WHERE *vision comes to life*

ANNUAL REVIEW
30 June 2015

Stockland

ABOUT THIS REPORT

Welcome to Stockland's 2015 Annual Review – reporting on our financial, social and environmental performance for the financial year 1 July 2014 – 30 June 2015.

This is our fourth integrated report. We continue to evolve our approach to integrated reporting across our corporate reporting suite: integrating our sustainability strategy with our group strategy, further streamlining our Financial Report, and providing more accessible content online. Our reporting approach and materiality is discussed in detail on page 58.

For Stockland, integrated reporting is a journey toward more meaningful corporate reporting and is a process of continuous improvement, one that we believe will provide great benefit to both our organisation and our stakeholders.

Our full reporting suite for 2015 is:

Annual Review	Focusing on strategy, corporate governance, and our financial, social and environmental performance.
Financial Report	A detailed account of our FY15 financial performance.
Property Portfolio	Details on each of the assets within our portfolio, updated every six months.
Sustainability Reporting (online only)	Our in-depth sustainability performance, case studies and disclosure on management approaches (DMA) in accordance with GRI G4 "comprehensive".
Shareholder Review	A concise version of the Annual Review sent to all of our securityholders.

Copies of all reports are available online at www.stockland.com.au/corporatereporting2015

FEEDBACK

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

Follow us at @stockland

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Letter from the **Chairman**

Dear Securityholders,

It is a great pleasure to report another year of strong profit growth as we realise the benefits of our strategy and capitalise on supportive market conditions.

Underlying profit grew by 9.4% to $608 million and underlying earnings per security was up 7.8% on FY14. Funds from operations was up 14.7% and statutory profit was $903 million, more than 70% higher than the prior year.

Our good results reflect solid increases in earnings across all three businesses – Commercial Property, Residential and Retirement Living. We have been disciplined in implementing our strategy to ensure that the decisions we make today will serve our business well through the business cycle.

Examples of progress on our strategic priorities include nearly $600 million in acquisitions across Retail, Logistics and Business Parks, Residential and Retirement Living, expanded investment in medium density residential product, our strong balance sheet, high customer satisfaction across all areas of our business, and significant cost savings from efficiency improvements.

We have been disciplined in implementing our strategy to ensure that the decisions we make today serve our business well through the business cycle.

GRAHAM BRADLEY AM
CHAIRMAN

We have also maintained our leadership position in sustainability, and were named one of the most sustainable real estate companies globally in the Dow Jones Sustainability Index for the eighth consecutive year.

DISTRIBUTION

As promised, our full year distribution was 24 cents per security, representing a payout ratio of 93% of underlying profit.

Looking forward, we have updated our distribution policy to pay the higher of 100% of Trust taxable income or 80-90% of underlying profit. We believe that this is the appropriate level to provide growing returns for securityholders while allowing for investment in future growth.

In line with our new payout policy, and in recognition of consistent profit growth over the last two years, in FY16 we are targeting a distribution of 24.5 cents per security, assuming there is no material change in market conditions.

GOVERNANCE

Following many years of service, two long standing directors Terry Williamson and Duncan Boyle will retire at the Annual General Meeting on 27 October 2015.

Terry and Duncan have been highly valued members of the Stockland Board for many years. They have both contributed greatly to the success of the business through their strategic insights, critical thinking and professionalism. I thank them sincerely for their long and dedicated service.

The Board's succession planning is in place for the impending retirement of these two senior directors, with Tom Pockett to succeed Terry Williamson as chair of the Audit Committee. Tom's deep experience as a Chief Financial Officer ideally qualifies him for this role.

At Stockland, we recognise the advantages 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. I am, therefore, delighted to welcome our new director, Dr Nora Scheinkestel. Nora's experience as a company director across a range of sectors including property, financial services, utilities and infrastructure will strongly complement our Board. As required by the Stockland Constitution, Nora will offer herself for election by securityholders at the 2015 Annual General Meeting on 27 October 2015.

To strengthen the alignment of director and securityholder interests, the Board has revised our policy on ownership of securities by directors. The minimum number of securities each Non-Executive Director is now required to acquire, within a reasonable time of joining the Board, has been increased from 10,000 to 40,000. This increase reflects our belief that Directors should hold a meaningful number of Stockland securities. The new minimum equates roughly to one year's base board fees.

STOCKLAND CARE FOUNDATION

Stockland has a proud history of making a positive contribution to the community through our development activity and employee giving and volunteering. Earlier this year I was delighted to launch the Stockland CARE Foundation with a capital contribution of $8 million to secure our ongoing commitment to continue this important legacy.

Our contribution represents about 10% of the one-off gross profit realised from the sale of our shareholding in Australand during the year. Income from the Foundation will be donated to community partners focused on the areas of health, wellbeing and education. The Foundation also boosts our employee giving and volunteering opportunities.

For the next three years, the Foundation will support two outstanding organisations: Touched by Olivia which provides an expanding national network of inclusive play spaces and social enterprises that provide training and employment for people with disabilities, and Redkite, which provides essential support to children and young people with cancer and to their families.

As Chair of the Foundation, I am proud to lead this initiative, which will ensure we continue to support the communities in which we operate.

CONCLUSION

In conclusion, I would like to thank my Board colleagues and Stockland's talented employees for their commitment and discipline in advancing the Group's strategy and delivering a strong result for securityholders in FY15. While remaining cautious about the uneven market conditions we face over the next 12 months, I am confident that the operating platform we have established will allow Stockland to sustain solid growth in the year ahead.

GRAHAM BRADLEY AM
CHAIRMAN

Letter from the **Managing Director and CEO**

Dear Securityholders,

When I joined Stockland in 2013 we set out a strategy to make the business more resilient and profitable to ensure sustainable earnings growth for our securityholders into the future. I am pleased to report that we are on track, with all of our key metrics showing significant improvement in FY15, underpinned by strong growth in our core businesses and we are well placed to achieve continued growth.

We remain focused on growing returns for securityholders through a disciplined approach to our strategic priorities of growing asset returns and our customer base, maintaining our capital strength, and delivering operational excellence. We made good progress in each of these areas in FY15.

GROW ASSET RETURNS AND CUSTOMER BASE

Commercial Property remains a key driver of our Group's success. On a comparable basis we achieved operating profit growth of 4.3% across the portfolio, with 4.2% in Retail, 3.1% in Logistics and Business Parks and 6.4% in Office, reflecting our strong focus on property fundamentals.

I am pleased to report that we are on track, with all of our key metrics showing significant improvement in FY15.

MARK STEINERT
MANAGING DIRECTOR AND CEO

Our Retail portfolio performed strongly with high occupancy, positive leasing spreads on new leases and renewals and lower incentives (which are only paid on new leases). Total Moving Annual Turnover in our shopping centres grew 4.5%, with 7.0% growth from specialty stores. This is the strongest specialty sales growth we have recorded in four years.

We are starting to see the benefit of the major redevelopments we have undertaken over recent years as these assets progressively stabilise. In FY15 we opened major redevelopments at Hervey Bay in Queensland, Baldivis in Perth, and the first stage of Wetherill Park in Sydney. The final stages of Wetherill Park, Point Cook in Melbourne, Glasshouse in the Sydney CBD and stage one of Harrisdale in Perth are all underway and will complete in FY16. These developments represent a combined investment of $550 million with an expected stabilised average yield of 7-8%.

In our Logistics and Business Parks business we are steadily building up a strong portfolio of assets that delivers solid returns and presents opportunities for future growth. In FY15 we acquired three new sites in Sydney and Melbourne and made good progress repositioning our portfolio with asset improvements under way at a number of key sites.

Our exposure to the Office sector remains tactically overweight in Sydney, reflecting our view on the challenging state of the other office markets.

Our **Residential** business achieved a substantial 73.5% uplift in profit and ended the year with a record 3,742 contracts on hand, up 17% on last year.

This strong result reflected generally positive market conditions in the corridors where we operate and the progress we have made launching six key projects in two years and broadening our customer reach with diverse product offerings. Providing our customers with more choices is proving to be successful and we are now ramping up production for FY16 at selected projects.

During the year we also continued to replenish our land bank with the acquisition of 4,000 lots. We have been quick to activate many of these with the majority of new projects on track to deliver profit within two years of acquisition.

Our **Retirement Living** operating profit was up 19.9% on FY14 reflecting strong sales, active management and improved efficiency. The business is now two years into our five year plan to achieve a 7% cash return on assets, which is marked by taking a much more active approach to how we manage our village portfolio.

During FY15 we made good progress reshaping our portfolio via capital recycling with the sale of two non-core villages and acquisition of eight villages in South Australia which has a particularly strong Retirement Living market.

CAPITAL STRENGTH

We have maintained our strong balance sheet and A-/stable credit rating, supporting cost effective financing of our future growth.

Our active capital management has improved our weighted average cost of debt and maintained our average debt maturity. Gearing at the end of FY15 was 23.4%, at the lower end of the target range of 20-30%, but is expected to move up within our target range over the FY16 year.

OPERATIONAL EXCELLENCE

We maintained a proactive focus on operating efficiency. In FY15 we commenced a project to outsource some functions in finance and IT to provide more flexible and scalable support. This initiative will build on the significant reduction in overheads we achieved following our restructuring in FY14.

Sustainability remains a key focus for Stockland. We are proud to have been named one of the most sustainable real estate companies in the world in the Dow Jones Sustainability Index for the eighth consecutive year. Since FY06 we have saved over $60 million through carbon intensity reductions. This year we were the first Australian company to issue a green bond which, among other things, has been used to fund the largest single rooftop solar system in Australia at our Shellharbour shopping centre.

OUTLOOK

While the outlook for specific markets remains uneven, with some caution among businesses and consumers, we expect conditions to remain reasonably supportive in FY16. Interest rates are anticipated to be stable and we expect the economy to continue to grow, albeit at below trend levels.

We have commenced FY16 with a high level of Residential contracts in hand and Retirement Living net reservations, and with good momentum in retail sales.

I am confident in the strategy we are executing and that Stockland is well placed to continue to deliver profitable growth from our core businesses in FY16 and beyond.

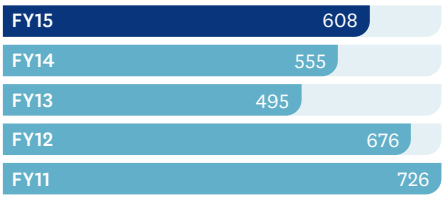
MARK STEINERT
MANAGING DIRECTOR AND CEO

Our performance in FY15

OUR KEY FINANCIAL METRICS

UNDERLYING PROFIT ($M)

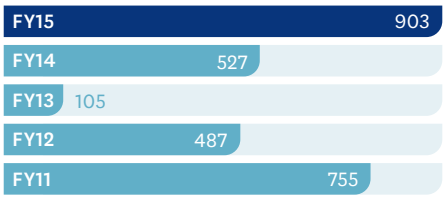
$608m ↑



Underlying profit was $608 million, up 9.4% on FY14, reflecting the disciplined implementation of our group strategy and supportive market conditions.

STATUTORY PROFIT ($M)

$903m ↑



Statutory profit for the year grew significantly to $903 million and statutory EPS was 38.5 cents. This included $297 million in revaluation uplift on Commercial Property assets and around $80 million gross profit from the sale of our securityholding in Australand.

FUNDS FROM OPERATIONS (FFO)

$657m ↑

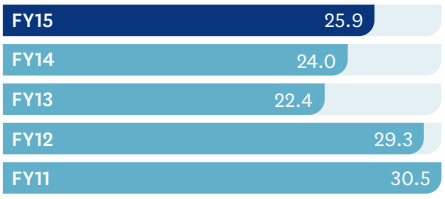
FFO $657 million, up 14.7% on FY14.

FFO per security was 28.0 cents, up 13.0% on FY14.

FFO has been determined with reference to the Property Council of Australia's voluntary disclosure guidelines to help investors and analysts compare Australian real estate organisations. Underlying profit has been adjusted for: amortisation of fitout incentives, amortisation of rent-free incentives, and straight-line rent. Apart from our Commercial Property business, underlying profit and FFO reported for the other business units remain the same.

UNDERLYING EARNINGS PER SECURITY (¢)

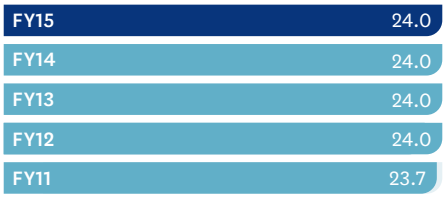
25.9¢



Underlying earnings per security was 25.9 cents, up 7.8% on FY14

DISTRIBUTION PER SECURITY (¢)

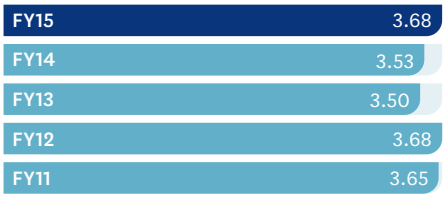
24.0¢



The distribution payable for the year ended 30 June 2015 is 24.0 cents per stapled security, consistent with 24.0 cents paid for the year ended 30 June 2014. We have updated our distribution policy and will in the future pay the higher of 100% of Trust taxable income or 80-90% of underlying profit.

NET TANGIBLE ASSETS PER SECURITY ($)

$3.68



Our net tangible assets per security has increased to $3.68, representing our total assets minus liabilities and intangible assets.

OUR KEY PERFORMANCE OUTCOMES

Grow asset returns and customer base

Retail

NET OPERATING INCOME (NOI)

$351m ↑1.3% | Comparable NOI ↑4.2%

FUNDS FROM OPERATIONS (FFO)

$379m ↑2.6% | Comparable FFO ↑4.8%

DEVELOPMENT UNDERWAY

$425m And next wave has grown to $1.1 billion

OCCUPANCY[1]

99.5%

RETAILER SATISFACTION

79% Ranked #1 for two consecutive years[2]

SHOPPER SATISFACTION

88%

Logistics and Business Parks

NET OPERATING INCOME

$120m ↑20.1% | Comparable NOI ↑3.1%

FUNDS FROM OPERATIONS

$131m ↑21.0% | Comparable FFO ↑5.1%

DEVELOPMENT PIPELINE

$350m

OCCUPANCY

94.3%

LEASING ACTIVITY

> 180,000m²

Office

NET OPERATING INCOME

$64m ↓8.8% | Comparable NOI ↑6.4%

FUNDS FROM OPERATIONS

$78m ↓8.9% | Comparable FFO ↑4.2%

OCCUPANCY

95.4%

LEASING ACTIVITY

> 40,100m²

Residential

OPERATING PROFIT

$166m ↑73.5%

LOTS SETTLED

5,876 With a record 4,412 contracts on hand for FY16

LOTS ACQUIRED

4,000 In metropolitan locations

LOTS ACTIVATED

14,000

OWNER OCCUPIERS LEADS

75% Broadened market reach

SATISFACTION FROM CUSTOMERS PLACING DEPOSITS

82%

Retirement Living

OPERATING PROFIT

$48m ↑19.9%

SETTLEMENTS

945 And a 25% increase in reservations on hand for FY16

HOMES UNDER CONSTRUCTION OR COMPLETED

500

OCCUPANCY

94.4%

SALE

2 villages

ACQUISITION

South Australian portfolio

VILLAGE RESIDENT SATISFACTION

90%

Shape thriving communities

COMMUNITY GIVING

Stockland CARE Foundation launched

$8m Capital commitment

NATIONAL LIVEABILITY SCORE

84% Up 9% on our 2011 survey

NATIONAL WELLBEING SCORE

80% Above the Australian national average

1 Occupancy reflects stable assets and differs from Property Portfolio which includes all assets.

2 Relative position compared to our peers on the question of how satisfied retailers are with the service provided by landlords. 'Joint first' based on the combined result from Ten Sat and Centre Sat. Stockland has combined the two scores provided by Monash to come up with an overall competitor position.

Capital strength

S&P RATING

A-/stable — Maintained for over 10 years

GEARING

23.4% — At the lower end of our 20 – 30% target range

WEIGHTED AVERAGE COST OF DEBT

6.2% — Improvement from FY14

AVERAGE DEBT MATURITY[1]

5.3 years

AVERAGE HEDGED RATES

↓1.8% — Over the next five years

LEADERSHIP

First Australian Corporate to issue a green bond

Operational excellence

DRIVE OPERATIONAL EFFICIENCY

Achieved procurement savings ahead of time and budget

STRONG MANAGEMENT

Internalised the management of Logistics and Business Park assets in NSW and Victoria

MORE FLEXIBLE AND SCALABLE SUPPORT

Commenced a project to outsource some functions of finance and IT

Enrich our value chain

WORLD DOW JONES SUSTAINABILITY INDEX

8th consecutive year of listing

GRESB (GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK)

Green Star rating

WOMEN IN MANAGEMENT

44.7%

CITATION BY WGEA (WORKPLACE GENDER EQUALITY AGENCY)

Employer of Choice for Women

EMPLOYEE ENGAGEMENT SCORE

85% — Above the Global High Performing Norm

STAKEHOLDER ENGAGEMENT

Inaugural National Supplier Roadshow

Optimise and innovate

SOLAR INSTALLATION

Australia's largest single rooftop system at Stockland Shellharbour

ELECTRICITY INTENSITY REDUCTIONS[2]

> $60m — Savings since FY06

CALOUNDRA SOUTH AWARDED

6 ☆ — Green Star Communities rating

NUMBER OF GREEN STAR RATED SHOPPING CENTRES

Largest nationally

AVERAGE NABERS ENERGY RETAIL PORTFOLIO RATING

4.27 ☆ — Highest for a major portfolio

1 Pro forma following average 12 year USPP.

2 Includes savings passed on to tenants.

Our business

Our business

Stockland is the largest diversified property company in Australia. We own, manage and develop a growing portfolio of shopping centres, logistics centres, business parks, residential communities, retirement living villages, and office assets.

