth of value a year. We also determined that our villages provide significant physical and emotional improvements for residents' families and support positive conversations with government and local approval bodies.

Typical Stockland retirement village contribution of value to residents, family and the local community every year

\$2.9m



For more detailed community metrics and additional case studies please visit www.stockland.com.au/sustainability

07.

Launched a low-carbon sustainability hub at our Selandra Rise community

Partnered with CSIRO to assess renewable energy systems for our assets and communities

Achieved GHG intensity reduction of 26 per cent in office and 7 per cent in retail

JULY

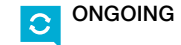
JUNE

Climate and our environment

The success of our business depends on the sustainability of the environments, communities and economies in which we operate.



Progress & priorities



Last year we committed to

This past year we have

In the coming year our priorities are to

PAST

Reduce our greenhouse gas emissions

- Reduce our greenhouse gas emissions and energy use, particularly across our Retail portfolio, towards our five year targets.

- Following refinement of the retail NABERS tool, commence an assessment of all retail centres – scheduled for finalisation in 2013.

Develop sustainable and resilient communities

- Develop a Distributed Energy Strategy addressing the generation of low carbon and renewable energy for our operational and development sites where this is commercially viable.

- Build on our group climate change adaptation strategy by undertaking specific analysis and preparing adaptation plans for assets at potential risk to a changing climate.

Manage our environmental impact

- Continue to reduce water use across our Commercial Property portfolio towards our five year targets. Pilot innovative water management practices and develop water usage and quality targets for Residential developments.

- Deepen our understanding of the impacts of greenfield development, with the goal of further minimising negative effects and optimising benefits for both the environment and society.

PRESENT

- Achieved greenhouse gas intensity reduction across our retail and office portfolios of 26 per cent in office and 7 per cent in Retail against our FY14 target.
- Achieved a 4.0 Star average NABERS Energy rating across our Office portfolio.
- Committed to an energy efficiency performance standard for all new Retirement Living homes.
- Commenced research into greenhouse gas emissions performance measurement on our Residential sites.

- Rated seven of our shopping centres on their energy and water efficiency.
- Achieved Australia's first 6 Star 'market leading performance' NABERS Energy shopping centre.

- Partnered with CSIRO to assess viable distributed energy systems for our retail centres and masterplanned communities.
- Launched a low-carbon, zero operating emissions sustainability hub at our Selandra Rise community – showcasing sustainability initiatives for the home and education on sustainable living and behaviour change.

- Undertook climate vulnerability and building resilience assessments at eight representative properties across our Office and Retail portfolios. These assessments informed the development of the climate resilience assessment tool for Commercial Property assets.

- Maintained our 10 per cent reduction in water intensity across our Office portfolio compared with the FY09 baseline, and improved our NABERS rating to 3.8 stars, up from 3.4 stars in FY10.

- Put considerable effort into understanding the environmental and social challenges facing greenfield development.
- Engaged in detailed studies to investigate our practices and impacts around water, biodiversity, energy, transport and community liveability and wellbeing.
- Identified examples of best practice that can be replicated across our business as well as identify the factors that make for a highly satisfied and healthy community.

FUTURE

- ▶ Continue to deliver Commercial Property energy efficiency improvements in line with FY09 baseline targets:
 - 20 per cent reduction in greenhouse gas emission intensity by FY14;
 - a 4.0 Star average NABERS Office Water rating for our Office portfolio by FY14.
- ▶ Construct all new Retirement Living homes with a 5 per cent improvement on building code energy efficiency performance requirements.

- ▶ Continue to work with the NSW Office of Environment and Heritage to create a robust retail asset rating tool. Roll out additional NABERS Retail ratings once the tool is refined.

- ▶ Use the CSIRO distributed energy research to influence and inform distributed and renewable energy projects across our projects.

- ▶ Incorporate the Commercial Property assessment tool in the D-Life planning process and continue to support the eight properties that have completed assessment to implement recommendations.

- ▶ Continue to reduce water use across our Commercial Property portfolio towards our five year targets:
 - reducing water intensity across our Commercial Property portfolio by 10 per cent by FY14;
 - attaining a 4.0 Star average NABERS Office Water rating for our Office portfolio by FY14.

- ▶ Pilot Green Star Communities rating tool on our Caloundra South project.

We are serious about protecting and enhancing the natural, built and human environment. The success of our business depends on the sustainability of the environments, communities and economies in which we operate.

We are committed to better understanding our environmental impacts, and identifying and mitigating the potential risks associated with climate change. Improved understanding of our environmental risks and impacts informs and benefits all areas of our business, from project design to investment decision making.

Over the past 12 months we have focused on:

- Mitigating and adapting to climate change risk,
- Improving energy and water efficiency,
- Improving diversion of waste from landfill, and
- Understanding and managing our use of, and impact on, natural resources.

