

/2009



Stockland

# Corporate Responsibility & Sustainability

30 JUNE 2009



OUR CR&S BOARD COMMITTEE ASSISTS THE BOARD TO OVERSEE STOCKLAND'S COMMITMENT TO OPERATE ITS BUSINESS ETHICALLY, RESPONSIBLY AND IN A SUSTAINABLE WAY

Left to right: Graham Bradley, Matthew Quinn, Nick Greiner, Barry Neil.

# MESSAGE FROM OUR CR&S COMMITTEE

*We are pleased to present Stockland's 2009 Corporate Responsibility and Sustainability Report.*

**This is the fourth year we have produced a Sustainability Report, which, together with our Financial Report 2009 and Shareholder Review 2009, provides information on our environmental, social and financial performance for the year ending 30 June 2009.**

## **Challenging market conditions**

There is no doubt that the past year has been exceptionally challenging for Stockland. The global financial crisis caused a sharp downturn in the Real Estate Investment Trust sector around the world. This in turn created challenges for our business.

In response, we adjusted our operations and streamlined our organisation. For example, our Residential business responded quickly to changing property market conditions by developing more affordable housing options for purchasers.

In our Commercial Property business we repositioned our office and retail portfolios with the sale of non-core assets and maintained our focus on long-term relationships with our tenants. Our consistent commitment to being a responsible and ethical property owner, manager and lessor has helped us maintain high occupancy rates in our office, retail and industrial properties.

We see the retirement living sector as a key opportunity for growth and as such have established Retirement Living as a separate business unit. This change will enable us to focus on the specialised nature of retirement living properties and the needs of our residents.

In light of the changed market conditions, we have decided to embark on an orderly sale of our UK assets over the next two to three years. In the meantime we will complete projects already underway.

Through all of this our commitment to corporate sustainability has not wavered. We have continued to strive for balanced environmental, social and economic outcomes. This approach was recognised with our inclusion once again in the Dow Jones Sustainability Index World (DJSI World), an index which tracks the performance of global sustainability leaders.

## **Our evolving sustainability strategy**

This year we continued to refine our approach to sustainability. We have sought feedback from both internal and external stakeholders to better understand their expectations and views on our performance. This ongoing process will help us focus on priority areas and respond earlier and more effectively to emerging issues and concerns.

Part of our business involves developing sites that shape and create communities.

Recognising the significance of this, we produced community development guidelines that set out how we will engage with the wider community at each of our developments to ensure the best outcomes for both current and future residents. Our aim is to create structures and communities that will endure long after our development work is complete.

A key challenge for us is to achieve a consistent approach to stakeholder engagement across all parts of our business. We are making continuous improvements in this area but understand that embedding sustainable practices is not a simple process.

### Our people

We are proud that at this difficult time we have continued to achieve high employee engagement. This reflects our internal culture, which has enabled us to maintain an engaged and loyal workforce despite the need to downsize and make substantial structural changes to our business.

Employee engagement remained above 80 per cent, a score that put us above the Global High Performing Companies Norm, for the fifth year running. While this is a pleasing result we still have work to do to reduce our regretted employee turnover further.

Our annual employee survey confirmed that our commitment to sustainability contributed to our high level of employee engagement. Our employees are proud of our social contributions and many employees demonstrated this through their own efforts, with 24 per cent of our employees volunteering to mentor students from 28 priority-funded schools in Australia in the past year.

### Climate change

Climate change has remained high on the Australian Government's agenda. We continue to promote the merits of mechanisms to encourage energy efficiency such as 'green' depreciation for eco-efficient refits of existing commercial buildings, and the need to streamline energy and carbon reporting requirements.

For us, climate change management is about mitigating risks. Our Climate Change Action Plan provides us with a comprehensive plan to minimise our carbon emissions. We are also undertaking research to better understand the potential physical impacts of climate change on our properties and communities.

These risks also present opportunities. Examining these issues will enable us to develop a more strategic view which will inform how we own, manage and develop resilient buildings and communities which are able to adapt to the future effects of climate change. In recognition of our efforts in this area we were listed in the Australian Climate Leadership Index in 2008 which rates companies with advanced climate change strategies and disclosures.

We have continued to refine the quality of our emissions reporting system in preparation for our first report under the National Greenhouse and Energy Reporting Act 2007 (NGERA) which will be submitted in October 2009. In addition, we actively participate in raising the standards and capability of the property industry as a whole. For example, we have actively worked with our peers in property to understand what NGERA means for our industry.

### Eco-efficiency

We also address climate change risk by minimising the environmental impacts of our properties and projects and raising the environmental performance of our entire portfolio. For our existing buildings we use the National Australian Built Environmental Rating System (NABERS), a performance-based ratings system for environmental performance. In the 2008 calendar year we attained an average NABERS Energy rating of 3.4 Stars. While we fell short of our target of 3.5 Stars, we made a significant improvement on our 2007 average of 2.9 Stars.

We have continued to reduce our consumption of electricity. Our retail centre portfolio achieved a 7 per cent reduction in absolute electricity use, surpassing our target of 5 per cent.

While this is in part due to the sale of some assets, we have also continued to improve energy efficiency. Our greenhouse gas emission intensities (GHG per m<sup>2</sup>) were reduced by 3 per cent for retail centres and 8 per cent for office buildings over the past year.

We have also achieved two 6 Star Green Star ratings (classified as 'World Leadership') from the Green Building Council of Australia. Our head office in Sydney was the first project in Australia to achieve a 6 Star Green Star Office Interiors v1.1 rating for sustainable office interiors. Our office development at 2 Victoria Avenue in Perth also received a 6 Star Green Star Office Design v2 rating.

### Our best practice aspiration

In 2010, we will maintain our momentum in corporate sustainability by focusing on achieving high quality management of economic, social and environmental performance. Responding to the interests of our customers and local communities. We will continue to develop and manage property assets of long-term value to our customers, tenants, investors and business partners.



**GRAHAM BRADLEY**  
Chairman



**NICK GREINER**  
Chair of CR&S Board Committee



**BARRY NEIL**  
Non-Executive Director



**MATTHEW QUINN**  
Managing Director



**CR&S BOARD  
COMMITTEE AND  
LEADERSHIP  
TEAM**

**Graham Bradley** (Chairman);  
**Nick Greiner** (Chair of CR&S Board Committee);  
**Barry Neil** (Non-Executive Director);  
**Matthew Quinn** (Managing Director);  
**Karyn Munsie** (Executive General Manager,  
Corporate Affairs);  
**Siobhan Toohill** (General Manager,  
Corporate Responsibility and Sustainability);  
**Cliff Bromiley** (General Manager, Health,  
Safety and Environment).

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## Stockland Corporate Responsibility & Sustainability Report 2009

# ABOUT STOCKLAND

Stockland is one of Australia's most diversified property groups with total assets of over \$8.7 billion and operations in Australia and the United Kingdom.



### WHERE WE OPERATE

- 1** Sydney, Australia
- 2** Melbourne, Australia
- 3** Brisbane, Australia
- 4** Perth, Australia
- 5** London, UK
- 6** Glasgow, UK
- 7** Edinburgh, UK



## BUSINESS BY GEOGRAPHY



■ NSW 46%  
 ■ ACT 2%  
 ■ QLD 23%  
 ■ VIC 18%  
 ■ WA 7%  
 ■ SA 1%  
 ■ UK 3%

## ABOUT STOCKLAND

Stockland is one of Australia's most diversified property groups with total assets of over \$8.7 billion and operations in Australia and the United Kingdom. We are a top 50 Australian Securities Exchange Listed Company (ASX: SGP).

Founded in 1952, we have grown to become one of Australia's leading diversified property groups – developing and managing a large portfolio of residential community, apartment, retirement living, retail, office and industrial assets.

## COMMERCIAL PROPERTY

### Retail

We have 39 retail centres valued at \$3.9 billion that provide diverse shopping and social experiences for customers and other stakeholders.

### Office

We have an office portfolio of 33 properties valued at \$2.8 billion. Our track record of high portfolio occupancy levels, solid tenant retention and leasing results demonstrate the benefit of our commitment to strong tenant relationships. Our tenants include government departments and blue chip public and private companies.

## BUSINESS BY ASSET



■ Office 26%  
 ■ Industrial 11%  
 ■ Retail 37%  
 ■ Retirement Living 4%  
 ■ Apartments 5%  
 ■ Communities 17%

## Industrial

Our industrial portfolio is valued at \$1.1 billion, with 23 properties, incorporating well over one million square metres of building area. Our tenants include large-scale distribution, warehousing and logistics companies. Our properties are strategically positioned for logistics, infrastructure and employment.

## RESIDENTIAL Residential Communities

We have 67 projects in New South Wales, Victoria, Queensland and Western Australia with a total end value of approximately \$15 billion. Our focus is on the creation of medium and large-scale masterplanned communities in key urban growth markets, ranging in size from 100 lots to 20,000 lots. In creating new communities we are involved in providing infrastructure to meet local needs.

## Apartments

We acquire, design, project manage and market apartment and mixed-use projects in urban locations. Our apartments business has responded to urban consolidation opportunities, providing accommodation options close to transport and employment. We have nine apartment projects with an estimated end value of \$1.7 billion.

Planning approvals are being sought for projects yet to commence, however development will only commence if appropriate returns can be achieved. If not, sites will be sold in an orderly fashion over the next two to three years.

## RETIREMENT LIVING\*

We have established our business as a top five retirement living operator within Australia, with 3,974 established units across Victoria and Queensland. Our portfolio also includes a short-to-medium term development pipeline of over 2,900 units. The business uses our land bank for future developments and draws on our residential development capabilities.

## STOCKLAND UK

Our UK business is a property development and asset management company spanning retail, office and mixed-use property. We have announced an orderly withdrawal from the UK market, selling assets over the next two to three years.

\* Retirement Living, formally part of our Residential business, became a separate business from 1 July 2009.

## STOCKLAND GROUP STRATEGY



## ABOUT STOCKLAND

### VALUE CHAIN

We operate across most parts of the property value chain. We own, manage and develop property. However, we engage others to carry out building works and to provide services such as security and cleaning.

### Our primary areas of direct activity:

#### Owner

We own shopping centres, office buildings, industrial sites and retirement villages. We manage the acquisition process and are responsible for protecting and enhancing the value of the asset over time. As a building owner, we have the capacity to make investment decisions that influence the performance of these assets.

#### Asset and property manager

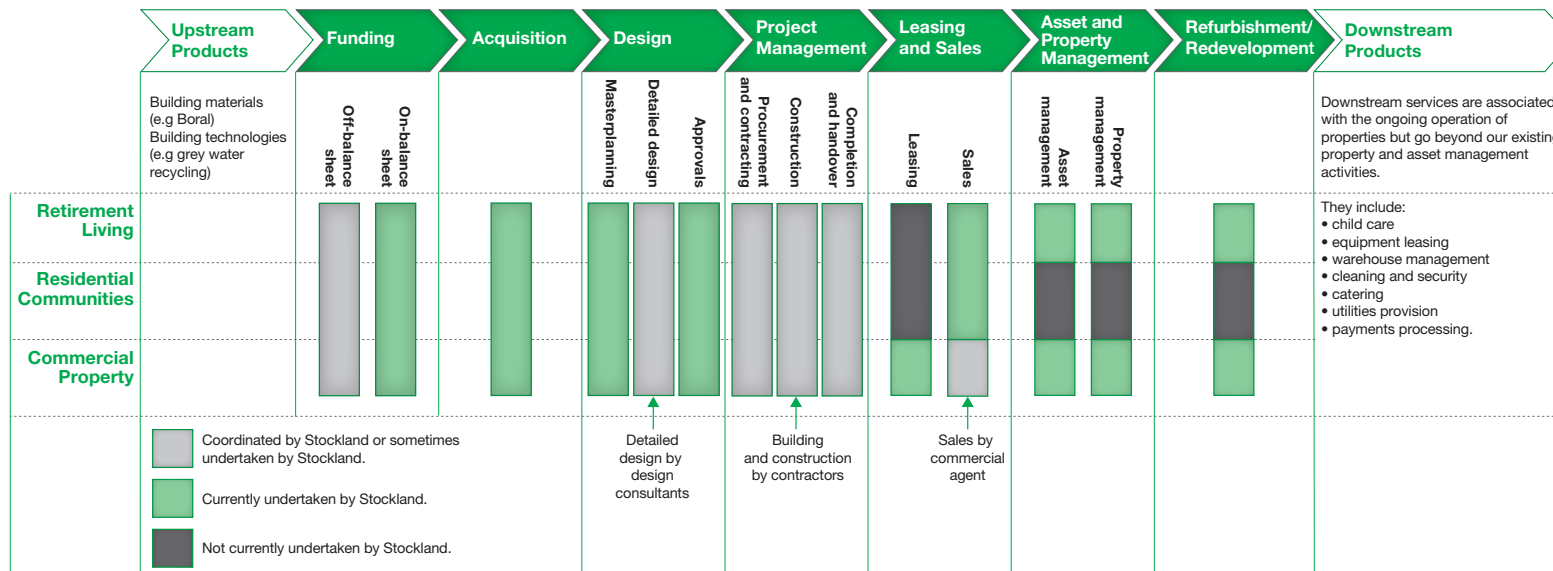
We also manage shopping centres, office buildings and industrial sites. We manage the large majority of the assets we own, and those assets that are held in our unlisted property funds. This gives us significant influence over the performance of these assets.

#### Developer

We are developing over 60 projects nationally, including residential communities, and new and substantially refurbished retail, office and industrial projects. As a developer, we have significant capacity to shape environmental and social outcomes. However, our capacity to direct supply chain decisions, such as the selection of building materials, suppliers and construction waste management service providers, can be limited in some instances as we rarely act as the principal contractor (builder).

For the purposes of reporting energy and greenhouse gas emissions under the Federal Government's National Greenhouse and Energy Reporting Act we are considered to have operational control of our residential developments. We have commenced reporting on the energy and greenhouse gas emissions from those sites in this report.

### VALUE CHAIN – STOCKLAND ACTIVITIES



### Our areas of influence:

#### Fund manager

We act as an unlisted property fund manager for a number of retail and office assets, and a small number of residential sites. Typically, the fund manager has some scope to influence social and environmental performance through directing the property manager. We are able to exercise a reasonable level of control over the environmental performance of these assets as we are generally both the fund manager and the property and asset manager.

#### Design

Our involvement in the design process is largely limited to design management. Generally, we engage design consultants such as planners, architects and engineers to provide detailed solutions and documentation. In setting project briefs and managing the design process through design and development managers, we can greatly influence design solutions for communities and buildings, and their social and environmental impact.

### Builder (principal contractor)

We generally do not take on the role of builder. We engage contractors who are equipped to deliver this service and manage the associated risks. Through our development and project managers, however, we have the opportunity to define and clearly set expectations with our builders, particularly in terms of labour conditions for construction workers, including health and safety, as well as environmental management.

### Commercial office leasing

Commercial leasing is undertaken by contractors. We have reduced opportunity to influence our prospective tenants' perception of the value of energy efficiency and high environmental performance.

### Upstream products, including building materials

Many upstream products such as building materials are generally selected by our builders. This can limit our ability to direct the selection of environmentally and socially appropriate materials. We can guide the performance attributes of building materials by setting clear briefs and highlighting the value we place on environmental performance. Our commitment to the use of Green Star rating tools aids this influence.

### Downstream services, including cleaning and security

We have increasingly recognised our capacity to influence the sustainability performance of our service providers, such as cleaning and security providers. In particular, we have made clear our expectations to our service contractors that their workers have fair working conditions.

## FINANCIAL PERFORMANCE

For complete discussion of our financial performance over the past year, please see our Shareholder Review 2009 and Financial Report 2009.

## KEY FINANCIAL RESULTS

### Underlying profit

FY09	\$631.4m
FY08	\$674.0m
FY07	\$611.0m
FY06	\$553.7m
FY05	\$502.7m

### STATUTORY LOSS

**\$1,801.9m**

Underlying profit is our preferred measure of performance as it reflects the profit we achieve through our daily business operations. Our statutory result takes into account inventory impairments, fair value changes of our investment properties and other significant items set out fully in the Directors' Report.

### Earnings per security

FY09	38.8c
FY08	46.2c
FY07	44.0c
FY06	41.5c
FY05	39.1c

The fall in our underlying earnings per security reflects a drop in underlying profit as well as dilution from the equity we issued. (In our statutory accounts we have reported underlying earnings per security of 36.5 cents – adjusting the number of securities in accordance with the requirements of accounting standards following the recent equity raising.)

### Dividend and distribution per security

FY09	34.0c
FY08	46.5c
FY07	44.3c
FY06	41.4c
FY05	38.9c

Following a Board review, in April we announced that we have adopted a more conservative distribution policy. From 2010, Stockland will distribute the greater of our trust taxable income or 80 per cent of our adjusted funds from operations.

### Balance sheet

WEIGHTED  
AVERAGE  
DEBT  
MATURITY

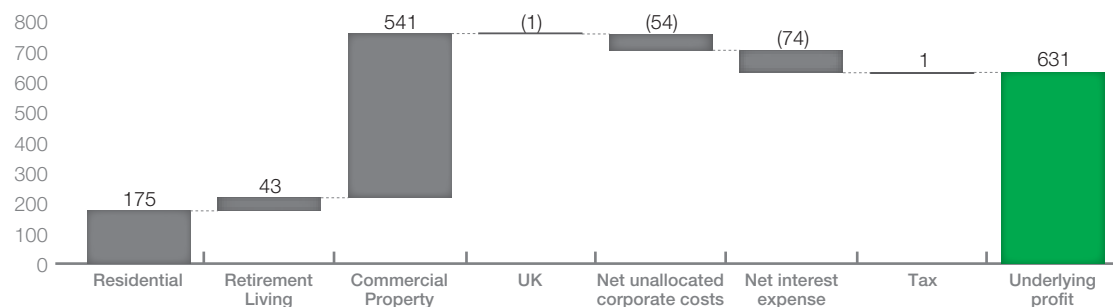
**6.6 YEARS**

GEARING

**16%**

Our balance sheet is strong with conservative gearing of 16 per cent, measured as the ratio of net debt (total debt less cash) to total tangible assets. We have \$1.2 billion cash on deposit and \$1.3 billion available undrawn committed debt facilities.

### Composition of underlying profit (\$m)



This graph demonstrates how each of our operating businesses contributed to our underlying profit. More details about the performance of each of our operating businesses can be found in our Shareholder Review 2009.

## ABOUT STOCKLAND

### GOVERNANCE AND RISK MANAGEMENT

The Board takes its governance responsibilities 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. For more detail, including compliance with the ASX Corporate Governance Council best practice recommendations, please refer to our Financial Report 2009.

Many of our policies and charters for Board Committees can be found on our website. Over the past year we have reviewed and refined our Board Committee Charters and Code of Conduct and Ethical Behaviour.

As a commercial enterprise we make many business decisions that entail a degree of risk. We recognise the importance of managing risk associated with our business activities in a manner that enables us to:

- Maximise profitable opportunities,
- Mitigate or reduce risk which can cause loss,
- Ensure compliance with applicable laws and regulations,
- Enhance resilience to external events.

Risk management is about continuously identifying, evaluating, treating and monitoring exposures.

While risks can be managed through the introduction of policies, procedures and work practices, we have taken the view that the most effective long-term method is through the creation of a risk-aware culture.

Our product responsibility commitments are included in the following policies and procedures:

- Risk management policy statement,
- Corporate Affairs policy.

We are interested in working with organisations that demonstrate a commitment to products responsibility via our Sustainable Supply Chain policy. See the 'Engaging our suppliers' section of this report (page 37).

The Board Audit and Risk Committee receives regular updates from management and relevant external parties on the status of risks. At the time of our equity raising in May 2009 we disclosed key risks to potential investors including:

- Development and planning risks,
- Housing cycle, retirement market and UK market,
- A range of financial risks,
- Asset values and property leasing,
- Environmental matters, regulatory issues and changes in law,
- Insurance and taxation.

For further discussion of our approach to risk management please refer to our Financial Report 2009.

The non-financial risks identified throughout the year are discussed in this report.

### GOVERNMENT RELATIONS

As regulations have a substantial impact on our business, we proactively engage with government and regulatory authorities.

In July 2008 our Board implemented a zero political donations policy. We do not make donations to political parties or politicians at any level of government. In adopting this policy we seek to remove any basis for doubt that any government approvals we obtain are based strictly and solely on the merits of our projects. There have been no breaches of this policy.

We monitor legislative and regulatory change directly through our businesses and the Corporate Affairs team, as well as via key industry bodies. The Property Council of Australia (PCA), Green Building Council of Australia (GBCA) and Shopping Centre Council of Australia are our primary representative bodies at both federal and state levels. During 2008 we substantially increased the frequency of our direct political engagement on important public policy issues.

The most significant legislation affecting our business this year was the Australian Government's First Home Owners' Boost (FHOB). The FHOB was part of the suite of stimulatory measures introduced in late 2008 to protect jobs and buttress economic activity. The benefit to our business was substantial. The proportion of first home buyers increased from 25 per cent of our customer base to 65 per cent during the early part of 2009. We recognised, however that this measure is best suited to distressed economic conditions and accordingly we supported the tapered extension of the boost to December 2009. In so doing, we aligned closely with our industry bodies, peers and suppliers.

We made many submissions to government over the past year on matters such as planning, taxation and environmental regulation.

Our regulators recognise the important role that our sector can play in reducing Australia's greenhouse gas emissions through improving energy efficiency of buildings. In addition, the Federal Government has continued to design an emissions trading system, referred to as the Carbon Pollution Reduction Scheme, supported by rigorous national carbon data. As a consequence, our sector has encountered increasing regulatory requirements.




Areas of strengthening regulation include:

- Emissions and energy efficiency disclosure,
- Adaptation to physical impacts of climate change,
- Increasingly stringent building code requirements.

In general, regulation related to sustainability performance has become increasingly complex with different layers of government seeking to take action. Through the PCA and GBCA we have advocated the harmonising of reporting and regulatory requirements. Details on these regulations can be found on the regulation page in the 'Climate Change and Energy' section of this report (page 44 – 57).

## About Stockland – Progress and priorities

### OVERALL PERFORMANCE SUMMARY

 <b>Past</b> Last year, we said we would:	 <b>Present</b> This past year, we have:	 <b>Future</b> In the coming year, our priorities are to:
Implement the Residential sustainability policy and develop an aligned policy for Commercial Property. Develop sustainability scorecards for all development projects and commence reporting against these scorecards.	→ Created a more robust CR&S strategy for our Residential business focusing on our key priorities. We developed draft project scorecards, but did not commence reporting against them.	<ul style="list-style-type: none"> <li>• Streamline our CR&amp;S approach to create more consistency across our business units and properties. This includes delivering on the actions set out in our Residential sustainability strategy, and clearly articulating our Commercial Property CR&amp;S policy. Commence reporting on our development projects through the use of scorecards.</li> <li>• Continue to reduce the intensity of greenhouse gas emissions and water use across our Commercial Property assets.</li> <li>• Continue assessment of climate change risk for our projects, including possible sea level rise and extreme weather events such as bushfires.</li> <li>• Further embed stakeholder engagement plans for projects and business units to support shorter approval times and manage issues that are important to our stakeholders.</li> <li>• Implement community development initiatives across Commercial Property and Residential projects.</li> </ul>
Integrate CR&S actions into the business plan for Retirement Living.	→ Developed a CR&S plan for Retirement Living and created a more robust strategy as part of the Residential CR&S strategy.	
Continue to report on our performance against the UN Principles for Responsible Investment (UN PRI).	→ Responded to UN PRI in 2009 and continued to focus on improving the sustainability performance of our assets.	