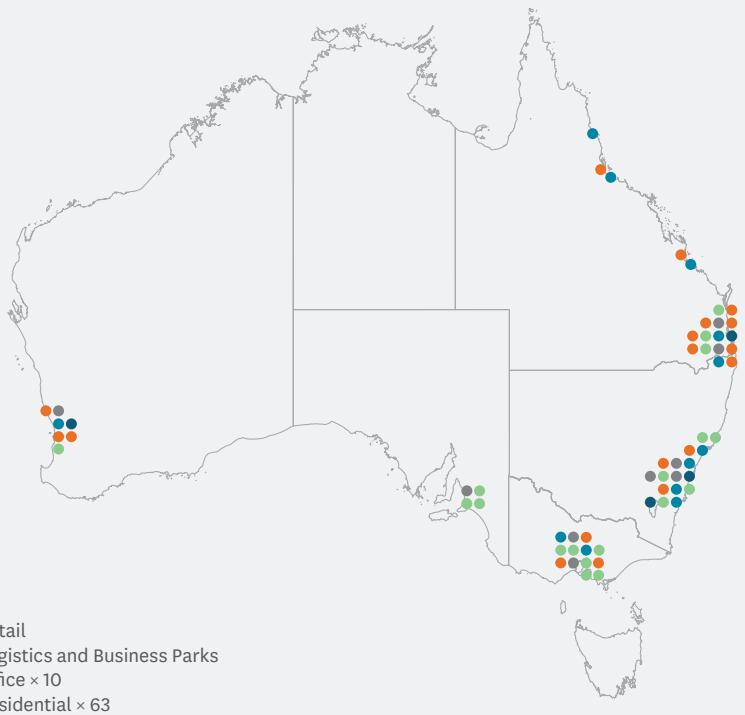
Stockland was founded in 1952 with a vision to "not merely achieve growth and profits but to make a worthwhile contribution to the development of our cities and great country". Today we leverage our diversified model, to create thriving places where people live, shop and work.

Our approach is underpinned by the Group's purpose "we believe there is a better way to live". This is brought to life by our employees who are guided by Stockland's values of community, accountability, respect, and excellence (CARE).

As a responsible listed entity Stockland's primary objective is to deliver earnings per security growth and total risk-adjusted securityholder returns above the Australian Real Estate Investment Trust index average, by creating quality property assets and delivering value for our customers.

To provide the greatest value to securityholders Stockland is structured as a stapled security; a combination of a unit in a trust and a share in a company that are traded together on the Australian Securities Exchange. This allows the Group to undertake both property investment (via Stockland Trust) and property management and development (via Stockland Corporation).

WE ARE WELL POSITIONED WITH A DIVERSE PORTFOLIO



- Retail
- Logistics and Business Parks
- Office × 10
- Residential × 63
- Retirement Living × 63

COMMERCIAL PROPERTY

RETAIL

42
Shopping Centres

APPROXIMATE VALUE
$6.1 billion

We are one of the largest retail property owners, developers and managers in Australia. Our 42 retail centres accommodate more than 3,200 tenants, realising over $6 billion of retail sales per annum.

LOGISTICS AND BUSINESS PARKS

24
Logistic Centres & Business Parks

APPROXIMATE VALUE
$1.7 billion

Our Logistics and Business Parks portfolio (the former industrial portfolio now including business parks and logistics) comprises 24 properties with just over 1.2 million square metres of building area. These properties are strategically positioned in key locations for logistics, infrastructure and employment.

OFFICE

10
Office Buildings

APPROXIMATE VALUE
$1.0 billion

Our Office portfolio comprises 10 assets in key locations.

RESIDENTIAL

63
Residential Communities

APPROXIMATE PORTFOLIO – ACTIVE[1]
30,000 lots

APPROXIMATE PORTFOLIO – INACTIVE[1]
48,500 lots

APPROXIMATE TOTAL END VALUE[1]
$20.7 billion

We are the largest residential developer in Australia. Our portfolio includes 63 communities across New South Wales, Queensland, Victoria and Western Australia. We are focused on delivering a range of masterplanned communities and medium density housing in growth areas across the country with over 81,900 lots remaining in our portfolio, with a total end value of approximately $20.7 billion.

RETIREMENT LIVING

69
Retirement Living Villages

ESTABLISHED UNITS
9,343

APPROXIMATE SHORT-MEDIUM TERM DEVELOPMENT PIPELINE
3,400 units

ESTIMATED DEVELOPMENT PIPELINE END VALUE
$2.1 billion

We are a top three retirement living operator within Australia, with a deep development pipeline and over 9,300 established units across five states and the Australian Capital Territory.

1 Excludes properties identified for disposal and workout.

Our value chain

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

In FY14 we announced the launch of our medium density and completed homes program. We expect this will allow us to broaden our customer reach.

- ● Currently undertaken by Stockland
- ● Coordinated by Stockland or sometimes undertaken by Stockland
- ○ Not currently undertaken by Stockland

1. Upstream products	2. Funding		3. Acquisition	4. Design		5. Procurement, contracting & construction	6. Leasing and sales		7. Asset and property management		8. Refurbish/ re-development	9. Downstream products
	OFF-BALANCE SHEET	ON-BALANCE SHEET		DETAILED DESIGN	MASTERPLANNING AND APPROVALS		LEASING	SALES	ASSET MANAGEMENT	PROPERTY MANAGEMENT		
· Building materials · Building technologies												Downstream services are associated with the ongoing operation of our properties but typically go beyond our existing property and asset management activities. They include: · Child care · Equipment leasing · Warehouse management · Cleaning and security · Catering · Utilities provision · Payments processing
	RETIREMENT LIVING											
	●	●	●	●	●	●	○	●	●	●	●	
	RESIDENTIAL											
	●	●	●	●	●	●	○	●	○	●	○	
	RETAIL											
	●	●	●	●	●	●	●	●	●	●	●	
	LOGISTICS & BUSINESS PARKS											
	●	●	●	●	●	●	●	●	●	●	●	
	OFFICE											
	●	●	●	●	●	●	●	○	●	●	●	
				Detailed Design By design consultants		**Building and Construction** By contractors		**Sales** By commercial agents				

Stakeholder engagement

We are committed to developing and maintaining strong relationships with a broad range of stakeholders across our diverse business and we practice open, honest, two-way communication. We recognise the mutual benefits that result from this genuine engagement for both our business and our stakeholders.

We understand the importance of engaging regularly and directly with all our stakeholder groups to ensure we understand their expectations, issues and concerns.

Employees	We have 1,462 employees in Australia.
Government and regulators	Federal, state and local governments set the regulatory environment in which we operate.
Securityholders and the investment community	We have close to 47,000 securityholders in Australia and overseas.
Customers	Our customers include retail, logistics and business park, and office tenants, shoppers in our retail centres, our residential customers, and residents in our retirement villages.
Suppliers	We procure services and products from approximately 3,500 active suppliers.
Communities	The people that reside, work or recreate in the areas where we operate.
Media	We engage with journalists across a wide spectrum of local, regional, metropolitan and national print and electronic media outlets.

We have a well-established stakeholder engagement framework which informs our Group strategy together with the strategies of our operating businesses and their assets and development projects.

Our Executive Committee and the Board receive monthly reports with updates on our engagement approach and emerging stakeholder issues or concerns.

In addition to a Group-wide stakeholder engagement policy and strategy, we also have state-wide stakeholder engagement strategies and asset and project-specific stakeholder engagement plans, which are adapted to specific operating contexts and focus on local issues.

At the start of every project, teams are required to identify key government and community stakeholders, the objectives of their engagement approach and any issues which might impact on the project in the future. Based on this, project-level stakeholder engagement plans are developed, which are guided by our fundamental principles and philosophy of proactive engagement.

INVESTOR RELATIONS

We aim to ensure that securityholders are kept well-informed of all major developments and business events that are likely to materially affect our operations and 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 (also available on our website).

We provide securityholders with information through our annual and half year financial reports, Shareholder Review, our Annual General Meeting and announcements of market-sensitive and other information, including results and Q1 and Q3 updates. These documents are lodged with the Australian Securities Exchange (ASX) and are available electronically on our website at www.stockland.com.au.

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 electronically on our website. The annual and half year financial report is made available to all securityholders.

To ensure our retail securityholders have timely access to information we promote the use of electronic communication, providing those with registered emails alerts on major announcements. We also participate in online interviews with brokers (for example CommSec) and our major announcements are published on our Twitter account, @Stockland. We also provide a printed half year and full year Shareholder Review with our half year distribution statement and annual Notice of Meetings.

Over the last four years we have sought to streamline our Financial Reports and provide more integrated reporting to ensure our reports are accessible to all stakeholders.

We also 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. Market briefings are webcast over the internet.

In addition, the Chairman undertakes regular engagement with our major investors and proxy advisors, including the Australian Shareholders' Association. This provides a useful forum for both the Board and our investors to stay abreast of current market views, commercial developments and industry trends.

In FY15 we encouraged our securityholders to receive their communications (reports, distribution notices, and announcements) online to ensure they receive timely and secure communication. This also allows us to invest printing and mail out savings into more accessible digital communication. We also increased our communication of key announcements via social media using Twitter.

GOVERNMENT AND INDUSTRY

Stockland prides itself on a high level of professional engagement with all levels of government. We actively engage with governments, public servants, regulators and our industry bodies in relation to policy and specific projects.

This engagement is guided by a Board-endorsed government and stakeholder engagement policy. The policy is updated annually and communicated to our people through a range of channels, including face-to-face briefings, the intranet and our website.

Our policy is to make no donations to politicians or political parties at any level of government. This policy has been in place since 1 July 2008. We expect that all of our projects are judged solely on their merits and it is important to us that our community stakeholders share this view.

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

MEDIA RELATIONS

We regularly engage with journalists at national, state, regional and local media outlets to communicate the strategic objectives of our business. We proactively engage with the media to communicate and respond to the issues that are important to our stakeholders, including our customers.

We distribute all major ASX announcements relating to major capital transactions, strategic partnerships and quarterly financial updates directly to media, and we have a dedicated in-house team available 24/7 to respond to all media inquiries. We also host detailed briefings with business and property journalists as an integral part of our half and full year reporting cycles. We frequently host and participate in media events, industry speaking engagements and interviews to broker important news and updates about our business.

As part of our approach to community consultation, we also ensure that the key facts relating to proposed or active developments are supplied to the appropriate media outlets for dissemination and consideration by the respective local communities in which we operate.

Our strategy

Our strategy

DELIVERING VALUE TO ALL STAKEHOLDERS

Our Group strategy has three focus areas:

Growing our assets and customer base
Driving returns in our core businesses by implementing business unit strategies

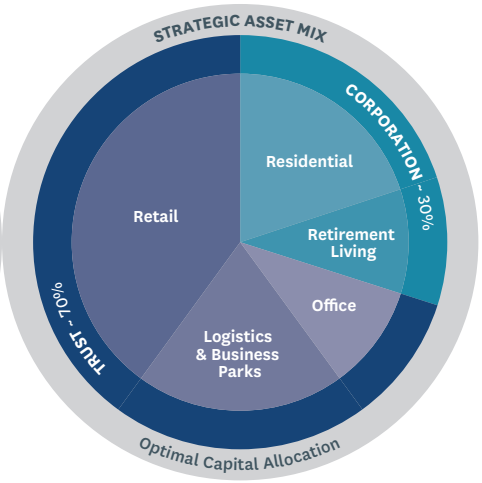
Capital strength
Actively managing our balance sheet to support sustainable growth

Operational excellence
Improving the way we operate to drive efficiency and effectiveness

OUR PURPOSE
We believe there is a better way to live

OUR VALUES
Community
Accountability
Respect
Excellence

OUR VISION
To be a great Australian real estate company that makes a valuable contribution to our communities and our country



Five year indicative asset mix

OUR INTEGRATED SUSTAINABILITY STRATEGY

As a real estate owner, manager and developer, we believe that we have both the opportunity and the responsibility to create the right balance of social, environmental and economic conditions for our communities, customers and investors now and in the future. Our sustainability strategy focuses on this opportunity to deliver shared value; that is deliver economic value in a way that also creates value for society by addressing its needs and challenges.

We have clear strategic priorities to support our growth and deliver returns for our investors. Our sustainability strategy unites these priorities with a view to the future and our vision: To be a great Australian property company that makes a valuable contribution to our communities and country.

RESPONDING TO OUR CHALLENGES AND OPPORTUNITIES

Stockland adopts a rigorous approach to understanding and proactively managing the risks it faces in its business. Stockland recognises that making business decisions that involve calculated risks, and managing these risks within sensible tolerances, is fundamental to creating long-term value for securityholders and meeting commitments to its employees, tenants, customers, business partners, consultants and the communities in which it does business. More information on Stockland's risk management policy is available at stockland.com.au.

There are various risks that could impact our business and the nature and potential impact of these risks change over time. These include, but are not limited to:

SHORT TERM – STRATEGY EXECUTION

Risk	Response and opportunities
Economic downturn creates challenging operating conditions	Continue to: • focus on retaining a strong balance sheet with low gearing. • concentrate on efficiency and cost management. • use diverse funding sources.
Downturn in residential market impacts revenue	As part of our Residential Strategy we have: • broadened our customer reach by expanding our residential product offering including diverse house and land packages, completed housing, medium density and apartments. • sought to balance the demand from home owners and investors to ensure our residential communities remain attractive to future buyers. • managed costs and adopted prudent margin assumptions. Continue to engage with government to seek effective solutions on land supply issues.
Increased competition in the Australian property market limits opportunities for growth	Continue to: • take advantage of organic development opportunities within our existing portfolio. • ensure discipline and agility in our investment decision making so we can take advantage of opportunities that will deliver the appropriate risk-adjusted returns. • maintain a strong balance sheet to provide funding flexibility.
Ability to attract and retain talented employees impacts strategy delivery	Established an in-house recruitment team, Careers@Stockland, and referral program to improve our recruitment capability and assist in the selection of the right talent. Significantly reduced first year employee turnover through improved on boarding and induction. Continue to focus on providing learning and development opportunities and building a strong employment brand.

LONGER TERM – CHANGING MARKETPLACE

Risk	Response and opportunities
Timing of infrastructure and amenity delivery affects project delivery and customer satisfaction	The staging of our projects can sometimes be impacted by the pace of approvals, sales and construction. Prioritisation of effective stakeholder engagement on our projects with suppliers, customers and government has resulted in positive outcomes across several projects. Continue to: • use our Liveability research to understand priorities of residents in our communities. • ensure all projects have stakeholder engagement plans that minimise obstacles to infrastructure and amenity delivery and ensure appropriate communication with all stakeholders about these matters.
Enhancements to digital technology affects customer behaviour and business process efficiency	Continue to: • recognise and integrate technical enhancements across the business. • ensure Stockland retail centres are thriving community hubs by delivering quality services and community spaces. • invest in process and system upgrades to improve the efficiency of our operations.
Regulatory changes impact our business model	Continue to: • engage with industry and government on policy areas including taxation and planning reform. • develop in areas where governments support growth. • focus on good practice to remain well positioned in the market and set best practice standards.
Ability to develop products that meet anticipated future customer and societal demands	Continue to: • evolve our market leading product innovation and customer insights using platforms such as Stockland Exchange (Stockland's online research community). • foster a culture of innovation to ensure we identify and take advantage of new opportunities. • remain flexible and open to opportunities to leverage movements in stakeholder preferences. • focus on the creation of sustainable and liveable communities and assets. • enhance our design excellence providing greater functionality and value for money.

Governance and **remuneration**

Corporate 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 as summarised in our corporate governance statement at www.stockland.com.au/corporate-governance.

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 security holders;
- establishes Stockland's overall framework of governance, risk management, 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 Secretaries 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;
- monitors compliance with laws and regulations which apply to Stockland and its business; and
- appoints and monitors the independence of Stockland's external auditors.

Graham Bradley
Chairman (non-executive)

Mark Steinert
Managing Director and CEO

Carol Schwartz
Non-executive

Peter Scott
Non-executive

Terry Williamson
Non-executive

Carolyn Hewson
Non-executive

Barry Neil
Non-executive

Duncan Boyle
Non-executive

Tom Pockett
Non-executive

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. The Company Secretary is directly accountable to the Board through the Chairman on all matters to do with the proper functioning of the Board.

The Board aims to ensure that its securityholders are kept well-informed of all major developments and business events that are likely to materially affect Stockland's operations and financial standing and the market price of its securities. Further information in relation to communication with Stockland's securityholders is located on the Stockland website at stockland.com.au/corporate-governance.

Stockland's Directors, management and employees are required to maintain high ethical standards of conduct. Stockland's Code of Conduct and Ethical Behaviour (the 'Code') is periodically reviewed and endorsed by the Board and covers dealings with both external parties and internal operations. Further information in relation to the Code is located on the Stockland website at stockland.com.au/corporate-governance.

COMPOSITION AND DIVERSITY OF THE BOARD

Stockland is committed to having a Board whose members have the capacity to act independently of management, and have the collective skills and diversity of experience necessary to optimise the long-term financial performance of Stockland so as to sustain superior returns to securityholders.

The Board 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. The Board has identified a range of core skills and experience that will assist the Board collectively to fulfil its oversight role effectively.

The Board believes that the core skills of importance to Stockland are well represented among the current Directors. In addition, most Directors have occupied senior executive management positions in large corporations both in Australia and globally, including CEO and CFO positions, covering a wide range of industry sectors or have held senior positions in relevant finance and accounting disciplines.

The Board also believes that it is important to maintain a range of director tenures to facilitate orderly Board renewal while maintaining valuable continuity and corporate knowledge among Directors. As at 30 June 2015, of the nine Directors, including the Managing Director, three had tenure of less than six years, three had tenure of between six and nine years and three had served for more than nine years. The Board also values the importance of diversity, two of the eight Non-Executive Directors are women.

On 5 August 2015 Stockland announced that Dr Nora Scheinkestel would join the Board effective 19 August 2015 and that Mr Duncan Boyle and Mr Terry Williamson would retire from the Board in October 2015. These changes will significantly change the Board's tenure and gender diversity profile. Three of the seven Non-Executive Directors (47%) will be women and three of the last five director appointments have been women. The number of Directors with tenure of less than six years will increase from three to four, the number with tenure between six and nine years will reduce from three to two, and the number with tenure greater than nine years will reduce from three to two.

Dr Nora Scheinkestel will join the Board effective 19 August 2015.

Dr Scheinkestel brings the Board a valuable range of skills and experience relevant to Stockland's business operations including her experience in the property, infrastructure, banking and finance sectors, as well as her extensive experience as a public company director in government and regulatory affairs and executive remuneration. The Board's succession planning is in place for the impending retirement of two senior Directors, with Mr Tom Pockett to succeed Mr Williamson as chair of the Audit Committee. Mr Pockett's deep experience as a CFO and his professional qualifications ideally qualify him for this role.

Where a Board vacancy occurs or whenever it is considered that the Board would benefit from the services of an additional director, the Board identifies the skills and experience it seeks to complement the competencies of continuing Directors.

In defining the Board's requirements for a new director, consideration is given to the skills, professional experience and educational backgrounds of continuing members of the Board, including any identified skills gaps. Criteria used also include consideration of the value of gender diversity on the Board.

Tax control and governance policy framework

Stockland maintains a Tax Control and Governance Framework, reviewed and approved by the Board Audit Committee, which outlines the principles governing our tax strategy and risk management policy.

Our Tax Control and Governance Framework is consistent with the guidelines published by the Australian Taxation Office (ATO) regarding tax risk management and governance processes for large business taxpayers.