Climate change

The risks associated with our changing climate affect the way our organisation, governments, communities and other key stakeholders view the built environment. We have made a commitment to ensure we understand these

risks and the opportunities for mitigation and adaptation. Our approach in these areas is proactive – developing policies and implementing action plans over a number of years.

The Intergovernmental Panel on Climate Change's Fourth Assessment report predicts that likely impacts on property will include more hot days, more frequent heavy precipitation and increased incidence of extreme high sea level. If realised, these impacts would place greater demands on the built environment.

In 2009 we developed a Climate Change Action Plan to guide and integrate efforts across our business units through focusing our efforts in five areas: improve how we **monitor** our emissions, continue to **reduce** our greenhouse gas emissions, **adapt** to a changing environment, **innovate** through low-carbon and renewable technology and **communicate** our position and performance. Our goal is to mitigate, adapt and innovate in response to the risks of a changing climate.

This year we have continued to prioritise these action areas, building our knowledge on climate change and implementing appropriate business responses.



For more on our FY12 performance and FY13 commitments against our Climate Change Action Plan please visit our sustainability website www.stockland.com.au/sustainability

OUR CLIMATE CHANGE ACTION PLAN PROGRESS

Monitor

Improve how we monitor our emissions

We remain committed to embedding carbon and energy reporting into standard business practices. Over the past 12 months we have continued to streamline the collection of greenhouse gas data across our operations, focusing on the integration the former Aevum system into our greenhouse gas accounting processes.

Reduce

Continue to reduce our greenhouse gas emissions

Energy efficiency remains the most cost-effective way for us to reduce our emissions. In FY12 our Commercial Property business achieved greenhouse gas emission intensity reductions of 7 per cent in our office portfolio and 3 per cent in our retail portfolio (26 per cent for office and 7 per cent for retail against our FY14 target). These results are discussed in further detail under energy efficiency and within our greenhouse gas and energy metrics.

Adapt

Adapt to a changing environment

We are taking steps to increase the resilience of our assets and reduce their potential vulnerability by proactively adapting to a changing climate. We have in place a Group Climate Adaptation Strategy designed to enable us to assess and respond to climate change risk across our portfolio, with adaption responses embedded into our corporate governance framework, process and operations.

Innovate

Innovate through low-carbon and renewable technology

We recognise that innovation is often best applied through partnerships and knowledge sharing. In the last 12 months we have partnered with innovation leaders CSIRO on research to increase our understanding of the performance and economics of renewable/distributed energy and trial decision-making support tools that incorporate distributed energy/renewable technology strategies. Our relationship with the CSIRO has already resulted in the application of solar installations on a number of our retail projects.

Communicate

Communicate our position and performance

This year we continued to engage with all levels of government and our peers to share our learnings and partner in research projects to inform effective policy, regulation, voluntary tools and best practice. This engagement ensures that our response to climate change remains relevant and provides sector leadership.

Energy efficiency

Energy efficiency remains the most cost-effective way for our organisation to reduce greenhouse gas emissions. Over the past year we have continued to improve how we set and monitor energy efficiency targets across our businesses. We have undertaken a number of energy efficiency projects and have continued to apply minimum standards for energy efficiency in our operations and developments.

In our Commercial Property business we achieved a 23 per cent reduction for office and a 5 per cent reduction for retail against our FY14 energy efficiency target and a 4.0 Star NABERS Energy average across our office portfolio. With office buildings no longer part of Stockland's long-term strategy, we will continue to work towards an aspirational target of 4.5 star NABERS, but acknowledge that this will be challenging as we sell down our portfolio – particularly the highly sought-after high-performance assets. Our aim will be to maintain our outperformance.

Office GHG emission intensity FY09–FY12

26%↓

Over the past year we have continued to pursue energy efficiency on our developments using the Commercial Property Sustainability Policy, including the delivery of the first alternative energy project within our Retail portfolio with the installation of solar at Stockland Green Hills. We also closed out all 'simple' energy efficiency upgrades and completed energy efficiency audits on 23 retail assets.

We also maintained a strong focus on the challenging area of improving the efficiency of retail centre air-conditioning. Implementing these measures at operational retail sites has been complex and taken more time than we anticipated, however we remain committed to these projects and believe they will deliver the significant energy reductions necessary to achieve our efficiency targets.

In line with our commitment to energy efficient buildings, we have now completed NABERS Tenancy ratings on Stockland state offices in Sydney, Brisbane, Melbourne and Perth. In conjunction with this, each office has signed up to CitySwitch, the free government tenant energy management program run through local councils, to ensure that their ratings are either maintained or further improved upon through operational energy efficiency and lighting upgrades. Our Sydney office was awarded a 6 Star NABERS Tenancy rating, one of only two tenancy ratings in Australia that do not utilise green power to enhance their rating.