# OUR CR&S APPROACH



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Doing the right thing as a property owner, manager and developer is about dealing with risk, seeking opportunities and creating long-term value for our investors. It is about balancing the needs and interests of our stakeholders.



## FY09 Highlights

### OUR HIGHLIGHTS IN FY09 INCLUDE:

- Achieved 'Gold' membership of the Dow Jones Sustainability Index World. The Index represents the top 10 per cent of the leading companies globally, with four property companies awarded 'Gold' status. We are also included in the FTSE4Good Index which recognises organisations that apply and demonstrate outcomes against environmental, social and governance principles,
- Listed in the Australian Climate Leadership Index in 2008 which rates companies with advanced strategies on climate change,
- Two projects, Stockhome and 2 Victoria Avenue, Perth, attained their final Green Star accreditation with both achieving 6 Stars ('World Leadership'),
- A greater focus on business unit CR&S plans and employee CR&S objectives.

### MEMBERSHIPS AND AWARDS

#### Memberships

As a member of industry groups we can assist in promoting sustainability practices in the property sector. Our contribution includes membership of committees, steering research projects, speaking at conferences and participating in forums.

Our memberships include:

- Australian Business and Community Network
  - Chair
  - Operational Taskforce representation: NSW, QLD, VIC, WA.
- Australian Green Development Forum,
- CitySwitch Program Member,
- Green Building Council of Australia
  - Director
  - Technical Steering Committee
  - Industrial Technical Working Group
  - Residential Multi-unit Technical Working Group.
- Infrastructure Partnerships Australia,
- Investor Group on Climate Change,
- London Benchmarking Group,
- Low Energy High Rise Project,
- Property Council of Australia
  - National Roundtable on Sustainability
  - NSW Sustainability Committee.
- United Nations Principles for Responsible Investment.
- Urban Development Institute of Australia.

#### Sustainability indexes

We are listed on the following indexes:

- Gold Status (Property), Dow Jones Sustainability Index World (DJSI World), 2008-9.
- Australian SAM (Sustainable Asset Management) Sustainability Index (AuSSI), 2009.
- FTSE4Good Index, 2009.
- Goldman Sachs JBWere Climate Leadership Index, Carbon Disclosure Project 6, 2008-9.

#### Awards

- **Stockland Head Office:**
  - NSW Australian Institute of Architects, Milo Dunphy Award for Sustainable Architecture, 2008.
  - Orgatec 'Best Office' Award, Cologne, Germany, 2008.

- Australian Property Institute Award for Environmental Development, 2008.
- BPN Environ Sustainability Award for Office Fitout, 2008.
- Finalist, Built Environment Category, Banksia Awards, 2009.
- 6 Star Green Star Office Interiors v1.1, Green Building Council, 2008.

- **2 Victoria Avenue, Perth:** 6 Star Green Star Office Design v2, Green Building Council, 2009.
- **66 Waterloo Road, North Ryde:** 2009 Facility Management Association's Award to Stockland Facility Manager Mike Hardy for Environmental Achievement.
- **Stockland Cleveland Retail:** Redland City Council Business Water Conservation Award, June 2009.
- **The Village Apartments, Balgowlah,** Housing Industry Association GreenSmart Award, Development Design Concept of the Year, 2008.
- **South Beach Residential Community:**
  - UDIA National Awards for Excellence, Residential Development, 2009
  - UDIA WA Awards for Excellence, Residential Development 150 lots or more, 2008
  - UDIA WA Awards for Excellence, Medium Density, 2008.
- **Newhaven Residential Community:** UDIA WA Awards for Excellence, Environmental Excellence.
- **Bayswood Residential Community:** Shoalhaven Building Design Awards, 2008.
- **Murrays Beach Residential Community:** NSW UDIA Awards for Excellence, Masterplanned Development, 2008.
- **Riverwalk Residential Community:** NSW UDIA Awards for Excellence - Commendation, Medium Density Housing, 2008.
- **Treehouse Stockland Sydney Office, KU Childcare Centre:** National Association of Women in Construction, Workplace Team Innovation Award, 2008.
- **2008 Corporate Responsibility and Sustainability Report:** Best Report in the Property Sector, ACCA Australia and New Zealand Sustainability Reporting Awards, 2009.

### MEMBERSHIPS



### AWARDS



## OUR CR&S APPROACH



### OUR APPROACH TO CR&S

Doing the right thing as a property owner, manager and developer is about dealing with risk, seeking opportunities and creating long-term value for our investors. It is about balancing the needs and interests of our stakeholders.

Over the past year we have refined our approach to CR&S. Our strategy for the past year included:

- Engaging with our stakeholders, specifically our people, suppliers, partners, investors, customers and regulators in the marketplace; and the wider community,
- Taking care of the environment in which we operate, including identifying and responding to the risks and opportunities associated with climate change.

### CR&S GOVERNANCE

#### CR&S Board Committee

Our CR&S Board Committee assists the Board to oversee Stockland's commitment to operate its business ethically, responsibly and in a sustainable way. The Committee met five times during FY09.

The following Directors were members of the Committee at the close of the financial year:

- **Mr N Greiner** (Chair) – Non-Executive Director,
- **Mr G Bradley** – Non-Executive Director,
- **Mr B Neil** – Non-Executive Director,
- **Mr M Quinn** – Managing Director.

#### Reporting

A monthly report on CR&S is submitted to the Executive Committee and the Board. Additionally, all stakeholder issues are reported at Board and Executive Committee level.

#### CR&S Employee Committee

Our CR&S Employee Committee was formed in 2004 and meets monthly to track progress against the CR&S strategy. The Committee is chaired by the general manager of CR&S and its current members include our national sustainability managers, as well as representatives working in government relations, stakeholder engagement, health, safety and environment, and human resources.

### OVERALL CR&S STRATEGY

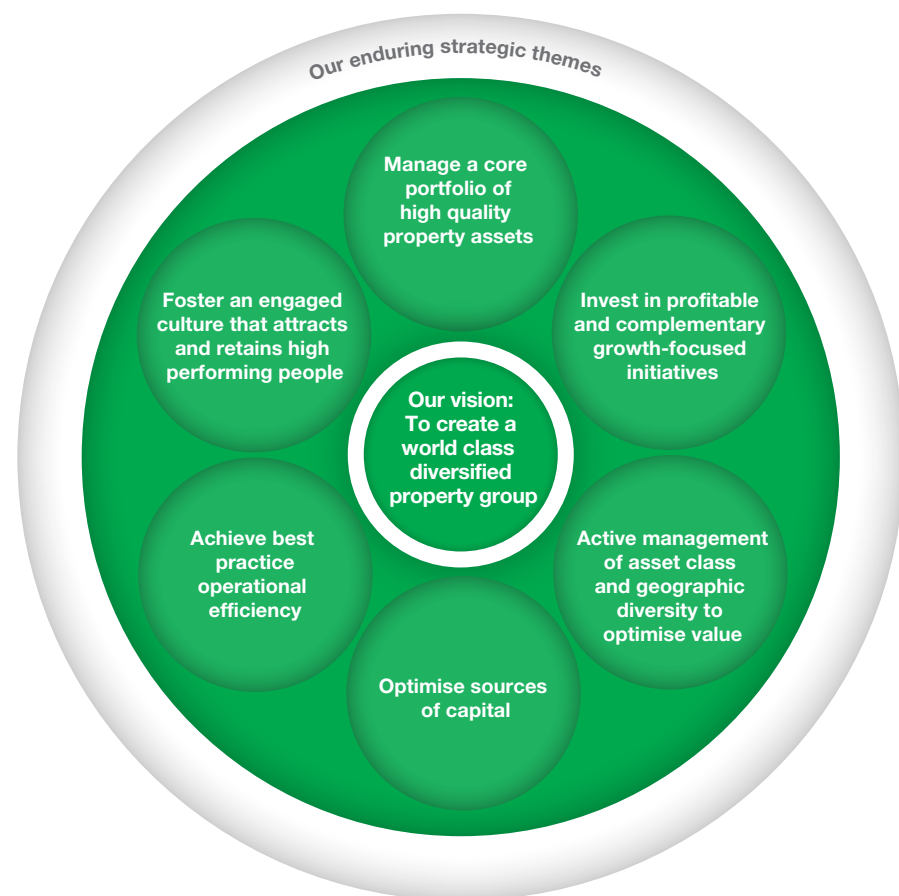


## CR&S STRATEGY

We revised our CR&S strategy in April 2009 to better align with our reporting year and to inform the commitments set out in this report. We also reflected on how to best address the amended sustainability assurance standard, AA1000AS and more effectively encompass the principles associated with the standard:

- Inclusivity – Understanding who our stakeholders are,
- Materiality – Ensuring that we have addressed the key issues of interest or concern,
- Responsiveness – Accounting for how we have addressed these key issues.

## STOCKLAND GROUP STRATEGY



An external stakeholder forum helped inform our CR&S strategy-setting program. The forum provided feedback on our performance, as well as on emerging key issues and expectations for the coming year. This process also assisted us with determining our material CR&S issues for us to focus on for the coming year. We see FY10 as a year of transition in our CR&S strategy, as we improve our systems to determine material CR&S issues as seen through the eyes of our stakeholders in line with the amended assurance statement.

## ENGAGING STAKEHOLDERS IN DEVELOPING OUR CR&S STRATEGY

Our CR&S strategy was then developed by our CR&S Employee Committee. We explored our key stakeholder groups and examined their areas of concern and interest. We identified sources of stakeholder data and feedback that we could use to form a clearer view of our stakeholders' interests.

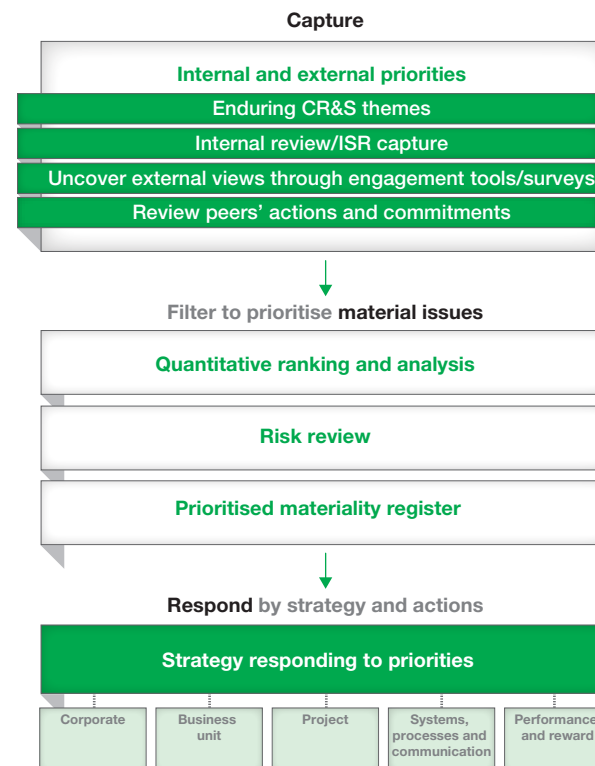
This process helped us identify a number of priority areas of focus (material themes) for FY10. These issues included:

- stakeholder engagement,
- employee wellbeing,
- affordability of our products and services,
- health and safety of our people and contractors,
- community development,
- energy efficiency,
- climate change,
- natural resource management.

Our strategy was refined by our sustainability managers, and reviewed and endorsed by our CR&S Board Committee in May 2009. The strategy has provided the basis for sustainability plans for our Residential, Commercial Property and UK businesses. Monthly CR&S Employee Committee meetings provide an opportunity to review progress against the strategy.

Our goal is to review our performance from both our own and our stakeholders' points of view. We need time to improve our systems to do this successfully and recognise that FY10 is a period of transition for our strategy as we incorporate stakeholder input into our systems.

## OUR MATERIALITY PROCESS





## OUR CR&S APPROACH



### ABOUT THIS REPORT

This is our fourth CR&S Report and covers our performance during our financial year, 1 July 2008 to 30 June 2009 (FY09). It follows our Corporate Responsibility and Sustainability Report 2008 which covered our previous financial year ended 30 June 2008 (FY08).

This report explores how we see our responsibilities to our stakeholders and to the environment. It sets out our CR&S strategy and how we have performed against targets we set in our FY08 report. We highlight our achievements as well as share the ongoing and emerging challenges we face.

### Identifying important issues

In line with our CR&S strategy we have reported on material issues that are considered important to us as a business, and our stakeholders. We took a two-step approach to identify these issues:

#### Step 1) Information capture

This included examining:

- Thematic areas identified from an internal CR&S strategy workshop and a CR&S report review workshop, both involving feedback from internal and external stakeholders,

- Board papers and employee feedback from employee engagement research,
- External stakeholder views from targeted feedback sessions and consumer research.

#### Step 2) Prioritisation of issues

This process prioritised issues based on:

- How often they occurred, with the highest weighting applied to issues identified in our CR&S workshop process and employee feedback,
- Materiality assessment by our internal CR&S Report Editorial Panel,
- Materiality review by our assurance providers.

This led us to identify a number of material themes for the coming year:

- Our approach to **stakeholder engagement**,
- **Employee engagement** and wellbeing,
- **Embedding CR&S** into business activities,
- **Health and safety** of our people and contractors,
- **Affordability** of our products and services, particularly housing,
- **Community development**,
- **Energy** efficiency and our response to **climate change**,
- Managing the use of, and impacts on, **natural resources**, particularly water and biodiversity.

We developed our report in a highly collaborative manner. Following extensive briefings, over 40 employees contributed data, case studies and discussion of our performance to an online wiki. The use of this online tool enabled a high level of participation in our report from across the organisation. Our CR&S team then reviewed and coordinated the editing of the wiki content, prior to and during the assurance process.

- This downloadable PDF version of the report is specifically designed for those seeking full documentation of our performance, for example, environmental, social, governance (ESG) analysts.
- This report is also available as an interactive online report and has been designed for a wide audience, enabling easy use and searchability for matters of interest.
- Summary information from the report forms part of our Shareholder Review 2009, distributed to our securityholders. In previous years, we produced a CR&S Summary Review. As part of our strategy to integrate CR&S into the entire business we have consolidated this information into the Shareholder Review 2009.
- Our Financial Report 2009 completes our suite of annual reports.

We have chosen once again to submit our report to assurance, applying the revised AA1000 Assurance Standard's principles of inclusivity, materiality and responsiveness.

We have also reported against the Global Reporting Initiative (GRI), applying the indicators to application level B+. Our response to GRI criteria varies in response to our level of control as owner, manager, developer and/or fund manager of assets. We have also used GRI criteria to report on our performance in the UK.

This year we have also applied in part the Property Council of Australia's (PCA) *Draft Guide to Corporate Responsibility Reporting in the Property Sector*. This guide was developed as a means to identify property sector-specific material indicators, building upon the GRI. Some of our employees were instrumental in developing this draft guide. We expect that the guide will be applied by other property companies in Australia leading to a more consistent application of metrics. Longer-term this will allow for more useful benchmarking across the property sector. We are aiming to report against the PCA guide more completely in our next CR&S report.

We have incorporated our UK operations into our main report. All material is to be read as relating to our Australian operations except where indicated. Greater detail on what this report covers for our respective business units can be found on the Residential and Commercial Property pages. Data measurement techniques and calculations appear in this report as footnotes where relevant.



PRIORITY  
PROJECTS WITH  
A STAKEHOLDER  
PLAN

100%

RESIDENTIAL  
PROJECTS WITH  
A STAKEHOLDER  
PLAN

22

## STAKEHOLDER ENGAGEMENT

Balancing the needs of our stakeholders is fundamental to the success of our business.

Stakeholder engagement informs our corporate strategy and the strategies for our operating businesses. We are working to create a measurable and proactive stakeholder engagement framework into our daily operations.

### Embedding a proactive approach to stakeholder engagement

This year we have reinforced our business focus on stakeholder engagement with the introduction of a dedicated role within our corporate affairs team. Our stakeholder engagement manager works closely with our CR&S team and with business unit stakeholder engagement representatives to build a consistent, strategic framework and to balance stakeholder interests across our projects.

We aim to embed our strategy in our everyday operations so that our development and asset managers take ownership of their respective stakeholder engagement plans.




We train our people on stakeholder engagement and issues management as part of our employee orientation program and through business unit forums. Our strategic urban planning workshops provide specific training for our development managers on stakeholder priorities and concerns.

In FY10, we will incorporate performance measures for development and asset managers on stakeholder engagement and issues management. The performance objectives of our executives will reflect these priorities.

## OUR STAKEHOLDERS



## STAKEHOLDER ENGAGEMENT PERFORMANCE SUMMARY

 <b>Past</b> Last year, we said we would:	 <b>Present</b> This past year, we have:	 <b>Future</b> In the coming year, our priorities are to:
Put stakeholder plans in place for our largest and most complex projects.	→ Introduced a priority stakeholder projects list to highlight the projects with the highest risk in terms of impact on stakeholders and potential impact on our reputation. Engagement plans are in place for each of these projects.	<ul style="list-style-type: none"> <li>• Pilot regional stakeholder engagement plans for our four largest and most complex catchments.</li> <li>• Ensure that all our active property assets and development projects have a proactive and measurable stakeholder engagement plan in place by the end of FY10.</li> <li>• Put stakeholder engagement plan performance metrics in place for senior employees and development and asset managers.</li> </ul>
Continue to implement plans for existing assets: revise stakeholder plans to be rolled out to all Commercial Property operating assets.	→ Put in place stakeholder engagement plans (SEPs) for most of our retail centres and retail development projects. SEPs are being rolled out to our key office and industrial projects.	

*We are working to incorporate a measurable and proactive stakeholder engagement framework into our daily operations.*

## OUR CR&S APPROACH



### OUR KEY STAKEHOLDERS

#### Employees

We have 1,334 employees in Australia and the United Kingdom.

Each year we undertake the 'Our Voice' survey to understand our level of employee engagement. Our employee engagement score remained high in FY09 at 82 per cent, as measured by Towers Perrin-ISR.

#### Government and regulators

Federal, state and local governments set the regulatory environment in which we operate. We engage regularly with all levels of government in Western Australia, Queensland, New South Wales, Victoria and the Australian Capital Territory directly and through industry associations. Our key industry representative body is the Property Council of Australia and two aligned bodies, the Shopping Centre Council of Australia and the Green Building Council of Australia. Our senior staff hold director-level leadership roles in these bodies. We also work with the Urban Development Institute of Australia, the Australian Institute of Architects and the Planning Institute of Australia.

#### Shareholders and the investment community

We have over 45,000 shareholders in Australia and overseas. We engage with our corporate investors via regular meetings with management and briefings on our strategy and financial results. At our Annual General Meeting, investors can engage with our Board of Directors and are updated on our performance and strategy.

We recently undertook qualitative research with some of our retail shareholders to understand attitudes and preferences for communication channels. Over the past year we have enhanced access to online investor information.

#### Customers

We have a diverse range of customers, ranging from our commercial, retail and industrial tenants and shoppers in our retail centres to purchasers of our residential properties. We regularly seek feedback from customers about their priorities through surveys and research, and we incorporate their feedback into our product design and service offerings.

#### Suppliers

We procure services and products from over 7,000 suppliers. We established a program in 2008 to commence aligning the performance of our key suppliers with our CR&S values. Suppliers complete a CR&S questionnaire and a comprehensive health, safety and environment questionnaire as part of their response to our tender requests.

#### Communities

Our communities include those affected by our residential, apartment and retirement living developments, as well as the communities that visit our retail centres. Our engagement with communities includes community consultation forums, meetings with community groups and local leaders, as well as surveys and research.

#### Media

We engage with journalists across a wide spectrum of local, regional, metropolitan and national print and electronic media outlets. Our corporate media strategy outlines our approach to dealing consistently with the media. We aim to be responsive to requests for information about our business activities.

#### ENGAGING WITH OUR STAKEHOLDERS: A CONSISTENT MEASURABLE FRAMEWORK

Over the past year we have field tested our stakeholder engagement template to ensure a consistent and strategic approach. We will be implementing this template across our projects in FY10.

This template will ensure that stakeholders are listed in priority order and includes an engagement plan for each group that clearly identifies primary concerns throughout the stages of a project. The plans will address the particular social, political, economic and environmental concerns of the community. This will help to identify the potential risks and opportunities to our business on a project by project basis.

Our stakeholder engagement plans will be active, 'live' documents and will be updated regularly by our project teams. The outcomes of engagement activities will be communicated to key stakeholders through newsletters to residents, stakeholder meetings, website updates or site tours for local community groups.

#### FUTURE REGIONAL FOCUS

The diversity and geographic spread of our business means that a consistent and coordinated approach to our stakeholder interactions can be a challenge. In response to this, in FY10 we are piloting regional stakeholder engagement plans for both our Residential and Commercial Property businesses in those geographies where our business units collectively have a significant presence.

#### PRIORITY STAKEHOLDER PROJECTS

In our FY08 CR&S report, we said we would put stakeholder plans in place for our largest and most complex projects. The priority stakeholder projects (PSP) list includes both the largest projects and those that have the highest risk in terms of impact on stakeholders and potential impact on our reputation. The list takes into account environmental issues, planning complexities, and community concerns.

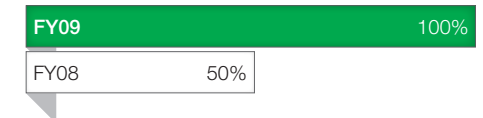
Projects on the PSP list are determined by the senior leaders in our business and the list will be closely assessed and updated every two months. It also incorporates a 'watch list' for new and existing projects that may have longer-term issues on the horizon.

In line with the commitment we made in our FY08 CR&S report, we have put a stakeholder engagement plan in place for each of these priority stakeholder projects.

Our Residential business has recently introduced the first phase of a risk assessment program to identify the key commercial, environmental and stakeholder risks of each of our residential projects. This program informs our PSP list and will also be updated on a two-monthly basis.

A review of our residential projects identified that 20 out of 76 projects have a stakeholder plan in place (this includes all Residential PSPs). In some cases these plans are not clearly documented or regularly updated. We are committed to improving our approach to stakeholder engagement and aim to ensure that all our active Residential projects have a rigorous stakeholder engagement plan in place by the end of FY10.

#### Priority projects with a stakeholder engagement plan



## OUR CR&S APPROACH CASE STUDY



Stockland Glenrose – Working together on the plans for a new centre

### STOCKLAND GLENROSE, BELROSE, NSW

Our Glenrose shopping centre on Sydney's North Shore has been the focus of intense community interest since we first lodged a redevelopment proposal in 2006. Following community concerns about the scale of our proposed redevelopment, Warringah Council requested that we resubmit plans with a smaller scheme.

Environmental investigations at the time of our proposal found contaminated groundwater beneath the centre, and the Department of Environment and Climate Change (DECC) was advised. The contamination originated prior to our ownership of the centre.

A revised proposal was submitted to Warringah Council in September 2007 which incorporated plans for remediation of the contaminated groundwater.

We engaged with council officers on the key issues, but our application was refused because of concerns from local residents about traffic issues, design elements and the scale of the redevelopment.

Further environmental testing conducted in January 2009 determined that the extent of the contamination in the groundwater was greater than originally thought, and we notified retailers and the community that the majority of the centre would need to be demolished to enable remediation works to take place.

#### Responding to stakeholder feedback

The centre's history of unsuccessful redevelopment applications raised a degree of community concern about our plans. Many stakeholders questioned the need to demolish all shops located within the centre. Retailers and the community had concerns about the proposed timetable and questioned our commitment to developing a new shopping centre on the site to continue to service the local area.