We undertake a periodic review of the Framework to test the robustness of the design of the framework against ATO benchmarks and to demonstrate the operating effectiveness of internal controls to stakeholders.

The key principles of the Framework are summarised as follows:

- a tax strategy that ensures all tax affairs are conducted in a transparent, equitable and commercially responsible manner, whilst having full regard to all relevant tax laws, regulations and tax governance processes, to demonstrate good corporate citizenship;
- a balanced tax risk appetite which is consistent with the Board approved risk appetite, to ensure Stockland remains a sustainable business and a reputable and attractive investment proposition;
- a commitment to engage and maintain relationships with tax authorities which are open, transparent and co-operative, consistent with Stockland's Code of Conduct and Ethical Behaviour policy; and
- an operating and trading business based in Australia, with no strategic intentions of engaging in any tax planning involving the use of offshore entities or low tax jurisdictions.

To underpin the alignment of Directors and securityholder interests, the Board believes that Directors should hold a meaningful number of Stockland securities. In August 2015 the Board revised its existing policy to increase the minimum number of securities each Non-Executive Director is required to acquire from 10,000 to 40,000 securities within a reasonable time of becoming a Director. The increased minimum roughly equates to one year's base Board fees. All new Directors will have a period of three years to comply with this policy and any existing Directors that hold less than 40,000 securities will have until 30 June 2018 to comply. Stockland also has a policy regarding the minimum securityholdings for Senior Executives as set out in the Remuneration Report. Both these policies are intended to align the personal financial interests of Directors and Senior Executives with those of securityholders.

In 2015 the Board has engaged an external consultant to facilitate a review of Board performance.

BOARD COMMITTEES

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

The membership and the procedures for the Committee meetings are set out in the Board Committee Charter located, together with the charters for each Board Committee (except the Financial Services Compliance Committee), on the Stockland website at stockland.com.au/corporate-governance.

Human Resources Committee	The Human Resources Committee incorporates the functions of two Board Committees recommended by the ASX Guidelines: a Nominations Committee and a Remuneration Committee. The Human Resources Committee seeks to ensure that there is a strong link between employee reward, Stockland's performance and ultimately securityholder returns. The Human Resources Committee also seeks to ensure that remuneration for Non-Executive Directors is designed to attract and retain talented and experienced individuals. Refer to the Remuneration Report on pages 52 to 53 of our Financial Report for further information.
Audit Committee	The Board has delegated oversight for the preparation of Stockland's Financial Reports and the maintenance of a sound financial reporting control environment to the Audit Committee. The Audit Committee works in conjunction with the Sustainability Committee, Financial Services Compliance Committee, Human Resources Committee and Risk Committee to assist the Board in fulfilling its responsibilities for ensuring Stockland has adopted and maintains appropriate corporate governance procedures.
Risk Committee	The Board as a whole is ultimately responsible for the sound management of risk and compliance across the organisation. The purpose of the Risk Committee is to assist the Board to fulfil its risk governance responsibilities. The Risk Committee provides a board level forum to oversee Stockland's risk culture and review the effectiveness of risk identification and management including the structures, processes and management systems within Stockland's overall risk management framework.
Sustainability Committee	Stockland recognises that a sustainable future for its business depends upon the sustainability of the communities, economy and society in which it operates. The purpose of the Sustainability Committee is to consider the social, environmental and ethical impact of Stockland's business activities; major corporate responsibility and sustainability initiatives and changes in policy; and stakeholder communication about Stockland's corporate and sustainability policies.
Financial Services Compliance Committee	The Financial Services Compliance Committee is responsible for monitoring and reviewing the effectiveness of the Compliance Plans in respect of Stockland Trust and its controlled entities, and Macquarie Park Trust, and in ensuring adherence to applicable laws and regulations. The Compliance Plans are designed to protect the interests of securityholders. The Compliance Plans for Stockland Trust and its controlled entities and for Macquarie Park Trust have been approved by the Australian Securities and Investments Commission ('ASIC'). The Financial Services Compliance Committee meets regularly and must report breaches of the law and Constitution to the Board which is required to report any material breach of the Compliance Plan to ASIC.

Remuneration

We are committed to ensuring that our remuneration policies are fair, responsible and competitive and that we communicate our remuneration arrangements with full transparency.

On an ongoing basis, the Board monitors these 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 to meet our changing business priorities and market challenges.

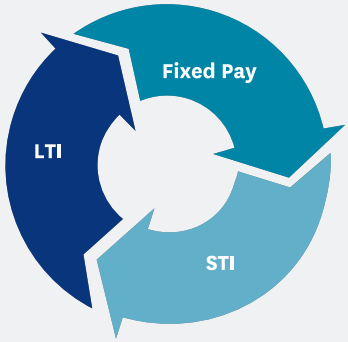
Our remuneration structure has three components:

- **Fixed Pay** – fixed remuneration
- **STI** – performance-based pay, or short-term incentives (STI)
- **LTI** – long-term incentives (LTI)

Our remuneration policies are framed around several key principles:

- fixed Pay should be fair, competitive and regularly benchmarked against relevant market evidence;
- a significant portion of Executive remuneration should be 'at risk' and awarded only if pre-set objectives and/or hurdles are achieved;
- 'at risk' or variable pay should be aligned to securityholder interests and individuals should have clear performance criteria set in advance;
- the level of variable pay increases as a portion of total remuneration as responsibility increases;
- performance-based pay or Short-Term Incentives (STIs) must be affordable and funded from annual underlying profit;
- STI awards depend on individual and company performance against measures reflecting progress against a Balanced Scorecard of Key Performance Indicators (KPIs). A portion of performance-based pay for Executives is awarded as Stockland equity with deferred vesting;
- Long-Term Incentives (LTIs) with vesting dependent on achievement of long-term goals not only help motivate and retain key Executives but also build a sense of ownership of business performance that benefits all securityholders;
- remuneration policies, framework and decisions take account of risk management and capital management considerations; and
- unvested incentive awards are forfeited if employees resign during the applicable vesting period and are subject to broadly framed clawback provisions which give the Board discretion to adjust or forfeit these awards in certain circumstances.

Our remuneration framework



LTI
Long-term equity based pay to align with securityholder value creation and employee retention.

Fixed Pay
Competitive fixed pay to attract and retain talent.

STI
Pay for performance based on a balanced scorecard of KPIs:

- Business/Financial
- Customer/Stakeholder
- People and Leadership
- Sustainability/OH&S

A portion of STI is deferred into securities for Executives to further align with securityholder value creation.

Since 2011, we have made a number of significant adjustments to our remuneration policies including:

- Introducing deferral for part of STI awards so that at least one-third of any STI awarded to our Senior Executives (and 50% for the Managing Director) is deferred into Stockland securities which vest over two years;
- Extending the vesting period of our LTIs to four years; and
- Introducing clawback provisions on all unvested equity awards.

There was no change to the remuneration arrangements for our Managing Director for FY15 nor to the remuneration framework for the Senior Executives who are Key Management Personnel ('KMP').

In FY15, no increases were made in Fixed Pay for the Managing Director and our Senior Executives and no increases were made in base fees paid to Non-Executive Directors ('NEDs'). We did make some adjustment to some of the Board Committee fees to reflect the additional workload for these Committees as well as market relativities. Our prudent approach to remuneration will continue in FY16 with no changes being made to the Fixed Pay of the Managing Director and the majority of our Senior Executives.

We have increased Fixed Remuneration for three Senior Executives for FY16 to reflect their market relativities but there is no change to the framework for their STI or LTI awards.

We have made a small increase in NED base fees for FY16, the first increase in such fees since July 2011.

REMUNERATION OUTCOMES

The Short Term Incentive pool awarded to all employees, including those awarded to our Senior Executives, totalled $33.0 million in FY15 ($27.4 million in FY14). The increase reflected our improved profit performance in FY15 and the Board's assessment of performance against the measures outlined in our Corporate Balanced Scorecard set out in our Financial Report. Due to the changes introduced in FY13, over half of the increased STI awarded in FY15 comprised Stockland securities with vesting deferred to future financial years and subject to continued service.

Read more about our remuneration report in our Financial Report:
www.stockland.com.au/corporatereporting2015

Average Fixed Remuneration Ratio by Job Band

Average fixed remuneration ratio looks at the ratio of the average female fixed pay to the average male fixed pay by job band.

Job Band	FY15	FY14	FY13	FY12	FY11	FY10
Executive Committee	**0.60**	N/A	N/A	0.51	0.51	0.43
Senior Management[1]	**0.93**	0.89	0.88	0.85	0.83	0.78
Management	**0.85**	0.83	0.84	0.84	0.86	0.81
Employee/Professional Technical	**0.86**	0.86	0.86	0.83	0.84	0.77
Total employees[2]	**0.66**	0.65	0.64	0.64	0.63	0.57

1 Senior Management includes Senior Manager and General Manager job bands.
2 The ratio is a function of total pay and employee number by gender. Refer to page 44 for the breakdown of our workforce by gender.

GENDER PAY EQUALITY RATIO

We believe the methodology of measuring pay equity is limited if based solely on average fixed pay by job band as it ignores different market values placed on different jobs. A better and more accurate process is to assess gender pay equity by considering an individual's positioning against the relevant market benchmark. This analysis is shown below in the Gender Pay Equity Ratio table.

	FY15	FY14
Gender Pay Equity Ratio	**97.2%**	96.9%

The gender pay equity ratio is calculated by dividing the female compa-ratio by the male compa-ratio for employees in roles where there is at least one female and one male. Compa-ratio represents the ratio of employees' Fixed Pay to the median of the applicable benchmark. For example, if an employee's Fixed Pay is $120,000 and the market mid-point is $100,000, the compa-ratio versus the median of the applicable benchmark is 120% ($120,000/$100,000). An employee's position against the applicable benchmark will vary based on relative experience and skills. If a female has a compa-ratio of 102% and a male has a compa-ratio of 104%, then the gender pay equity ratio would be 98%.

EXECUTIVE REMUNERATION

The table below outlines the cash remuneration that was received in relation to FY15 which includes Fixed Pay and the non-deferred portion of any FY15 STI. The table also includes the value of a portion of the deferred STI award from FY14 which vested during FY15. No previous years' LTI vested during FY15.

		Fixed pay[1] $	STI awarded and received as cash $	Total cash payments in relation to financial year $	Previous years' Deferred STI which was realised[3] $	Previous years' LTI which was realised $	Awards which lapsed or were forfeited[4] $
Executive Director							
Mark Steinert *Managing Director and CEO*	**2015**	**1,500,000**	**750,000[2]**	**2,250,000**	**590,486**	–	**2,164,800**
	2014	1,500,000	750,000[2]	2,250,000	113,393	–	–
Senior Executives							
Stephen Bull *Group Executive and CEO, Retirement Living*	**2015**	**650,000**	**390,000**	**1,040,000**	**132,267**	–	**358,570**
	2014	650,000	373,333	1,023,333	–	–	529,822
Katherine Grace *General Counsel and Company Secretary* (commenced 21 August 2014)	**2015**	**430,138**	**229,407**	**659,545**	–	–	–
	2014	–	–	–	–	–	–
Tiernan O'Rourke *Chief Financial Officer* (commenced 8 October 2013)	**2015**	**850,000**	**453,333**	**1,303,333**	**96,552**	–	–
	2014	619,452	330,374	949,826	–	–	–
Darren Rehn *Group Executive and Chief Investment Officer* (appointed 13 August 2014)	**2015**	**700,000**	**420,000**	**1,120,000**	**306,802**	–	–
	2014	–	–	–	–	–	–
Michael Rosmarin *Chief Operating Officer*	**2015**	**600,000**	**320,000**	**920,000**	**139,913**	–	**953,250**
	2014	600,000	320,000	920,000	104,752	–	884,640
John Schroder *Group Executive and CEO, Commercial Property*	**2015**	**1,050,000**	**630,000**	**1,680,000**	**278,574**	–	**1,783,500**
	2014	1,050,000	620,000	1,670,000	211,063	–	1,652,880
Simon Shakesheff *Group Executive, Strategy and Stakeholder Relations* (commenced 22 July 2013)	**2015**	**600,000**	**320,000**	**920,000**	**301,294**	–	–
	2014	518,356	276,457	794,813	–	–	–
Andrew Whitson *Group Executive and CEO, Residential*	**2015**	**700,000**	**420,000**	**1,120,000**	**190,446**	–	**351,329**
	2014	700,000	420,000	1,120,000	–	–	519,121

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

2 For Mark Steinert this is 50% (two-thirds for Senior Executives) of his STI awards. The remaining 50% of his STI (one-third for Senior Executives) was deferred in Stockland securities which vests over two years following the performance year, 50% after year 1 and 50% after year 2 subject to continued employment.

3 This represents the value of all prior years' deferred STI which vested during FY15 using the 30 June 2015 closing security price of $4.10. No LTI vested during FY15 or FY14.

4 The value shown represents the value of any previous years' equity awards which lapsed or were forfeited during the financial year. The FY15 values are based on the closing 30 June 2015 security price of $4.10 (FY14: $3.88).

Grow our **asset returns and customer base**

Grow our asset returns and customer base

FY15 PROGRESS

- ✓ $425 million Retail development under construction and a pipeline of $1.1 billion
- ✓ Acquired $125 million of Retail and Logistics and Business Parks assets delivering 7.6% incremental FFO yield
- ✓ Activated 14,000 residential lots at target margins
- ✓ Acquired 4,000 residential lots in eastern seaboard metropolitan locations
- ✓ Broadened our customer reach in Residential with the introduction of medium density homes and completed homes
- ✓ Record Residential contracts on hand up 17% on FY14
- ✓ Record Retirement Living development activity with 500 homes under construction or completed at an average 16% IRR
- ✓ High customer satisfaction across all business units

STRATEGIC PRIORITIES

Retail
Creating market leading and differentiated shopping centres. $1.1 billion development pipeline targeting 7-8% development yield, and incremental IRR of 11-14%.

Logistics and Business Parks
Grow a quality portfolio of logistics centres and business parks with target 7-8% incremental development yield and 11-14% incremental IRR (Greenfield developments).

Office
Continue to focus on optimising returns from the portfolio while managing our exposure tactically.

Residential
Be the leading creator of places to live by improving the resilience and profitability our portfolio by reshaping and actively managing the portfolio, improving efficiency and delivering revenue growth.

Retirement Living
Be the preferred operator and developer of Retirement Living villages by continuing to improve return on assets by managing costs, differentiating the customer experience and growing development volumes.

Commercial Property

PERFORMANCE

	Funds from operations				Underlying profit			
Commercial Property ($m, unless otherwise stated)	**FY15**	**FY14**	**Change**	**Comparable growth**	**FY15**	**FY14**	**Change**	**Comparable growth**
Net operating income								
· Retail	**379**	369	↑ 2.6%	↑ 4.8%	**351**	347	↑ 1.3%	↑ 4.2%
· Logistics and Business Parks	**131**	108	↑ 21.0%	↑ 5.1%	**120**	100	↑ 20.1%	↑ 3.1%
· Office	**78**	85	↓ 8.9%	↑ 4.2%	**64**	70	↓ 8.8%	↑ 6.4%
Total net operating income (NOI)	**588**	562	↑ **4.6%**	↑ **4.8%**	**535**	517	↑ **3.5%**	↑ **4.3%**
Net operating costs	**(18)**	(20)	↓ 13.2%		**(18)**	(20)	↓ 13.2%	
Total Commercial Property	**570**	542	↑ **5.1%**		**517**	497	↑ **4.0%**	
Return On Assets (ROA)					**8.4%**	8.4%		

Commercial Property remains a key driver of our success. On a comparable basis we achieved NOI growth of 4.3% across the portfolio, with 4.2% in Retail, 3.1% in Logistics and Business Parks and 6.4% in Office, reflecting our strong focus on property fundamentals.

Retail

Creating market leading and differentiated centres

Stockland Baldivis, WA completed construction this year. It sits within our Settlers Hill residential community.

Stockland's Retail portfolio performed strongly in FY15 with Net Operating Income (NOI) up 1.3% to $351 million and FFO up 2.6% to $379 million. On a comparable basis our retail portfolio achieved NOI growth of 4.2% and FFO growth of 4.8%. These results reflect the portfolio's high occupancy, positive leasing spreads on new leases and renewals and lower incentives (which are only paid on new leases).

The portfolio recorded the strongest specialty sales growth in four years of 7% with 4.5% Total Moving Annual Turnover growth. The best performing categories were food catering and fast casual dining, communication technology, services, homewares and apparel.

In FY15 we achieved comparable specialty sales per square metre 12.6% above the Urbis average. This reflects the success of our active management approach which has seen us undertake small projects and remixing in a number of centres to meet the specific needs of their customer base.

We are also starting to see the benefit of the major redevelopments we have undertaken over recent years as these assets progressively stabilise. In FY15 we opened major redevelopments at Hervey Bay in Queensland, Baldivis in Perth and the first stage of Wetherill Park in Sydney. The final stages at Wetherill Park, Point Cook in Melbourne, Glasshouse in the Sydney CBD and Harrisdale stage one in Perth are all underway and will complete in FY16. These developments represent a combined investment of $550 million with an expected stabilised average yield of 7-8%.