In the majority of Residential projects, we are directly responsible for the design and construction of the infrastructure. Through this we can influence the delivery of a masterplan designed to reduce the need for private vehicle use, orient blocks to maximise solar efficiency and influence contractors responsible for delivering the infrastructure. We can also influence the delivery of display villages and provide low cost appliance packages.

In our Retirement Living business this year we developed a system that captures data on energy consumption and greenhouse gas usage from invoices processed by our accounts teams and committed to an energy performance minimum for all new Retirement Living homes.

Retail GHG emission intensity FY09–FY12

7%↓

Our electricity consumption performance

Total Stockland electricity consumption (kWh)

FY12	128,505,069
FY11	140,735,424
FY10	144,224,914
FY09	130,513,736*

* FY09 does not include Residential and Retirement Living electricity consumption

Retail portfolio electricity consumption intensity (kWh/m²)

FY12	75.0
FY11	78.9
FY10	83.0
FY09	80.1

Office portfolio electricity consumption intensity (kWh/m²)

FY12	84.7
FY11	93.1
FY10	104.8
FY09	109.8



Visit our sustainability website for more detailed information on our electricity consumption performance:
www.stockland.com.au/sustainability

Natural resources

Biodiversity

Most of our Residential and new Retirement Living projects have some impact on biodiversity, typically through the removal of native vegetation. Our aim is to actively manage the impact of our projects to ensure compliance with state and federal legislation, and to preserve and enhance areas of biological value on the sites that we develop.

Whenever we purchase land for development we conduct an assessment of how regulatory requirements associated with biodiversity apply to the site. This gives us an in-depth understanding of the plants, animals and ecosystems found on or adjacent to the site, the potential impacts of development and what opportunities exist to manage these. This initial assessment then informs the design of our masterplan. Where our initial assessment indicates a site with high value conservation areas, we also prepare a detailed Biodiversity Management Plan. Monitoring and review are also key aspects of our approach.

At Commercial Property sites we are committed to using the Green Star environmental rating tool on all new developments and major redevelopments. Where land is contaminated, we also undertake remediation works and landscaping to enhance the ecological value of the site.

In FY13 we will continue to review and refine our reporting methodology and how this is integrated into our development process D-Life. We are also looking to explore how we can strengthen our approach to biodiversity conservation both at the masterplanning and construction stages of the project life-cycle.

Water

Australia's changing climate can cause severe flooding and long-term drought, creating water scarcity that often results in water restrictions. Effectively managing our water use by reducing our consumption, improving water efficiency, providing our customers with more efficient product options and using planning tools to optimise community climate resilience are fundamental in the delivery of sustainable communities.

Each of our business units has minimum performance standards for water management and conservation. These range from applying Water Sensitive Urban Design principles and water efficient landscaping, to installing water-efficiency fixtures and fittings for our built dwellings, and minimising irrigation using potable water.

Our Office portfolio has continued to deliver improvements in water efficiency through a strong focus on management and, where necessary, the upgrade of water metering systems. This year we maintained our 10 per cent reduction in water intensity compared with the FY09 baseline and improved our NABERS rating to 3.8 stars, up from 3.4 stars in FY10.

Office portfolio water intensity FY09-FY12

10% ↓

We continue to work on the operational management of water within our retail centres, including monthly performance monitoring, and this year achieved a slight reduction on our FY11 results. We made further progress in moving our portfolio to outsourced water sub-metering providers. We have also completed detailed water and energy reviews for 23 of our 41 retail assets, with a key focus on exploring opportunities for efficiency gains. This resulted in a variety of initiatives across our portfolio, including water quality monitoring, water recycling and harvesting, on-site water tanks, reducing turfed areas and the incorporation of feature lakes to capture and store stormwater for irrigation. This year we commenced collecting data on each of our efficiency initiatives to monitor progress, measure success and refine our approach.

In Residential and Retirement Living water is a major influence on how we design and construct our communities. In particular, decisions on how we supply, use, treat and dispose of waste water impact the natural and urban environments in which we operate. Water is used by us directly (for example, in our sales suites and landscape maintenance) and indirectly through our contractors, who use water for dust suppression, road construction, landscaping and concreting.

Stockland seeks to actively manage water efficiency on development projects. Our aim is to construct and deliver projects that minimise water use and contribute positively to the catchments in which we operate. We also seek to mitigate the impact of our developments on water supplies through Water Sensitive Urban Design – the sustainable management of water in urban areas through integration with urban design.

Our water performance

Commercial Property water consumption (Office, Industrial and Retail)

FY12	1,165,923
FY11	1,286,282
FY10	1,382,733
FY09	1,298,733

Retail portfolio water consumption intensity (kL/m²)

FY12	0.94
FY11	0.95
FY10	1.05
FY09	0.93

Office portfolio water consumption intensity (kL/m²)

FY12	0.63
FY11	0.72
FY10	0.81
FY09	0.89

Waste

We are committed to managing our waste efficiently and aim to reduce and reuse rather than send to landfill. Minimum waste recycling targets are in place across all of our operational businesses and are particularly important for Commercial Property, where ownership and management of assets gives us a higher degree of influence over waste management

This year we have maintained operational waste targets of 30 per cent for Retail assets and 70 per cent for our Office assets. Retail achieved 29 per cent diversion from landfill, compared with 28 per cent in FY11, while Office achieved 64 per cent diversion from landfill (down from 66 per cent last year). Minor fluctuations are expected with shifts in the portfolio due to the sell down of office assets.