In response to this feedback, and in consultation with the mayor and the State MP, we changed the timetable to allow additional time for retailers and customers to prepare for the remediation works. We also determined that a number of retailers would be able to continue trading during the

remediation process, subject to ongoing environmental analysis to ensure public safety.

We acknowledge that earlier consultation with our Glenrose stakeholders would have alleviated some of their concerns about the remediation program and the plans for the site.

#### Working together on the plans for a new centre

In direct response to community feedback, the plans for a new shopping centre are anticipated to be smaller than the schemes previously proposed.

We now have a formal stakeholder working group, led by our development and centre management team, which includes a Glenrose retailer, members of the local community action group and local residents and businesses. This group meets on a regular basis to discuss the remediation works and plans for a new centre. We report key issues and action items to the group, the Mayor and the local MP.

This process has ensured an open and consultative approach in the leadup to remediation and redevelopment works, and we have received positive feedback about these sessions.

We have learnt many lessons from this project and wish to maintain regular communication with our stakeholders, including through community newsletters, retailer briefings, website updates and briefings for the local newspaper.

Working together with our stakeholders and focusing on community priorities, we are designing a new shopping centre that will be a safe and vibrant place to shop.

AVERAGE  
RIGOUR TEST  
SCORE OUT OF 5

3.8

### IMPROVING OUR ENGAGEMENT PLANS

The stakeholder engagement plans for each of our priority projects have been rated in terms of their key elements and overall quality. The key elements include:

- Identification of stakeholders and relationship management,
- Objectives, key messages and measures of success,
- Implementation and key milestones,
- Engagement strategy,
- Current status.

Each plan receives a score out of 5 for each criteria.

The FY09 average score of 3.8 out of 5 is an increase on our FY08 average score of 2.4, and demonstrates our increased focus on improving the quality and effectiveness of our plans. In FY10, we will be further developing the rigour of our scoring to ensure the criteria reflects key elements of our stakeholder engagement approach across all properties and projects.

#### Average stakeholder engagement plan rigour test score out of 5

FY09	3.8
FY08	2.4

## COMMERCIAL PROPERTY

### Our evolving Commercial Property sustainability policy

In July 2008, the office, industrial and retail businesses were combined to form the Commercial Property business unit.

Bringing together these different asset classes in one business revealed that we needed a consolidated CR&S strategy for Commercial Property, and a policy consistent with the Residential Sustainability Policy.

A workshop held in May 2009 involving key internal Commercial Property stakeholders identified that stakeholder and customer engagement are important to the future success of the business unit. Other past year, customer engagement on sustainability matters has included working with tenants on eco-efficiency through the Sustainability Advantage program (run by the Department of Environment and Climate Change), continuing to implement our Retail Green Fitout Guide and supporting sustainable industrial property design by establishing our North Lakes Business Park Green Business Fund.

### Implementing revised stakeholder engagement plans

During FY09 we developed a consistent approach to the way we identify and prioritise stakeholders at all assets. Our aim was to empower all employees at a project level to own and manage the relationships and engage with their local communities.

As a part of this strategy, two stakeholder engagement templates were launched – one for development assets and one for operating assets. Most of our retail centres and retail development projects now have stakeholder engagement plans (SEPs) in place. A common approach is being adopted across the business with a focus on ensuring we routinely identify key stakeholders, their expectations and priority issues. In support of this, early work has been done to integrate this strategy at our largest and most complex office and industrial projects including our Moorebank intermodal site in Sydney.

A key challenge for the year ahead will be to revise and put these plans into operation as our needs and the needs of our stakeholders change.

## OUR CR&S APPROACH



### Developing the Commercial Property sustainability strategy

We have started to revise our Commercial Property sustainability strategy.

We commenced this process through internal and external workshops, stakeholder interviews, market research, peer analysis, media coverage and our own external assurance process.

The four sustainability priority areas were:

- **Customer relationships,**
- **Community relationships,**
- **Energy and climate change,**
- **Natural resources (water, waste and biodiversity).**

The development of action plans that address the material issues in these focus areas are a feature of our revised strategy. Particular attention will be given to customer, community and supplier engagement strategies, job creation, low carbon, high-performing buildings, green regulation and rating tools.

### Commercial Property in this report

The first of these priority areas, customer relationships, is included in the customers and suppliers section of this report (page 32 – 37) and includes information on how we are engaging with our Commercial Property tenants on sustainability and ways that we collect information from our customers on their experience, such as Mystery Shopper and customer feedback programs at our retail centres.

Our approach to stakeholder engagement is provided in the stakeholder engagement section of this report (page 15 – 16).

The energy and climate change section (page 44 – 57) details how we are improving energy efficiency in our new and existing buildings, and the NABERS Energy and Water ratings for each of our buildings is included in the natural resources section (page 65 – 66). This section also includes waste and water data for our Commercial Property portfolio (page 62 – 64, 67).

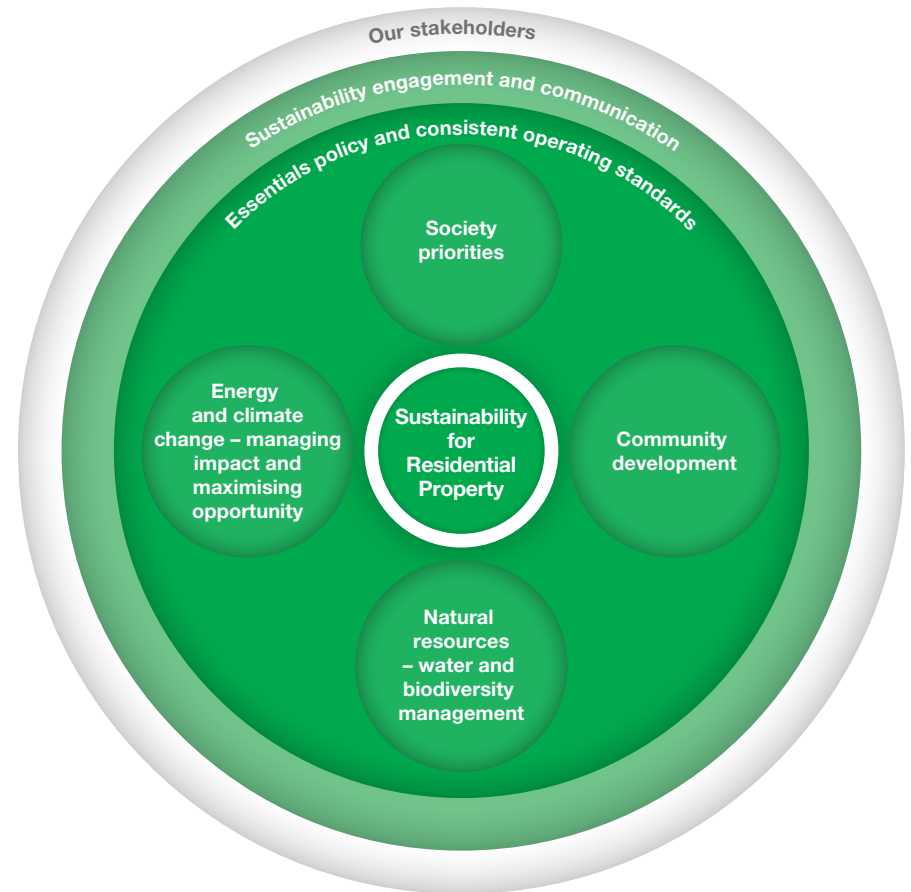
## RESIDENTIAL AND RETIREMENT LIVING

### Our evolving Residential sustainability policy

A Residential sustainability policy was launched in June 2008, approved by the residential management group. The policy requires every project to implement a minimum compliance standard and also provides advice on best practice and innovation. The policy was communicated to the business in the first quarter of FY09. While there is no formal mechanism to track the implementation of the policy, an informal review completed in February and March 2009 indicated that there was inconsistent application and delivery. This review also identified the need for the Residential business to further develop its understanding and approach to sustainability and to engage with stakeholders to prioritise the business's most important social, economic and environmental issues. At this time, our Residential business encompasses our Retirement Living business.

The Residential sustainability policy is now being revised and includes objectives and actions that are included in the performance management role accountabilities for business development and acquisition managers, development managers, design managers, marketing managers and sales employees.

## RESIDENTIAL SUSTAINABILITY STRATEGY





## Developing the Residential sustainability strategy

To develop the residential sustainability strategy, we conducted more than 35 formal interviews in February and March 2009. These interviews were held with internal stakeholders, including the CEO, design managers, development managers and customer-facing employees from all levels of the business. The list of potential sustainability focus areas was also tested with external stakeholders, including a builder, consultant and a government representative. We also undertook a review of customers' perceptions of our performance.

In response to these challenges a sustainability strategy identifying our areas of focus and action was developed in the first half of 2009. Our sustainability policy setting our minimum standards and 'beyond compliance' aspirations was revised to be consistent with the strategy.

As part of our strategy development the four sustainability priority areas identified as most material to our stakeholders and business were:

- **Society:** Our role in contributing to a strong, vibrant, healthy and economically viable society. This includes our role in housing affordability, economic contribution and job creation,
- **Community development:** The soft and hard infrastructure that create a sustainable community,
- **Energy and climate change:** Our energy management approach and our current and future climate change,
- **Natural resources (water and biodiversity):** Our water management approach and our impact on biodiversity through developments.

The sustainability strategy also includes a focus on stakeholder engagement, improving our sustainability communications, delivering consistent operating standards and embedding sustainability into our operations. These priorities were approved by the residential management group and the CR&S Board Committee in May 2009.

Progress against the priority areas in the strategy will be tracked through monthly reporting to the residential management group. We are developing project reporting standards to track our performance. A pilot form of this project reporting has been implemented for this report, allowing us to establish a performance baseline.

## Residential and Retirement Living information in this report

Information on the first two priority areas, society and community development, can be found in this report in the community development and housing affordability sections (page 36, 40 – 42). Information on customer satisfaction and our spend on suppliers is detailed in the customers and suppliers section (page 32 – 37).

The climate change and energy section summarises our estimated energy use and greenhouse gas emissions and includes information on how we are working with specialists on researching risks associated with flooding, storm surge and sea level rise (page 44 – 57).

In the natural resources section there is water consumption data for our residential, apartments and retirement living villages and information on how we are managing biodiversity impacts (page 58 – 67).

All the Residential and Retirement Living data provided in this report was collected in July 2009 covers FY09. Our CEO Residential and relevant general managers nominated data owners in their business to collect and report sustainability data for the reporting period. The data was collected for 66 Residential Community projects, nine Apartments projects and the four Retirement Living projects that we determined we had operational control for under the National Greenhouse and Energy Reporting Act (NGERA). An information management system was used to create online forms that were sent to the data owners. These forms provided definitions and guidance on the data collection process and methodologies.

## OUR CR&S APPROACH CASE STUDY



Point Lonsdale, Victoria

### STOCKLAND POINT LONSDALE, VICTORIA

We have considered a wide range of community issues over the past five years as we pursued plans for a residential development at Point Lonsdale on the Bellarine Peninsula in Victoria. Concerns have ranged from the potential environmental impacts of a development at a sensitive coastal location to the proposed scale of the project and the impact on the neighbouring community.

This project has been considered by all three levels of government, ensuring a stringent approval process that provides opportunities for stakeholders to have their say about the project.

After acquiring the 195 hectare site in 2002, we initially proposed a combined tourist and residential scheme, including a golf course. These plans were soon abandoned in response to community and regulatory feedback about their unsuitability for the township.

Since early 2004, we focused on planning a project that would be more

in keeping with the site's coastal location. In 2006 we put forward a proposal for a primarily residential scheme, which included plans to upgrade the existing degraded waterway system to provide better drainage at the site, mitigate flood risk and create a rejuvenated marine environment restoring native vegetation and habitats, which were key concerns raised by the local community.

Our proposal also called for some land to be rezoned from rural to residential. This plan was rejected by the state government, and after further consultation, we submitted a design that conformed to existing land uses.

Our application, along with the extensive Environment Effects Statement (EES) prepared for the project, was then referred to an independent planning panel which heard public submissions and expert statements. The panel found that the project could proceed subject to a number of planning conditions, including setting floor levels of dwellings to accommodate potential sea level rise predictions.

In February 2009, the Victorian State Minister for Planning adopted the Panel's findings and referred the application to the Federal Minister for the Environment for consideration under the Environment Protection and Biodiversity Conservation Act.

We submitted detailed studies to ensure the project complied with the Act, including provisions for wetlands of international significance and threatened species.

Throughout this process, we have maintained a high level of engagement with a range of stakeholders including local community organisations and authorities via regular briefings, newsletters, site tours and maintaining a visitor information centre near the site for more than three years.

In FY10, we will continue to consult with representatives from various stakeholder groups to ensure the delivery of a world-class, environmentally-sensitive coastal village at Point Lonsdale.



## OUR CR&S APPROACH



### STOCKLAND UK

#### Business climate

The past 12 months have been a challenging time for the UK commercial property industry, which has witnessed a fall of over 25 per cent in capital values in the year to May 2009, with the total fall in capital values now expected to reach approximately 50 per cent in the second half of 2009. These pressures are further compounded by considerable downward pressures on rental growth and increasing levels of tenant administrations.

Against this challenging backdrop, we are continuing to focus on our enhancing relationships with our tenants to help support them through this difficult period.

The current economic environment has forced us to refocus our FY09 CR&S strategy. In particular, it has affected our ability to launch a formal program of work to engage our tenants and joint venture partners on CR&S. With the financial pressures that these businesses are currently under, and the proposed sale of our UK assets, we feel that engaging our customers on new initiatives at the present time may prove counter-productive. We do, however, remain committed to progressing this work once the external environment allows.

#### Developing the UK sustainability strategy

Our UK CR&S Committee is made up of key employees from across the business. The Committee worked closely with the Australian business to formulate our FY09 strategy and implement this strategy across the business.

The focal point for the business in FY09 in terms of sustainability has been our existing asset management portfolio. We have continued to measure the carbon footprint of our most energy-intensive assets and are working to identify and implement measures to reduce the energy consumption of these assets. We also focused on meeting emerging environmental sustainability regulating requirements.

We held a series of environmental sustainability workshops in the year to educate employees and develop a tailored sustainability approach for our asset management and major project areas of the business. Over 90 per cent of employees in these teams attended these workshops.




This year we have also continued to place a strong emphasis on employee engagement and have achieved very positive results as measured by our annual employee survey, as well as a high level of employee participation in the giving and volunteering activities we have run throughout the year.

#### Stockland UK information in this report

This report includes information on employee volunteering and community investment in our UK business, and on our community development project in Harlow in Essex (page 42).

Employee data in our people section includes UK employees unless otherwise stated (page 24 – 26, 28 – 31). We outline UK environmental regulation affecting our industry in the Regulation section (page 48 – 49).

### STOCKLAND UK PERFORMANCE SUMMARY


 <b>Past</b> Last year, we said we would:	 <b>Present</b> This past year, we have:	 <b>Future</b> In the coming year, our priorities are to:
Continue to develop our CR&S strategy, complementing Stockland's overall approach, while keeping in step with external demands in the UK and addressing our business needs. Engage with both our existing and new joint venture partners.	→ Refocused our original CR&S strategy appropriate to the current economic climate. We postponed launching a formal program of work to engage with our tenants and joint venture partners.	<ul style="list-style-type: none"> <li>• Continue to adapt our CR&amp;S strategy, complementing Stockland's overall approach, while keeping in step with business needs and the current UK financial environment.</li> <li>• Review opportunities to roll out our Community Consultation Plan on a development project.</li> <li>• Continue to measure the carbon footprint of our most energy-intensive assets to identify and implement measures to reduce energy consumption.</li> <li>• Conduct Asset Sustainability Audits across more of our portfolio and reduce the energy, water and waste consumption of these assets.</li> </ul>
Develop a more comprehensive plan for community involvement across our portfolio and commit to issuing a set of guidelines to cover all major developments in the coming year.	→ Developed a draft Community Consultation Plan. In FY09 we have not had a project reach an appropriate stage to enable this to be trialled.	
Develop an environmental sustainability plan.	→ Held environmental sustainability workshops for our employees, aimed at developing a specific and tailored sustainability approach for our asset management and major project areas of the business.  → Continue to measure the carbon footprint of our most energy-intensive assets and identify ways in which we can reduce energy consumption.	

## United Nations' Principles for Responsible Investment

### RESPONSIBLE INVESTMENT PERFORMANCE SUMMARY

We became a signatory to two investment-focused initiatives in our previous reporting year: the Investor Group on Climate Change (IGCC) and the United Nations' Principles for Responsible Investment (UN PRI).

Initially, these initiatives were sponsored by our Unlisted Property Funds (UPF) business, however we have come to apply the principles of these organisations to the management of our properties and projects - beyond those held in UPF.

Principles UN Principles for Responsible Investment	 Present This past year, we have:
1. We will incorporate Environmental Social Governance (ESG) issues into the investment analysis and decision-making process.	→ Continued to reference our ESG practices in investment policy reports. We have formalised environmental and social risk analysis as part of our acquisition and project management processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.	→ Continued to apply environmental rating tools such as NABERS and Green Star to rate and guide our management and design of our properties and projects.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.	→ Disclosed the environmental and social performance of our projects and properties through our annual CR&S reporting. This includes disclosure of NABERS and Green Star ratings, as well as our relationships with our stakeholders.
4. We will promote acceptance and implementation of the Principles within the investment industry.	→ Initiated engagement with our property peers on the purpose of these principles, and promoting environmental, social and governance (ESG) performance indicators, particularly through industry events.
5. We will work together to enhance our effectiveness in implementing the Principles.	→ We have worked with peers in the development of <i>A Guide to Corporate Responsibility Reporting in the Property Sector</i> with property sector peers. The guide sets out how property organisations might simply and effectively commence disclosure of environmental and social performance.
6. We will report on our activities and progress towards implementing the Principles.	→ We are committed to reporting on our progress in future CR&S reports.



# VALUING OUR PEOPLE



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Maintaining high levels of employee engagement, embedding CR&S and ensuring the health and safety of our employees enables us to operate effectively and to continue to attract and retain talent.

## Valuing our people – Progress and priorities

### PERFORMANCE SUMMARY

 <b>Past</b> Last year, we said we would:	 <b>Present</b> This past year, we have:
Continue to sustain high employee engagement during challenging market conditions through a range of programs including management training and leadership development.	→ Sustained high employee engagement despite challenges faced by the changing economic environment. We delivered our Inspiring Managers Training Series, including Managing in Challenging Times training. In the Our Voice survey, our People Leader Index score rose to 80 and the Immediate Manager score rose to 81 per cent.
Reduce our rolling 12 month employee turnover to these turnover targets: – 12 per cent for regretted turnover, – 7 per cent for non-regretted turnover, – 19 per cent for total turnover.	→ Reduced regretted turnover to 10.5 per cent. Challenging economic conditions prompted a number of redundancies during the year which increased our total turnover to 28.3 per cent.
Build on our performance management program, with all employees to have development plans in place.	→ Updated our manager training on performance management. The participation level and quality of development plans improved, with 64 per cent of employees having plans in place.
Continue to engage with our employees to enrich our culture in a way that supports 'Health, Safety and Environment (HSE) Best Practice' aspirations. We aimed to maximise employee engagement and participation in our HSE program.	→ Engaged employees in our HSE program through our induction processes, supported by performance plans that encourage their active participation.  Delivered a customised in-house HSE training course to our facility and asset management employees.
Work closely with our contractors and other business partners to ensure that they deliver on health, safety and environment, consistent with our expectations.	→ Updated the HSE clauses in our contracts to ensure accountability is clear. Our contracts now include an obligation to meet industry best practice HSE standards. → Continued to expand our contractor online induction program and achieved the milestone of our 5,000th contractor participant. → Continued to communicate with contractors and tenants to help them with preventative measures, for example, by distributing safety alerts.
Launch our new online incident reporting system to enhance our focus on improving reporting, analysis and determination of corrective actions arising from injuries and incidents.	→ Launched IRIS, our new incident reporting and investigation system in January 2009. This enables us to record, report and analyse incidents and cause factors.


**Future**  
In the coming year, our priorities are to:

- Develop a wellbeing strategy which will include how we will improve the people management skills of our managers and ways we can improve employee health and wellness.
- Continue to support the business in maintaining high engagement in the changing economic environment, along with promoting alignment of behaviours with Stockland values.
- Maintain our focus on minimising employee turnover. Our rolling turnover targets are:  
– 10 per cent for regretted turnover,  
– 5 per cent for non-regretted turnover,  
– 15 per cent for total turnover.
- Continue to build on our strength in personal and career development planning.
- Improve the specialist HSE support, by increasing the presence of our HSE team on development and property sites, and by making HSE information easier to access on our intranet.
- Improve the frequency and quality of HSE communications with contractors and maintain an effective audit program. Continue to improve the quality of our contractors' reporting and monitor their response to incidents and non-compliances.
- Complete the implementation of the contractor induction program in the Commercial Property business and trial it in our Residential business.
- Develop a new IRIS module for risk management which will include registers of pre-qualified auditors and audit results and action plans.

## VALUING OUR PEOPLE



### VALUING OUR PEOPLE

Our employees are vitally important to us. Maintaining high levels of employee engagement, embedding CR&S and ensuring the health and safety of our employees enables us to operate effectively and to continue to attract and retain talent.

To help foster an engaged, productive and safe workplace we have a People Strategy which guides how we attract, develop, support and reward our people. The strategy is updated each year and we report on progress and key metrics to our Board each month.

We commenced FY09 with a People Strategy to:

- Reduce employee turnover,
- Create great leaders and managers,
- Enhance and embed existing people frameworks and processes.

The global financial crisis provided challenges for us in FY09. In particular, extensive organisational restructuring was required to adapt the business to prevailing market conditions.

The restructure had significant implications for our people, with a number of roles being made redundant. Despite this, we maintained a strong focus on our people strategy with key outcomes detailed in this section.

### People information in this report

The employee engagement section outlines our approach to creating a diverse work environment, results from our employee engagement 'Our Voice' survey and the benefits we provide to our employees.

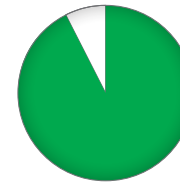
The embedding CR&S section discusses the work we have done towards our goal of embedding CR&S into the business. This includes implementing new policies and initiatives in our Residential and Commercial Property businesses, as well as our work to integrate CR&S objectives into performance management.

The capability development section includes information on our initiatives to strengthen leadership and management capability and the investment we have made in leadership development tools and programs.

The employee metrics section includes information on our total workforce by ethnic background and gender. It also details our turnover rates and the impacts of retrenchments in the reporting period.

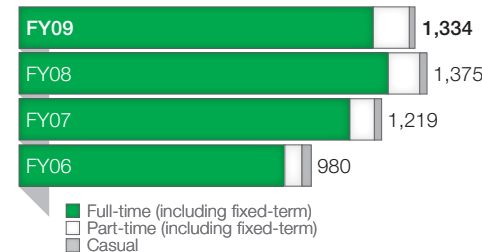
The health and safety section details our injury performance, feedback from our employees and improvement projects we have been working on including the introduction of IRIS, our new incident reporting system.