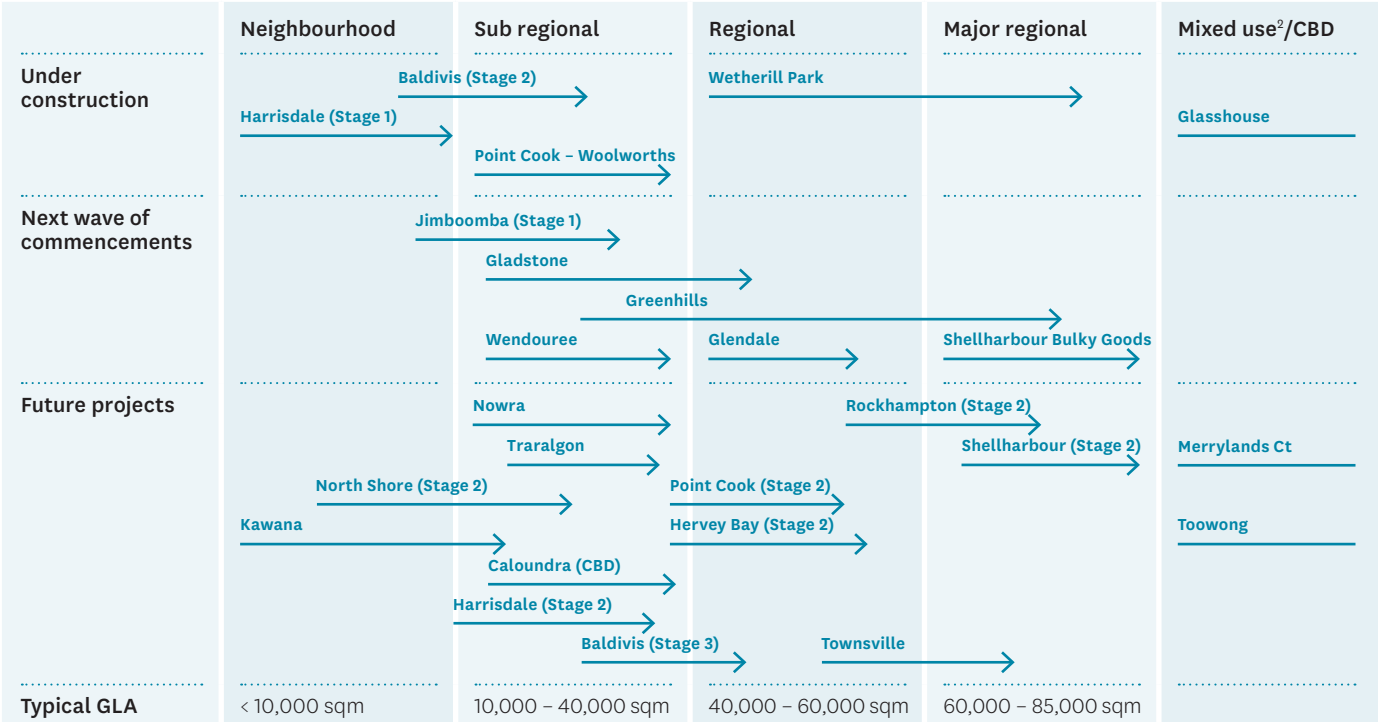
RETAIL STRATEGIC PRIORITIES

The Retail business maintains its focus on creating market leading or differentiated centres, redeveloping its most productive assets to create community and entertainment hubs. With $425 million of retail development under construction and a pipeline of $1.1 billion targeting incremental internal rates of return (IRR) of 11-14%[1].

Stockland's retail mix, underpinned by supermarkets, mini majors, food catering and fast casual dining and specialty food and retail services, is proving to be resilient to online leakage. The business will continue to focus on:

- tailoring its offering to the specific trade area
- cultivating retailer relationships and long-term sustainable rent; and
- investing in industry research to adapt to an evolving retail landscape.

$425 MILLION OF CONSTRUCTION UNDERWAY AND $1.1 BILLION PIPELINE



1 Unlevered 10 year IRR on incremental development from completion.
2 Retail portion of development only.

Logistics and Business Parks

— *Growing a quality portfolio*

Coopers Paddock, Warwick Farm NSW. Artist's impression.

Our Logistics and Business Parks portfolio delivered strong profit growth with comparable NOI up 3.1% and comparable FFO up 5.1%, reflecting positive leasing momentum.

We are steadily building up a strong portfolio of assets that delivers solid returns and presents opportunities for future growth. In FY15 we acquired three new sites in Sydney and Melbourne and made good progress repositioning our portfolio with asset improvements under way at a number of key sites.

In FY15 we also internalised management of all business parks and our industrial portfolios in Victoria and NSW and have identified a growing development pipeline. We are well positioned to continue to grow returns in this portfolio.

LOGISTICS AND BUSINESS PARKS STRATEGIC PRIORITIES

Our focus is on growing a quality portfolio of logistics centres and business parks. We will leverage our existing assets and land, strong tenant relationships and asset management skills to become a scale player in this market.

$350 MILLION DEVELOPMENT PIPELINE

	Active Development	Planning Underway	Future Wave
NSW	Ingleburn (Stage 1)	Yennora (Bld 3 & 8A)	Ingleburn (Stage 2 & 3)
	Warwick Farm		Yennora (Bld 1 & 2)
	Waterside (Land Subdivision)		
VIC	Oakleigh (Stage 1 & 2)	Brooklyn (A & C)	Altona DC
QLD		Hendra (Lot 20)	
		Yatala	
			Pallara
SA		Port Adelaide DC	
WA	Balcatta (Land Subdivision)		

Office

— *Optimising returns*

Comparable NOI and FFO improved 6.4% and 4.2%, respectively, following good leasing activity in all Sydney office markets.

Our exposure to the office sector remains tactically overweight in Sydney, reflecting our positive view on the state of the market. Brisbane, Perth and ACT markets remain challenging and in late FY15 we entered into a conditional put and call option to sell our half share of Waterfront Place and Eagle Street Pier in Brisbane.

OFFICE STRATEGIC PRIORITIES

We continue to focus on optimising returns from the portfolio while managing our exposure tactically. We will also consider joint-ventures (or part sales) as appropriate.

Residential

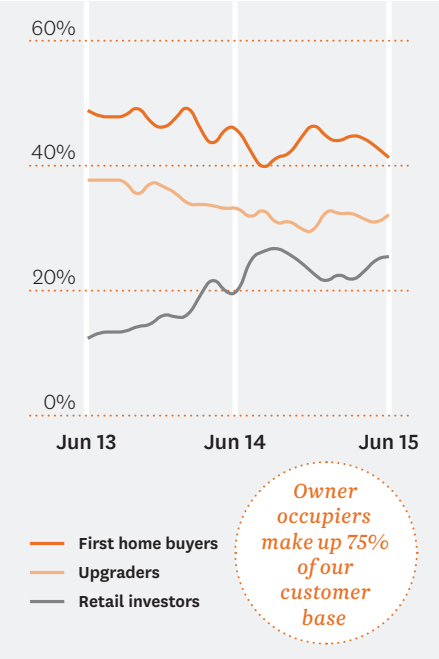
Leading creator of places to live

PERFORMANCE

Residential Communities ($m, unless otherwise stated)	FY15	FY14	Change
Lots settled (no. of lots)	**5,876**	5,219	↑ 12.6%
Revenue	**1,245**	1,042	↑ 19.5%
EBIT (before interest in COGS)	**290**	244	↑ 19.0%
EBIT margin	**23.3%**	23.4%	
Operating profit	**166**	95	↑ 73.5%
Operating profit margin	**13.3%**	9.1%	
ROA – core projects only[1]	**17.0%**	12.2%	↑
ROA – total portfolio	**12.7%**	5.8%	↑

1 Core excludes impaired projects.

COMPOSITION OF OUR NEW RESIDENTIAL LEADS



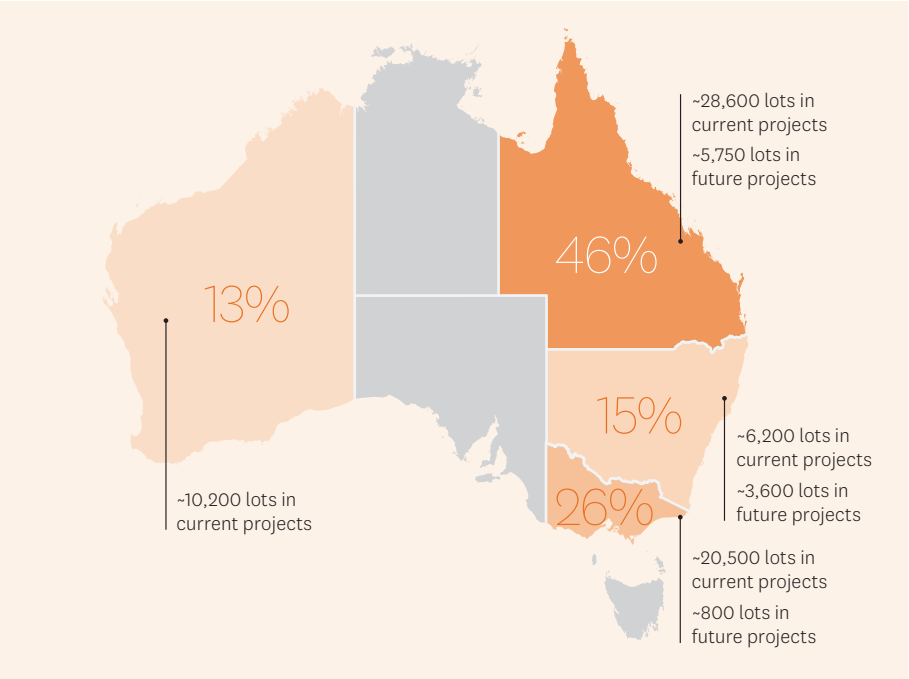
Our Residential business, which settled 5,876 lots during FY15, achieved significant profit growth and lifted ROA to 17% on the core portfolio. This reflected supportive market conditions, the positive impact of new projects, efficiency initiatives and our broader and more diverse product mix.

Over the last two years we have launched six new projects and these have contributed strongly to our result. We are on track to launch a further five new projects in FY16.

We have also broadened our market reach with the introduction of medium density homes and completed homes at a number of our projects. Providing our customers with these offerings is proving very successful and we are now ramping up production for FY16 at selected projects. We are set to start construction on more than 500 town homes this year, reflecting margins in line with our operating profit margins.

During FY15 we continued to replenish our pipeline with the acquisition of 4,000 lots. In line with our strategy these sites are in priority metropolitan growth corridors, close to transport and in many cases leverage our existing brand presence. We have also been quick to activate many of these, with the majority of new projects on track to deliver profit within two years of acquisition. The Address in Melbourne already contributed sales in FY15 and construction is underway at Schofields in Sydney.

STRONG PORTFOLIO OF ACTIVE AND FUTURE RESIDENTIAL COMMUNITIES (% OF PORTFOLIO)



RESIDENTIAL STRATEGIC PRIORITIES

The Residential business is making good progress on its plans to make the portfolio more resilient and profitable in the future by continuing to focus on:

1. Reshaping the portfolio – actively manage the portfolio to improve returns; achieve and maintain an optimal land bank; and preference to acquire land on capital efficient terms. We continue to make good progress working through low margin and impaired stock.
2. Improving efficiency – continue to tightly manage costs. Project management has been embedded into the business, driving cost savings.
3. Delivering revenue growth – increase revenue by creating a better community value proposition that drives high customer referrals; and broaden customer reach through a medium density/built form offering.

Retirement Living

Leading operator and developer

Operating profit in Retirement Living was up 19.9% on FY14 reflecting strong sales, active management and improved efficiency. ROA increased to 5.3%.

Our Retirement Living business continues to mature. We are now two years into our five year plan to achieve a 7% ROA, which is marked by taking a much more active approach to how we manage the portfolio. By optimising the use and mix of our assets, recycling capital, driving our development pipeline and maintaining disciplined operating practices, we continue to improve our returns and growth prospects.

During FY15 we made good progress reshaping our portfolio via capital recycling with the sale of two non-core villages and the acquisition of eight villages in South Australia, which is a particularly strong market for retirement living. This acquisition also provides development opportunities, further enhancing our development pipeline which is a key to growing returns.

Our flagship apartment development at Cardinal Freeman in Sydney's inner west is progressing very well and contributes to the 500 homes we have under construction or available for sale around the country.

RETIREMENT LIVING STRATEGIC PRIORITIES

The Retirement Living business remains focused on being a preferred operator and developer of Retirement Living villages. The business has a clear strategy to continue to improve returns on assets by more actively managing the portfolio, growing development volumes and differentiating the customer experience.

PERFORMANCE

Retirement Living ($m, unless otherwise stated)	FY15	FY14	Change
EBIT	**54**	45	↑ 19.8%
Operating profit	**48**	40	↑ 19.9%
Transaction value[1]	**333**	321	↑ 3.7%
ROA	**5.3%**	4.5%	↑
Established			
Established settlements	**663**	647	↑ 2.5%
Average re-sale price	**$329k**	$314k	↑ 4.8%
Turnover cash per unit	**$84k**	$75k	↑ 11.1%
Turnover cash margin (shown in pre-overheads)	**25.4%**	24.0%	↑
Reservations on hand (no. of units)	**132**	115	↑ 14.8%
Established occupancy	**94.4%**	94.9%	↓
Development			
Development settlements	**282**	262	↑ 7.6%
Average price	**$413k**	$389k	↑ 6.1%
Average margin[2]	**15.9%**	15.8%	↑ 0.1%
Reservations on hand (no. of units)	**119**	85	↑ 40.0%

1 Includes established villages and new developments.
2 Margin shown is pre-overheads.

STRONG RETIREMENT LIVING DEVELOPMENT PIPELINE

Construction timeframe		Future settlements	FY16	FY17	FY18	FY19	FY20+
Under Construction	Macarthur Gardens, NSW	50	●				
	Golden Ponds, NSW	25	●				
	Arilla, Vic	20	●				
	Selandra Rise, Vic	110	●	●	●		
	Highlands, Vic	70	●	●	●		
	Mernda, Vic	215	●	●	●	●	
	Affinity, WA	145	●	●	●	●	
	Willowdale, NSW	270	●	●	●	●	●
	Cardinal Freeman, NSW	195	●	●		●	●
	Total	**1,100**					
To start within 18 months	North Shore, Qld			●	●	●	●
	Calleya, WA			●	●	●	●
	Northgate, SA			●	●	●	
	Elara, NSW				●	●	●
	Total	**580**					

A better way to **shape thriving communities**

Communities are made up of people from diverse backgrounds, brought together by a connection to the place they share. A place where people feel a sense of belonging and create the life they want. A place we make and our customers make their own.

As part of our sustainability strategy our goal is to create and shape communities that thrive now and into the future. By facilitating healthier living, promoting community connection and providing lifelong learning opportunities, we will help to shape places where our customers want to live, shop and work.

By increasing customer satisfaction, we increase the likelihood of customer referrals and thereby increase our customer base and asset returns. Our research indicates the following elements contribute most to liveable communities:

Health and wellbeing

- Activities and places that encourage positive physical and mental health and wellbeing
- Smart design that optimises accessibility, safety and mobility

Community connection

- Activities that foster engagement, pride and a sense of belonging
- Design that encourages a sense of place and supports recreation and participation

Education

- Design that facilitates learning and education opportunities for all ages
- Programs that support employment within our communities

Cardinal Freeman Retirement Living Village, under construction in Ashfield NSW.

Our proprietary Liveability Index survey, industry studies and resident surveys across our Residential and Retirement Living businesses indicate that strong, thriving communities are an important consideration for people looking to invest in a home or residence. They also demonstrate that people living in stronger, healthier communities have greater life satisfaction and above average wellbeing.

Stockland Liveability Index

Our liveability research tells us that satisfied residents in our residential communities are more likely to refer to their friends and family. The research also indicates that referred sales leads are more likely to purchase a home. Therefore understanding what drives satisfaction in our communities plays an important role in increasing our customer base and delivering thriving communities.

Our proprietary Liveability Index is the tool we use to measure and identify the elements that drive customer satisfaction. The index also benchmarks our residents' overall personal wellbeing against the Australian average as measured by Deakin University's *Personal Wellbeing Index – How satisfied are you with Life as a Whole?*

First rolled out in 2011, this year we improved the accessibility of the survey using our online Stockland Exchange research platform to extend our national reach whilst lowering delivery costs by approximately $200,000.

This year our residents confirmed that the elements most important to their satisfaction are community perception and community design elements. Our National Liveability score of 84 indicates that we are getting these elements right.

We will continue to focus our development and community creation activities on these elements to ensure long term satisfaction in our communities.

21
Stockland communities surveyed across Australia

1,840
resident responses

Our residents identified the following as **important components** of their satisfaction and the **liveability of our communities**:

47% said:

Community I want to live in

Meets the needs of my family

Strong and distinctive identity

Road safety

Community perceptions

26% said:

Landscaping

Parks/open spaces

Maintenance and cleanliness

Quality of homes

Street lighting

Community design elements

16%
Personal circumstances

7%
Education

4%
My home

84 ↑ Up 9% on 2011

National Liveability Score

Our residents are satisfied that we are getting the community elements right

80% 4% above national average

National Wellbeing Score

Our residents also score their wellbeing higher than the Australian average

OUR COMMUNITY INVESTMENT IN FY15

Community Investment	Definition	Investment
Workplace Giving	Total matched donations made by Stockland through Stockland's Workplace Giving Program, administered by Charities Aid Foundation (CAF).	$84,988
Corporate Donations	Refers to donations made on behalf of Stockland Development and/or Stockland Trust for the ad hoc community purposes including, but not limited to, disaster relief, donations to significant charitable causes.	$124,762
Asset-based Contributions	Includes financial and in-kind support provided to local community organisations from a Stockland residential, commercial property or retirement living asset or project that is not included in their community development plan.	$1,043,493
Stockland CARE Foundation	Includes the transfer of funds by Stockland to the Stockland CARE Foundation Trust made on June 30, 2015.	$4,000,000
National Community Investment Partnerships	Includes financial support given to not-for-profit organisations that support the delivery of volunteering opportunities for Stockland employees.	$71,500
Volunteering	Includes total number of hours logged from personal volunteering, team volunteering and student mentoring activities by Stockland employees. Volunteering figures are determined by the number of hours multiplied by the average hourly remuneration rate as included in LBG's guidance manual for FY15 ($46.54).	$122,725
Total		**$5,447,468**
Total Value of Community Investment as verified by LBG (the London Benchmarking Group)[1]		**$6,300,383**

1 Total includes all community investment inputs as verified by LBG in our FY15 verification statement. In addition to the Stockland community investment elements listed above, the total community investment figure as verified by LBG includes our investment in national community development partnerships, the Stockland community grants program and management costs associated with the planning, implementation and communication of these programs at Stockland. It does not include Stockland's community development activities included in asset community development plans, or donations made by Stockland employees through our Workplace Giving program.

Our community development and community investment (giving and volunteering) activities focus on these three elements. Over the year we have made a substantial contribution in these areas with the launch of the Stockland CARE Foundation and our ongoing support of our national partners.

The table above outlines Stockland's contributions to initiatives, partnerships and grants in FY15.

In FY15, we increased our community development investment with the introduction of several new large-scale infrastructure projects in our residential communities in partnership with Touched By Olivia and the expansion of our Community Grants program (a tailored program to support local community groups) from our Retail centres into our Residential business.

Our National Partnerships continue to provide valuable community support. Here are some of the great outcomes from our partnerships.

JAMIE'S MINISTRY OF FOOD

In FY15, we reached an important milestone with the first Ministry of Food training kitchen in NSW opening at Stockland Wetherill Park as part of its $222 million dollar redevelopment. This community-based five week cooking program teaches individuals the basics of how to prepare simple, healthy, fresh and affordable meals. The JMOF kitchen has provided 900 people from both the local and greater catchment areas of Stockland Wetherill Park with the opportunity to change their eating behaviours through education and practical experience.