Our asset teams worked closely with tenants, retailers and customers throughout the year to improve the levels of recycling. We also continued to engage with our waste management contractors to optimise our waste and recycling services so that we can reduce total waste to landfill.

Another focus area has been recycling organic waste. We currently have two centres providing organics recycling for our tenants and will seek to expand this program in FY13. There has also been strong performance across our retail developments. Commercial Property have set a minimum requirement of 60 per cent recycling of construction waste, however all projects have exceeded 80 per cent.

In FY12, our Residential and Retirement Living development sites in 95 per cent of waste generated was diverted from landfill compared to 93 per cent last year and 97 per cent in FY10. Our results vary from year to year as a result of the types of waste or the recyclability or reusability of waste we encounter on our sites. Our data is provided by third party contractors and we continue to work with our contractors to refine our data collection and reporting processes to improve completeness and accuracy of our data.



For detailed performance information on biodiversity, water and waste, please visit www.stockland.com.au/sustainability

Residential and Retirement Living contractor waste diversion from landfill

95%

Office operational waste diversion from landfill

64%

Our greenhouse gas emissions performance

Total Stockland greenhouse gas emissions (kgCO₂-e) (Scope 1 + Scope 2 emissions NGERA boundary)

FY12	144,510,759
FY11	155,742,244
FY10	146,273,971
FY09	145,326,882

Retail portfolio greenhouse gas emissions intensity (kgCO₂-e/m²)

FY12	69.2
FY11	73.0
FY10	76.0
FY09	74.6

Office portfolio greenhouse gas emissions intensity (kgCO₂-e/m²)

FY12	77.3
FY11	85.1
FY10	97.0
FY09	103.8



For more detailed information on our greenhouse gas emission performance please visit www.stocklandsustainability.com.au

08.

Contractor OH&S
pre-qualification
system rolled out

Established
leadership team
to focus on
procurement

Piloted supplier
diversity training
program with
AIMSC

JULY

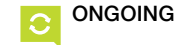
JUNE

Our suppliers

We are committed to developing and maintaining effective and mutually-successful working relationships with our supply chain.



Progress & priorities



Last year we committed to

This past year we have

In the coming year our priorities are to

PAST

PRESENT

FUTURE

Supply chain

- Achieve the specified annual level of procurement from Australian Indigenous Minority Supplier Council (AIMSC) certified suppliers.

- Actively engaged with AIMSC and its key initiatives, including a pilot Supplier Diversity Training program and Annual Conference.
- Reviewed challenges to engaging with AIMSC suppliers, a majority of which are small businesses and of a nature we would not normally engage directly.



- ▶ Continue to be an active AIMSC member, through inclusion of AIMSC procurement in our Reconciliation Action Plan (RAP) and extension of our involvement in contractor mentoring and education.
- ▶ Develop and adapt how we engage with AIMSC suppliers, potentially through a tiered engagement approach via our existing major suppliers, some of whom are also AIMSC members.

- Continue to engage with suppliers, making clear our expectations of social and environmental sustainability in their offering of services and products.

- Continued engagement with key suppliers.
- Included standard environmental clauses into tender and contract documents across our Commercial Property and Retirement Living businesses.



- ▶ Engage with our employees and suppliers to strengthen consistency of processes and procedures that support responsible supply chain practices.
- ▶ Review how we monitor and assess compliance across our procurement activities to achieve greater visibility and insight into our supply chain.

- Continue to refine and expand our responsible supply chain management policies and practices.

- Reviewed our approach to procurement and vendor management, changing how ownership for this function is assigned in the organisation.
- Formed a Project Management Leadership Team, consisting of senior representatives from the various risk management functions to provide oversight and guidance on supply chain management.



- ▶ Strengthen our approach to responsible supply chain through reviewing and updating our sustainable supply chain policy and supplier guidelines.
- ▶ Engage with selected suppliers to pilot these guidelines and seek feedback.

Contractor safety

- Continue to roll out Cm3 to all of our contractors in risk priority order.

- Completed Phase 1 and 2 of our Cm3 roll out, targeting Residential and Commercial Property contractors with an annual spend over \$500k in the first phase and over \$250,000 (and up to \$500,000) in the second phase.
- Achieved coverage of 90 per cent of targeted suppliers in Phase 1 and 70 per cent in Phase 2. Phase 3 (targeting contractors with annual spend under \$250,000) is underway.