### Stockland workforce – by region

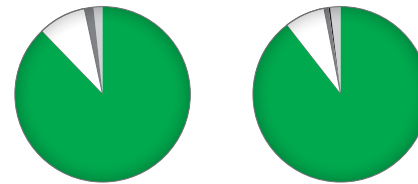


FY09 (total 1,334)  
 ■ Australia (1,236)  
 □ UK (98)

### Stockland workforce – number of employees



### Stockland workforce – by contract



FY09 (total 1,334)  
 ■ Permanent full-time (1,171)  
 □ Permanent part-time (122)  
 ■ Fixed-term full-time (20)  
 ■ Casual (21)

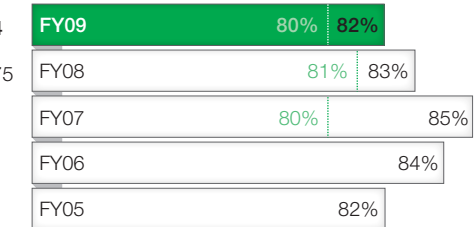
FY08 (total 1,375)  
 ■ Permanent full-time (1,230)  
 □ Permanent part-time (104)  
 ■ Fixed-term full-time (13)  
 ■ Fixed-term part-time (2)  
 ■ Casual (26)

### EMPLOYEE ENGAGEMENT

Our employees create our products and deliver our services. How they think, feel and act about the organisation is vital to our success. Our aim is to foster a diverse work environment where employees are engaged and their contributions are recognised.

Our annual employee opinion survey, 'Our Voice', measures employee engagement. Our 2009 employee engagement score was 82 per cent, which is above the Global High Performing Companies Norm as measured by Towers Perrin-ISR.

### Employee engagement



More than 90% of our employees participate in our annual survey, enabling us to benchmark ourselves against high performing companies.  
 — Global High Performing Companies Norm.

While falling by 1 per cent from our 2008 score of 83 per cent, this result is statistically insignificant and engagement remains high, despite the uncertainty of the economic climate at the time of the survey and structural changes in some parts of the business.

The Global High Performance Norm (GHPN) is Towers Perrin-ISR's highest benchmark. In the 2009 'Our Voice' survey, we either met or exceeded the GHPN in 18 of the 20 result categories where a GHPN benchmark score is available.



The area in which we scored most favourably in comparison with the Global High Performing Companies Norm was training and learning, with 81 per cent of people saying that there are sufficient opportunities for them to receive training to improve skills. We will continue to develop our employees as this is a key reason why people stay at Stockland. In previous years, pay was highlighted as an area that needed to be examined. This year's results show a marked improvement (eight per cent) in employees' perceptions on pay.

While the survey highlights areas in which we are performing well, it also identifies areas in which we can improve. The areas in which we scored least favourably in comparison with the GHPN included:

- **Values:** While most people believe our values are clear (92 per cent) and our current values remain relevant to the business (88 per cent), there has been an 8 per cent reduction in the belief that leadership decisions are consistent with our core values. Overall, there has been a significant reduction in our values category score, from 85 in FY08 to 81 in FY09, which is two points below the GHPN score. This reduction occurred primarily in the parts of the business most affected by organisational restructuring implemented prior to the survey period. In FY10, we will be seeking to address this by supporting a more constructive leadership style aligned with our culture and values, focusing on the business areas where the biggest reduction in scores occurred.
- **Customer Focus:** There has been a 5 per cent reduction in the belief that we do not make promises to customers that we cannot deliver on. This is a particular concern in some of our customer-focusing areas and one that we are seeking to address through initiatives such as the launch of our Customer Relationship Management system (link to customer satisfaction page) in our Residential business.

While our perceptions of work/life balance have improved since 2008 and three-quarters of employees find their work schedule allows sufficient flexibility to meet personal needs, 43 per cent said that they feel their workload is excessive. Action plans to address this will be developed in the coming year.

The 2009 'Our Voice' survey was conducted in March and April 2009 and employee participation was high at 92 per cent.

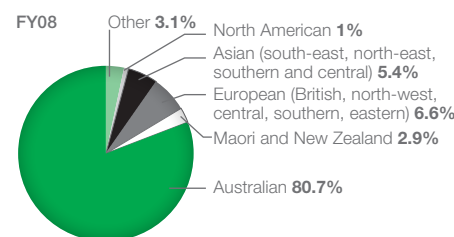
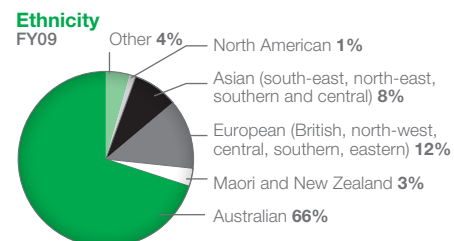
### Diversity in the workplace

Diversity forms an integral part of our people strategy, with progress against the diversity target reported to the Board twice a year. In the 2009 'Our Voice' employee survey, 89 per cent of people felt that we support equal employment opportunity for all employees. This represents a 9 per cent increase from our score in 2008 and is 17 per cent above the Towers Perrin-ISR Global High Performing Companies' Norm.

We value diversity and aim to create a vibrant and inclusive workforce, reflective of the communities in which we operate.

Our focus is on gender equity, disability and Indigenous Australians. During the past year, a Diversity Steering Committee has been established to oversee the implementation of our diversity strategy. A senior manager has been appointed in the human resources team to identify best practice diversity initiatives.

We accommodate the Diversity Council of Australia (DCA) in our head office, providing workstations and IT facilities free of charge. DCA is an independent, not-for-profit diversity adviser to businesses in Australia. This arrangement provides us with the opportunity to collaborate with the DCA on how we can enhance diversity within our workplace. Although opportunities to expand the diversity of our workforce have been limited by the global financial crisis and a lower level of recruitment activity, several new diversity programs have been implemented.



Percentages are based on employees who responded to these questions in the ISR survey. 94 per cent of employees provided a response to these questions.

### Disability programs

In conjunction with the Australian Employers' Network on Disability, we participate in the 'Stepping into Finance' program and the 'Willing & Able Mentoring' program. The program supports tertiary students with a disability by providing them with either paid work experience during their summer vacation or with the opportunity to develop a mentoring relationship with an industry professional.

### Providing employment opportunities for Indigenous Australians

Our commitment to providing employment opportunities for Indigenous Australians has been strengthened through the graduation of our first Indigenous Cadet into ongoing full-time employment.

### MEDIAN AGE OF EMPLOYEES

**37.5 YEARS**

### Median age of employees

FY09	37.5
FY08	34
FY07	34
FY06	34

## VALUING OUR PEOPLE



### Gender equity

Our aim is to increase the percentage of women in management roles, and progress has been achieved over the past year. The percentage of women in management roles increased from 30.4 per cent at the start of the year to 33.4 per cent by the end of the year. Although this improvement falls slightly below our target of 35 per cent, opportunities to expand the diversity of our workforce have been limited by our lower level of recruitment activity in response to the economic climate.

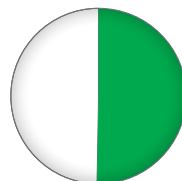
### OVERALL WOMEN IN MANAGEMENT

33%

### Overall women in management

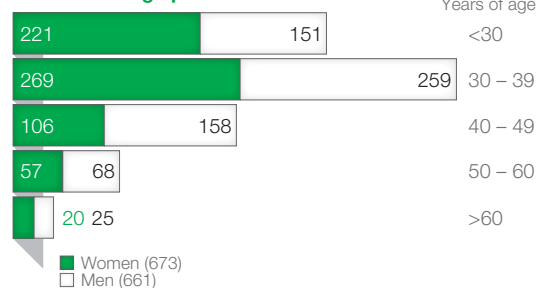
FY09	33%
FY08	30%
FY07	28%
FY06	28%

### Gender profile



FY09 (total 1,334)  
 ■ Women (50.4%)  
 □ Men (49.6%)

### Gender and age profile



## PROPORTION OF WOMEN IN MANAGEMENT

Job Band	FY06 Women	FY06 Men	FY07 Women	FY07 Men	FY08 Women	FY08 Men	FY09 Women	FY09 Men
Executive Management	33%	67%	33%	67%	33%	67%	25%	75%
Leadership Team	10%	90%	14%	86%	16%	84%	15%	85%
Senior Management	20%	80%	20%	80%	23%	78%	24%	76%
Management	33%	67%	33%	67%	35%	65%	39%	61%
Professional/Technical	53%	47%	49%	51%	49%	51%	46%	54%
Employee	83%	17%	80%	20%	81%	19%	76%	24%
<b>Total</b>	<b>52%</b>	<b>48%</b>	<b>51%</b>	<b>49%</b>	<b>52%</b>	<b>48%</b>	<b>50%</b>	<b>50%</b>

We remain committed to professional development initiatives to help increase the number of suitably-qualified female candidates for senior roles. The launch of the 'My Mentor' program, in addition to expanding our women's networking forums, provides further support for women to develop their careers.

### Human rights

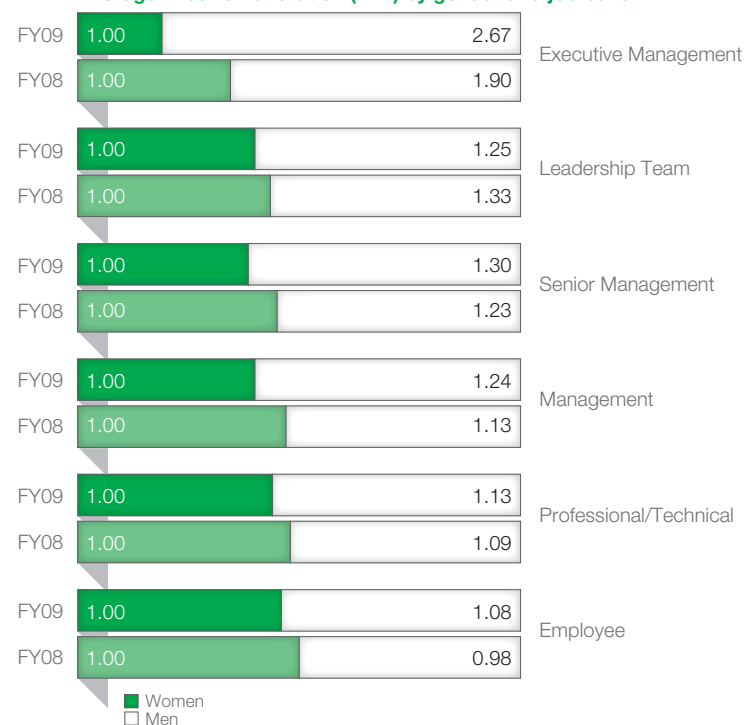
Our human rights commitments are included in the following policies and procedures:

- Code of Conduct and Ethical Behaviour,
- Dispute Resolution Policy,
- Whistleblowing Policy,
- Health and Safety Policy.

These policies can be found on our website.

We look to work with organisations that demonstrate a commitment to human rights, through our Sustainable Supply Chain Policy.

### Average fixed remuneration (FTE) by gender and job band



Remuneration comparison data includes fixed pay only – not incentives. These figures exclude casual employees and those who receive sales commissions.

### Employee benefits

We support our employees by offering a range of benefits such as:

- Eligibility to participate in an employee share plan and short-term incentive program,
- Employee discounts for purchases in Stockland developments,
- Two days paid personal volunteering leave,
- 12 weeks paid parental leave for primary care givers,
- Two weeks paid parental leave for non-primary care givers,
- Dependent care information and referral service,
- Employee Assistance Program that offers confidential counselling for employees and family members,
- Learning and development programs,
- On-site childcare centre at head office. Since opening in June 2008, the Treehouse Childcare Centre now has an average enrolment of 45 children, representing an 80 per cent occupancy rate.

Where feasible, employees are also able to arrange flexible work options with their managers. These include part-time roles, job sharing and the flexibility to work from home.

### CAPABILITY DEVELOPMENT

Training and personal development is an important contributor to employee engagement. Our performance in this area continues to be rated highly by our employees. The 'Our Voice' survey conducted in April 2009 showed over 75 per cent of participants responded favourably to the training and learning and personal development questions. These results are consistent with the Towers Perrin-ISR Global High Performing Companies Norm.

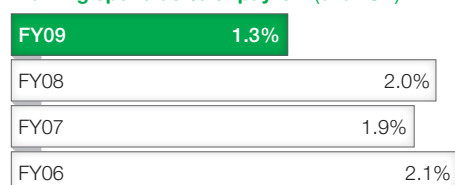
We provided around three training days per employee in the reporting period and continue to budget 2.5 per cent of payroll for training annually. Our capability development strategy this year responded to the economic environment and needs of the business. This included building internal training capability, encouraging on-the-job development and developing cost-effective training. As a result, our training spend as a percentage of our payroll declined, largely as a consequence of this increase in internal training. In FY09, we focused on:

- Delivery of manager programs to build capability and ultimately reduce employee turnover,
- Broadening understanding of options for employee development,
- Embedding leadership attributes.

#### Annualised training days per employee (excl. UK)



#### Training spend as % of payroll (excl. UK)



### Inspiring Manager Training Series

The Inspiring Manager Training Series includes mandatory half and one-day programs for our people managers, which are run three to four times a year. This year we ran programs on Objective Setting and Development Planning, Conducting Performance Reviews, Manager as Coach, and Skills for Managing in Challenging Times. The series aims to empower our managers to develop capability in their teams and address employee turnover.

The Managing in Challenging Times program was developed in response to organisational needs following the reduction in employee numbers in early 2009. The session helped managers understand the recent business changes and provided guidance on how to deal with change, both individually and as a team.

### Embedding leadership attributes

Business leaders complete a 360 degree assessment on our 12 leadership attributes. Over the past year the aggregate scores for leadership team members have increased for each of the 12 leadership attributes. This feedback instrument is administered by Development Dimensions International (DDI). Our leadership team meets or exceeds the DDI 50th percentile Global Executive Norm for nine of the ten attributes, where this external benchmarking measure is available. Leaders who participate in the assessment create action plans to support their development.

Our leadership capabilities were recognised when Natalie Moore, State Sales Manager, Residential, was chosen as AFR BOSS magazine's Young Executive of the Year 2009, which names six of the best young leaders in corporate Australia with the skills, talent and drive needed to make a successful leader.

### Gateway Retail Management Program

We partner with the Macquarie Graduate School of Management for the Gateway Retail Management Program. Gateway, a year-long course, offers a theoretical and practical approach to the specifics of retail management at Stockland.

The program provides participants with the skills and knowledge needed to be a centre manager. Eleven participants in the inaugural program completed the training in late 2008.

### Compliance training

Online Trade Practices and Privacy training sessions are run every two years. This training was run in FY08, and selected employees have been enrolled to complete both modules in July and August 2009.

We also held online Equal Employment Opportunity training in June and July 2008. This training comprises three modules: Discrimination, Grievance and Harassment. Thirty-one per cent of employees undertook the training at the end of FY08, and the remainder completed it in early FY09. All employees are currently enrolled to complete this training again in July and August 2009.

### 2009 Peter Daly Fellowship

The Peter Daly Fellowship provides employees with the opportunity to travel overseas to investigate an initiative that will help bring our business closer to being world-class in a key focus area.

Almost 40 people, working in teams, applied for the 2009 Fellowship. The winning team examined social sustainability and ways that we can better engage with our stakeholders to ensure we take their points of view into consideration in the development of our projects. Working towards social sustainability will enhance our brand awareness, lead to the creation of developments that are quick to market yet mindful of our stakeholders' interests, and will position us as a leader in policy and best practice development.

The research involved travelling to the United States, Canada and the United Kingdom to benchmark our projects against leading international practice. The research was conducted in April and May 2009 and recommendations for the business are now being developed.

## VALUING OUR PEOPLE



### EMBEDDING SUSTAINABILITY

Embedding Corporate Responsibility and Sustainability (CR&S) into business activities is one of the focus areas of our CR&S strategy. In FY09 we implemented new policies and initiatives in our Residential and Commercial Property businesses, and introduced a requirement for all employees to include a CR&S aspect when setting performance objectives.

### Incorporating CR&S objectives into our performance management framework

In previous years, employees were encouraged to include CR&S objectives in their performance plans. However, this was not fully adopted across the business. To improve the overall quality of employee objectives, a requirement for a separate CR&S objective was introduced in FY09. In addition to this, objectives were also set in areas including business and financial results, stakeholder engagement, teamwork, and health, safety and environment. This change to our performance management process has increased employee understanding of CR&S. 99% of employees undertook performance evaluation in FY09. We will continue to build understanding of CR&S as part of the setting of employee objectives in FY10.

### Embedding CR&S in our Commercial Property business

Significant progress was made in FY09 on introducing stakeholder engagement plans for all shopping centres. The stakeholder engagement plans help us understand community issues during the planning, construction and delivery phases of shopping centre developments.

Stakeholder dialogue has also begun with presentations made to senior executives with responsibility for asset management, marketing, leasing, finance, developments and human resources to help further their understanding of key issues and strategic priorities for the future.

### Embedding CR&S in our Residential and Retirement Living businesses

The Residential sustainability strategy includes a focus on consistent operating standards and embedding sustainability practice. Internal communication of the strategy has included presentations to staff in Queensland, New South Wales and Victoria. A training module was designed in June 2009 for development managers and commenced in July 2009. This module requires all participants to undertake a self-assessment on the performance of their projects against key initiatives in each of the focus areas identified in the Residential sustainability strategy.

The revised Residential Sustainability Policy also includes objectives and actions that must be included in the performance management role accountabilities for business development and acquisition managers, development managers, design managers, marketing managers and sales employees.

EMPLOYEES WHO BELIEVE STOCKLAND IS SOCIALLY RESPONSIBLE

92%

### Employees who believe Stockland is socially responsible

FY09	85%	92%
FY08	94%	
FY07	93%	
FY06	86%	

..... Global High Performing Companies Norm.

EMPLOYEES WHO BELIEVE STOCKLAND IS ENVIRONMENTALLY RESPONSIBLE

93%

### Employees who believe Stockland is environmentally responsible

FY09	87%	93%
FY08	93%	
FY07	93%	
FY06	86%	

..... Global High Performing Companies Norm.

EMPLOYEES WHO THINK STOCKLAND ACHIEVES THE RIGHT SOCIAL, ENVIRONMENTAL, AND FINANCIAL BALANCE

86%

### Employees who think Stockland achieves the right balance between its social, environmental and financial responsibilities

FY09	86%
FY08	86%
FY07	88%
FY06	78%



## EMPLOYEE HEALTH AND SAFETY

### Our performance

We have a Health, Safety and Environment (HSE) Management System to promote the wellbeing of all our employees, contractors, tenants and patrons.

We have improved our management system during FY09 and this will continue to be a priority for us in the year ahead. We consider that our HSE management system is defined by our collective attitudes and leadership behaviours. Our HSE team helps guide our line managers and support them with specialist knowledge.

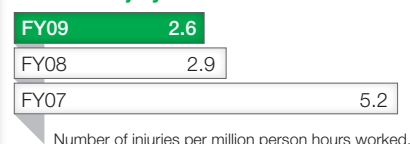
We aim to drive change by first focusing on our competency and behaviours and then supporting the changes with our management system. There are challenges in this approach and it requires time and effort, however we believe the benefits can be seen in our injury performance, by the feedback provided in the 'Our Voice' employee survey and by feedback we have received from contractors during the year.

During the reporting period we experienced no serious employee injuries and our employee lost time injury frequency rate of 2.6 was lower than our target of 4.0 or less. In the UK we experienced one incident with an employee that required notification to the Health and Safety Executive. The incident was mild and the Health and Safety Executive did not investigate.

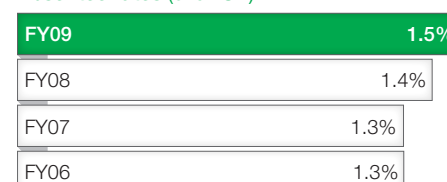
We experienced no serious environmental breaches and continued to carefully manage contamination issues at several of our properties. There were two instances of fire at our UK properties in the reporting period. One was a case of arson and was investigated by the police, with no fault on our part. The other was a tenant issue due to equipment being left on overnight. Again, there was no fault on our part, and remedial action was taken by the tenant to ensure there will be no further occurrences.



### Lost time injury rate



### Absentee rates (excl. UK)



## HEALTH AND SAFETY PERFORMANCE

	FY07	FY08	FY09
Total average workforce during the reporting period	–	1,372	<b>1,320</b>
Total hours worked	1.93 million	2.40 million	<b>2.31 million</b>
Independent contractors working on-site to whom Stockland is liable for the general safety of the working environment	–	Not recorded	<b>Not recorded</b>
Number of lost time injuries during the reporting period	–	7	<b>6</b>
Frequency rate of lost time injuries during the reporting period (defined as the number of injuries per million person-hours worked)	5.2	2.9	<b>2.6</b>
Number of injuries requiring medical treatment during the reporting period (not including lost time injuries)	–	10	<b>12</b>
Frequency rate of medical treatment (MT) injuries during the reporting period (defined as the number of MT injuries per million person-hours worked)	–	4.2	<b>5.2</b>
Frequency rate (lost time and medical treatment injuries) during the reporting period (defined as the number of injuries (LT and MT) per million person-hours worked. Does not include injuries requiring first aid treatment only).	–	7.1	<b>7.8</b>
Occupational diseases instances	–	0	<b>0</b>
Fatalities	0	0	<b>0</b>
Lost days – total for the recorded lost time injuries	–	14	<b>31</b>
Average lost day rate (severity rate). Average number of days lost per lost time injury	–	2.3	<b>5.2</b>

Notes: Figures are from Australian operations only.

- In last year's report we recorded six lost time injuries (LTIs), a lost time injury frequency rate (LTIFR) of 2.5 and a frequency rate (lost time and medical treatment injuries) of 6.6 for FY08. We have revised the FY08 data in this year's report to seven LTIs, a LTIFR of 2.9 and a frequency rate of 7.1. The reason for this change is that an incident in March 2008 was not reported by the employee until December 2008. The lost time was incurred in January 2009 when the employee underwent surgery as a result of an injury arising from the incident.
- For FY10 we aim to reduce our LTIFR to 2.0 or less. As stated in our Health and Safety Commitment Statement we believe that all injuries are preventable. Our vision is for workplaces that are free of injury and negative health impacts.

## VALUING OUR PEOPLE



### Engaging our employees in our HSE program

Recognising that world-class HSE requires the active and sustained participation of all employees, we require all employees to include HSE objectives in their performance plans and we make sure these objectives require personal involvement in HSE activities such as risk assessments and incident investigation.

We support employee involvement by providing induction and training programs, specialist support from the HSE team, and internal communications on HSE through our internal newsletter and intranet.

Many employees were involved in an extensive program of initiatives during Safe Work Week in October 2008 and for the first time we implemented a trial of the Global Corporate Challenge walking program, a health and wellbeing event that aims to address the risks of sedentary occupations and longer work days.

The success of our employee engagement initiatives is demonstrated by responses in 'Our Voice' survey, where 95 per cent of employees reported they have a good understanding of their HSE responsibilities and 89 per cent of employees (up from 84 per cent in 2008) think that effective action is taken when unsafe conditions are brought to management's attention. In the UK, our employee survey showed a distinct increase in the understanding of individual HSE responsibilities. The HSE category score improved by 12 points from 2008 to 78 per cent. We commenced a training program for an HSE representative for our three offices in London, Edinburgh and Glasgow.

We also conducted in-depth HSE training with our centre and building managers in April.

We plan to continue our engagement strategy in FY10 and include a more comprehensive health and wellbeing program.

### Working with our contractors and business partners

We continued improving our contracts during FY09 by providing clear expectations for HSE best practice and improving our contractor induction program. We maintained our focus on timely and accurate reporting and worked with contractors to help them investigate HSE incidents to identify changes to prevent recurrence. Two people working for construction contractors at different development sites sustained serious injuries needing long-term rehabilitation within the reporting period. In both instances, the sites were under control of principal contractors. Both incidents involved a fall from height, one from a roof during demolition works and the other from a formwork platform.