PARKRUN

FY15 was the third year of our partnership with parkrun. Parkrun continues to build a strong and passionate following of local runners utilising our local parks to increase their health and well-being and social connection. Operating weekly at eight of our residential communities and four shopping centres, 624 runs were held at our sites in FY15, with 22,761 registered runners.

BEACON FOUNDATION

Throughout FY15 we continued to support the Beacon Foundation to work with schools and local businesses in and around our assets to provide a successful transition from education to meaningful employment.

Through Stockland's national partnership support and employee volunteers, Beacon was able to reach a total of 2,010 young people through 121 facilitated school business relationships and 59 career development activities.

Stockland CARE Foundation

Stockland was proud to launch the Stockland CARE Foundation in May 2015. The Stockland CARE Foundation is a charitable trust set up for the purposes of continuing our important legacy of supporting the community through our community development and giving and volunteering activities. The Foundation will focus on delivering infrastructure, programs and initiatives that improve the health, wellbeing and education of communities in and around our assets.

Our capital contribution of $8 million represents about 10% of the one-off gross profit realised from the sale of our shareholding in Australand during the year. Income from the Foundation will be donated to our selected Foundation partners.

For the next three years, the Foundation will support two outstanding organisations: Touched by Olivia, which provides an expanding national network of inclusive play spaces and social enterprises that provide training and employment for people with disabilities, and Redkite, which provides essential support to children and young people with cancer and to their families.

Over the next year we will be embedding CARE Foundation objectives and programs across the business through: our Stockland CARE Foundation Employee Network that stretches across Australia, various campaigns across our assets, and employee-led fundraising and health and wellbeing programs.

Hear about the Stockland CARE Foundation from the Foundation Chairman, Graham Bradley

To ensure we create and shape our communities that thrive now and into the future, our aim is that:

- All of our residential and retirement living communities score above the Australian average National Wellbeing Index by FY17.
- We achieve consistent Stockland National Liveability Index scores of 85% across our residential communities.
- We make a meaningful contribution to community health and wellbeing in partnership with community groups supported directly and by the Stockland CARE Foundation.

Read more about our community development, community investment and community data pack:
www.stocklandsustainability.com.au

Our community results

To measure our success, we monitor the perception that we are creating spaces where communities thrive, and how well we create a sense of belonging to the place where our customers and residents live and/or shop.

RESIDENTIAL – LIVEABILITY INDEX SURVEY

The table below outlines the satisfaction of residents with the liveability of their communities. Results below indicate FY12-13 survey results compared to our FY15 results. We did not conduct a survey in FY14 as we were refining our delivery.

	Response (% satisfaction score)	
Element	**FY15**	**FY12-13**
National Liveability Index Score	**84%**	75%
Community Design Elements	**88%**	81%
Community Perceptions	**78%**	71%
Personal Wellbeing	**80%**	79%

RETIREMENT LIVING – RESIDENTS VOICE

The Residents Voice survey is a comprehensive survey used to measure resident satisfaction whilst living in a Stockland Retirement Village. The survey is typically completed annually by over 6000 residents.

The table below outlines the satisfaction of our Retirement Living residents with the community elements of the village and their personal well-being for FY15. The FY15 results improved across all elements compared to FY14, except for one aspect for which the score stayed the same.

		Response (% satisfaction score)	
Focus Area	**Element**	**FY15**	**FY14**
Health and Wellbeing	Physical Health	**78%**	69%
	Emotional Wellbeing (health)	**91%**	84%
	Personal relationships/ social life of the village	**92%**	85%
	Feeling safe	**93%**	93%
	Number of social activities to participate in	**84%**	80%
	Satisfaction with accessibility features	**88%**	87%
Education	Satisfaction with the opportunity to try new things and learn	**77%**	73%
Community Connection	Satisfied with sense of community	**87%**	86%
	Satisfied with opportunity to connect with others	**88%**	85%

BRAND SURVEY RESULTS – COMMERCIAL PROPERTY

The tables below outlines the results of two brand surveys held in July 2014 and March 2015, which highlights overall improvements in how respondents from around our catchment areas answered these questions. In FY16 we will extend community-focused questions to our shopper and retailer surveys.

Element	**March 2015**	**July 2014**
Creates spaces where communities thrive	**46%**	40%
Creates a sense of belonging to the place where people live/shop	**43%**	35%

Our full community data pack is available at: www.stocklandsustainability.com.au

Capital **strength**

Capital strength

FY15 PROGRESS

- ✓ Maintained strong balance sheet and A-/stable credit rating for over 10 years
- ✓ Gearing at the end of FY15 was 23.4%, at the lower end of the target range of 20 – 30%
- ✓ Improved our weighted average cost of debt and maintained our average debt maturity
- ✓ First Australian corporate to issue a green bond
- ✓ Hedged rates reduced by 1.8% p.a. on average over the next 5 years

STRATEGIC PRIORITIES

- Maintain a strong balance sheet to support future growth
- Maintain diverse funding sources
- Maintain disciplined capital allocation

Stockland has maintained a strong balance sheet and A-/stable credit rating, supporting investment in the future growth of the business. Gearing at the end of FY15 was 23.4%, at the lower end of the target range of 20 – 30%, due to disciplined capital management, but is expected to increase within the range over the FY16 year.

Our active debt management program has seen us improve our weighted average cost of debt and maintain our average debt maturity. Debt maturity on a pro forma basis at 30 June 2015 was 5.3 years following the settlement of our new US private placement debt and repayment of our Yen bond in August.

We continue to focus on diversifying funding sources as part of Stockland's ongoing commitment to active capital and prudent risk management. The fixed/hedged ratio has increased to 72% at 30 June 2015 (2014: 59%) as we take advantage of available future fixed interest rates, and the weighted average cost of debt at 30 June 2015 has decreased to 6.2% (2014: 6.3%).

Interest cover has increased to 4.0:1 (2014: 3.9:1) due to stronger earnings across the business and a decrease in interest expense.

The increase in our statutory profit in FY15 was primarily driven by strong growth in underlying profit, together with favourable increases in the fair values of the Commercial Property investment properties. Valuation movements in Commercial Property, including equity-accounted investments, contributed $297 million (FY14: $119 million) to statutory profit, primarily due to valuation uplift recognised at Rockhampton, Baulkham Hills, Nowra and Forster retail sites. All of these assets delivered income growth and benefited from capitalisation rate compression. Our Office and Logistics and Business Park assets delivered revaluation gains of $47 million and $25 million respectively.

A core system project review is underway aiming to simplify the business, reduce costs and take advantage of rapid developments in technology to improve customer outcomes. As a result of this technology focus we have impaired the value of our software assets by $25 million (FY14: nil) which were assessed to have no future economic benefit.

STOCKLAND BALANCE SHEET

$ million	June 2015	June 2014	Change
Cash	**170**	231	↓ 26.4%
Real estate assets[1]			
· Commercial Property	**8,942**	8,363	↑ 6.9%
· Residential	**2,552**	2,325	↑ 9.8%
· Retirement Living	**3,335**	2,860	↑ 16.6%
· Other	**7**	127	↓ 94.5%
Other assets	**723**	994	↓ 27.3%
Total assets	**15,729**	14,900	
Interest bearing loans and borrowings	**3,283**	3,118	↑ 5.3%
Resident loan obligations	**2,211**	1,865	↑ 18.6%
Other liabilities	**1,448**	1,619	↓ 10.6%
Total liabilities	**6,942**	6,602	
Net assets/total equity	**8,787**	8,298	

1 Includes non-current assets held for sale, inventory, investment properties, equity-accounted investments and certain other assets.

In addition, a goodwill impairment of $18 million (FY14: $23 million) arose from adopting more conservative assumptions associated with the retirement living development pipeline.

The net profit on sale of other financial assets reflects the $73 million pre-tax profit on sale of Australand shares following the sale of our interest to Frasers Centrepoint in August 2014.

Other movements which affected the statutory profit included a $40 million loss from changes in the market value of our financial instruments.

We also recognised an income tax benefit of $6 million.

The Commercial Property investment portfolio has increased by $579 million to $8,942 million, primarily due to capital expenditure on the Retail development pipeline, the acquisition of Stockland Bundaberg, the acquisition of three Logistics and Business Park assets (Laverton North, Botany and Warwick Farm), and continued valuation uplift across all three asset classes. This is partly offset by the disposal of a 50% share in the Townsville Shopping Centre to further progress Stockland's capital recycling and capital partnering program.

Residential assets (mainly land under development) increased by $227 million to $2,552 million at 30 June 2015. This reflects further acquisitions of new greenfield community projects, together with initial development expenditure for new project launches and our medium density business. Finished goods levels continue to be managed downwards below prior year levels due to strong demand conditions.

The value of the Retirement Living property, net of resident loan obligations, was $1,124 million, an increase of $129 million from the 30 June 2014 balance. This primarily reflects the acquisition of eight villages in South Australia and capital expenditure on the development pipeline. This is partly offset by an increase in resident loan obligations created on first sales of development units.

Total debt increased by $165 million to $3,283 million at 30 June 2015 as a result of increased activity executed by the issuance of a green bond and US Private Placement notes, partly offset by the repayment of bank facilities used to fund our Australand investment which was realised during the year. Movements in other assets and liabilities mainly reflect the changes in value of the group's strategic investments, financial instruments and intangibles.

STOCKLAND CASH FLOWS

$ million	FY15	FY14	Change
Operating cash flows	**401**	752	↓ 46.7%
Investing cash flows	**184**	(693)	Nm
Financing cash flows, including FX on cash	**(646)**	(55)	Nm
Net change in cash and cash equivalents	**(61)**	4	Nm
Cash at the end of the period	**170**	231	↓ 26.4%

CASH FLOWS

Operating cash flows were down on the prior year, primarily as a result of further Residential acquisitions and increased development expenditure to support the growth in settlement volumes.

Net cash inflows from investing activities includes proceeds from the disposal of our investment in Australand. Proceeds generated from the sale of commercial properties were broadly in line with the prior year, whilst spend on acquisitions reduced. Retirement Living cash flows reflect the acquisition of eight villages in South Australia together with increased spend on the development pipeline.

Net financing cash flows include proceeds from the issuance of the green bond and US Private Placement notes. The proceeds from the USPP were used to repay short term bank facilities, which had been used earlier to finance the strategic stake in Australand. Net financing cash flows also include payments on termination and maturity of derivatives together with distributions paid to securityholders during the period.

EQUITY

Dividend/Distribution Reinvestment Plan

Stockland's Distribution Reinvestment Plan ('DRP') has been active since December 2013, enabling investors to reinvest distributions in our securities. On 6 February 2015 the issue price was determined to be $4.33 for each stapled security and 12,971,118 securities were issued on 27 February 2015.

On 22 July 2015, Stockland announced that the DRP would operate for the second half year distribution to 30 June 2015 and that investors participating in the DRP will be entitled to receive a full distribution.

The DRP security price was determined to be $4.15 based on the volume weighted average price over the 15-day trading period from 1 July to 21 July 2015, inclusive, and applying a 1% discount.

DISTRIBUTIONS

The dividend and distribution payable for the year ended 30 June 2015 is 24.0 cents per stapled security, consistent with 24.0 cents paid for the year ended 30 June 2014. We have updated our distribution policy to pay the higher of 100% of Trust taxable income or 80-90% of underlying profit. We believe this is the appropriate level to provide growing returns for securityholders while allowing for investment in future growth.

In line with our new distribution policy, in FY16 we are targeting a distribution of 24.5 cents per security assuming no material change in market conditions.

The distribution comprises:

Stockland Consolidated Group	FY15 Cents	FY14 Cents
Trust distribution	**24.0**	24.0
Corporation dividend, fully franked	**–**	–
Total dividend and distribution	**24.0**	**24.0**

Australia's first corporate green bond

The diversity (form and timing) of our debt funding is a key element of our capital strength. Late last year we saw an opportunity to raise debt in a way that had not been done by any other Australian company.

By leveraging our position as one of Australia's leading sustainable property companies we sought to appeal to a new type of investor and raise funds in a new market. In November 2014, we successfully issued Australia's first corporate green bond, raising €300 million, enabling us to further invest in leading edge sustainable projects with competitive long-term funding.

View our green bond annual report at www.stocklandsustainability.com.au.

OUR GREEN BOND

€300 million

7 years

23 new debt investors across Europe

What makes it Green?

The proceeds must be used on sustainable projects.

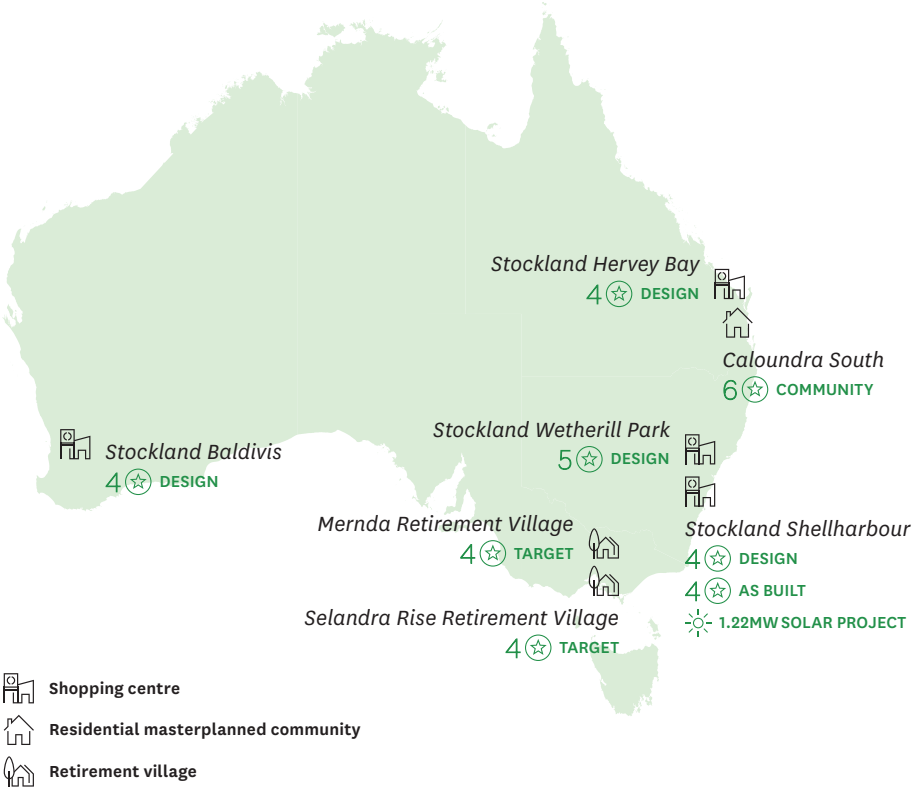
Green Star rated developments

Developments or redevelopments which received or are expected to receive a minimum 4-Star certification

Sustainability projects

Capital projects that improve the energy, water or waste efficiency of a building or development

Where we allocated funding in year one



A better way to **enrich our value chain**

We aim to enhance the value we create by collaboration and forming positive relationships. Enriching our value chain is about how we manage our risks while working with our employees, our suppliers and other key partners. When we create value through collaboration, our outcomes are strong and relationships prosperous.

We do this by focusing on the following elements:

Stakeholder engagement

- Develop and maintain strong relationships through regular and genuine engagement with stakeholders

Governance and risk management

- Support and guide sustainability leadership with responsibility and accountability across the business
- Maintain a balanced risk profile to ensure we remain a sustainable business and attractive investment proposition in both the short and longer term

Supply chain management

- Identify and influence key environmental, social and governance risks which fall beyond our direct control
- Develop and encourage sustainable procurement practices with our partners

Employee engagement

- Attract and retain high performing employees
- Develop leaders who are authentic, accessible and performance focused.

BOOSTING SUPPLY CHAIN ENGAGEMENT

Effective management of our supply chain enhances our long term business performance as it enables us to identify and address key environmental, social and governance risks and opportunities which fall within our scope of asset development yet beyond our operational control.

This year we implemented our Group Procurement and Supply Chain Management strategy to align our procurement functions and deliver efficient procurement and supply chain management processes across the business. By standardising our supply chain processes, we are well placed to realise cost efficiencies, manage risk and enhance the certainty and quality of project delivery. We consolidated our supplier base by over 10%, focusing on suppliers who best understand our expectations and standards. This initiative has also reduced the volume of administration, providing cost savings to the business.

We continue to develop and encourage sustainable procurement practices across our direct and indirect spend. In acknowledgement of our efforts to integrate social, ethical, environmental and community-focused sustainability initiatives into our development activities we were shortlisted at the Procurement Leaders Global Procurement Awards as one of 10 finalists in the premier 'Corporate Social Responsibility' category.

A key focus for FY15 was enhancing our engagement and communication with our suppliers . We ran our first Supplier Roadshow and joined with other industry leaders to launch the Supply Chain Sustainability School. We have also developed the guideline 'What Stockland Expects of our Suppliers', which outlines our expectations of our suppliers to ensure they operate in a manner consistent with our corporate, social and environmental values.

SUPPLIER ROADSHOW

We hosted our inaugural 'Supplier Roadshow' and engagement program in FY15 across all our states offices. Our first Supplier Roadshow was an opportunity for us to share our strategy with our broader stakeholders and suppliers who are integral to our business. Further, this forum was an opportunity to facilitate closer working relationships with our development supply chain and to provide opportunities to discuss, expand and improve our working relationships.

Guests from our critical contractors and consultants responsible for the delivery of our assets joined us for an afternoon presentation and networking event. We shared our current development pipeline and details of our sustainability, supply chain and health and safety strategies and initiatives.

SUPPLY CHAIN SUSTAINABILITY SCHOOL

In FY15, Stockland joined with industry-leading developers, construction and infrastructure firms and government to launch the Supply Chain Sustainability School in Australia. The Supply Chain Sustainability School is a collaborative, not-for-profit, industry-led initiative aimed at helping suppliers in the construction sector assess and improve their knowledge of sustainability issues facing our industry. Leveraging the success of a similar model in the UK, the School provides a range of free and practical support including e-learning modules, an online resource library and a sustainability self-assessment tool which generates a bespoke action plan.

The School gives us the opportunity to support our supply chain whilst at the same time ensuring we continue to deliver high-quality sustainable projects.

EMPLOYEE ENGAGEMENT

We have a multi-faceted approach to enhancing employee engagement, including career development and reward and recognition programs, health and wellbeing initiatives, giving and volunteering activities, an inclusive workplace and flexible work arrangements.

Monitoring and promoting employee engagement remains a priority. As such, we have various mechanisms in place to create a desirable and productive workforce, the most prominent of which are our annual 'Our Voice' employee survey, our internal communications strategy and developing leaders who are authentic, accessible, performance focused and a beacon for talent.