- ▶ Continue to monitor and track contractor compliance with Cm3 to ensure that pre-qualification is an integral component of our contractor management system. Develop and deliver a Cm3 implementation strategy for the Retirement Living business in line with the 'One Stockland' approach to safety management.

- Continue to roll out Cm3 communication workshops to our relevant employee work groups.

- Held a series of national workshops for relevant Stockland employees covering Contractor Management essentials, Cm3 procedure, Cm3 system training and 'Harmonisation' legislation



- ▶ Regular Cm3 training will be offered on an ongoing basis for relevant Stockland employees and contractor groups. Cm3 user interface will be upgraded to enable individual sites to monitor their contractors more effectively.

- Review and improve our contractor risk management processes to align with the new Workplace Health Safety ('Harmonisation') laws.

- Reviewed contractor management process, which resulted in the development of new procedures relating to the management of principal contractors, minor works contractors and tenancy delivery.



Stockland has a large and varied supply chain, the bulk of which involves direct procurement from contractors and consultants involved in the design and delivery of infrastructure and property construction, as well as businesses that support the operation of our Commercial Property and Retirement Living assets. The remainder is what we refer to as indirect procurement, which represents corporate overheads such as travel, stationary and office services.

We are committed to developing and maintaining effective and mutually-successful working relationships with our supply chain. We do this through setting clear expectations, monitoring performance, having clearly defined roles and responsibilities for relationship management, and proactively working with suppliers to address any issues that may arise.

Environmental and social sustainability, particularly safety, are both key aspects of our approach. This is reflected in performance targets and requirements for suppliers to support and adhere to asset and project level safety and environment management systems. Through the implementation of Cm3 pre-qualification, we also require suppliers to meet appropriate levels of safety standards.

Environmental and social sustainability, particularly safety, are both key aspects of our approach.

Engaging our suppliers

Suppliers expect Stockland to provide clear sustainability objectives and targets, engage them in relation to management processes and systems, and work with them in relation to performance monitoring and review. Our supply chain engagement begins with upfront communication of CR&S performance requirements through both our tender process and the negotiation of contractual agreements.

The Project Management group, now responsible for all direct procurement, works closely with major suppliers involved in our large development projects. This includes holding regular meetings at both a project execution and management level. We also engage with suppliers as required on material issues.

In the past year we also conducted a review of our contract administration processes, which identified the need to ensure the right resourcing and level of knowledge is in place to ensure consistent supplier engagement where there is a material level of spend or of financial, environmental or social risk. This will continue to be a focus area in FY13.

Stockland is a member of the not-for-profit organisation Australian Indigenous Minority Supplier Council (AIMSC). Our involvement provides a way for us to engage on a business level with Indigenous suppliers and further develop Stockland's approach to supplier diversity.

Responsible supply chain management

The cornerstone of our approach to supply chain management is to set clear objectives and targets in relation to social and environmental sustainability. These are incorporated in contractual arrangements, and we report on supplier performance in key areas such as waste, water and energy. Where applicable, suppliers are also required to provide reports in accordance with National Greenhouse and Energy Reporting Act requirements.

The past year has seen Stockland conduct a review of procurement and supplier management – the key outcome of which was a change in ownership of this function within the business. Direct procurement is now managed by our Project Management group, while indirect procurement sits with Group Finance.

During FY12 monitoring of the financial stability and performance of suppliers involved in our development projects has been important to ensure we understand and manage potential risks. We have now established supplier performance reporting processes and we continue to develop our tools and risk mitigation strategies in this area.

A key focus over the coming year will be reviewing the deployment of our approach to supply chain management across our development projects and in the operation of our assets. We will also review and update our sustainable supply chain policy and develop supplier guidelines for specific areas. This project will also involve obtaining feedback on both the policy and specific guidelines by undertaking pilots with selected suppliers.

Another priority for FY13 will be to continue to work with our suppliers on our contractor risk management processes to align these with the new Workplace Health & Safety Harmonisation laws.

Contractor safety

Key areas in which we engage our supply chain on health and safety include the procurement process, development and implementation of project-level safety management systems, project inductions, risk reviews and OHS performance monitoring. Their main expectations are that Stockland will be clear about what is required and work with them to monitor performance and manage health and safety risks. Below are four ways in which we have responded to this in FY12:

- Cm3 contractor pre-qualification system

We rolled out a new online pre-qualification system (Cm3) to ensure we meet our legislative duty of care to capture and record evidence of OH&S compliance and insurance requirements of approximately 3,000 of our contractors.

- Project/contractor risk reviews

We involved members of our supply chain in a Hazard Operability study of our development process designed to identify risk exposure at all stages of the project lifecycle.

- Contractor management process

The OH&S team worked collaboratively with Group Legal and business leaders to ensure that Stockland was prepared for the 'Harmonisation' changes.

- Contractor OH&S performance

We capture contractor lost time and serious incidents through monthly contractor reports from our principal contractors.