We have continued to circulate safety alerts to our contractors and consultants. Most importantly, we have continued to improve the frequency and quality of interaction around HSE that our front line managers have with contractors and other business partners during their regular business interactions such as tender meetings, pre-start briefings, coordination meetings and site visits.

In the UK, two of our contractors experienced serious reportable incidents during the year, one involving a scaffolding pole and the other a partial block wall collapse. Neither were reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 (RIDDOR) and no action was taken against us.

### Launch of new online incident reporting system

We launched an incident reporting and investigation system (IRIS) in January that will help us improve our reporting and analysis and identify and eliminate conditions that cause incidents. We will develop a new IRIS module in FY10 for scheduling and recording audits and results from the audits. We will also be able to record HSE issues such as contamination that require ongoing management. The module will have the facility to record HSE hazards and actions taken to eliminate or control hazards.

In the UK, we relaunched an online system in early 2009 called the Risk Action Plan Database (RAP). RAP holds all information from external Health and Safety/Fire/Disability Discrimination Act Access audits and insurance inspections and is our primary risk management tool. The system allows us to monitor and report our risks across the portfolio. In recent months, as a consequence of the HSE training and relaunch of the system, we have seen a significant reduction in the number of risks being addressed and closed off.

## EMPLOYEE PROFILE

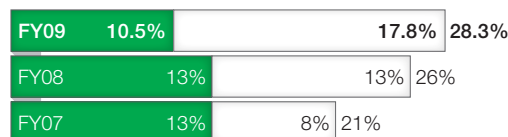
All figures include data from our UK operations unless otherwise stated.

### Employee turnover

In the reporting period, rolling regretted turnover has trended downward to 10.5 per cent at year end, compared to an initial target of 12 per cent. Whilst initiatives to further improve career planning and professional development have contributed to the reduction in regretted turnover, the economic downturn has contributed to improved retention. By analysing the 'Our Voice' employee survey results, we identified that employee wellbeing is strongly correlated with regretted turnover. That is, the higher the level of wellbeing, the lower the level of turnover. Over the next 12 months we will focus on initiatives to improve employee wellbeing, which we hope will further reduce regretted turnover.

Extensive organisational restructuring has resulted in a 13 per cent reduction in our workforce during the reporting period. Our total rolling turnover has increased to 28.3 per cent as a result of this restructuring and associated employee exits. A change management program aimed to ensure that all employees affected by these changes were treated fairly and respectfully. In addition to receiving severance payments made in accordance with our redundancy policy, all exiting employees were provided with access to a specialist career transition support program.

### Rolling turnover



■ Regretted  
□ Non-regretted/Stockland initiated

Rolling turnover is calculated using rolling monthly figures.  
End of year turnover is calculated by dividing the total number of exits over the year by the end of financial year headcount.  
The FY09 head count includes permanent employees only.

### TURNOVER

Turnover by age group	<30	30-39	40-49	50-60	>60
No. exits	99	153	79	34	4
Headcount (at 30/06/08)	346	477	234	115	26
Turnover rate	29%	32%	34%	30%	15%

#### Turnover by gender

	Male	Female
No. exits	166	203
Headcount (at 30/06/08)	644	649
Turnover rate	26%	31%

#### Overall turnover

	Australia	UK
No. exits	369	24
Headcount (at 30/6/08)	1,236	98
Turnover rate	29.9%	24.5%

#### Rolling turnover

	FY07	FY08	FY09
Regretted	13%	13%	10.5%
Non-regretted/Stockland initiated	8%	13%	17.8%
Total turnover	21%	26%	28.3%

Notes: Rolling turnover is calculated using rolling monthly figures. End of year turnover is calculated by dividing the total number of exits over the year by the end of financial year headcount. The FY09 head count includes permanent employees only.

Over the next 12 months we will focus on initiatives to improve employee wellbeing, which we hope will reduce regretted turnover.



# OUR CUSTOMERS AND SUPPLIERS



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*Engaging with our suppliers and our customers enables us to understand and meet their needs and expectations.*



## Our customers and suppliers – Progress and priorities

 <b>Past</b> Last year, we said we would:	 <b>Present</b> This past year, we have:
Develop plans to ensure our customer experience was consistent across our retail portfolio and service levels were of a high standard.	→ Introduced the Customer Excellence Program to measure customer experience. Every branded Stockland shopping centre now has touch pads to enable customers to give feedback.
Expand the functionality of our Customer Relationship Management (CRM) system.	→ Launched the CRM into our Residential business. This program is now complete.
Review the way in which we address access for people with disabilities to our property assets.	→ We have engaged with peers and industry groups to understand the impending change in requirements, and we now have plans in place to ensure that we comply with these requirements, and improve access to our assets.
Continue to engage with our suppliers, expanding our Sustainable Supply Chain Management (SSCM) program to ten key suppliers, focusing on construction suppliers.	→ Continued to review and encourage suppliers' CR&S performance when we request proposals and tenders.
Initiate a formal program of work with our customers in the UK to increase our understanding of their priorities.	→ The pressure that the current economic climate is placing on our tenants and joint venture partners has prevented us from significantly pursuing this commitment.

 <b>Future</b> In the coming year, our priorities are to:
<ul style="list-style-type: none"> <li>• Improve understanding of our business customers' experiences of our organisation.</li> <li>• Review opportunities to roll out our Community Consultation Plan on a development project.</li> <li>• Implement our diversity strategy, and specifically improve access for people with disabilities to our property assets.</li> <li>• Review and revise our approach to SSCM focusing on civil contractors, product suppliers, utilities and facility management services.</li> </ul>

## OUR CUSTOMERS AND SUPPLIERS



### OUR CUSTOMERS AND SUPPLIERS

Working with our customers and suppliers is one of the pillars of our CR&S strategy. This includes:

- Gaining a better understanding of who our customers are and what their needs are,
- Responding to the issue of housing affordability,
- Working with our tenants,
- Engaging with key suppliers,
- Setting standards for new and incumbent suppliers.

Engaging with our suppliers (we have over 7,000 suppliers) and our customers enables us to understand and meet their needs and expectations. We have two main groups of customers:

- Our Commercial Property customers include office tenants, industrial tenants, retail tenants and retail shoppers,
- Our Residential customers have purchased in a Stockland residential community, apartment or retirement village.

### About our customers and suppliers in this report

We outline how we respond to our customers.

- The Commercial Property section details how we are seeking to understand the needs of customers who shop in our retail centres, and how we are working with our tenants on sustainability,
- The Residential section outlines the customer research we have undertaken to better understand our residential customers, and includes discussion of the issue of housing affordability and our response to it,
- The supplier engagement section includes information on our supplier base and our Sustainable Supply Chain Management program.

## OUR CUSTOMERS AND SUPPLIERS CASE STUDY



### WORKING WITH TENANTS ON SUSTAINABLE DESIGN – SNOWDONIA AIR CONDITIONING SERVICES

We seek to work with our tenants on sustainable built environments. This includes on projects where our direct involvement is limited to land development, rather than asset management. The North Lakes Green Business Fund provides incentives of up to \$100,000 to encourage companies to use superior sustainable building practices in the North Lakes Business Park.

We have worked closely with the first developer in the business park, Snowdonia Air Conditioning Services, to construct its premises. Snowdonia's vision was to create an industrial building featuring innovative and sustainable design principles in order to reduce the environmental impacts of the building.

Snowdonia is the first project to be completed that aligns with the vision for sustainability set for the North Lakes Business Park and is currently being assessed against Green Business Fund criteria to determine eligibility for funding.

Many of the design features of the Snowdonia building are leading examples of what can be achieved in an industrial facility including:

- Rainwater harvesting for use in toilet flushing and landscape irrigation,
- 2kW solar photovoltaic system which feeds excess renewable energy directly into the grid,
- Use of low volatile organic compound paints, sealants and carpet to improve indoor environment quality,
- Fully automated lighting control systems which respond to daylight sensing and natural lighting in the warehouse to reduce the need for artificial lighting,
- Hot water provided via a 300L roof top solar system,
- All timber used was sourced from sustainable plantations or was recycled.

## RESPONDING TO OUR CUSTOMERS – COMMERCIAL PROPERTY

Our Commercial Property customers include commercial, industrial and retail tenants, as well as shoppers in our retail centres.

To identify what is important for our retailers and tenants we conducted customer satisfaction research and used the results to develop our Insights and Customer Engagement plan for FY10.

### Tenant engagement

Engaging with our tenants means we can better understand their needs and identify areas for improvement. In FY09, we conducted an extensive review to assess efficiencies of the core service interactions with the Stockland Service Centre and associated stakeholders. The review focused on three areas which included the key reactive maintenance process, contractor management and invoicing. These areas have now been refined and improved which will result in a more personalised service to our customers and efficient management and payment of our contractors.

One of the key areas where we can provide value and guidance to our office and industrial tenants is in the area of environmental sustainability. We have the opportunity to help our customers improve their environmental performance and this constitutes an important part of our overall commitment to the environment.

## Project Rapport

Project Rapport is a client relationship strategy that aims to achieve greater engagement of all key stakeholders in managing key Commercial Property tenants. The project was initiated in the context of our relationship with our largest office tenant, Optus, and over FY09 has been presented to key government tenants as an opportunity to foster better relationships.

This year, our office tenants told us that the way we respond to their daily operational issues is of great importance. In response to this we have reviewed our service model and streamlined internal processes to ensure our service process is proactive and responsive. In addition, we have undertaken extensive customer service training with our employees to ensure they have the tools to identify and respond to the needs of our customers.

## Engaging with our retailers on environmental sustainability

We launched a green tenant fit-out guide in 2007 to provide guidance to our retail tenants. Building on this work, we are seeking broader engagement with retailers on environmental sustainability.

We have partnered with the Department of Environment and Climate Change NSW (DECC) to promote a business program called Sustainability Advantage. The program is designed to help our retail tenants understand sustainability and add business value and it will be launched in the second quarter of FY10. Participants will have the opportunity to improve their business through innovation, lower costs, improved productivity and enhanced reputation as a supplier and employer of choice.

## Rating customers' experience in our shopping centres

We aim to provide convenient and accessible shopping centres that meet local community needs. To better understand and improve our customers' experience we launched the Customer Excellence Programme and Customer Feedback Solutions in FY09.

The Customer Excellence Program involves mystery shoppers rating our centres on all aspects of the shopping experience including signage, customer service, cleanliness of facilities, employee presentation and visibility and availability of service professionals. We also ask the mystery shoppers to tell us what they would like to see improved. All mystery shoppers are local customers and are recruited by an external company.

The Customer Excellence Program benchmarks our centres and every quarter we have seen an average 7 per cent improvement in how our customers have rated us.

In addition, every branded Stockland centre now has Customer Feedback Solutions. These are visible and accessible touch pads located throughout our centres enabling customers to rate our performance. The touch pads include questions on car parks, the cleanliness of our centres and the range of shops. Our centre teams use this feedback to identify areas for improvement. For example, Stockland Wetherill Park in south west Sydney used the touch pad information to identify the time in the day when it was perceived that our cleaning standards dropped and worked with cleaners to maintain standards throughout the day.

## Raising awareness of access issues

In FY09 we have been working to improve accessibility for people with disabilities. To help raise awareness of access issues faced by people with a disability in our shopping centres, we participated in International Day of People with Disability on 3rd December 2008. On this day, we hosted awareness events at some of our shopping centres in Wetherill Park, New South Wales, The Pines, Victoria and Townsville, Queensland.

We also participated in the International Day of People with Disability in 2007 at our Forster shopping centre. Our experiences from this day led us to make some changes to the centre, including re-surfacing the concrete in the southern precinct to make it less slippery in wet weather. We also installed a lay-back for easier access to the car park.

Organisations joined us for these events included Guide Dogs NSW/ACT, The Spastic Centre, local council organisations and local radio presenters. Tracy Barrell, an ambassador for International Day of People with Disability and the face of the 2008 *Don't DIS My ABILITY Campaign*, attended the Stockland Wetherill Park event and spoke about the access challenges faced as a triple congenital amputee when shopping.

Employees who influence the design, development and management of our shopping centres participated in the day. Participants were given tasks to complete in either in a wheelchair or wearing goggles, to simulate vision impairments. A person with a disability guided each group and explained the challenges they face. Our teams learned about the importance of light contrast and the difference this can make to the experience of a person with a vision impairment. They also learned about where to best place the centre directories and customer care desks to make them easier for customers to locate and access. The events helped increase understanding of the access difficulties some of our customers face and have led to specific changes, such as a review of directional signage placement at our Townsville Shopping Centre.

## OUR CUSTOMERS AND SUPPLIERS



### RESPONDING TO OUR CUSTOMERS – RESIDENTIAL

#### Customer insights

To obtain customer feedback we conduct customer research specific to each business unit: Residential Communities, Apartments and Retirement Living.

#### Residential Communities

In Residential Communities we conduct weekly tracking research. 'Stockland Customer Pulse' covers more than 30 of our residential communities across four states. We began interviewing customers in June 2008 and during FY09 conducted over 4,000 interviews with our Lead Customers and Purchasers. The results show that 96 per cent of our buyers rate the overall sales experience as good to excellent.

One of the most important aspects we measure is the proportion of Lead Customers and Deposit Customers who are First Home Buyers, Second/Subsequent Home Buyers and Investors. This helps the business identify trends and anticipate the likely customer mix six months ahead.

The July 2009 'Choose New' marketing campaign in Residential Communities is aimed at both First Home Buyers and Second/Subsequent Home Buyers, as we anticipate the former to decline as a proportion of all sales. Consequently, we will have over 500 house and land packages available at under \$450k.

In the coming months, we will be refining our strategy to better meet the needs of 'Mum and Dad' property investors.

#### Apartments

Customer satisfaction research in Apartments was conducted in June and July 2008. The research identified the need for customer relations managers to continue to work closely with our customers. We will be reviewing appropriate consumer research dedicated to Apartments' customers in the coming year.

#### Customer Relationship Management

To improve marketing and communications with customers and potential customers in our Residential business, we launched a Customer Relationship Management system in FY09. The system has improved our ability to capture customer details and has enabled the increased use of electronic communication channels, including email and text messages. These channels are more cost-effective and enable us to communicate more frequently and effectively with our potential customers. In the coming financial year we will improve our understanding of potential customers and customers through the launch of the Siebel Analytics reporting tool in our Residential business.

#### Housing affordability

Though land price increases have been an entrenched feature of the residential market over the long-term, the early to mid 2000s reflected a sustained period of above average price growth.

Between 2000 and 2009, housing demand increased, driven largely by population growth. Land supply did not increase at the same rate, causing prices to increase. This was exacerbated by increasing development costs and demand for larger homes. In some places like southeast Queensland, land values increased by as much as 16 per cent per annum between 2002 and 2008. In all capital cities, average house and land prices increased faster than average incomes, resulting in declining affordability.

In FY08, the typical price of a new house was \$240,000. Our modelling suggests that 78 per cent of the market would face financial difficulty in purchasing this typical product.

#### Identifying how we can improve affordability

In the past year we identified two areas where we have scope to improve affordability. The first was introducing villa allotments – creating detached lots under 300 square metres. The second was to change our product mix, focusing on more affordable lot sizes, essentially lots under \$200,000. Over the past year, lots between 375-650 square metres increased from 49 per cent to 56 per cent of sales.

Lots priced under \$200,000 increased from 26 per cent to 44 per cent of sales, with the volume of sales at this price increasing by over 100 per cent over this time.

We also undertook a review of development policies to identify areas for costs savings so we can reduce prices for our customers. Key outcomes from this included:

- An initiative to standardise allotment types and to improve the transportability of builders' standard house plans across different projects and markets, rather than having to amend designs or house and land packages for every development,
- A relaxation of covenant inclusions to remove particular elements acknowledged as adding cost, without significant benefit to new housing construction.

The Residential Communities business' ability to understand the impact of reduced housing affordability on housing demand, and to quickly respond with product and operational changes, has enabled home buyers who were not able to enter the market to do so and at the same time strongly contributed to our market performance over the past year.

We have increased our market share in Queensland from an average of 11 per cent in FY08 to approximately 16 per cent in FY09. In particular, we have extended our reach into the First Home Buyer market.



## RESPONDING TO OUR CUSTOMERS – RETIREMENT LIVING

In early 2008 we conducted a survey of our Retirement Living residents to measure their satisfaction and identify what we can do to improve it. The survey was posted to all households in the 19 established villages and we achieved a response rate of 74 per cent. While the overall response was positive, with 89 per cent of residents indicating they were very happy living in their village, a number of areas of inconsistent performance were identified, and we implemented four project-specific action plans in the following areas:

- Village manager training,
- Village residents' association protocol,
- Stockland residents' association interaction,
- Maintenance tracking.

We will be repeating the Residents' Voice customer satisfaction study for Retirement Living in the first half of FY10. This will allow us to measure how well we have responded to our residents' concerns.

## ENGAGING WITH OUR SUPPLIERS

As a developer, a large portion of our impact on people and the environment occurs through our contractors and suppliers. These include, for example, builders and civil contractors, security and cleaning service providers. Despite our lack of direct control over these activities, we can influence the decisions made by our contractors on the selection of materials and the working conditions of their employees, by setting clear expectations.

From March 2008 to July 2008, we conducted a pilot program to engage with our suppliers as part of our Sustainable Supply Chain Management (SSCM) program, which aims to align our key suppliers to our CR&S values.

The program 'road tested' the draft SSCM Policy and draft Supplier Code of Conduct and identified actions with our key suppliers. Suppliers completed a questionnaire on corporate governance, environmental management and social governance.

Ten key suppliers, identified by spend and capability to align with our CR&S values in their area of expertise, participated in this first stage. We originally said we would expand this program by engaging with a further ten key suppliers. However, following a review of the program in FY09 we decided to take a different approach.

Our corporate procurement spend represents only around 10 per cent of our total spend, with the majority of our spend directed through our Residential and Commercial Property business units. In FY09 we extended our engagement to reach these suppliers. For our Residential business unit this includes builders and civil contractors, whilst for our Commercial Property business this includes waste, security and cleaning contractors.

Participating suppliers we engaged with were requested to complete CR&S and health, safety and environment questionnaires and return them with their tender response. The CR&S questionnaire enables the supplier to identify their progress in respect of policies in areas such as waste management, resource and environmental management, labour standards and human rights and health and safety. In FY09 the suppliers we engaged with on CR&S covered the full range of our supply spend with the combined spend totalling \$200.4 million.

In our Commercial Property business unit, CR&S requirements are now included in tenders and contract documentation for waste, cleaning and security services.

## Engaging civil engineering contractors on sustainability

A project to engage with our five highest spend civil engineering contractors on corporate responsibility and sustainability in New South Wales, Victoria, Queensland and Western Australia will begin in July and August 2009. This project stemmed from working with these contractors on the National Greenhouse and Energy Reporting Scheme (NGERS) reporting requirements for our residential and the FY09 CR&S capability review.

## TOTAL SPEND OF SUPPLIERS WHO COMPLETED OUR CR&S QUESTIONNAIRE IN FY09

Business unit	Spend (\$ million)
Commercial Property	62.4
Corporate	11.9
Residential and Retirement Living	126.1
<b>Total</b>	<b>200.4</b>

We aim to meet with the five contractors to determine the following:

- How advanced they are in implementing CR&S policies,
- What do they do well at present,
- What challenges they have and how we can assist,
- Where would they like to go and how can we assist.

On conclusion of the meetings we intend to develop mutually beneficial projects with the contractors.

## Partnering with suppliers on sustainability

We partner with suppliers on a regular basis to deliver outcomes around environmental sustainability. Some of our partnerships are with builders and subcontractors on Green Star and NABERS Energy in office developments.

The Green Star As Built tool measures the environmental aspects of a project at the Practical Completion stage and requires documentation from the consultants, owner, builder and subcontractors to demonstrate implementation. Additionally, tracking the buildings in operation to deliver energy and water outcomes has led to our operations teams working closely with subcontractors, builders and consultants.

## Performance management tool

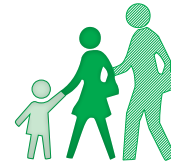
A performance management tool for suppliers who provide services to our office and industrial businesses was developed in late 2006 and formally implemented in March 2007. This tool systematically audits compliance in the following areas:

- Occupational Health and Safety (OH&S),
- Service Level Agreement (SLA)/Key Performance Indicator (KPI) Adherence,
- Corporate Responsibility and Sustainability (CR&S),
- Financial and administrative performance.

The management tool has since been reworked and ownership of the tool is with Stockland's Commercial Property operating team, now encompassing retail shopping centres. The online tool was implemented in December 2008 and measures the performance of cleaning, security, waste, fire and heating, ventilation and cooling equipment and service suppliers who provide services to our Commercial Property portfolio.

The CR&S aspect of the tool is customised according to types of services provided. For example, cleaning service suppliers are performance rated on waste management and safety management.

Labour standards and requirements are based on national and/or local laws and are specified in all tendering documentation and contracts.



# COMMUNITY




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*We're committed to strengthening  
our place within the community.*

## Community – Progress and priorities

### PERFORMANCE SUMMARY

 <b>Past</b> Last year, we said we would:	 <b>Present</b> This past year, we have:
Complete our sponsorship and donations strategy.	→ Developed our sponsorship policy and toolkit and developed the strategy.
Improve reporting on our community contributions, particularly on what we contribute to the community through sponsorship, donations and volunteering.	→ Measured our community contributions using the London Benchmarking Group.
Establish community development guidelines that can be applied to our residential community projects nationally.	→ Developed a Community Development Toolkit.

**Future**

**In the coming year, our priorities are to:**

- Improve alignment of community involvement and development with business activities and continue to involve our people.
- Continue to use and improve the quality of data captured in London Benchmarking Group to measure our community contributions.
- Implement the Community Development Toolkit in our Residential business and train development managers on our approach.

## COMMUNITY



RESIDENTIAL  
PROJECTS WITH  
A COMMUNITY  
DEVELOPMENT  
PLAN

22%

### COMMUNITY

Strengthening our place within the community is one of the five strategic themes in our CR&S strategy. This includes:

- Supporting a consistent approach to community development,
- Extending our Giving and Volunteering program,
- Measuring our community contribution.

We have been focusing on these areas by implementing specific initiatives as well as building internal and external understanding of our role in the community.

### Community information in this report

The community development section includes information on community engagement in our developments and our impact on local and national economies.

The community investment section details our Giving and Volunteering program and how we are measuring our community contribution through the London Benchmarking Group.

### COMMUNITY DEVELOPMENT

Community development is a priority in our sustainability strategy. We aim to create sustainable and vibrant communities that thrive long after we have completed our developments. To achieve this we need to engage with the local community and other key stakeholders. This can lead to us adapting our projects in response to concerns raised by the local community (see Point Lonsdale case study on page 19). It is also critical to the development of community and social programs on our projects (see East Village case study).

### Community development plans

To help us develop sustainable communities we have community development plans. At the end of FY09, 22 per cent of our residential communities and two Retirement Living projects had community development plans in place. However, there is inconsistency in how these plans are developed and most are not documented. We recognise that we need to develop a consistent approach to community development and are therefore refining community development guidelines and developing a toolkit for Residential and Retirement Living projects.

### Community development guidelines

Our Residential Communities business currently implements various community development initiatives in terms of both built infrastructure and social programs. We are aiming to replicate the initiatives that have proven to be most successful in the community and introduce world-class initiatives founded from the Peter Daly International Fellowship of 2009 on social sustainability.

Our development managers will be introduced to the community development guidelines and a supporting toolkit at a training program in the first quarter of FY10. The guidelines will be launched in the second quarter and will be piloted on our North Lakes residential community. They will then be applied to the priority stakeholder projects in our Residential Communities and Retirement Living projects over the course of FY10.