In 2015 we undertook our eleventh annual 'Our Voice' survey, maintaining an engagement score of 85%. We remain above the Australian National Norm and Towers Watson's Global High Performing Norm (GHPN), with 93% of respondents indicating that they believe in the goals and objectives of Stockland, and 95% of respondents indicating they are willing to work beyond what is required to help Stockland succeed. We achieved strong performance across the following areas:

Corporate responsibility and sustainability (88%), reflecting our employees' pride in the contribution we make to the community and society (92%) and the perception that we are a socially (96%) and environmentally responsible organisation (93%).

Diversity and inclusion (87%), continues to be a key driver of employee engagement. It is encouraging to note the large proportion of employees who perceive the working environment to be accepting of differences with regard to gender (93%), age (91%), cultural background and/or lifestyle (94%) and working style (84%).

Values (88%), the Stockland values also continue to be a key driver of employee engagement. As a result of the ongoing work to embed the organisational values, employees are reporting that the values are clear (95%) and relevant (93%). Importantly, the majority of employees view leadership decisions as being consistent with the values (82%) and guiding them on a daily basis (81%).

Leadership, with a clear sense of direction from the Executive (82%) and a clear understanding of Stockland's goals and objectives (93%), we performed five points and nine points, respectively, above Towers Watson's GHPN.

The survey also identified the following areas for improvement:

Work processes and systems (70%) remains higher than the Australian National norm but lower than the GHPN, which highlights that continued focus is required to improve our performance in this area. We will continue our focus on operational excellence and are currently undertaking a core systems review to improve the efficiency of our processes and systems.

Work-life quality (69%) saw a four point decline from FY14, but remains four points above the GHPN. This result reinforces the importance of several key projects, which will aim to improve workload, increase operational efficiency and broaden our flexibility policy to ensure all employees have access to informal arrangements that allow them improved work-life quality.

Mark Steinert, Managing Director and CEO, with our CARE Award winners in Perth. The CARE awards go to employees who demonstrate our values: community, accountability, respect and excellence.

Employee turnover

We recognise that employee engagement has a direct relationship with both productivity levels and talent attraction and retention. As such, we use key retention metrics to determine the success of our employee engagement activities, including employee initiated turnover, turnover in the first year and key talent retention.

In early FY14, analysis of our employee turnover data revealed that a disproportionate amount of our employee-initiated turnover was occurring in the first 12 months of service, as 31% of employees left within their first year of service in calendar year 2013 (29% employee initiated). A number of initiatives were undertaken to address this and ensure a consistent recruitment and on-boarding experience for new employees. As a result, there has been a significant reduction in employee turnover in the first 12 months and a reduction in employee initiated turnover overall (page 44).

Diversity and inclusion

The 2015 'Our Voice' results reinforced that diversity and inclusion, including flexible working, continue to be key drivers of engagement. Diversity and inclusion have also emerged as drivers of retention and sustainable engagement in this year's survey, reinforcing that they are critical across the employee career cycle.

This year we were successful in obtaining 'Employer of Choice for Gender Equality' status from Workplace Gender Equality Agency (WGEA). We were one of only two property firms and one of 76 Australian corporates to achieve this challenging citation.

Our Diversity and Inclusion Steering Committee is chaired by our Managing Director, Mark Steinert. Mark is also part of the 'Male Champions of Change' initiative run by the Property Council of Australia. In FY15 priorities for our Diversity and Inclusion Steering Committee included:

- Further enhancing gender inclusion
- Strengthening our recruitment practices to further enhance the diversity of our workforce
- Continuing training in diversity and inclusion to help further embed an inclusive culture

Increasing gender diversity in development

The Development Project was established by the Diversity and Inclusion Steering Committee following feedback from the female focus groups in 2013 that greater inclusion was needed in the Development job family. From here, it has developed into a broader career initiative with the following key aims:

- highlight career progression and development opportunities across our asset classes and through the Development career ladder;
- grow the strength and flexibility of the Development talent pool;
- encourage those with diverse career backgrounds to pursue careers in Development; and
- increase female talent within the Development job family.

The first stage was to develop the Capability Framework to align core capability areas and stages of progression for Development roles across our asset classes. The framework clearly highlights pre-requisite capabilities and those capabilities that can be acquired for each career level.

A training curriculum supporting the framework will be in place for Residential in the latter half of the 2015 calendar year and for Commercial Property and Retirement Living in 2016.

HOW WILL IT BE USED?

The framework and the associated web-page will support employees already in Development and employees interested in transitioning into Development.

Employees in Development	Employees interested in transitioning into Development
Development planning and monthly one to ones, to discuss the key steps for progression and how that can be achieved.	Understand the capabilities required to succeed within the Development job family, and building your Development plans with your manager accordingly.
Understanding the requirements of and flagging your interest in, opportunities outside of your business unit/asset class.	Access Development professionals who can advise on pursuing a career in Development and/or further explanation of the framework capabilities.
Explore the key development steps and experiences required to make the transition.	Learning how other non-Development professionals made the transition to Development and how they are enjoying their roles, via case studies on the web page.

ONLINE FRAMEWORK

Our seven career levels in Development are shown on the online framework and users can click into a role to see all of the capabilities required at that level. They can also access contacts, case studies, the careers page and our Development Yammer page.

To ensure that we create and maintain these positive relationships and collaboration we aim to:

- Maintain 100% of active development projects with Stakeholder Engagement Plans.
- Outperform the Australian high performing norm employee engagement score of 80%.
- Increase women in management to 50% by 2020.
- Implement our Sustainable Supply Chain Charter to provide guidance on setting and delivering specific supply chain initiatives.

Our people metrics

WORKFORCE BY EMPLOYMENT STATUS

Status	FY15	FY14	FY13	FY12	FY11
Full-Time	**1,121**	**1,120**	**1,067**	**1,211**	**1,257**
Permanent[1]	1058	1,072	1,019	1,141	1,208
Fixed Term[2]	63	48	48	70	49
Part-Time	**295**	**282**	**255**	**234**	**219**
Permanent	282	269	247	224	217
Fixed Term	13	13	8	10	2
Casual[3]	**46**	**38**	**45**	**79**	**93**
Total Headcount[4]	**1,462**	**1,440**	**1,367**	**1,524**	**1,569**
FTE[5]	**1,345**	**1,286**	**1,262**	**1,407**	**1,439**

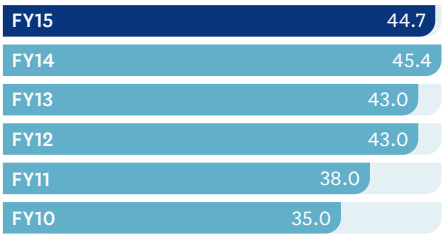
1 Permanent employees are employed by Stockland on a full time (38 hours per week) or part time basis (less than 38 hours per week).
2 Fixed term employees are employed by Stockland for a fixed term (their employment has an agreed end date).
3 Casual employees are paid on an hourly basis.
4 Total headcount includes permanent employees, fixed term employees and casual employees. It excludes Board members, temps, special contractors, vendors and employees on extended leave.
5 FTE (Full Time Equivalent) adjusts headcount for hours worked. It is calculated by dividing an employee's working hours by the standard full time working hours (38). The FTE measure excludes casual employees.

TURNOVER[1]

	FY15	FY14	FY13	FY12	FY11
Employee initiated[2]	**13.8% (193)**	15.0%	15.8%	13.6%	14.8%
Employee initiated for good performance or above[3]	**12.2%[4] (150)**	12.6%[5]	N/A	N/A	N/A
Stockland initiated[6]	**3.0% (42)**	5.2%	12.3%	8.9%	4.2%
Total	**16.8% (235)**	20.2%	28.1%	22.5%	19.0%

1 Turnover presents the proportion of the Stockland workforce that has exited in the last 12 months. It is calculated by dividing [Total Number Of Exits In The Last 12 Months] by [12-Month Average Headcount]. All turnover data (including headcount) excludes those employed on a casual or fixed term basis. The first number represents this turnover. From FY15 onwards, Stockland now reports on the number of exits (the second number in parentheses).
2 Employee initiated turnover includes resignations and retirements.
3 Stockland uses a four-point rating scale for performance. This metric assesses turnover for the three highest performance ratings. Employee Initiated For Good Performance or Above is calculated by dividing [Total Number Of Exits In The Last 12 Months With A Good Performance Or Above Rating] by [Employees With A Good Performance Or Above Rating].
4 FY15 Employee Initiated For Good Performance or Above is calculated by dividing [Total Number Of Exits In The Last 12 Months With A Good Performance Or Above Rating] by [Employees With A Good Performance Or Above Rating As At 30 June 2015].
5 FY14 Employee Initiated For Good Performance or Above is calculated by dividing [Total Number Of Exits In The Last 12 Months With A Good Performance Or Above Rating] by [Employees With A Good Performance Or Above Rating As At 31 July 2014].
6 Stockland Initiated Turnover includes redundancy or termination by Stockland (e.g. terminated during probation or for cause).

WOMEN IN MANAGEMENT (%)



WORKFORCE BY GENDER[1]

As can be seen from the charts below, Stockland has good representation of women in management. We appointed a female to the Executive team in FY15 as General Counsel and Company Secretary.

	FY15		FY14		FY13		FY12	
Job band	Total employees	% Women	Total employees	% Women	Total employees	% Women	Total employees	% Women
Management	**515**	**44.7**	**464**	**45.4**	**454**	**43**	**523**	**43**
Executive Committee	9	11	7	–	5	–	7	14
Senior Management[2]	138	36	132	35	125	33	147	36
Manager	368	49	325	50	324	47	369	47
Employee	**1,012**	**66**	**938**	**66**	**913**	**66**	**1,001**	**66**
Stockland	**1,527**	**59**	**1,697**	**59**	**1,711**	**64**	**1,857**	**63**

1 Workforce by gender includes permanent employees, fixed term employees, casual employees and employees on extended leave. It excludes Board members, special contractors, temps and vendors.
2 Includes General Manager and Senior Manager job bands.

PARENTAL LEAVE RETURN RATE[1]

Our parental leave return rates continue to be well above our target of 80% and some males took primary care giver leave over FY15.

		Within 6 months				Within 12 months			
Gender	Total leave	Returns	Return rate	Exits	Exit rate	Returns	Return rate	Exits	Exit rate
Male	53	51	96.23%	2	3.77%	33	91.67%	3	8.33%
Female	93	86	92.47%	7	7.53%	60	88.24%	8	11.76%
Overall	**146**	**137**	**93.84%**	**9**	**6.16%**	**93**	**89.42%**	**11**	**10.58%**

1 Parental leave return rates look at the return rates of employees who have returned from parental leave in FY14 and FY15 and either remain employed (returns) or exited during FY15 either within 6 months or 12 months of return.

HEALTH AND SAFETY

	FY15	FY14	FY13	FY12	FY11	FY10
Total average workforce[1]	**1,438**[2]	1,695	1,736	1,384	1,330	1,243
Total hours worked (million)	**2.53**	2.97	3.03	2.42	2.32	2.17
Independent contractors[3]	**5**	10	14	11	12	–
Number of lost time injuries (LTI)[4,5]	**12**	18	17	18	5	13
Lost time injury frequency rate (LTIFR)[6]	**4.7**	6.1	5.6	7.4	2.2	6
Number of injuries requiring medical treatment (MTI)[7,8]	**14**	14	11	13	8	12
Medical treatment injury frequency rate (MTIFR)[9]	**5.5**	4.7	3.6	5.4	3.7	5.5
Frequency rate (LTI and MTI)[10,11]	**10.2**	10.7	9.2	12.8	5.9	11.5
Occupational diseases instances	**0**	0	0	0	0	0
Fatalities	**0**	0	0	0	0	0
Lost days (total for the recorded lost time injuries)	**267**	817	417	257	70	87
Average lost day rate (Severity rate)[12,13]	**22.2**	45.3	24.5	14.3	14	6.6

1 Total average workforce uses monthly employee totals rather than the end of financial year figure used in Our People metrics.
2 Total average workforce in FY15 has reduced as a result of the sale of the Aged Care business in FY14.
3 Contractors working on-site to whom Stockland is liable for in terms of the general safety of the working environment.
4 Includes injuries incurred as a result of a work related incident. Does not include commuting/recess injuries.
5 An injury resulting in the loss of one or more shifts.
6 Number of LTI's / total hours worked from July 2014 to June 2015 × 1,000,000 hours.
7 Not including lost time injuries.
8 An injury resulting in the injured person receiving further treatment from a medical practitioner i.e. GP, physio, hospitalisation etc.
9 Number of MTI's / total hours worked from July 2014 to June 2015 × 1,000,000 hours.
10 Not including injuries requiring first aid treatment only.
11 Number of LTI's + MTI's / total hours worked from July 2014 to June 2015 × 1,000,000 hours.
12 Average number of days lost per lost time injury.
13 Number of Lost Days / number of LTI's.

Operational **excellence**

Operational excellence

FY15 PROGRESS	STRATEGIC PRIORITIES
✓ Internalised the management of our NSW and Vic Logistics and Business Parks assets	Drive operational efficiency
✓ Commenced a project to outsource some functions in finance and IT to provide more flexible and scalable support	
✓ Achieved procurement savings ahead of time and budget	
✓ Since FY06 saved over $60 million through carbon intensity reductions of our retail and office assets	
✓ Continue to execute our IT strategy with a focus on long-term strategic investment.	Continue to improve technology use and systems
✓ A core system project review is underway aiming to simplify the business, reduce costs and take advantage of rapid developments in technology to improve customer outcomes.	
✓ The number of LTIs and associated LTIFR (4.7) represent the lowest LTI metrics in the last four years.	Strong commitment to safety
✓ Achieved 85% employee engagement score, above the Towers Watson Global High Performance Norm	Maintain high employee engagement
✓ Named one of the most sustainable real estate companies in the world in the Dow Jones Sustainability Index for the eighth consecutive year	Achieve leading sustainability credentials
✓ 6 Star Green Star Communities rating of Caloundra South	
✓ Most Green Star rated shopping centres nationally	
✓ Highest retail NABERS energy portfolio average at 4.27 stars	

A focus on operational excellence gives the business and our employees the space to innovate, turn risk into opportunity, build solutions and deliver better outcomes for our customers and ultimately our securityholders.

We have maintained a proactive focus on operating efficiency and are always looking for better ways to do business. In recent years, we have centralised and standardised our support activities and are now focused on further operational improvements to realise efficiencies and increase agility and flexibility.

INCREASING EFFICIENCY AND AGILITY

We continue to assess our systems and processes, seeking better ways to work and improve efficiency. One area where we have seen significant improvement in process efficiency has been our unit turnover process in our Retirement Living business. Over a two year period we have undertaken a complete process redesign to simplify and improve the process from when a resident notifies us that they will be leaving a unit until a new resident moves in. This redesign has reduced the average cycle time by 50% and the average cost by 20%.

We continue to execute our IT strategy with a focus on long-term strategic investment. A core systems review is underway as we seek to find a single system to replace many of our legacy systems. The aim of this project is to reduce the number of systems we use around our business to simplify and streamline our activities, reduce costs and take advantage of rapid developments in technology to improve customer outcomes. Once the review is complete and we select a provider we expect the project to take around two years to implement.

To enable us and our business partners to seamlessly create, store and share content securely we have commenced a project called Collaboration, which will see us roll out Office 365 and Cloud-based document management. We are currently in the planning and build phase and expect to provide all employees with access to the productivity tools in Office 365 by the end of 2015. We will then commence migrating document management to the Cloud, a process that should take around 18 months.

In FY15 we commenced a project to outsource some activities in finance and IT to provide more flexible and scalable functional support. This will build on the significant reduction in overheads we achieved in FY14. This initiative, Stockland Support Centre (SSC), is an outsourced team that provides support to Stockland employees across a range of business activities, particularly some of Finance and IT.

The SSC pilot was set up in November 2014 to test how we could work with this kind of outsourced provider. In June 2015, we decided to establish a traditional outsourcing arrangement and move some activities in Finance and IT to the SSC. Planning for this transition has begun and the activities will move to the SSC in FY16.

The SSC presents an opportunity to drive process improvement and productivity, increase agility while simultaneously managing costs and to enable our employees to deliver increased value to our customers and business.

HEALTH AND SAFETY

Health, safety and welfare are core considerations in all that we do, fostering the continuous improvement of our safety performance over time. Achieving this requires commitment to, and accountability for, health, safety and welfare outcomes across all levels of the business and by our business partners.

We saw a four point decline from FY14 in our work-life quality score (69%) from our 'Our Voice' survey (see Employee Engagement for further information). However this score remains four points above Towers Watson's Global High Performing Norm. This result reinforces the importance of several key projects announced for FY16, which will aim to improve workload, increase operational efficiency and broaden Stockland's flexibility policy to ensure all employees have access to informal arrangements that allow them improved work-life quality.

We reported a total of twelve lost time injuries (LTIs) in FY15. The number of LTIs and associated LTIFR (4.7) represent the lowest LTI metrics in the last four years. This reduction can be attributed to various remedial activities implemented progressively throughout the year, including refresher training in workers' compensation and injury management, manual handling training, an increased focus on incident reporting and the engagement of injury management specialists to assist in the management of work related injuries (including stress).

The total number of lost days (267) and associated severity rate (22.2) has also decreased significantly in comparison to FY14. This decrease is largely attributed to the sale of the Aged Care business which in FY14, accounted for 88% of total lost days.

SUSTAINABILITY LEADERSHIP

Sustainability remains a key focus for Stockland and we are proud to have been named one of the most sustainable real estate companies in the world in the Dow Jones Sustainability Index for the eighth consecutive year. We also achieved a Green Star rating on the Global Real Estate Sustainability Benchmark (GRESB) and maintain our listing on the FTSE4Good Index.

This year we launched our new group sustainability strategy which aligns with our group strategic priorities. The sustainability strategy focus areas have been included in this report to demonstrate how they support the delivery of our objectives and help us realise our vision 'to be a great Australian real estate company that makes a valuable contribution to our communities and country'.

GRESB Green Star 2014

WGEA Employer of Choice for Gender Equality

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

FTSE4Good

ROBECOSAM Sustainability Award Silver Class 2015

A better way to **optimise and innovate**

We aim to provide business solutions that better serve our customers while reducing our impact on the environment.

As a real estate developer and manager, we are always looking for smarter and more efficient ways to develop and operate our assets, in line with our Operational Excellence strategic priority. We are committed to creating resilient assets and communities that can flourish with adaptive and responsive design. Our customers want to run their homes and businesses cost effectively, but also appreciate a connection to the natural environment.

The following elements are our key areas of environmental impact and how we seek to manage them.