Our suppliers expect Stockland to be clear on what is required and work with them to monitor performance and manage health and safety risks.



For more detailed information on our approach to supply chain please visit www.stockland.com.au/sustainability

Independent assurance report to the Directors of Stockland Corporation Limited



Our conclusions

Reasonable assurance over Scope 1 and Scope 2 emissions

In our opinion, Stockland Corporation Limited's Scope 1 emissions of 26,961 tonnes and Scope 2 emissions of 117,550 tonnes as disclosed in Stockland Corporation Limited's Sustainability Report and Annual Review for the year ended 30 June 2012 are prepared in all material respects in accordance with the National Greenhouse and Energy Reporting Act (2007) (the Act).

Limited assurance over Scope 3 emissions

Based on the procedures performed, as described below, nothing has come to our attention that causes us to believe that the Identified Scope 3 emission of 23,726 tonnes have not, in all material respects, been prepared in accordance with the GHG Protocol Corporate Standard for the year ended 30 June 2012.

We have been engaged by the Board of Directors of Stockland Corporation Limited ('Stockland') to provide reasonable assurance in relation to Stockland's Scope 1 emissions of 26,961 tonnes and Scope 2 emissions of 117,550 tonnes and limited assurance in relation to Stockland's Identified Scope 3 emissions of 23,726 tonnes as disclosed in Stockland

Corporation Limited's Sustainability Report and Annual Review for the year ended 30 June 2012. As described in the Sustainability Report and Annual Review, the Scope 1 and Scope 2 emissions relate to Stockland's activities in Australia. The Scope 3 emissions are restricted to hire cars, air travel and transmission and production losses from purchased electricity and gas in Australia (the "Identified Scope 3 emissions").

Management's and Directors' responsibility for the Specified Energy and Emissions Reporting

Management and the Directors of Stockland are responsible for the preparation and presentation of Scope 1 and Scope 2 emissions in accordance with the National Greenhouse and Energy Reporting Act (2007) and the Identified Scope 3 emissions in accordance with the GHG Protocol Corporate Standard (collectively the 'Frameworks'). This responsibility includes establishing and maintaining internal control relevant to the preparation and presentation of Scope 1, Scope 2 and Scope 3 emissions that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a reasonable assurance conclusion in relation to Stockland's

Scope 1 and Scope 2 emissions and a limited assurance conclusion in relation to Stockland's Identified Scope 3 emissions. We have performed our work in accordance with Standard on Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information, issued by the Australian Auditing and Assurance Board and accordingly have planned and performed such procedures as we considered necessary in the circumstances. ASAE 3000 requires us to comply with APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board.

Reasonable assurance over Scope 1 and Scope 2 emissions

Our reasonable assurance procedures involved obtaining evidence over Stockland's Scope 1 emissions of 26,961 tonnes and Scope 2 emissions of 117,550 tonnes, sufficient to give reasonable assurance that the amounts disclosed are free from material misstatement whether caused by fraud or error. This included an assessment of the appropriateness of the Frameworks and the reasonableness of estimates made by the Directors in the determination of the amounts reported.

Limited assurance over Scope 3 emissions

A limited assurance engagement consists of making enquiries, primarily of persons responsible for management and monitoring of the Identified Scope 3 emissions, and applying analytical and other limited assurance procedures as appropriate. These procedures include:

- Enquiries of key data owners to understand the data flows
- Completing a walkthrough of the relevant processes
- Agreement of emissions data to source invoices or third party confirmations on a sample basis
- Analytical review of emissions data, including year on year comparisons and monthly trend analysis

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with Australian Auditing and Assurance Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance or audit opinion.

Use of this report

This report has been prepared for the directors of Stockland for the purpose of assisting the Directors in determining whether the company has prepared and presented the Scope 1, Scope 2 and Scope 3 emissions in accordance with the Frameworks. We disclaim any assumption of responsibility for any reliance on this report, or the Scope 1, Scope 2 and Scope 3 emissions to which it relates to any person other than Stockland or for any purpose other than that for which it was prepared.

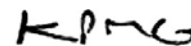
Inherent limitations

Because of the inherent limitations of any internal control structure it is possible that errors or irregularities in the Scope 1, Scope 2 and Scope 3 emissions may occur and not be detected. Our engagement is not designed to detect all weaknesses in the internal controls over the preparation and presentation of information, as the engagement has not been performed continuously throughout the period and the procedures performed were undertaken on a test basis.

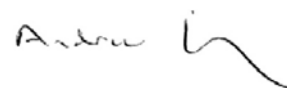
Greenhouse gas quantification is unavoidably subject to both scientific and estimation uncertainty. Scientific uncertainty arises because of incomplete scientific knowledge in the field of greenhouse gases. Estimation uncertainty can arise because of:

- The inherent uncertainty in quantifying inputs, such as activity data and emission factors, that are used by mathematical models to estimate emissions (measurement uncertainty)
- The inability of such models to precisely characterise under all circumstances the relationships between various inputs and the resultant emissions (model uncertainty)
- The fact that uncertainty can increase as emission quantities with different levels of measurement and calculation uncertainty are aggregated (aggregation uncertainty)

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions. Independence In conducting our assurance engagement we have complied with APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board.