The guidelines set out how to gather social research and require our projects to test the assumptions made from this information with community stakeholders. They provide advice on how to create a sustainable community that thrives after we finish development. The guidelines will enable us to:

- Engage further with the broader community at each of our developments to ensure better outcomes for existing and future residents,
- Create a consistent and enhanced approach to community development,
- Apply this approach to our residential community projects nationally,
- Improve dialogue with communities on current and future projects.

### OUR IMPACT ON LOCAL, REGIONAL AND NATIONAL ECONOMIES

	Residential	Retirement Living
Number of jobs created directly by the project (Residential and Retirement Living only)	4,825	50
Number of jobs created through construction and maintenance work (Residential and Retirement Living only)	10,837	233





Proposed site of the East Village residential community, Clyde Victoria

*In developing new communities, we need to be proactive in identifying the needs of the local and wider community.*

#### **EAST VILLAGE RESIDENTIAL COMMUNITY, VICTORIA**

East Village is a residential community we are developing in Clyde, north of Melbourne, Victoria. The site is 115 hectares and will comprise around 1,200 lots when it is completed in 2016. The site was selected as a demonstration project in partnership with the Growth Areas Authority (GAA) and the Planning Institute of Australia (PIA), with the City of Casey acting as a referral body. It is designed to exceed planning and design standards. It aims to achieve liveability by featuring:

- Park spaces and activity centres,
- A connected community through interlinked street networks and walking and cycling paths,
- Affordable housing options and a neighbourhood activity centre,
- Public transport provisions.

In developing this new community we need to be proactive in identifying the needs of the local and wider community. As such, we are engaging and consulting with residents in the local City of Casey region, local councils, state and federal government and other key stakeholders. A formal stakeholder engagement plan will be developed in FY10.

We will seek ways to increase resident ownership of the community. When people care about where they live they often share this experience with family and friends and there is a stronger focus on community maintenance.

The East Village project is launching into a highly competitive corridor. Our community development strategy will help to build awareness of this emerging community. We will engage residents within the local government region particularly those within a 10km radius of the East Village site, as they are the prospective neighbours and future residents of East Village.

## COMMUNITY



### Community consultation in the UK

In our 2008 CR&S report, we said we would develop a more comprehensive plan for community development and engagement across our portfolio that would include issuing a set of guidelines to cover all major developments in the coming year. We have now developed a draft Community Consultation Plan which will be used to guide the consultation process for our development projects. In FY09 we did not have a project reach an appropriate stage to enable this to be piloted. In FY10 we hope to trial this if and when an appropriate project emerges.

Our retail centres support a range of local charities, sports teams and community events. Our on-site centre managers manage their site-level community involvement activities as they are best placed to identify local opportunities.

In 2009, we signed an agreement with Harlow Council to deliver a 1.3 million square foot mixed-use scheme to regenerate Harlow Town Centre North. The planned redevelopment of this area is set to transform the town centre, helping to improve the quality and attractiveness of shopping in Harlow. In July 2009, we will launch a public exhibition in the town centre to launch the development plan and seek public feedback. Following this consultation the planning application is expected to be submitted mid-2010. We are working closely with public sector stakeholders, including the Homes and Communities Agency and the East England Development Agency.

### Our impact on local, regional and national economies

As one of the largest developers of residential land in Australia our business operations result in the employment of people across the country. The data we collected from our Residential and Retirement Living businesses estimates that we have created over 4,800 direct jobs and 11,000 indirect jobs through construction and maintenance work. We recognise that there were inconsistencies in how this data was reported. In FY10 we will be developing our data collection and reporting capacity in this area.

## COMMUNITY INVOLVEMENT

Our community investment programs provide us with the opportunity to make a positive impact in the communities in which we operate. While our community development programs focus on our role in shaping the development of vibrant and sustainable communities, our community investment program has been developed by our people and is an important way for us to support their interests, as well as contribute to our local communities.

### Our Giving and Volunteering program

Our Giving and Volunteering program includes employee donations to charitable organisations dollar matched by Stockland and participation of employees in volunteering and mentoring activities.

#### Volunteering

Over the past year we have emphasised the value of volunteering activities with our employees. They have responded well and participated in:

- Personal volunteering leave,
- Involvement in Australian Business and Community Network programs (ABCN) and other similar mentoring programs,
- Team volunteering activities.

NUMBER OF HOURS  
EMPLOYEES  
CONTRIBUTED  
TO COMMUNITY  
ACTIVITIES

4,800<sup>hrs</sup>

#### Hours employees contributed to community activities

FY09	4,800
FY08	3,500

EMPLOYEES  
WHO TOOK  
PART IN TEAM  
VOLUNTEERING  
DAYS

338

TEAM  
VOLUNTEERING  
EVENTS

11

EMPLOYEES WHO  
VOLUNTEERED  
DURING  
STOCKLAND TIME

586

EMPLOYEES WHO  
VOLUNTEERED  
DURING  
STOCKLAND TIME

44%

### Volunteering leave

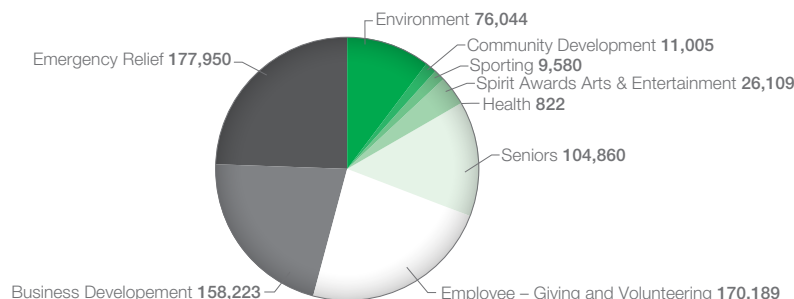
In FY09, we launched personal volunteering leave. All Australian employees are entitled to two days per year to volunteer with a not-for-profit organisation of their choice. Whilst some employees have taken advantage of this, uptake has been slow. This could be due to the economic environment and recent retrenchments, with employees perhaps not wanting to be out of the office at this time. Recognising that this could be a factor, senior management has been reinforcing the personal value of volunteering in employee communications.

A volunteering leave policy was also launched in our UK business, providing employees with one paid volunteering day a year. Volunteering days were organised in both London and Scotland, with over 20 per cent of our office-based employees choosing to take part. In the UK we also partnered with Starlight Children's Foundation to 'adopt' the wish of a 14-year-old leukemia sufferer and successfully raised the money to fund his wish to meet the England rugby team.

### Mentoring students

In addition to the two days per year of personal volunteering leave, employees are able to get involved in the local community by mentoring students. In FY09, over 300 employees mentored students from years one to 12 from 28 priority-funded schools in Australia. The mentoring is organised by the Australian Business and Community Network, a partnership of business leaders and companies supporting mentoring and coaching programs. The students are mentored on topics including effective communication, budgeting, career choices, literacy skills, and building confidence.

### Stockland contributions by category and contribution (\$)



### How we measure our community investment

In 2008, we began using the London Benchmarking Group (LBG) to measure and benchmark our community involvement through giving and volunteering, sponsorships and community development initiatives. We contributed more than 4,800 hours and \$3.4 million in community investment in FY09.

In our 2008 CR&S report, we said we would improve reporting on community contributions. The LBG tool enables us to understand and improve the measurement and management of our community investment. LBG outcomes are reported back to leaders in the business annually, giving them insight into our key areas of support and where we can improve. Our key areas of support are in education and youth, health, community development, local sporting clubs and arts and culture.

VALUE OF CASH,  
IN-KIND AND TIME  
CONTRIBUTION  
FOR FY09

**\$3.4<sup>m</sup>**

### Value of cash, in-kind and time contributions

FY09	\$3.4m
FY08	\$1.7m

### Sponsorship policy and guidelines

We introduced a sponsorship policy and a guidelines toolkit in 2008 to help our employees differentiate between the different kinds of contributions we make. The toolkit distinguishes between:

- Brand sponsorship – the primary objective is brand exposure,
- Giving and volunteering – a gift made with no expectation of commercial return,
- Industry sponsorship – the primary objective is to deliver direct development or business return,
- Employee sponsorship – the delivery of employee initiatives that are aligned to our people and our brand strategy and support employee engagement.

The toolkit provides guidance on choosing a sponsorship that is aligned with our brand and policies. This will help employees make informed decisions about the sponsorships we support.

### COMMUNITY CASE STUDY



Stockland volunteers at the Childhood Cancer Support, Brisbane

### RENOVATING HOMES – PARTNERING WITH CHILDHOOD CANCER SUPPORT, BRISBANE

In 2008, we partnered with Childhood Cancer Support in Brisbane.

Childhood Cancer Support is a not-for-profit organisation which provides accommodation, counselling and emotional and financial support to families whose children are diagnosed with cancer.

Three teams of employees helped renovate four self-contained units at Childhood Cancer Support's site in inner Brisbane for families to stay during their child's treatment. Over three days, 190 employees helped install new kitchens, upgrade bathrooms, lay flooring and assemble furniture. The garden also received a facelift with new plants, turf, a barbecue area and a cubby house.



# CLIMATE CHANGE AND ENERGY



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The past year has been a period of consolidation, improving our reporting capability, understanding and addressing emerging regulation, and continuing to improve energy efficiency.



## Climate change and energy – Progress and priorities

 <b>Past</b> Last year, we said we would:	 <b>Present</b> This past year, we have:
Set and structure targets and medium-term timeframes for greenhouse gas emissions reductions across our Commercial Property portfolio.	→ Built a robust database – our CCAP Online Tool. We have prioritised tailoring the tool to meet the requirements of emerging reporting requirements. We have also completed expansion of the tool to enable scenario modeling, which will help us set ‘informed’ emissions reduction targets.
Reduce energy consumption by 5 per cent across our operating retail centre portfolio.	→ Reduced energy consumption by 5 per cent across our operating retail centre portfolio.
Work towards a 3.5 Star NABERS Energy average for our office portfolio.	→ Achieved a 3.4 Star NABERS Energy average in office buildings for 2008 (Stockland managed buildings). Additionally, our portfolio with sub-metering achieved a 3.6 Star NABERS Energy portfolio average in 2008.
Capture the short and long-term value of our actions.	→ Progressed return-on-investment modeling to better understand achieved and future costs and efficiencies, and developed a carbon abatement cost curve.
Commit to effective carbon markets.	→ Maintained our support for complementary mechanisms aligned with the proposed emissions trading scheme.
Provide leadership beyond our direct influence.	→ Collaborated with our property sector peers and engaged our suppliers in addressing emerging regulatory requirements. We have also engaged our customers, particularly our tenants, on how we can improve energy efficiency.
Commit to innovation – investigate new ways to manage and develop property assets.	→ Researched the business case for low carbon technologies including wind power and co/tri-generation across our Commercial Property portfolio. → Commenced operation of our tri-generation plant at our Sydney office, Stockhome.
Use meaningful metrics to measure and communicate our performance relative to our peers.	→ Continued to enhance our energy and emissions reporting tools to reflect emerging regulation and business needs. We have engaged with investment analysts to inform development of our metrics, and we have worked with our property peers to prepare reporting guidelines for our sector.
Undertake climate change risk analysis and then revise/establish our guidelines specific to our Residential and our Commercial Property business risks.	→ Engaged with specialists to gauge our risk due to the potential physical impacts of climate change. We are now researching risks associated with flooding, storm surge, sea level rise and bushfires.
Engage with industry and government towards the development of emerging regulation and voluntary tools.	→ Shared our experiences and insights with government to inform practical and effective policy. This engagement has been both direct and through our active membership of industry groups.

## **Future** In the coming year, our priorities are to:

- Attain a 4.5 star average NABERS Office Energy rating for our Office portfolio by FY14.
- Reduce greenhouse gas emissions intensity and energy use intensity (per m<sup>2</sup>) across our Commercial Property portfolio by 20% by FY14. We anticipate that this will enable us to maintain Commercial Property greenhouse gas emissions at or below FY09 levels by FY14 (accounting for an anticipated increase in developed floor space).
- Continue to invest in energy efficiency across assets, achieving a balance between targeting the most cost effective initiatives and piloting emerging technology with long-term potential.
- Continue to advocate and participate in market-based mechanisms designed to encourage and reward energy efficiency.
- Expand our work with suppliers and tenants on energy efficiency.
- Pilot emerging technology and capture lessons learnt to inform the business case for wider application across our operations.
- Seek feedback on the effectiveness of the metrics used.
- Implement plans to mitigate potential risks of climate change. Continue to research emerging risks.
- Maintain dialogue with peers and government to inform effective policy, regulation and tools.



## CLIMATE CHANGE AND ENERGY



### CLIMATE CHANGE AND ENERGY

Improving energy efficiency and addressing climate change risk is one of the key pillars of our CR&S strategy. The past year has been a period of consolidation, improving our reporting capability, understanding and addressing emerging regulation, and continuing to improve energy efficiency. This year we also updated our Environmental Policy, now referred to as our Environmental Commitment, following extensive internal engagement. We have also gained a better understanding of the physical impacts of climate change, and we have started to assess our risk and explore what we can do to mitigate this risk through adaptation.

#### In this section

The climate change section details the work we are undertaking to understand and evaluate the risks and opportunities associated with climate change.

The energy efficiency and energy metrics sections include information on our approach to energy efficiency and our energy and greenhouse gas emission performance data.

Our regulation page provides information on the regulation relating to energy and climate change we are responding to.

NABERS Energy and Water ratings are also included in this report.

### UNDERSTANDING CLIMATE CHANGE

We are committed to better understanding and mitigating potential risks associated with climate change. According to the Intergovernmental Panel on Climate Change (IPCC), the impacts of climate change are appearing and further impacts are inevitable. Understanding emerging risks is key to ensuring we own, manage and develop resilient buildings and communities, able to withstand the future impacts of climate change.

The IPCC's Fourth Assessment report predicts that likely impacts on property will include more hot days, more frequent heavy precipitation events and increased incidence of extreme high sea level. If realised, these impacts would place greater demands on the built environment. They will also require solutions to make buildings more resilient to extreme weather events, such as flooding, wind and heavy rain. We have also seen state and local governments develop policy positions on sea level risk.

#### Adaptation

Our principal response to climate change is to reduce emissions by improving energy efficiency across all assets. We also need to address the emerging physical risks of climate change and explore mechanisms of adaptation.

We are engaging with specialists to examine these physical risks. In late 2008, our insurance brokers briefed our CR&S Board Committee on climate change risk. Our brokers shared data on recent severe weather events in Australia, and discussed risk mitigation currently undertaken by our organisation. For example, our shopping centres in North Queensland at risk of cyclone impact. We have therefore undertaken work on our centre roofs to improve their capacity to withstand such a weather event. We will continue to review the structural integrity of assets located in extreme climate zones.

In addition, emerging government policy on sea level rise and the tragic Victorian bushfires of February 2009 led us to commission research to:

- Review our risks associated with flooding, storm surge and possible sea level rise,
- Review our risks associated with the threat of bushfire.

We currently rely largely on local and state planning requirements when taking risks in relation to flooding and fire. We expect that the findings of our research will inform a more strategic view on these risks, and may lead us to adopt a 'beyond compliance' approach.



Flood risk management, Sunshine Coast, Queensland

### CALOUNDRA DOWNS AND FLOOD RISK MANAGEMENT

Our Caloundra Downs project is on the Sunshine Coast of Queensland. Covering an area of 3,700 hectares we expect that the project will be a community of over 20,000 homes, as well as mixed-use town centres, industrial precincts and networks of public open space and vegetation corridors.

To better understand the flooding characteristics and potential risks for the site, we have engaged consultants BMT/WBM to develop a hydraulic flood model and prepare a flood risk management strategy for Caloundra Downs.

BTM/WBM analysed a range of climate variances on flood management within the site. A conservative approach, however, has been adopted to ensure that our planning aligns with the current recommendations of the Sunshine Coast Regional Council, being:

- An increase in rainfall intensity of 32 per cent (compared to present day estimates),
- A mean sea level rise of 0.74m,
- An increase in design storm tide levels of 0.74m.

We ran this model to a 2070 timeframe. Since the report was undertaken, the Queensland Government has provided further guidance on timeframes and impacts. We anticipate undertaking further climate risk analysis for Caloundra Downs in consultation with the Queensland Government and the Sunshine Coast Regional Council. This may include exploring predicted sea level rise over a range of time scales as climate risk policy across Australia, including southeast Queensland, becomes more formalised leading to the emergence of agreed climate risk assessment levels and methodologies.

While we see flooding and fire as posing particular risks for our Residential and Retirement Living businesses, we will also review risks for our Commercial Property business to confirm the resilience of our buildings to withstand the extreme weather events.

### Our approach to energy efficiency and reducing greenhouse emissions

As a property business we recognise that energy efficiency presents the biggest and most cost-effective means to reduce emissions.

To help set targets for improved energy efficiency and reduced emissions, we began work on a carbon abatement cost curve. Put simply, this means understanding those actions that achieve the biggest emissions cuts at the lowest cost across our portfolio. Our cost curve is based on evidence from energy reduction projects to reduce emissions and energy use analysis across our portfolio.

In FY08 we identified projects to reduce emissions and energy use as part of our Energy Efficiency Opportunities (EEO) reporting obligations, which identified 182 potential projects across 17 of our properties.

Methodology developed by an external consultancy, Kinesis, allowed us to identify specific abatement opportunities and the specific costs of implementing these measures. The methodology assesses the projects over a period of four years and demonstrates the average cost of abatement if each action is implemented cumulatively.

We have incorporated the cost curve methodology into our Climate Change Action Plan target-setting function. This will enable us to set an emissions reduction target and have an accurate, reality-based estimate of the costs associated with achieving that target. We will be able to quickly model the costs of reducing emissions across our entire range as well as at the individual asset level.

Over the past year we have made a significant reduction in greenhouse gas emissions, however this is due in part to the sale of assets and limited development of floor space. We have however continued to achieve some improvement in energy intensity, demonstrating that our efforts are achieving real reductions.

We are committed to significantly improving energy efficiency across our Commercial Property portfolio. We track our performance through measuring energy and greenhouse gas emissions intensity (per m<sup>2</sup>), as well as attaining accredited NABERS ratings for our office buildings. We have set five year intensity and NABERS ratings targets. We also recognise that we need to track our absolute emissions. Reducing our emissions as our portfolio grows will prove challenging. We have set ourselves the target of reducing greenhouse gas emissions intensity and energy use intensity across our Commercial Property portfolio by 20 per cent by FY14. We have also set a NABERS office energy target of 4.5 stars by FY14. We anticipate that this will enable us to maintain our Commercial Property absolute greenhouse gas emissions at or below FY09 levels by FY14. This means that both our new and existing buildings will need to be sustainably more efficient than current levels to achieve this outcome. We anticipate that our emissions profile will be lumpy during this time, reflecting our new development projects.

## CLIMATE CHANGE AND ENERGY



### REGULATION

The past 12 months have seen a significant level of new environmental legislation introduced in the Australian and UK markets. For more information on how we are engaging with government, please refer to the government relations section (page 8). The regulations that affect our business include:

#### National Greenhouse and Energy Reporting System (NGERS)

The National Greenhouse Emissions Reporting Act (NGERA) is a national system for reporting greenhouse gas emissions and energy consumption and production by corporations. During FY09 we have sought advice as we prepare for our first NGERS report in October 2009, accounting for our emissions in FY09. Our preparation has included:

- Improving the quality of our emissions data collection system, known as our Climate Change Action Plan (CCAP) tool,
- Preparing a gap analysis to identify/confirm that all data sets are being captured by our data system,
- Seeking legal advice on the application of the NGERA to our organisation,
- Engaging with property peers to develop an 'Industry View Document' to assist with the interpretation of the NGERA and the implementation of NGERS reporting for property organisations and those contracting to property organisations.

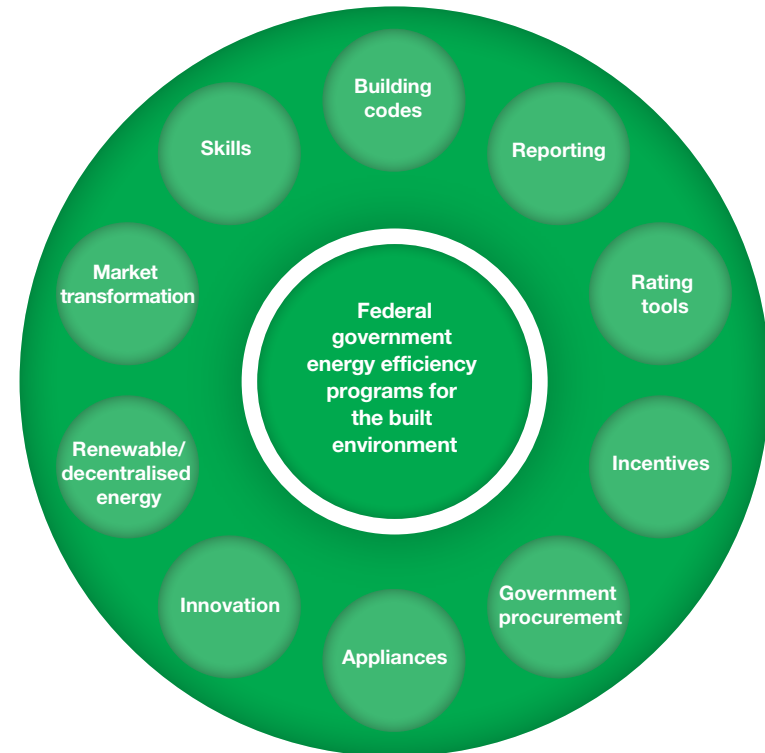
We have engaged our development managers and facility managers and many of our impacted contractors to make them aware of these new reporting requirements.

#### Energy Efficiency Opportunities (EEO) Act, 2006

The EEO Act aims to improve the identification and evaluation of energy efficiency opportunities by large energy-using businesses and encourages implementation of cost-effective opportunities. In 2007, we registered for EEO participation and set out a reporting schedule. Our reporting schedule was approved by government in 2008 and we commenced training and identification of opportunities to implement energy efficiency initiatives across our retail and office portfolios. We have continued identifying opportunities and have implemented some of these initiatives.

Our EEO report is available on our website, and we submitted our first formal report to government in December 2008.

### CLIMATE CHANGE REGULATION



### Planning approvals and climate change assessment

Climate change assessments, particularly in relation to floodplain risk management, are increasingly expected as part of the planning approval process for property development in Australia. The Victorian coastal strategy now requires consideration of sea level rise as part of planning assessment, proposing a minimum 100 year sea-level rise estimate of 80cm be applied for planning purposes. The New South Wales Government has prepared a draft sea level risk policy statement, and includes reference to benchmarks of a rise relative to 1990 of 40cm by 2050 and 90cm by 2100. Similar statements and policies are being developed by other local and state governments. The federal government is also exploring policy related to climate change adaptation, specifically sea level risk and storm surge.

### Building Code of Australia (BCA) – draft amendments

The BCA has established minimum requirements for energy efficiency in new buildings. Some specific requirements vary from state to state. Significant draft changes to the BCA's energy efficiency provisions were announced in June 2009. Proposed changes to the code include requirements for increased energy efficiency performance and requirements for renewable energy. We are currently engaging with peers and industry groups to better understand the implications of the proposed changes.

### State-based residential energy efficiency requirements

The developments of our Residential Communities, Apartments and Retirement Living businesses are subject to a range of energy efficiency requirements. These state-based requirements vary in focus, leading to different built form outcomes in different states, for example:

- Built fabric thermal performance focus: Victoria's 5 Star standard for new houses results in design solutions concerned mostly with the performance of the built fabric.