Carbon

- Reduce emissions and improve climate change resilience within our portfolio
- Invest in alternative energy supplies to reduce our emissions

Biodiversity

- Minimise our impact on local bushland habitat, ecological communities and protected or significant species
- Design that promotes nature reserves and activates parklands

Water management and quality

- Ensure water consumption efficiency and sustainable sourcing
- Deliver projects that minimise water use and positively contribute to local water catchments

Waste and materials

- Reduce, reuse and recycle our waste, minimising our contribution to landfill
- Specify the use of ecologically and health preferable materials

Green Building Council of Australia presents Stockland with 6 Star Green Star Community rating for Caloundra South.

We have spent over a decade seeking to measure and reduce our impact on the environment. Since FY06 we have saved over $60 million through carbon intensity reductions. This year we were the first Australian corporate to issue a green bond which, among other things, has been used to fund the installation of the largest single rooftop solar system in the country at our Shellharbour shopping centre.

We aim to further capitalise on operational efficiencies and invest in energy efficient technologies to further reduce our net environmental impact. Our performance is demonstrated on page 54.

It is also important that we focus on the creation of sustainable and resilient communities and assets. This includes understanding the longer term impacts of climate change and ensuring that communities and assets developed today are designed to be resilient and operate efficiently into the future.

Targeting renewable energy

AUSTRALIA'S LARGEST SINGLE ROOFTOP SOLAR SYSTEM

In FY14 we set ourselves a target to supply 1.35 MW of energy to our retail portfolio from renewable sources. From this commitment we commenced technical and financial feasibility assessments into the installation of solar photovoltaic (PV) energy in our shopping centres, commencing with Stockland Shellharbour on the New South Wales South Coast.

A competitive tender was undertaken with the successful contractor being a joint venture partnership between Canadian Solar and Todae Solar and was installed between March and June 2015. We invested more than $2 million in the solar PV installation, which has been funded by our recent green bond. The system is sized at 1.22 MW, making it the largest single rooftop solar PV system in Australia.

We have been considering large scale solar for the portfolio for some time. While we have installed a number of smaller solar PV systems, and learned from the experience, it is only now that the economics and time are right for us to set a renewable energy target and commit to a range of projects across our portfolio. This is also great for our retailers who will benefit from being supplied with renewable energy at a reduced cost for their daily power and lighting needs.

The installation exceeded our financial hurdles for project upgrades at 12%. We estimate the payback on this investment to be seven years.

In conjunction with three smaller solar PV installations in our portfolio we have reached our renewable generation target with 1.36 MW being supplied across four assets.

Stockland Shellharbour rooftop solar, NSW.

Australia's largest single rooftop solar system

3,991 photovoltaic panels

7,658m²

Equivalent to a football field

Generates on average 4,800kWh per day

28% of Stockland Shellharbour's energy needs

28

Enough to power 28 homes

Offsets approx. 1,700 tonnes of emissions annually

350

Equivalent to the annual emissions from over 350 cars, or emissions from driving nearly 6,500,000 km

RESILIENT COMMUNITIES AND ASSETS

For the benefit of our stakeholders, and society more broadly, we are committed to creating climate-resilient assets and communities that can endure severe weather impacts and operate without disruption. Understanding where events are likely to occur and how well our assets and communities are able to respond, enables us to improve the resilience of our assets and reduce risk to business continuity. It also potentially reduces the risk to human life and community safety.

By maintaining an active focus on climate change adaptation and resilience we are able to:

1 **understand** future climate trends and predictions;

2 **identify** where we are exposed to the impacts of climate change in different regions where we operate; and

3 **take action** to address vulnerability in the short term, and develop plans to improve resilience over the long term.

Our ability to understand and effectively respond to current and predicted climate change:

- minimises the increase in operation and maintenance costs;
- enables informed decisions to be made regarding future investments;
- reduces liability and insurance premiums by ensuring assets are climate change-prepared;
- increases customer comfort levels within our assets; and
- helps maintain longevity of assets within our portfolio.

Across Commercial Property, we review climate adaptation action plans to track progress on the implementation of initiatives following initial assessment. Using the 1-to-9 rating scale developed as part of our assessment methodology, we have identified the average score for our portfolio and for specific regions.

For our most vulnerable assets in North Queensland (prone to extreme weather events), we have set a regional improvement target to be achieved by FY17. We aim to improve the regional average resilience score for our North Queensland shopping centres from 5.9 to 5.5 through the implementation of recommended actions and reassessment of the centres in this region.

Climate resilience as a concept is gaining more attention across all industry sectors and is complementary to our other risk assessment processes. We are making steady progress to embed climate resilience awareness and practice into our operational risk framework. We are focused on ensuring climate resilience is fully integrated into our standard risk management processes which will provide greater visibility over the implementation of action plans. To date, we have integrated climate resilience into a number of risk assessment frameworks, and have presented this to our insurers with positive feedback and recognition of our efforts to build a more resilient portfolio of assets.

Read more in our Climate Resilience DMA www.stocklandsustainability.com.au

HIGH PERFORMING SUSTAINABLE ASSETS AND DEVELOPMENTS

Asset ratings and certifications are a key means of assuring and demonstrating the quality of our projects and assets. These ratings serve as validation that key social and environmental aspects have been considered in our project and asset design, development and operations.

Assets that are highly rated and can demonstrate a higher level of performance are more attractive to customers and investors. Not only do they guarantee a certain level of energy and water efficiency, and therefore cost savings over the long term, they also incorporate various design features which promote social inclusion and enhance health and wellbeing. Buildings with high environmental ratings often demonstrate higher return on investment over time.[1]

We use various product rating and certification tools to ensure the sustainability performance of our projects and assets.

- **Green Star** – Rates the sustainable design and construction of projects.
- **NABERS** – The National Australian Built Environment Rating Scheme uses measured and verified performance information to assess energy efficiency and water usage.
- **NatHERS & BASIX** – Measures the thermal performance or energy use of homes.
- **Livable Housing Australia (LHA)** – Certification of liveable housing (accessibility) design principles in new homes.

Stockland has the largest number of retail Green Star properties in Australia and had the first Retirement Living Green Star rating. We are continuing to extend our Green Star certifications across the business on all new Retail and Retirement Living projects. We have achieved five Green Star Retail ratings at Townsville, Shellharbour and Hervey Bay (As Built v1) and at Baldivis and Wetherill Park (Design v1).

Caloundra South achieved a 6 Star Green Star rating under the Communities tool pilot this year (see case study below). We now have another four projects in our portfolio reviewing credits with the intent that they will register to be rated in FY16. We expect our Mernda and Willowdale Retirement Living Villages to achieve a minimum 4 Star Green Star rating in FY16.

Our Retail portfolio has the highest average NABERS Energy ratings in Australia at 4.27 stars. For our Office and Business Parks portfolio the average for energy in calendar year 2014 is 4.64 stars, up from 4.47 stars in 2013.

We have continued to integrate accessible and inclusive principles into the new residential Better Places Manual. The manual provides assistance and guidance for design and development professionals for Residential communities. This year we achieved a Silver LHA rated design for Willowdale House, our sustainability and community hub and maintained our Platinum Corporate Partnership and Board membership with Liveable Housing Australia.

Our Retirement Living Design Guidelines were updated and relaunched to reflect LHA principles, and we have maintained our approach to achieve a target of 20% of medium density homes to be developed in accordance with LHA guidelines.

Read more in our Asset Rating and Certification DMA www.stocklandsustainability.com.au

1 'Value of Green Star', publication from the Green Building Council.

WATER MANAGEMENT AND QUALITY

We maintain a strong focus on water management and quality in the development and operation of our assets, including improved access to alternate water infrastructure and practical innovation to support more efficient use of water.

We recognise the importance of effectively managing water consumption and the quality of rainwater run-off leaving our project sites. We equally acknowledge the significant benefits that arise from a strategic approach to water management and quality, as it enhances the efficiency, resilience, desirability and long term value of our assets and developments.

All new commercial property and retirement living developments are required to achieve a minimum 4 Star Green Star rating. Green Star sets minimum standards for water management and efficiency in commercial property and retirement living assets. We also use the CCAP Precinct tool on our Retirement Living and Residential projects to help us manage the environmental impact of our projects. It is a mathematical planning tool that enables a project to model and test different design and technology options. The tool enables the most cost effective options to improve water management to be identified for inclusion in projects. Water Sensitive Urban Design is also considered in all our developments. As a minimum requirement for environmental approval on all projects, we have to reduce the pollutant load of any stormwater runoff before discharging water to receiving water bodies.

In our operations we use NABERS (National Australian Built Environment Rating System) to benchmark the performance of our assets to industry standard. In Retirement Living, upgrades to our clubhouses include water efficient tap fittings and toilets, and using rainwater collection and irrigation where possible. In our Residential business we generally hand operational control to Councils following project completion.

Read more in our Water Management and Quality DMA www.stocklandsustainability.com.au

BIODIVERSITY MANAGEMENT

Developments on greenfield sites can impact local bushland habitat, ecological communities, and protected or significant species. We aim to minimise and mitigate these impacts to protect the biodiversity of our surrounding environments. We appreciate that preserving biodiversity enhances the liveability and vitality of our communities over the long term. Our Liveability surveys (of our residential communities) tell us that customers value green space, therefore balancing developable land with retention and activation of biodiversity is critical to the success of our masterplanned communities.

Threatened species with habitats affected by our operations are considered as part of the government's environmental approval process on each development. In many cases we are able to conserve local biodiversity, and place a large portion (if not all) of the significant species found on our sites into protected areas that are then handed to local councils and the community to access and manage in perpetuity. This is supported by the preparation of biodiversity management plans.

In FY15, we developed a biodiversity calculator to assess the change in biodiversity value of our projects based on an initial pre-development value at a site. The calculator takes the significance into account, which can vary between state and federal legislation, allowing us to aggregate the outcomes across the portfolio and between states. The calculator is based on the biodiversity calculator used by the Green Building Council of Australia to assess changes in ecological value for Green Star projects. Using the calculator we will be able to quantify the change in biodiversity value on the site, and the extent of the overall biodiversity outcome from development of a site, in a relatively simple and comparable way.

Read more in our Biodiversity DMA www.stocklandsustainability.com.au

Caloundra South

6 STAR 'WORLD'S BEST PRACTICE' GREEN STAR COMMUNITY

Our Caloundra South community, set on 2,310 hectares on the Sunshine Coast in South East Queensland, will be a brand new city roughly the size of Maroochydore, or Hervey Bay. The community will be the largest mixed use development in Australia and will eventually house more than 50,000 residents. The project will be built over three decades and include a town centre, 20 education facilities, including early childhood, primary, secondary and TAFE facilities, nine sports parks, six neighbourhood centres and three district centres. The development will require entire infrastructure systems to be planned, designed and developed, including roads, rail and more than 200 kilometres of walking and cycling paths. Up to 650,000 square metres of building space will be constructed in two separate business and industrial precincts. The project has the potential to create more than 20,000 jobs.

In March 2015, the project was awarded Stockland's first Green Star Communities rating under the Green Star Communities pilot program. The project achieved the highest possible rating of 6 stars, representing world's best practice in community development.

green building council australia
6 greenstar
Communities PILOT 2015

Through the Green Star Communities pilot program, we have identified a framework for residential projects that enables us to articulate the benefits of sustainability initiatives we deliver across our Residential portfolio. The framework is an independent, national rating tool that supports the design and delivery of more sustainable, productive, resilient and liveable communities.

The Green Star Communities tool enabled us to focus on the key material issues defined by the credits in the tool, including benchmarks for liveability, prosperity, environmental sustainability, design excellence, governance and innovation.

Arup was engaged to help the Caloundra project team interpret the credit requirements and embed these requirements into the project design, development process and programs. For example, the project will deliver the most advanced water reticulation, filtration, storage and treatment system ever installed in an Australian city. This will ensure protection of the RAMSAR-listed Pumicestone Passage, and 700 hectares of land will be dedicated to conservation following the rehabilitation of old pine forest and protection of existing ecological communities and species such as the Wallum Sedge Frog.

The Green Star Communities tool has the support of the many private sector and government agencies that were involved in its development and therefore provides a common language for the residential property industry. We will continue to pilot the tool on a number of other new projects across our portfolio over FY16.

Caloundra South aerial artists impression

To reduce our net environmental impact we aim to achieve:

- 10% reduction in the emissions intensity of our office and retail portfolios by FY17 (based on FY14 baseline).
- 40% reduction in energy usage per residential lot and retirement home incorporated into the design of newly developed projects (compared to regional averages).
- Create a net positive impact on biodiversity across our new developments by FY17.
- 40% reduction in potable water consumption per residential lot and 20% reduction per retirement home incorporated into the design of newly developed projects.

We track our performance and set targets across multiple areas including: emissions, energy, water, waste, biodiversity and materials. These are explained in detail in our sustainability reporting and environment data pack.

www.stocklandsustainability.com.au

Our environmental results

GREENHOUSE GAS EMISSIONS

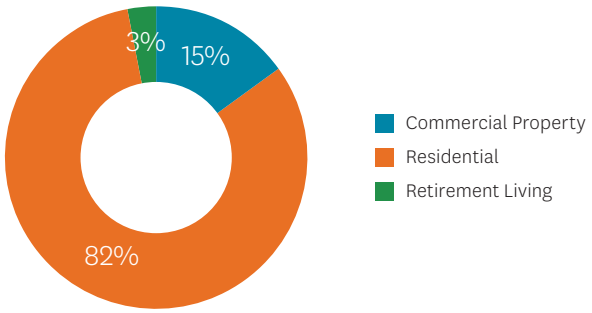
Total greenhouse gas (GHG) emissions ($kgCO_2$-e)

The table below outlines our scope 1 and 2 emissions over the last seven years. FY15 saw an increase in Scope 1 emissions primarily due to increased construction and delivery in the Residential business. Scope 2 emissions reduced slightly, largely due to reduced gross energy consumption at Commercial Property assets and an improvement in Retirement Living data acquisition. This improvement means that we can now separate our management emissions at our Retirement Living villages from our resident's emissions at sites where we have embedded electricity networks.

	FY15	FY14	FY13	FY12	FY11	FY10	FY09
Scope 1	**26,368,416**	22,101,740	18,509,406	26,960,684	27,459,144	14,904,868	3,016,281
Scope 2	**97,763,050**	99,927,336	104,392,844	117,517,462	128,283,100	131,369,103	120,000,601
Total Scope 1+2 emissions	**124,131,467**	122,029,076	122,902,250	144,478,146	155,742,244	146,273,971	145,326,882
Scope 3	**21,002,042**	23,556,176	23,449,075	23,726,296	23,214,328	24,466,064	20,830,721

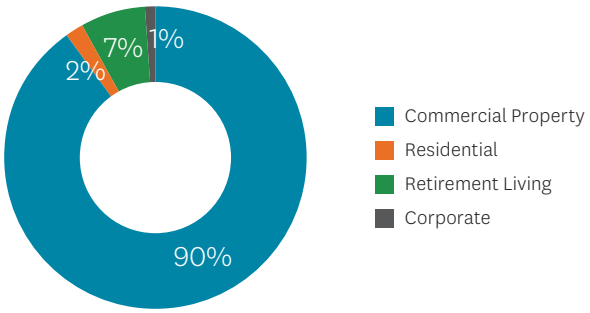
Total Scope 1 emissions by business unit

Residential constitutes the largest proportion of our Scope 1 emissions due to contractor construction activity across our developments. New construction projects in FY15 include The Grove, The Address and Cloverton.



Total Scope 2 emissions by business unit

Commercial Property constitutes our largest proportion of Scope 2 emissions and remains the focus of our strategic energy efficiency initiatives.



For a detailed breakdown of our Scope 1,2 and 3 emissions please refer to our Environmental Data on our website.

Commercial Property – Greenhouse gas emissions intensity ($kgCO_2$-e/m²)[1]

We track our energy consumption on a per square metre intensity basis as a means to understand our energy impacts while taking divestments and investments into account. Our greenhouse gas emissions intensity has been consistently decreasing across all Commercial Property asset classes and we will continue to monitor and invest in technology to assist us in achieving our FY17 target of 10% reduction on FY14.

	FY15	FY14	FY13	FY12	FY11	FY10	FY09
Office and Business Parks	**67.32**	67.55	72.1	77.3	85.1	97.0	103.8
Retail	**58.32**	59.34	62.0	69.2	73.0	76.0	74.6
Commercial Property[2]	**60.66**	61.52	65	72	78	85	87

1 Based on Scope 1 and 2 emissions, excluding refrigerants.
2 Combined Office, Business Parks and Retail.

WATER

Commercial Property water consumption (kL)

The table below outlines our year-on-year water intensity reductions over the last seven years.

Water consumption decreased in our Office and Business Parks portfolio in FY15 due to the rectification of water leaks in FY14. These results, however, were not replicated in Retail, which saw an increase in water consumption. This was largely due to the continuing shift in our Retail tenant mix toward more high water intensity food retailers, gymnasiums and car washes and the upgrading of air cooled packaged HVAC systems to water cooled central plant that consume more water.

	FY15	FY14	FY13	FY12	FY11	FY10	FY09
Office and Business Parks	232,249	271,905	299,122	347,865	478,646	502,191	552,248
Retail	1,096,808	1,077,563	928,198	818,058	807,636	880,490	746,485
Commercial Property	1,329,057	1,349,468	1,227,320	1,165,923	1,286,282	1,382,681	1,298,733

Water consumption intensity (kL/m²)

We track our water consumption on a per square metre intensity basis as a means to understand our water impacts while taking divestments and investments into account.

	FY15	FY14	FY13	FY12	FY11	FY10	FY09
Office and Business Parks	0.58	0.63	0.63	0.63	0.72	0.81	0.89
Retail	1.10	1.10	1.03	0.94	0.95	1.05	0.93
Commercial Property[1]	0.96	0.976	0.91	0.82	0.85	0.95	0.92

1 Consumption Intensity data calculated based on Office and Business Parks, and Retail consumption figures only. Does not include Logistics.

Residential and Retirement Living water consumption (kL)

	FY15	FY14	FY13	FY12	FY11
Residential sites	353,620	297,826	76,254	227,853	25,586
Retirement Living villages	48,500	162,930	152,065	391,734	4,156
Contractors – Residential	1,469,853[1]	351,046	213,118	1,499,264	348,637
Contractors – Retirement Living	49,285	216,910	60,648	6,356	12,308
Total	**1,921,259**	**1,028,712**	**502,085**	**2,125,208**	**390,687**

1 Our residential contractor water data varies from year to year due to activities such as filling lakes in large developments and location specific variables such as natural rainfall, project life cycles, market conditions, site management techniques and local landscaping requirements set by Councils. Further, contractors self-report water data, which means we do not review each contractor's data collection processes. In FY15 we completed a comprehensive review of data sets provided to us by contractors, which ensured a higher level of accuracy than in previous years.