KPMG



Andrew King
Partner

11 September 2012
Sydney



For Stockland's detailed greenhouse gas and energy performance, please visit www.stockland.com.au/sustainability

Independent assurance statement



To the Sustainability Committee and Management of Stockland Corporation Limited:

Stockland Corporation Limited (Stockland) commissioned Net Balance Management Group Pty Ltd (Net Balance) to provide independent assurance of the sustainability content of the Annual Review and Stockland's annual sustainability reporting – online (the Reports). The Reports present Stockland's sustainability performance over the period 1 July 2011 to 30 June 2012. Stockland was responsible for the preparation of the Reports and this statement presents our opinion as independent assurance providers. Net Balance's responsibility in performing its assurance activities is to the Sustainability Committee and Management of Stockland in accordance with the terms of reference agreed with them. Other stakeholders should perform their own due diligence before taking any action as a result of this statement.

Assurance Standard and Objectives

The assurance engagement was undertaken in accordance with the AA1000 AS (2008) assurance standard (AA1000AS). The standard provides a way of evaluating whether an organisation is responsible for its management, performance and reporting on sustainability issues. This is undertaken by evaluating the organisation's adherence to the AA1000 AccountAbility Principles (2008), and by reviewing the accuracy and quality of disclosed sustainability performance information.

The AA1000 Accountability Principles (2008) used to assess Stockland's processes include:

Inclusivity: How does the organisation include stakeholders in developing and achieving an accountable and strategic response to corporate responsibility and sustainability?

Materiality: How does the organisation include in its reporting the material (most important) information required by its stakeholders to make informed judgements, decisions and actions?

Responsiveness: How does the organisation respond to stakeholder concerns, policies and relevant standards and adequately communicate these in its reporting?

Assurance Type, Level, Scope and Limitations

Net Balance provided Type 2 assurance in accordance with the AA1000AS (2008). This involved a high level assessment of the organisation's adherence to the AA1000 AccountAbility Principles (2008) and a moderate level assessment of the accuracy and quality of the sustainability information contained within the Reports, which focused on the following material areas, and did not include verification of financial data:

People

- Occupational health and safety
- Employee engagement and diversity
- Capability development
- Employee metrics

Climate Change & Energy and Natural Resources

- Climate Change and energy efficiency
- Water usage
- Biodiversity
- Waste generation

Customers, suppliers and government relations

- Engaging with suppliers
- Housing affordability
- Political donations
- Customer satisfaction

Community

- Community development
- Community involvement

While the majority of the interviews with data owners were conducted at Stockland's head office in Sydney, additional site visits were also conducted, which included the following Stockland locations:

Retirement Living:

- Waratah Highlands Village NSW
- Arilla Village Vic
- Donvale Village Vic

Residential:

- Brooks Reach NSW
- North Shore Qld
- Bells Reach Qld

Retail:

- Gladstone Qld
- Point Cook Vic
- Wetherill Park NSW

Assurance Methodology

The assurance engagement was undertaken from April to August 2012, and involved:

- Interviews with over 40 Stockland personnel including the Chairman of the Board, Managing Director, CEO Commercial Property, CEO Residential Property, CEO Retirement Living and the EGM Human Resources focussing on group level and business unit level sustainability performance.
- Visits to a number of Stockland operational and development sites to understand how sustainability is integrated within and across the organisation.
- Interviews with 10 external stakeholders to understand how Stockland engages such stakeholders to identify material issues and the effectiveness of Stockland's response to the issues that matter to them.
- A review of the materiality process and stakeholder engagement activities undertaken by Stockland during the reporting period and how this informs the sustainability strategies, policies, objectives, management systems, reporting procedures and performance of the organisation.
- Interviews with key personnel responsible for collating and writing various parts of the Reports to substantiate the reliability of selected claims.
- A review of the content for any significant omissions and anomalies, particularly in relation to claims as well as trends in data.
- Testing of a limited sample of around 140 selected data points and statements and the systems and processes that support the information reported.
- A Global Reporting Initiative (GRI) G3.1 application level assessment.

Our Independence

Net Balance was not responsible for preparing any part of the Reports. Our team's independence was ensured by selecting team members with no other involvement with Stockland during the reporting period that could impair the team's independence or objectivity. Net Balance undertook two social outcomes evaluation studies for two of the Stockland businesses, which were deemed to not present a conflict to our assurance work through Net Balance's independence policy and by Stockland.