- Energy performance focus: New South Wales's BASIX tool results in solutions concerned with the energy performance of the house, encompassing both the thermal performance of the built form as well as the selection of technology such as energy efficient lighting, cooling/heating and water heating. The tool allows for more flexible design responses at less cost, while ensuring overall emissions are reduced.

### Council of Australian Governments (COAG) strategy on energy efficiency

The Draft Strategy on Energy Efficiency was released by the COAG on 30 May 2009. Aspects of the draft strategy with significant implications for us include:

- Improving consistency in energy-efficiency standard setting and performance assessment frameworks,
- Introducing mandatory disclosure of energy performance in existing commercial buildings (to be phased in from 2010),
- Introducing mandatory disclosure of eco-efficiency performance of residential buildings at point of sale (to be phased in from May 2011, commencing with energy),
- Increasing energy efficiency standards for residential to 6 Stars nationally (commencing 2010).

The draft sets out the intent of proposals only. There is significant work yet to be done in setting out the detail of legislation and how it will be implemented. There is reference however to improving existing rating tools, providing a harmonised national focus, and improving metrics with a focus on greenhouse emissions and energy efficiency. We welcome the proposed improvements and will continue to engage with government, sharing our views and experiences towards the effective development of standards and simplified disclosure protocols.

### UK Carbon Reduction Commitment (CRC)

The CRC is the UK's first mandatory emissions trading scheme, supporting the goals of the UK Climate Change Act. It is estimated that around 5,000 organisations will initially fall within the scope of the CRC. The scheme is compulsory for organisations using more than 6,000MWh/year of half-hourly metered electricity. The intention of the legislation is to encourage large organisations to reduce their fixed source energy consumption.

Commencing in April 2010, the CRC will require companies to purchase carbon allowances to cover their projected carbon emissions for each coming 12 month period. At the close of each period, companies will be required to disclose their actual electricity usage. Organisations will then be ranked according to energy efficiency achievement, with revenue from the scheme redistributed to participants based on this performance.

To prepare for emerging emissions regulation, our UK business commenced collating and reporting on carbon data in 2008. Under the CRC we will be required to commence energy use disclosure for those assets where we have half-hour meters in 2010. We are reviewing whether we will be fully captured by the CRC, requiring participation in the trading scheme.

### UK Energy Performance Certificates (EPCs)

As of 1 October 2008, all our UK buildings require an EPC when bought, sold or leased. Larger public buildings are also required to display an energy certificate. With all commercial buildings rated against the same scale, the legislation provides a standard for potential tenants and purchasers to use to compare the 'energy efficiency' of one building against another. Though the legislation is still relatively new, it is intended to create a market for more environmentally-sustainable buildings.

We continue to be fully compliant with this legislation, with EPCs performed for 29 of our assets to date (either in whole or part).

## CLIMATE CHANGE AND ENERGY



TOTAL STOCKLAND  
AUSTRALIA  
EMISSIONS (NGERA  
BOUNDARY) FY09  
(kgCO<sub>2</sub>)\*

**145,368,987**

TOTAL STOCKLAND  
UK EMISSIONS FY09  
(kgCO<sub>2</sub>)

**13,189,680**

\* NGERA boundary includes all Stockland Australia Scope 1 and Scope 2 emissions, emissions from vehicle hire and Residential emissions.

### ENERGY EFFICIENCY IN EXISTING BUILDINGS

The energy used in our existing portfolio of buildings is a significant contributor to our carbon footprint. We are therefore committed to improving energy efficiency in these buildings, as well as our new developments.

Regulation, in the form of the Federal Government's Energy Efficiency Opportunities Act (EEO), has led to a review of energy efficiency opportunities being undertaken across our Commercial Property portfolio. The EEO program requires technical energy savings evaluations and the implementation of a continuous improvement process. Our office and retail assets participate in the program and assessments are undertaken on selected sites on a rolling annual basis.

Opportunities with paybacks of four years or less are investigated and considered for inclusion in operating and capital budgets. More information on energy efficiency regulation can be found in the regulation section (page 48 – 49).

#### Energy efficiency in existing buildings Office

We use NABERS as a tool to benchmark building energy performance and to help us develop asset action plans. NABERS is a performance-based ratings system that measures existing buildings' environmental performance during operation.

In FY08 we committed to achieving a NABERS Energy portfolio average rating of 3.5 Stars for the 2008 calendar year, and developed action plans for strategic assets with a NABERS rating of less than that target. The plans aim to improve their performance through capital investment in energy-saving technologies such as lighting controls or variable speed drives on electric motors.

Ultimately we achieved a NABERS Energy portfolio average rating of 3.4 Stars for 2008. In improving the average of entire portfolio we have faced the challenge of progressively expanding the portfolio of buildings we include in our average rating. We originally set our 3.5 Stars NABERS Energy portfolio average target for a smaller portfolio of buildings, which have since achieved a 3.6 Stars NABERS Energy portfolio average.

We broadened our targets in last year's report to include all Stockland managed buildings, and this year in response to the National Greenhouse and Energy Rating System (NGERS) we are broadening targets to include all buildings for which we have 'operational control' under the NGERS legislation. Forty-nine per cent of this NGERS-defined portfolio is included in our NABERS Energy portfolio average, and we are working to improve this proportion over the next 12 months. We have set a medium-term target of a 5 Stars NABERS office Energy portfolio average by FY14.

As NABERS results are calendar year based, we also set intensity targets based on financial year performance. In our FY08 report we committed to reducing the energy intensity of our office portfolio by 8 per cent in FY09. We achieved this target with a 10 per cent reduction in energy intensity for all assets within our NGERS boundary.

#### Green Building Fund

The Green Building Fund is a federal government program to help commercial office buildings reduce their energy consumption and greenhouse gas emissions. Grants from the Green Building Fund are used to refit commercial office buildings with more energy-efficient fittings to help reduce energy consumption. Applications for 452 Flinders Street, 175 Castlereagh Street and Garden Square in Sydney were successful. The works will be completed in FY10.

#### Retail

We measure the energy efficiency performance of our retail centres through monthly energy usage reports. We undertook energy audits of 19 retail centres in FY08, and as a result have implemented initiatives such as installing energy-efficient lighting in car parks and malls which will result in an approximate reduction of 8 per cent of our total base building energy use over the period FY07 to FY09.

Despite this improvement, we still have more work to do to meet our targets. Last year we made a commitment to reduce our energy consumption by 5 per cent, and whilst this was achieved for overall usage, we only achieved a 3 per cent reduction in electricity and greenhouse gas emissions intensity. The greater reduction in overall consumption is due to a reduction in the size of the portfolio over FY09.

#### Raising the environmental performance of our entire portfolio

We are committed to minimising the environmental impacts of our properties and projects and raising the environmental performance of our entire portfolio, rather than developing isolated green flagships. Our goal is to embed a consistent approach to environmental management across the organisation.

This means driving energy and water efficiency and reducing consumption across the lifecycle of our properties and projects including:

- Sites that we develop,
- Sites that we redevelop,
- Sites that we manage.

The following case studies highlight some of the energy efficiency initiatives we have undertaken at the different stages of the lifecycle in the reporting period. As a developer of new and existing sites, we have a significant capacity to shape environmental outcomes. For sites we manage, our main contribution is in working with tenants to increase energy efficiency.



### Energy efficiency in our UK portfolio

In the UK we have continued to collect data to monitor the carbon footprint for the 23 highest energy-consuming assets in our portfolio. We are now identifying ways to reduce this consumption and have engaged consultants to carry out independent sustainability audits across our assets. The recommendations from these audits form the basis for asset-specific sustainability plans which document the sustainability activities that will be undertaken in the coming year to reduce the energy, water and waste consumption of the asset. In the year to June 2009, 10 audits were conducted, with more scheduled for the coming year.

The sustainability audits were one of the suggestions from workshops held with our asset management and major projects teams in FY09. The workshops aimed to engage the teams in emerging and current environmental regulations, broader industry practices and how our UK business should respond. The outputs from the workshops are being used to shape our strategy.



Stockhome and Tri-generation

### Sites we redevelop – Stockhome and Tri-generation

In December 2008, our Sydney office, Stockhome, achieved 6 Star Green Star Office Interiors v1.1 as awarded by the Green Building Council of Australia. This was the first office to achieve the 'World Leadership' ranking in this tool and Minister for Environment, Heritage and Arts, Peter Garrett, came to our office to announce the certified rating.

A major innovation in the redevelopment was the installation of a tri-generation plant, which began operating in May 2009. Tri-generation is where a gas-fired generator produces electricity on-site, and the waste heat is used to provide heating and cooling. The tri-generation plant has the capacity to reduce our greenhouse gas emissions by 1,100 tonnes of CO<sub>2</sub> per year. We will commence reporting annual performance data in our FY10 report.

Stockhome also achieved a 5 Star NABERS Energy rating as part of the City Switch program (using 17 per cent green power as the tri-generation plant was not operational in 2008). Analysis completed by the University of Technology in Sydney found that 92 per cent of employees

rated the environmental features of Stockhome as important to them. Perceived productivity increased to 7.21 per cent from -2.38 per cent as a result of employees' perceptions of their workspace.

The Melbourne office is currently finalising its Green Star Office Interiors assessment. As the Green Star Interiors tool rates the as-built design, and due to the complexity of fit-outs, we have discovered that these ratings are time consuming to complete.

### Sites that we manage – Forster Retail Centre

Located on the mid-North coast of New South Wales, we purchased Forster in 2003, and began redevelopment in February 2006. The redevelopment provided an opportunity for us to optimise energy efficiency within the centre.

Through the implementation of simple measures, energy usage dramatically improved within a short time. The measures included:

- Designing a natural ventilation scheme. The development team designed the centre so that it would harness the prevailing breezes through high-level louvers to draw out hot air and cool the centre without the need for any additional mechanical cooling.
- Changing lighting circuits so that signage, lights in the car park, and inside the centre were turned off after trading hours.

Energy figures were recorded from July to December 2007 to form a baseline set of data. The monthly figures averaged 55,507kWh. After optimising energy usage, further figures were calculated from January to June 2008 to give a monthly average usage of 41,336kWh, which is a reduction of 14,171kWh. This equates to a 25 per cent reduction and savings of approximately \$9,910 over the six month period.



Forster Retail Centre, New South Wales

## CLIMATE CHANGE AND ENERGY



### ENERGY EFFICIENCY IN NEW BUILDINGS

The major contributor to our carbon footprint is energy used in the buildings we own and manage as part of our Commercial Property business. Improving our energy efficiency is an important consideration in both our new developments and our existing portfolio of buildings.

#### Office

Our Commercial Property business has committed to a minimum NABERS Energy ratings of 4.5 Stars for new office buildings and major refurbishments. Specifications for energy-efficient plants and equipment are now written into project briefs for new buildings and major refurbishments. Where better outcomes can be achieved for additional capital investment, cost benefit analysis is undertaken. Payback periods for investment in energy-efficient technologies consider improvement to NABERS Energy ratings and reduced operating costs as part of the decision-making process. Electricity sub-metering systems are specified for all new office developments and are installed at selected properties to monitor electricity and gas usage and enable facility managers to better manage energy use on the site.

#### Retail

Energy ratings for shopping centres remain in development. We work with the Green Star Retail Tool to guide our design decisions, particularly around energy efficiency. We have provided feedback to the Green Building Council of Australia (GBCA) regarding the operation of the energy calculator and other aspects of this new tool. As refinements are made to the tool, we hope to adopt it as a standard by which we undertake retail development.

Additionally, the Department of Environment and Climate Change is working on a NABERS Energy rating for retail and we are on the Technical Working Group.

#### Our UK portfolio

In the year to June 2009, two development projects were completed. One of these, 1 Tudor Street, has been certified as achieving a BREEAM Very Good rating. The BRE Environmental Assessment Method (BREEAM) is a measurement rating for green buildings, developed in the UK. Our development at St Andrew Square, Edinburgh, is being targeted at a BREEAM Excellent rating. We will continue to seek formal BREEAM assessments of all completed development projects.

## CLIMATE CHANGE AND ENERGY CASE STUDIES



Triniti, North Ryde, New South Wales

### TRINITI

Our new office development in North Ryde, Triniti, has been designed to achieve a 4.5 Star NABERS Energy rating and has been registered for a Green Star rating. This development is being built in two stages with Buildings A and B being submitted for their first round Green Star in early FY10, whilst Building C will be completed in December 2009.

The builder, Baulderstone, is its major tenant in Building A, occupying 6,000 square metres. This development allows Baulderstone to showcase their building capabilities whilst creating its new home. We have worked with Baulderstone on a number of developments including the award-winning Optus development, the Triniti development, and the redevelopment of the Edmund Barton Building in Canberra.

### 66 WATERLOO ROAD

66 Waterloo Road is a 10,000m<sup>2</sup> office building located in Sydney's Macquarie Park. It was built as a 'typical' office building with a standard variable air volume air-conditioning system rather than chilled beams or a tri-generation system, and was originally designed to achieve a 4 Star NABERS Energy rating. Half way through design, the targets were changed to achieve a 4.5 Star NABERS Energy rating.

In the first 12 months of occupation, the building surpassed 4.5 Star performance and, with some further building tuning to improve operational performance, achieved 5 Star performance in January 2009. 66 Waterloo Road demonstrates how a typical office building can be transformed into an energy efficient and well run building through good commissioning, controls and management.



66 Waterloo Road, Macquarie Park, New South Wales

# Climate change and energy – Energy Metrics

## GREENHOUSE GAS EMISSIONS (absolute)

<b>Global Stockland emissions FY09 (kgCO<sub>2</sub>)</b>	158,516,562
Australia (including Residential)	145,326,882
UK	13,189,680
<b>Total Stockland Australia greenhouse gas emissions NGERS boundary FY09 (kgCO<sub>2</sub>)</b>	<b>145,368,987</b>

## TOTAL GREENHOUSE GAS EMISSIONS – AUSTRALIA (kgCO<sub>2</sub>) excluding Residential

	FY06	FY07	FY08	FY09
Scope 1 + Scope 2	139,279,841	139,385,591	132,439,692	<b>123,016,882*</b>
Scope 1	3,500,090	3,323,881	3,201,338	<b>3,016,281</b>
Scope 2	135,779,751	136,061,710	129,238,354	<b>120,000,601</b>

\* Notes: Scope 1 and Scope 2 emissions (excluding Residential and Retirement Living). Correction from Shareholder Review 2009.

SCOPE 1 EMISSIONS (kgCO <sub>2</sub> )	FY06	FY07	FY08	FY09
Office gas	2,549,324	2,489,555	1,937,412	<b>1,759,961</b>
Industrial gas	Not reported	Not reported	Not reported	<b>20,597</b>
Retail gas	517,766	262,932	262,380	<b>40,455</b>
Vehicle fleet	433,000	571,395	1,001,546	<b>287,548</b>
Refrigerants	Not reported	Not reported	Not reported	<b>907,720</b>
<b>Total</b>	<b>3,500,090</b>	<b>3,323,881</b>	<b>3,201,338</b>	<b>3,016,281</b>

SCOPE 2 EMISSIONS (kgCO <sub>2</sub> )	FY06	FY07	FY08	FY09
Corporate tenancies	Not reported	Not reported	Not reported	<b>1,558,899</b>
Office	68,134,207	69,544,494	66,238,591	<b>62,487,006</b>
Industrial	5,030,872	5,223,895	2,878,686	<b>99,391</b>
Retail	62,312,820	61,293,321	60,121,076	<b>55,855,304</b>
<b>Electricity Total</b>	<b>135,779,751</b>	<b>136,061,710</b>	<b>129,238,354</b>	<b>120,000,601</b>

SCOPE 3 EMISSIONS (kgCO <sub>2</sub> )	FY06	FY07	FY08	FY09
Total transmission and production losses from purchased electricity and gas and fuel for vehicle fleet	22,749,024	22,702,571	21,248,048	<b>19,718,223</b>
Car hire	Not recorded	66,572	79,460	<b>42,105</b>
Air travel	783,400	1,099,714	1,078,377	<b>1,070,393</b>
<b>Total</b>	<b>23,532,424</b>	<b>23,868,857</b>	<b>22,405,885</b>	<b>20,830,721</b>

Notes: All data excludes Residential and Retirement Living Scope 1, 2 and 3 emissions, unless otherwise stated.

## Global Stockland emissions FY09 (kgCO<sub>2</sub>)

Australia	145,326,882
UK	13,189,680

Scope 1 and Scope 2 emissions.  
FY09 total 158,516,562

## Greenhouse gas emissions – Australia (kgCO<sub>2</sub>)

<b>FY09</b>	<b>123,016,882</b>
FY08	132,439,692
FY07	139,385,591
FY06	139,279,841

Excluding Residential  
Scope 1 and Scope 2

## Scope 1 greenhouse gas emissions (kgCO<sub>2</sub>)

<b>FY09</b>	<b>3,016,281</b>
FY08	3,201,338
FY07	3,323,881
FY06	3,500,090

Excluding Residential

## Scope 2 greenhouse gas emissions (kgCO<sub>2</sub>)

<b>FY09</b>	<b>120,000,601</b>
FY08	129,238,354
FY07	136,061,710
FY06	135,779,751

Excluding Residential

## Scope 3 greenhouse gas emissions (kgCO<sub>2</sub>)

<b>FY09</b>	<b>20,830,721</b>
FY08	22,405,885
FY07	23,868,857
FY06	23,532,424

Excluding Residential

## CLIMATE CHANGE AND ENERGY



Residential	Emission estimates (kg CO <sub>2</sub> -e)
Residential Development	19,728,000
Retirement Living	2,582,000

**Methodology:** This report uses the Australian Government's Department of Climate Change National Greenhouse Accounts (NGA) Factors Workbook (November 2008) to calculate Scope 1, 2 and 3 emissions from the following sources:

- Electricity,
- Gas,
- Refrigerants,
- Fuel: petrol, diesel, LPG and ethanol 10%.

The 2009 WRI Workbook CO<sub>2</sub> Mobile (version 1.3) has been used to calculate emissions from air travel. The 2003 Workbook was used to derive the medium haul emissions factor.

Scope 1 incorporates fuel use in our vehicle fleet, gas burned in our office, industrial and retail assets and refrigerant emissions.

Scope 2 covers base-building electricity purchased for our office, industrial and retail assets and our corporate tenancies.

Scope 3 covers transmission and production losses from purchased electricity, gas and fuel and emissions from employee travel (flights and car hire).

Emissions from Stockland's UK operations are calculated according to the UK Government's DEFRA / DECC Greenhouse Gas Conversion Factors for Company Reporting. We have used 2007 grid factors for electricity, and 2007 GCV factors for gas.

### Emissions boundary

Notes: All figures are Australian operations only, unless otherwise stated. For FY09 we are reporting according to our 'operational control' boundary under the National Greenhouse and Energy Reporting Act (NGERA). We report on the base-building electricity and gas consumption and the resulting greenhouse gas emissions from the office, industrial and retail assets for which Stockland has operational control. Tenant usage is not included, except where Stockland is the tenant. The GHG emissions from Stockland's four largest office tenancies were 1,621,578 kg of CO<sub>2</sub> for calendar year 2007. This figure has not been included in the above totals. Stockland's tenancy consumption for FY09 has been included in the above data. A number of industrial properties with immaterial energy consumption have been excluded from this report. These properties are included in our NGERA boundary and will be reported on in our NGERA report.

Stockland's UK emissions and energy data is collected for assets whose energy budget is greater than \$5000 a year. Data is from invoices, and is 85 per cent complete for electricity and 77 per cent complete for gas. We have extrapolated 12 months worth of data from those figures.

### Intensity

The most appropriate measure of emissions intensity is on a per square metre basis for the individual asset classes.

## INTENSITY

The most appropriate measure of emissions intensity is on a per square metre basis for the individual asset classes.

GHG EMISSIONS INTENSITY (kgCO <sub>2</sub> /m <sup>2</sup> )	FY06	FY07	FY08	FY09
Office	136.6	127.8	113.3	<b>103.8</b>
– Floor area (NLA) of buildings in intensity metric (m <sup>2</sup> )	524,618	570,091	527,511	<b>508,342</b>
– Floor area in intensity metric (%)				<b>76%</b>
Retail	88.6	82.3	77.2	<b>74.6</b>
– Floor area (GLA) of buildings in intensity metric (m <sup>2</sup> )	709,490	748,437	784,846	<b>735,733</b>
– Floor area in intensity metric (%)				<b>97%</b>

**Boundary:** We use the same 'operational control' boundary for our intensity figures as we use for our total figures. Electricity and gas consumption for those assets for which Stockland has operational control are divided by the floor area of those assets. Only assets with a full 12 month data set for electricity consumption are included. Due to the limited number of industrial properties under our NGERA operational control boundary, we have not included an intensity metric for our industrial portfolio.

GHG INTENSITY REDUCTION (%)	FY06-07	FY07-08	FY08-09	FY06-09
Office	6%	11%	8%	<b>24%</b>
Retail	7%	6%	3%	<b>16%</b>

PURCHASED ELECTRICITY (kWh)	FY06	FY07	FY08	FY09
Corporate tenancies	Not reported	Not reported	Not reported	<b>1,655,224</b>
Office	75,460,030	77,526,965	73,337,524	<b>68,639,145</b>
Industrial	5,030,872	4,928,202	2,715,742	<b>108,900</b>
Retail	67,071,111	66,085,690	64,762,680	<b>60,110,466</b>
<b>Total</b>	<b>147,562,013</b>	<b>148,540,858</b>	<b>140,815,946</b>	<b>130,513,736</b>

**Boundary:** Data is from Australian operations only. This data captures 100 per cent of base-building electricity purchased for all office, industrial and retail assets owned and managed by Stockland for FY06, FY07 and FY08. For FY09 we have reported against an 'operational control' boundary. We report on the base-building electricity consumption of the office, industrial and retail assets for which Stockland has operational control. Tenant usage is not included, except where Stockland is the tenant. The electricity consumption of our four largest office tenancies was 1,701,058 kWh in calendar year 2007. This figure has not been included in the above totals. Stockland's tenancy consumption for FY09 has been included in the above data.

OFFICE GHG  
EMISSIONS  
INTENSITY  
FY08-09

8%



Office greenhouse gas emissions  
intensity (kgCO<sub>2</sub>/m<sup>2</sup>)

FY09	<b>103.8</b>
FY08	113.3
FY07	127.8
FY06	136.6

GHG emissions for office assets divided by the leased floor area of these assets

RETAIL GHG  
EMISSIONS  
INTENSITY  
FY08-09

3%



Retail greenhouse gas (GHG)  
emissions intensity (kgCO<sub>2</sub>/m<sup>2</sup>)

FY09	<b>74.5</b>
FY08	77.2
FY07	82.2
FY06	88.6

GHG emissions for retail assets divided by the leased floor area of these assets

ELECTRICITY  
CONSUMPTION

7%



Purchased electricity (kWh)

FY09	<b>130,513,735</b>
FY08	140,815,946
FY07	148,540,858
FY06	147,562,013

Base building electricity for office, industrial and retail assets and corporate tenancies



<b>ELECTRICITY INTENSITY</b> (kWh/m <sup>2</sup> )	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
Office	144.0	135.9	121.8	<b>109.8</b>
– Floor area (NLA) of buildings in intensity metric (m <sup>2</sup> )	524,618	570,091	527,511	<b>508,342</b>
– Portfolio covered in intensity metric (%)				<b>76%</b>
Retail	94.5	88.3	82.8	<b>80.1</b>
– Floor area (GLA) of buildings in intensity metric (m <sup>2</sup> )	709,490	748,437	784,846	<b>735,733</b>
– Portfolio covered in intensity metric (%)				<b>97%</b>

**Boundary:** We use the same 'operational control' boundary for our intensity figures as we use for our absolute figures. Electricity consumption for those assets for which Stockland has operational control is divided by the floor area of those assets. Only assets with a full 12 month data set are included.