During the period, we divested a number of operational Retirement Living and Aged Care assets. These assets were particularly water intensive due to the nature of their operations and collectively were responsible for upward of 60% of the total water consumption across the retirement living business.

BIODIVERSITY

Biodiversity impact and management

	FY15	FY14	FY13	FY12
Portfolio				
Total projects with masterplan approval[1]	**39**	42	44	42
Total land area (ha)	**12,302**	7,303	7,210	6,733
Biodiversity impact				
Total projects with areas of significant biodiversity value[2]	**30**	20	20	18
Total land area of significant biodiversity value (ha)	**1,736**	1,198	1,197	910
Total area of land of significant biodiversity value to be cleared (ha)	**639**	655	641	489
Biodiversity management				
Total projects with areas of significant biodiversity value that have a biodiversity management plan (%)[3]	**1,581**[4]	358.5	342.5	190.5
Total projects working with community and non-governmental organisations	**5**	1	12	10

1 Our biodiversity results are representative of our residential projects that have received masterplan approval and/or were active developments as at 30 June 2015.

2 As defined by the relevant state and Federal legislation.

3 All projects with areas of significant biodiversity value are required to have a biodiversity management plan. Preparation of a biodiversity management plan is required to deliver biodiversity management activities on the ground. Certain projects may have completed or not yet begun activities in their area of biodiversity, the result therefore reflects current individual projects delivering on-ground activities.

4 In FY15, this section has been expanded to include land onsite and offsite offsets as this is a key method in balancing the provision of ecological habitats with development activities.

Projects such as Cloverton, The Grove and Schofields have been able to preserve all areas of significant biodiversity identified within the masterplan. We have also seen an increase in land areas identified for revegetation or rehabilitation. Caloundra South, for example, will increase the total area of biodiversity on site by more than double once biodiversity restoration works are complete.

Our projects with significant biodiversity value are outlined in our Biodiversity DMA and our Environment Data Pack on our website.

WASTE

In this reporting period, Retail construction waste data has been collected for the following projects:

- Stockland Hervey Bay, QLD (Builder – Lend Lease);
- Stockland Wetherill Park, NSW (Builder – Brookfield Multiplex); and
- Stockland Baldivis, WA (Builder – Probuild).

The table below summarises the total levels of waste from our retails assets and the extent of recycling, waste to landfill and diverted from landfill.

Retail waste profile

Tonnes	FY15	FY14	FY13	FY12	FY11	FY10
Total waste	**6,428**	4,453	7,230	8,596	58,558	663
Waste recycled	**5,940**	3,778	6,526	6,971	52,322	552
Waste to landfill	**487**	924	707	1,625	6,236	111
Diversion from landfill (%)	**92**	85	90	81	89	83
Percentage of Retail developments included (%)	**100**	100	100	100	100	50

Residential and Retirement Living contractor waste (tonnes)

The table below summarises the waste streams from our greenfield Residential and Retirement Living developments. Due to the nature of greenfield developments, the waste figures generated on a per year basis do not necessarily reflect the level of activity of that year. Waste can be stored for a period of time on site until reused, or exported offsite to landfill when the space becomes unavailable.

While our rate of diversion from landfill is down 2% in FY15, it is important to note that the total waste generated has significantly reduced and that we are tracking well above our target diversion rate of 80%.

	FY15	FY14	FY13	FY12	FY11
Total waste	**82,033**	80,135	82,503	137,748	334,899
Waste diverted from landfill	**78,514**	78,149	80,148	131,270	311,811
Waste sent to landfill	**3,617**	1,986	2,355	6,478	23,088
Diversion from landfill	**96%**	98%	97%	95%	93%

See our full set of environmental data sets:
www.stocklandsustainability.com.au

Our reporting **approach**

Our reporting **approach**

The aim of our integrated approach is to inform investors and other stakeholders on how our business' performance, strategy, governance, and prospects lead to the creation of value over the short, medium and long term. It is also to provide a concise document including material matters that may be of interest to our stakeholders.

MATERIALITY

Stockland has used the materiality definition from the *Integrated Reporting Framework* that states 'an integrated report should disclose information about matters that substantively affect the organisation's ability to create value over the short, medium and long term'.

In a step toward greater alignment and integration with our sustainability reporting, we have combined our sustainability material matters and integrated reporting material matters into one comprehensive list.

We identified our FY15 material matters using the following process.

The issues identified through this process and the sustainability content in the annual review are reviewed and approved by Stockland's executive team and the Board.

Identify	Evaluate and prioritise	Alignment and disclosure
We combined the outcomes of two materiality processes to identify relevant matters: 1 Five part materiality test in alignment with GRI G4. This involved a review of: • investor research and engagement; • customer feedback and insights' • employee surveys; • political and regulatory developments; • industry engagement and advocacy; and • social and mainstream media. The results of this research were validated with key stakeholders via a sustainability materiality workshop. 2 An internal operational and strategic risk assessment. The resultant list of matters served as a starting point for our integrated reporting materiality workshop.	An integrated reporting materiality workshop was held with members of the leadership team to identify any additional relevant issues, rank issues of greatest significance and prioritise them based on their ability to affect value. Material matters were mapped in terms of their potential impact on value creation over the short, medium and long term.	Following the materiality workshop, the final list of material matters was presented to our internal Integrated Reporting Committee. Once confirmed, the matters were submitted to the Executive Committee and the Board for review. An alignment check was also performed, with our strategy review process and sustainability materiality outcomes.

ISSUES THAT MATTER

Our materiality research focused on identifying emerging societal issues that shape the landscape in which we operate. We identified eight priority issues that represents future risks and opportunities for our business and our stakeholders.

Global and domestic economy

All of our businesses are impacted by local and global economic conditions. International economic markets remain volatile and the outlook for specific markets in Australia remains uneven. While businesses and consumers are cautious, we expect conditions to remain reasonably supportive. Interest rates are anticipated to be stable and we expect the economy to continue to grow, albeit at below trend levels. We have capitalised on supportive market conditions throughout the year, while ensuring the decisions we make now will serve our business well through the cycle. We will continue to focus on retaining a strong balance sheet with low gearing and use diverse funding sources. We will also concentrate on efficiency and cost management.

See Capital Strength page 37 and Operational Excellence page 46

Residential market dynamics

Stockland's Residential business is influenced by the dynamics of the Australian residential market. Over the past 12 months, media outlets have speculated that Sydney and Melbourne are experiencing a "housing bubble" – unsustainable asset prices and debt serviceability.

We believe that current market prices and volumes in the residential sector are elevated across Australia as a result of historical undersupply combined with strong demand from home owners and investors. We expect the high level of price growth in Sydney to moderate in the short to medium term.

Our exposure to market volatility is managed through our geographical diversity, with different regions experiencing different market conditions. We have also broadened our customer reach by expanding our residential product offering including diverse house and land packages, completed housing and medium density. We have also sought to balance the demand from home owners and investors to ensure our residential communities remain attractive to future buyers. We continue to engage with all levels of government to seek effective solutions on land supply issues.

See Grow Our Asset Returns And Customer Base page 26

Increased property market competition

We have a strong medium term organic pipeline. However in the long-term, the continued growth of our business will be dependent on our ability to acquire new land and assets. Domestic and offshore investor interest in property assets is expected to continue while Australian property continues to deliver attractive yields. We will continue to ensure discipline and agility in our investment decision making so we can take advantage of opportunities that will deliver the appropriate risk-adjusted returns. Within our existing portfolio we have significant organic development opportunities supported by a strong balance sheet to provide funding flexibility.

See Grow Our Assets Returns And Customer Base page 26

Infrastructure and amenity delivery

Australia's growing population requires greater physical and social infrastructure services to support its growth and the development of new suburbs. This includes the provision of sustainable and accessible transport.

Effective stakeholder engagement on our projects with suppliers, customers and government has resulted in positive outcomes across several projects.

We will continue to use our livability research to understand the priorities of residents in our communities. We will also continue to ensure that all active projects have stakeholder engagement plans that minimise obstacles to infrastructure and amenity delivery and ensure appropriate communication with all stakeholders about these matters.

The resilience of our supply chain is also key in the delivery of our projects. We are continuing to enhance our supply chain risk management and seeking to provide greater clarity of sustainability expectations with the development of a Sustainable Supply Chain Charter.

See Shape Thriving Communities page 32, Enrich Our Value Chain page 41, our Community Development DMA and Supply Chain Management DMA

Ability to attract and retain talent

We recognise that the key to sustainable competitive advantage is our people and that the ability to attract and retain valuable employees is critical to our overall business performance. This is increasingly important as we continue to face tight labour market conditions. Delivering on our growth strategy requires our existing employees to be engaged and high performing and for us to build our capability in areas such as medium density and logistics and business parks. In FY14, our total turnover rate was over 20%. Considerable focus has been placed on reducing this turnover in FY15, resulting in a reduction in turnover from 20% in FY14 to 16.8% in FY15 and a significant reduction in first year employee turnover from 31% in FY14 to 18.8% in FY15. We have done this by establishing an in-house recruitment team and referral program, improving hiring and induction processes, strengthening the expertise and engagement of our existing employees with targeted training and ongoing development and support, including programs focused on workplace safety and wellbeing, flexibility, diversity and outsourcing. Employee engagement is at an all time high at 85% and we will continue to reinforce our strong employment brand.

See Operational Excellence page 46 and Enrich Our Value Chain page 41 and our Employee Engagement DMA, Human Capital Development DMA, Diversity and Inclusion DMA, Health Safety and Wellbeing DMA

Digital technology

Enhancements in digital technology have rewired both customer behaviour and business process efficiencies. In this evolving space, speed and convenience need to be balanced with governance and transparency. To achieve operational excellence we need to ensure that our systems are cost effective and agile to support the diversified nature of our business. We will continue to invest in process and system upgrades to improve the efficiency of our business.

For our customers, we need to be accessible, responsive and anticipate future consumer behaviour. We will continue to identify and integrate technical enhancements across the business, including enhancing online residential and retirement living engagement opportunities. We will also continue to ensure that our retail centres are thriving community hubs by delivering quality services and retail and community spaces that enhance our resilience to online shopping.

See Operational Excellence page 46 and our Customer Engagement DMA

Regulatory change

Ongoing policy uncertainty across a number of areas has the potential to impact our business model. Tax and planning reform remain key policy areas where we will continue to engage with industry and government. We will continue to focus our development activity in areas where governments support growth and focus on good practice to remain well positioned in the market.

See Our Business page 10 and our Stakeholder Engagement DMA

Future customer demand

Our ability to develop products that meet anticipated future customer and societal demands is crucial to the sustainability of our business, particularly in light of Australia's aging population and changing demographics.

To meet future customer demand we are continuing to evolve our market leading product innovation and customer insights using platforms such as Stockland Exchange (our online research community). We are fostering a culture of innovation to ensure that we identify and take advantage of new opportunities.

It is also important that we focus on the creation of sustainable and liveable communities and assets. This includes developing our understanding of the longer term impacts of climate change and incorporating our findings into the design and upgrade of assets.

See Shape Thriving Communities page 32, Optimise And Innovate page 49 and Community Development DMA, Climate Resilience DMA, Customer Safety and Security DMA

Assurance

This year KPMG have assured the sustainability content within the Annual Review, this content is taken from our comprehensive Sustainability Reporting available at www.stocklandsustainability.com.au. Our greenhouse gas emissions have been assured by PriceWaterhouseCoopers. This assurance statement can also be found on our website.

INDEPENDENT ASSURANCE REPORT TO THE DIRECTORS OF STOCKLAND CORPORATION LIMITED AND THE DIRECTORS OF STOCKLAND TRUST MANAGEMENT LIMITED

Our conclusions:

a) Sustainability Report 2015 – Limited assurance

Based on the procedures performed, as described below, nothing has come to our attention that would lead us to believe that the Stockland Online Sustainability Report for the year ended 30 June 2015, is not, in all material respects, prepared and presented in accordance with the GRI G4 Sustainability Reporting Guidelines, and Stockland's own measurement and reporting methodologies (collectively the 'Framework') as disclosed in the Online Sustainability Report.

b) Adherence to AA1000APS Principles – Reasonable assurance

In our opinion, Stockland Group's description of their adherence to the Accountability Principles of inclusivity, materiality and responsiveness, for the year ended 30 June 2015, is fairly stated.

We have been engaged by Stockland Corporation Limited and Stockland Trust Limited (collectively 'Stockland') and are responsible for providing:

- limited assurance conclusion in respect of Stockland's consolidated Online Sustainability Report for the year ended 30 June 2015 ('Sustainability Report'), including adherence to requirements of the GRI G4 Sustainability Reporting Guidelines.
- reasonable assurance conclusion in respect of Stockland's adherence to the AA1000 AccountAbility Principles Standard, AA1000APS (2008) for the year ended 30 June 2015.

The Sustainability Report comprises Stockland's reporting approach, data packs and Disclosure of Management Approach (DMA's).

Our assurance engagement is conducted in accordance with the International Standard on Assurance Engagements ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information and ISAE 3410 Assurance on Greenhouse Gas Statements. This standard requires, among others, that the assurance team possesses the specific knowledge, skills and professional competencies needed to provide assurance on sustainability information, and that they comply with the requirements of the Code of Ethics for Professional Accountants of the International Federation of Accountants to ensure their independence.

Stockland's responsibilities for the preparation of the Sustainability Report

Directors and other officers of the company are responsible for the preparation of the Sustainability Report in accordance with the GRI G4 Sustainability Reporting Guidelines and for establishing systems and processes to support adherence to AA1000APS's principles of inclusivity, materiality and responsiveness. This includes responsibility for such control as they consider necessary to prepare the Sustainability Report that is free of material misstatement whether due to fraud or error. Such internal controls reduce but do not eliminate the risks of misstatements in the Sustainability Report from fraud or errors.

Limited assurance over the Sustainability Report

Our limited assurance engagement over the Sustainability Report consisted of making enquiries and applying analytical and other evidence gathering procedures including:

- enquiries of management to gain an understanding of Stockland's processes for determining material issues;
- evaluation of the outcomes of the materiality assessment against alternative sources;
- interviews with senior management and relevant staff concerning Stockland's corporate sustainability strategy and polices in relation to material issues and the implementation of these across Stockland;
- visits to 5 developments to understand how stakeholder needs are considered and responded to, and how material sustainability issues are managed and reported;
- interviews with relevant staff responsible for providing text and data within the Sustainability Report;
- comparing text and data presented in the Sustainability Report to underlying sources. This included testing on a sample basis to obtain evidence supporting the completeness, accuracy and existence of reported text and data;
- reading the Sustainability Report to determine whether it is consistent with our overall knowledge of, an experience with, the corporate sustainability performance of Stockland.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement or an audit conducted in accordance with International Standards on Auditing and Assurance Engagements.

Reasonable assurance over adherence to the AA1000APS Principles

Our reasonable assurance engagement involved performing procedures to obtain evidence about the disclosures relevant to AA1000APS in the Sustainability Report, sufficient to give reasonable assurance that the details disclosed are free from material misstatement whether caused by fraud or error, including:

- obtained Stockland's description of systems, processes, and controls established to support their adherence to the AA1000APS's principles of inclusivity, materiality, and responsiveness;
- interviews with the Board, Executive and senior management to discuss how Stockland implements and expresses the underlying principles of AA1000APS in practice;
- obtaining documentation to support the key processes used to implement principles of AA1000APS across Stockland;
- evaluate the adequacy of evidence obtained to support Stockland's description of adherence to AA1000APS.

Inherent limitations

Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our assurance engagement is not designed to detect all weaknesses and errors in the Sustainability Report 2015 and its meeting the requirements of the GRI G4 Sustainability Reporting Guidelines, as the engagement has not been performed continuously throughout the period and the procedures performed on the Sustainability Report were undertaken on a test basis.

Any projection of the Sustainability Report and its meeting the requirements of the GRI G4 Reporting Guidelines to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Our Independence and Quality Control

In conducting our assurance, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board. In accordance with International Standard on Quality Control 1 (ISQC 1) *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements*, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements

Observations and Findings in respect to adherence with the AA1000APS (2008)

Sustainability considerations are well established within many aspects of Stockland's business processes, reflecting their long term commitment to the principles of Inclusivity, Materiality and Responsiveness. We provide the following observations in relation to Stockland's adherence with AA1000APS (2008), noting that these observations do not impact our assurance conclusion regarding Stockland's adherence to AA1000APS.

In relation to the principle of 'Inclusivity'

Stockland have demonstrated a commitment to be accountable to its stakeholders. This is evident through the incorporation of stakeholder considerations within strategy, policies, targets and individual performance scorecards. Mechanisms are in place to support, and take account of the outputs of, stakeholder engagement throughout the organisation.

There is an opportunity to further explore long term solutions to traditional areas of conflicting sustainability needs and expectations between different stakeholder groups, for example, customers' willingness to pay for better environmental outcomes.

Stockland has committed to further promoting a program and culture of innovation. This initiative can be further enhanced by encouraging experimentation and the sharing of mistakes.

In relation to the principle of 'Materiality'

The approach to materiality by Stockland reflects the maturity with which sustainability considerations are integrated within the organisation. In addition to 'business as usual' material aspects which are relevant to the business and stakeholders today, the materiality process now incorporates a consideration of emerging issues and long term trends which may impact the business and stakeholders in the future. Stockland benefits from this long term focus to materiality in various ways:

- the contextualisation of strategy and responses in terms of societal challenges, such as housing affordability and caring for a growing aged population, supports stakeholder engagement on finding solutions
- it supports the timely socialisation of issues internally and externally, through advocacy, to bring about better outcomes

An opportunity exists to provide stakeholders with a quantified analysis of the economic, social and environmental impacts of material issues (particularly emerging risks) on society to support a better understanding of the potential consequences of long term risks

In relation to the principle of 'Responsiveness'

Stockland has in place processes to respond to issues relevant to the business and stakeholders. Current initiatives such as the Better Places Manual and the launch of the CARE Foundation are illustrations of activities undertaken by Stockland in response to stakeholder needs. In addition, tools and resources (D-Life, community engagement toolkits) are easily accessible to Stockland employees to facilitate a consistent approach throughout the organisation.

Significant work has been undertaken in the residential business to evaluate the drivers of performance in surveys such as the liveability survey. This analysis has enabled Stockland to continuously improve its customer satisfaction scores. There is an opportunity to expand this evaluation into the commercial business division.

Stockland set three year sustainability targets in FY14. At the halfway point, there is an opportunity to review and reconfirm the appropriateness, level of ambition and achievability of these targets based on performance to-date and against the changing regulatory and stakeholder opinion landscape.

Basis of preparation and restriction on distribution and use

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