Our Competency

The Stockland assurance engagement was carried out by an experienced team of professionals led by a Lead Sustainability Assurance Practitioner (Lead CSAP), accredited by the International Register of Certified Auditors UK (IRCA UK). The project included personnel with expertise in environmental, social and economic performance measurement across a range of industry sectors. Net Balance is a global leader in the use of Accountability's AA1000AS, having undertaken over 100 assurance engagements in Australia in the past five years.

Findings and Conclusions

Adherence to AA1000 Principles Inclusivity

Stockland has a suitable approach to identifying its stakeholders and working with them to identify relevant issues to be addressed. This was evident at both the corporate level as well as the operational and development site levels. At the corporate level, Net Balance observed robust and regular engagement processes for monitoring high profile and financially material projects, supported by appropriate executive management actions to address issues where required. This process also aligns with executive level engagement with key stakeholders such as customers, industry associations and all levels of government.

Materiality

Stockland appropriately identifies its material sustainability issues to inform the group sustainability strategy as well as the localised strategies within the Residential, Retirement and Commercial Property businesses. Material sustainability issues are reviewed annually and informed by the stakeholder engagement activities conducted at both the group and business unit level to help ensure strategies and actions are addressing issues relevant to Stockland and its stakeholders.

Responsiveness

Net Balance observed that Stockland is generally quite responsive to stakeholder needs at the group, business unit and site levels. At a group level, sustainability issues are appropriately addressed through prioritised management controls and actions. Business unit sustainability strategies and policies have been designed to respond to relevant material issues and value drivers. At a site level, asset management, stakeholder engagement and community development plans continue to be enhanced to deliver appropriate and effective responses aimed at facilitating long term sustainability outcomes and business value.

Reliability of Performance Information

Based on the scope of the assurance process, the following was observed with regard to performance information:

- The findings of the assurance engagement provide confidence in the systems and processes used for managing and reporting sustainability performance information included in the scope of this assurance engagement.
- The level of accuracy of sustainability performance information was found to be within acceptable limits.
- Data trails selected were generally identifiable and traceable, and the personnel responsible

were able to reliably demonstrate the origin(s) and interpretation of data.

- The GRI application level check found that the reporting was classified as A+ in accordance with the GRI 3.1. Stockland has incorporated indicators from the Construction and Real Estate GRI Sector Supplement.

Overall, it is Net Balance's opinion that the information presented within the Reports is fair and accurate. The Reports were found to be a reliable account of Stockland's sustainability performance during the reporting period.

The Way Forward

Net Balance found the Reports appropriately address Stockland's material sustainability issues. To ensure Stockland continues to improve, Net Balance has identified the following key areas for future focus. These and other areas are discussed in more detail in Net Balance's report to the Stockland Sustainability Committee.

Procurement and Suppliers

Net Balance observed improvement opportunities to integrate sustainability into the Stockland's development cycle and procurement processes through the selection and management of contractors, suppliers and materials. Net Balance believes there is an opportunity for Stockland to communicate its strategic objectives more effectively with top tier suppliers and work with them to identify mutual opportunities to improve environmental and social sustainability performance across the supply chain and report performance against those objectives.

Safety

Stockland currently reports the safety performance for employees and contractors in line with industry practice and Net Balance acknowledges the significant improvements in information systems used to monitor and

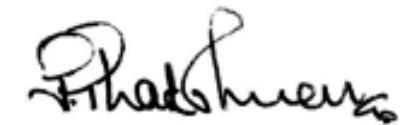
manage the safety performance of its contractors and other suppliers. Net Balance has however observed opportunities for additional performance improvements in supporting the safety requirements of on-site contractors and has provided more detail on these observations to Stockland.

Stakeholder Engagement and Community Development Plans

For each retail asset, Stockland has implemented both stakeholder engagement and community development plans to help drive improved sustainability and business outcomes. Whilst this in line with industry best practice, Net Balance believes there is an opportunity to further improve the development and implementation of these plans in two key ways: (1) increasing the alignment of stakeholder, community and asset management plans, including consistent tracking of their respective actions; and (2) taking the best practices from leading retail centres and applying them more consistently across all centres.

On behalf of the assurance team

6 September 2012
Sydney, Australia



Terence Jeyaretnam, FIEAust
Director, Net Balance & Lead CSAP
(AccountAbility UK)





Sustainability reporting 2012

Supporting our Annual Review is detailed sustainability reporting which is now delivered online at www.stockland.com.au/sustainability

Global Reporting
Initiative Standard

A+

We remain committed to delivering high quality sustainability reporting and once again have reported against the Global Reporting Initiative (GRI) to an A+ standard and independently assured our sustainability reporting under AA1000(AS).

Over the coming years we will seek to further enhance the transparency and accessibility of our stakeholder reporting. We welcome your feedback via reporting@stockland.com.au

Features:

- Our sustainability approach
- Detailed sustainability data sets
- Case studies
- GRI Reporting





Stockland

60 years
1952-2012

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