<b>ELECTRICITY INTENSITY REDUCTION</b> (%)	<b>FY06-07</b>	<b>FY07-08</b>	<b>FY08-09</b>	<b>FY06-09</b>
Office	6%	10%	10%	<b>24%</b>
Retail	7%	6%	3%	<b>15%</b>

<b>GAS CONSUMPTION – TOTAL AUSTRALIAN</b> (MJ)	<b>FY06</b>	<b>FY07</b>	<b>FY08</b>	<b>FY09</b>
Office	49,278,237	48,300,919	37,766,323	<b>34,287,190</b>
Industrial	Not reported	Not reported	Not reported	<b>401,271</b>
Retail	9,977,497	5,114,614	5,114,614	<b>788,136</b>
<b>Total</b>	<b>59,255,734</b>	<b>53,415,533</b>	<b>42,880,937</b>	<b>35,476,597</b>

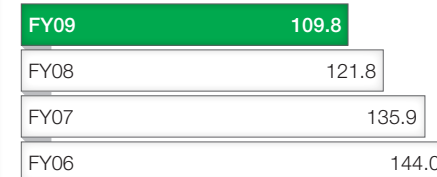
**Boundary:** We report on gas purchased for all office, industrial and retail assets owned over which Stockland has operational control. We report this data as a total for Stockland, as well as totals for our office, industrial and retail portfolios, to enable comparison of the performance of the different asset classes over time.

<b>UK RESOURCE CONSUMPTION</b> (kWh)	<b>FY08</b>	<b>FY09</b>
Electricity	18,382,509	<b>21,342,126</b>
Gas	Not reported	<b>8,713,933</b>

Electricity and gas consumption data is collected for assets whose energy budget is greater than £5,000 a year. Data is from invoices, and is 85 per cent complete for electricity and 77 per cent complete for gas. We have extrapolated 12 months worth of data from those figures. Our electricity data has a confidence factor of 61.25 per cent for FY08.

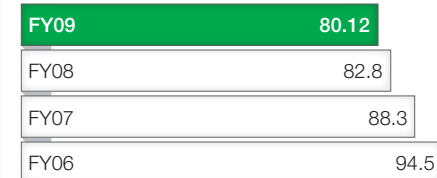


#### Office electricity intensity (kWh/m<sup>2</sup>)



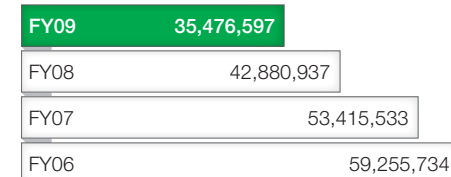
Floor Area (NLA) of buildings in intensity metric (m<sup>2</sup>)

#### Retail electricity intensity (kWh/m<sup>2</sup>)



Floor Area (GLA) of buildings in intensity metric (m<sup>2</sup>)

#### Gas consumption (MJ)



### Energy data for Commercial Property

The creation of Commercial Property resulting from the consolidation of our retail, office and industrial businesses has provided us with the opportunity to streamline our data processes. Harmonisation has been undertaken to produce a single Commercial Property data report for data submission. The assets are still benchmarked separately, which is appropriate due to their nature and usage profiles. However, the reporting undertaken for operational assets has been simplified, and is accessible to the entire Commercial Property business. The energy ratings for our office portfolio has become a particular market focus, and business strategies based on the energy data have been created for critical sites showing greater implementation of environmental data into business decision making.

### Energy data for Residential and Retirement Living

FY09 is the first year that we have collected and reported greenhouse and energy data for our residential assets. This has been driven by our responsibility to report under the National Greenhouse and Energy Reporting (NGER) Act. The estimates provided have included a combination of site sampling, emissions assumptions and estimates and extrapolation. We recognise that we need to significantly improve the accuracy of our emissions reporting.

Emissions estimates for FY09 by business are outlined in the table opposite. In summary, our total emissions for the Residential business in the current financial year is approximately 19,700 tonnes of CO<sub>2</sub>-e (carbon dioxide equivalent). The total emissions from the four Retirement Living properties that we have determined operational control for is 2,582 tonnes of CO<sub>2</sub>-e.

### FY10 reporting improvements

Emissions from our contractors will be captured via monthly health, safety and environment (HS&E) reporting. We have run a pilot with civil contractors from Queensland and NSW for the monthly HS&E reporting in June and will use the outcomes of this pilot to inform the roll-out of reporting to all projects and contractors for which we have a reporting obligation in July 2009. Contractors are required to report all NGER data including electricity, gas, fuel and use of explosives as well as reporting on water use and waste management.

Our own emissions on projects will be collected through our accounts management tool. Our electricity, gas and fuel invoices will require consumption figures to be entered before payment is approved. This is likely to be implemented by early 2010.

### Residential emission estimates (kgCO<sub>2</sub>)

Residential	19,728,000
Retirement Living	2,582,000

Business unit	Data collection	Emission estimates (kgCO <sub>2</sub> -e)
<b>RESIDENTIAL</b>	Data collected at Lakewood, North Lakes, St Augustine and Newhaven for our own activities and for contractor operations. Average emissions per lot from these sites have been used to extrapolate across remaining assets. Calculated on number of lots registered as being developed for FY09 in our contract tracking system.	19,728,000
<b>RETIREMENT LIVING</b>	Data collected from invoices and contractors for each of the four sites.	2,582,000



# NATURAL RESOURCES



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Our approach to natural resources management includes tree protection and bush regeneration, water and ground-water monitoring and protection, biodiversity offsets and construction environmental management.

## Natural resources – Progress and priorities



**Past**

**Last year, we said we would:**

Reduce water consumption by 5 per cent across all operating retail centres.

Work towards a 3.5 Star NABERS Water portfolio average target for our office portfolio.

Improve our waste management reporting for our operating assets.

Investigate waste reporting for construction sites with our construction suppliers.

Pilot biodiversity indicators on a small number of sites, using feedback from the pilot to shape biodiversity management guidelines.



**Present**

**This past year, we have:**

→ Reduced water consumption by 5 per cent across all operating retail centres.

→ Achieved a 3.6 Star NABERS Water rating for Stockland managed properties for calendar year 2008.

→ Completed a national tender for waste management services.

→ Provided construction reporting for all office development sites, and the first construction reporting is available for retail.

→ Not progressed this work due to a change in strategy and policy following the recruitment of a new national sustainability manager.



**Future**

**In the coming year, our priorities are to:**

- Reduce water use intensity across our Commercial Property portfolio by 10 per cent by FY14.
- Attain a 4.0 Star average NABERS office Water rating for our Office portfolio by FY14.
- Work with our waste providers to improve the understanding and standard of waste reporting. The recycling rate target for retail assets is 20 per cent and for office assets it is 70 per cent.
- Extend reporting to all new Commercial Property sites.
- Refine inventory of biodiversity on our land bank and develop a register of threatened and endangered flora and fauna.
- Include water reporting requirements in the monthly contractor health, safety and environment reports and improve the accuracy of data collected for direct Stockland activities.

## NATURAL RESOURCES



### NATURAL RESOURCES

The effective management of our use of, and impact on, natural resources is one of the key pillars of our CR&S strategy. This includes:

- Improving the efficiency of our water consumption,
- Understanding the impact of our business on biodiversity,
- Measuring and reducing waste.

We have been focusing on these areas by implementing specific initiatives as well as building internal and external understanding of our consumption of natural resources.

Our Residential and Retirement Living businesses spent over \$54 million on environmental protection and management measures in FY09, with the majority of spend going towards natural resource management. Measures include tree protection and bush regeneration, water and ground-water monitoring and protection, biodiversity offsets and construction environmental management.

### Natural resources information in this report

The water section describes our progress towards reducing water consumption across all our projects.

The biodiversity section explores some of the biodiversity challenges we face in our projects, and describes the approach we are taking to mitigate our impact.

The waste and materials section describes the way we are working with our builders and suppliers to minimise the environmental impact of the materials we use in our projects.

NABERS Energy and Water ratings are also included on pages 65 and 66 in this report.

### BIODIVERSITY

Biodiversity is important to us as we develop greenfield sites that can vary from farms and agricultural lands to sites that include forest and bushland. Some of these sites contain, or are adjacent to, areas with high levels of biodiversity. Our Residential business, which tends to have the most significant biodiversity impacts, has developed Sustainable Guidelines for Acquisition.

The guidelines include a requirement to consider the impact on ecology by identifying areas of significance for biodiversity or protected species and investigating how we can enhance biodiversity value through development of the site.

In FY09, we worked with local and state governments to ensure our developments meet relevant planning and regulation requirements for biodiversity management. We are interested in developing residential communities that maintain or enhance biodiversity in the local area. This has included regenerating degraded grazing land into vegetated open spaces (see North Shore case study) and developing residential communities that are close to native bushlands and parks.

### Environmental Impact Assessments

Assessing the impacts on biodiversity of our developments and engaging with the local community is critical to ensuring projects are granted approval both by regulatory authorities and by community stakeholders. Local government often requires an Environmental Impact Assessment (EIA) when considering approvals for developments. For example, we need to prepare an EIA:

- If the development is on a greenfield site (a site that has not been built on before, usually in rural areas) or a brownfield site (a site that has been built on before, usually in urban areas),
- If the site has any ecological or conservation value.

Where required for development approval, we conduct an EIA. Assessing the impact of biodiversity may incorporate stakeholder consultation with groups including local government, local communities and residents, environmental action groups and ecological experts.

### Biodiversity planning

#### THREATENED OR ENDANGERED SPECIES OR COMMUNITIES IMPACTED BY PROJECTS

	Residential Communities	Apartments	Retirement Living	Total
Projects that impact threatened or endangered species (%)	24	9	0	21
Total area of land that impacts species habitat or makes up community (ha)	1,075	2	0	1,077
Projects with a biodiversity plan approved by relevant approval authority (%)	24	9	0	21
Total projects that partnered with or involved community and non-government organisations in natural resource management	7	0	0	7





North Shore Biodiversity, Townsville QLD

A review of 81 properties and projects in our Residential (Residential Communities and Apartments) business identified that 21 per cent have threatened species or communities located on, or nearby, the project. The total area of land that impacts the species habitat, is 1,077 hectares. Of these projects, half have biodiversity management plans in place and these have generally been required by approval authorities. In total, around a fifth of the projects reviewed have biodiversity plans in place with some approval authorities requiring biodiversity management plans regardless of whether there are threatened or endangered species or impacted communities.

In our 2008 CR&S report, we said we would pilot biodiversity indicators at a number of sites in FY09. We began work on this but did not progress it due to changes in structure and personnel in the Residential sustainability team. However, biodiversity has been identified as a focus area in the Residential business' new sustainability strategy. We aim to gain a better understanding of our biodiversity holdings in FY10 by refining our register of threatened and endangered species and communities nationally.

### TOWNSVILLE, QUEENSLAND

North Shore is North Queensland's largest masterplanned community, incorporating over 5,200 new homes across more than 1,000 hectares of land. The project was launched in September 2008 and is 5 per cent complete. The community will include schools, retail and commercial space, community facilities and natural bushland and parklands.

North Shore is located alongside the Bohle River on land previously used for grazing. The site is an important habitat for the endangered Black Throated Finch and the vulnerable Striped Tailed Delma (a legless lizard). In the planning phase we considered how best to protect and enhance the habitat of these species, manage stormwater runoff in a way that enhances the water quality of the receiving ecosystems, regenerate degraded grazing property and enhance the site's natural biodiversity.

We implemented a range of initiatives including:

- Construction of a \$20 million best practice stormwater treatment system which includes constructed wetlands,
- Rehabilitation of all eroded areas of the site, and preventative works to stop further erosion,

- Provision of a 100 metre buffer to Saunders and Stoney Creeks (tributaries of the Bohle River) and the creation of additional waterholes and ponds in the open space corridor for native wildlife. We also committed \$50,000 per annum for five years to establish the Black Throated Finch Trust to research and conserve this species.

These initiatives have resulted in the rehabilitation of over 40 hectares of native bushland adjacent to the Bohle River, making it a suitable habitat for native flora and fauna. The initiatives have also led to the construction of Townsville's first large scale bio-retention basin (over one hectare) at a cost of approximately \$1 million. A bio-retention basin is a landscaped depression used to slow and treat onsite stormwater runoff.

Our stakeholders, including residents, community groups, council and prospective buyers, have responded positively to the project to date and to our approach. The positive stakeholder sentiment toward the project is evidenced by the fact that the project has managed to achieve 265 sales during a period where the land sales market in Townsville has halved.

### MIBA SOUTH PARKLAND, QUEENSLAND

The MIBA South Parkland area is the first of a number of urban parklands in the North Lakes Western Precinct. This area, which was established in late 2008, incorporates a range of water-sensitive urban design strategies to protect the local environment and achieve best practice in community development.

MIBA South Parkland also plays an important role in water flow mitigation and has been designed to help control flooding in the local area and protect local neighbourhoods from inundation and stormwater damage.

Stormwater harvesting systems will provide the irrigation supply to two hectares of landscape. This equates to a reduction of up to 20 million litres of potable water use per year. The electricity used for the irrigation will be offset by a 4kW solar photovoltaic system that will be located in the park. The stormwater harvesting will also provide additional benefits such as a reduction in the load of stormwater pollutants to downstream ecosystems.

## NATURAL RESOURCES



### WATER CONSUMPTION

12%



#### WATER

Drought is a common feature of the Australian landscape. Water restrictions are in place in many regions of Australia due to the chronic shortage of water resulting from low rainfall levels. We recognise that in the long-term we need to reduce water consumption and maximise water efficiency. To improve water efficiency we:

- Use the National Australian Built Environment Rating System (NABERS) to measure water consumption in our existing office buildings. For the 2008 calendar year we achieved our 3.5 Star NABERS Water portfolio average target for Stockland managed properties with a 3.6 Star average. Our medium-term target is to achieve 4.0 Star NABERS Water portfolio average rating by 2013,
- Carried out water efficiency projects in 16 of our retail shopping centres in FY09 to identify water-saving opportunities,
- Consider water flows, site water balance and water quality for our Residential and Retirement Living projects, with a focus on appropriate water-sensitive urban design to manage our impacts on water flow and quality.

#### Water usage in our office portfolio

In FY09, our office sites reduced water consumption by 28 per cent compared to our FY06 benchmark. This has been achieved through the implementation of sub-metering, water-efficient fittings and waterless urinals throughout our properties. In FY09 we received grants from Sydney Water to modify taps and toilets at 110 Walker Street, 133 Castlereagh Street, 75 George Street, 77 Pacific Highway and 222 Pitt Street.

#### Water usage in our shopping centres

In early 2008, we examined water efficiency at 16 of our retail shopping centres. Each site was independently assessed by Ecosave, a water conservation organisation, and water-saving solutions were proposed for each site. The predicted target water saving was 78,927kL or 16.6 per cent against the usage recorded in FY07. The project commenced in FY08 and verification of the savings was finalised in FY09.

The water reduction from March 2008 to March 2009 was 14.5 per cent. When a full year has passed we expect to meet our target.

#### Smart water meters

We have installed an online data logging system that records water usage every five minutes, 24 hours per day. These 'smart' water meters are connected to every main billing meter for our retail sites, plus a number of Stockland-owned sub-meters, at 33 Stockland retail sites. Overall, 148 meters are connected to the 'smart metering' systems. In FY10, meters will be extended to six additional office assets where sub-metering for water is not already in place (a portfolio of buildings had sub-metering implemented in FY07 and all new office developments are fitted with third party managed metering).

Alarms are set off when water usage exceeds a selected amount during certain hours of the night, as high water usage when the building is unoccupied in most cases signals a leak.

A high water usage alarm went off at Stockland Nowra shopping centre in New South Wales on 21 February 2009 when water usage exceeded 150 litres between 10-11pm. An investigation found a leak in a cooler connection and the problem was rectified on 23 February. If this leak had gone undetected, 2,600 litres of water an hour would have been wasted.

## NATURAL RESOURCES CASE STUDY



The Pines, Doncaster Victoria

### THE PINES, EAST DONCASTER, VICTORIA

To reduce water consumption at The Pines shopping centre in East Doncaster, we implemented a number of measures in FY09. These included:

- All cisterns were retro-fitted to minimal flush as per AS3500 National Plumbing Code,
- All cistern rubbers were replaced where they were leaking,
- All basin taps in toilets were fitted with four litre flow control valves,
- Spouts in toilets were fitted with two litre vandal proof aerators in public areas,
- All leaking taps were repaired. Tap spindles were lubricated where required,
- All Zip urinal systems were checked for 100 per cent operational efficiency.

We reduced our water consumption at The Pines by 3,493kL in FY09 compared to FY08.

## COMMERCIAL PROPERTY WATER METRICS

WATER CONSUMPTION (kL)	FY06	FY07	FY08	FY09
Office and Industrial	695,217	772,048	683,964	<b>552,248</b>
Retail	863,491	864,647	788,304	<b>746,485</b>
<b>Total</b>	<b>1,558,708</b>	<b>1,636,695</b>	<b>1,472,267</b>	<b>1,298,733</b>

The water we use is sourced from municipal or city water supplies.

**Boundary:** For FY09 we are reporting according to our 'operational control' boundary under the National Greenhouse and Energy Reporting Act (NGERA). For FY06, the figures exclude our industrial site at Yennora. Figures include tenant use.

### Reviewing water consumption metrics in our Commercial Property business

Our Commercial Property business reduced its water usage substantially between FY06 and FY09. This was a result of 'easy-wins' being made with the introduction of waterless urinals, low flow tap reviews, sub-metering and bathroom upgrades in a large part of the portfolio.

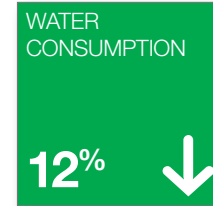
Retail sites reduced their usage and their intensity by over 5 per cent. Our office portfolio met its NABERS Water portfolio average target, but did not reduce its financial year intensity. We have restated the intensity figures for our office portfolio to include water consumption associated with retail areas within our office buildings. We believe that its inclusion best represents the true performance of our portfolio. Due to the low proportion of our office portfolio included in our FY09 intensity metric, we anticipate that we will restate this figure in our FY10 report, when we have more complete data for our entire portfolio. The sharp drop in the overall water consumption of our office portfolio can be partially attributed to the sale of a number of properties over the year.

In future we will set intensity and overall targets.

WATER INTENSITY (kL/m <sup>2</sup> )	FY06	FY07	FY08	FY09
Office	1.12	1.05	0.89	<b>0.89</b>
– Floor area (Net Lettable Area) of buildings in intensity metric (m <sup>2</sup> )	522,621	556,710	592,723	<b>343,348</b>
– Percentage portfolio covered	93%	77%	80%	<b>49%</b>
Retail	1.21	1.16	1.00	<b>0.93</b>
– Floor area (Gross Lettable Area) of buildings in intensity metric (m <sup>2</sup> )	714,700	748,520	790,064	<b>775,565</b>
– Percentage portfolio covered (%)	92%	97%	100%	<b>100%</b>

**Boundary:** We report against the same operational control boundary for our intensity figures as for our absolute figures. Intensity figures are derived from the total water consumption for each asset class over the year, divided by the total floor area. Only assets with a full 12 month data set are included. We measure against area in m<sup>2</sup> as this is the metric used by NABERS to benchmark office property efficiency.

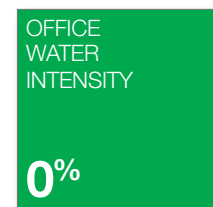
WATER INTENSITY REDUCTIONS (%)	FY06-FY07	FY07-FY08	FY08-FY09	FY06-FY09
Office	6%	15%	0%	<b>21%</b>
Retail	4%	14%	7%	<b>23%</b>



### Water consumption (kL)

FY09	<b>1,298,733</b>
FY08	1,472,267
FY07	1,636,695
FY06	1,558,708

Water consumption of office, industrial and retail assets



### Office water intensity (kL/m<sup>2</sup>)

FY09	<b>0.89</b>
FY08	0.89
FY07	1.05
FY06	1.12

Floor Area (NLA) of buildings in intensity metric (m<sup>2</sup>)



### Retail water intensity (kL/m<sup>2</sup>)

FY08	<b>0.93</b>
FY07	1.00
FY06	1.16
FY0	1.21

Floor Area (GLA) of buildings in intensity metric (m<sup>2</sup>)

## NATURAL RESOURCES



### WATER USAGE IN DEVELOPING OUR RESIDENTIAL COMMUNITIES AND IN OUR RETIREMENT VILLAGES

We have collected data on water use from our projects (44 per cent) in Residential Communities, Apartments and in the four Retirement Living projects where we have control over water use for the first time this year. The total potable water consumed across the year was 73,066 kL, while 279,771 kL of non-potable water was used. Potable water therefore makes up 26 per cent of total reported water use.

Water in Residential Communities is typically used by civil and landscape contractors during site development and construction. This includes water for site dust management, road laying and landscape watering. This is typically where non-potable water would be used but when this is not available, or too expensive, potable water will be used. There are also project site and sales offices that use potable water. Apartment projects will typically access municipal or city water suppliers for construction usage. The exception to this was our Islands project in Western Australia which was able to source over 90 per cent of its requirements from non-potable sources. We collected data on water use for three of the four Retirement Living projects where we control water use and the majority of water used (97 per cent) was potable via the city water supply in Melbourne.

We will improve data accuracy in FY10 by including water reporting requirements in the monthly health, safety and environment report that is completed by contractors on our sites and by improving the accuracy of data collected for direct Stockland activities.

### RESIDENTIAL AND RETIREMENT LIVING WATER METRICS

WATER CONSUMPTION (kL)	Potable	Non-potable	Total	Percentage potable
Residential Communities	46,967	259,215	306,182	15%
Apartments	12,127	20,196	32,323	38%
Retirement Living	13,972	360	14,332	97%
<b>Total</b>	<b>73,066</b>	<b>279,771</b>	<b>352,837</b>	<b>26%</b>

**Boundary:** Water use data is a mix of data supplied by contractors and water consumed directly by Stockland operations. Data is obtained through a combination of invoices and estimates. Data has been reported for 44 per cent of projects.

## NATURAL RESOURCES CASE STUDY



Pacific Pines stormwater management, Queensland

### STORMWATER MANAGEMENT IN OUR RESIDENTIAL COMMUNITIES

Increasing urban densities make the need to manage water and reduce our impact on the environment ever more pressing. We have introduced new water treatment methodologies to capture stormwater runoff in our residential at Pacific Pines and Riverstone Crossing in Queensland.

#### Pacific Pines

Providing open space is often a requirement for our residential communities. However, the provision of larger active recreation areas can conflict with community expectations for better stormwater treatment. In FY09 our Residential business constructed an aquifer for stormwater management at our Pacific Pines residential in Gaven in Queensland. The aquifer meets required stormwater objectives and provides a viable source of water for irrigating the open space areas in the vicinity.

#### Riverstone Crossing

Set on 194 hectares, Riverstone Crossing in the northern Gold Coast will comprise approximately 718 allotments. In developing this community our aim was to provide an alternate water supply to maintain the parklands and playgrounds, whilst improving the quality of stormwater runoff from the development.

To achieve these objectives, we designed the development to include swales, bio-retention, household rainwater tanks, and gross pollutant traps. We also included a 1 ML RainVault™ community system to capture the three-month flow and retain the treated runoff for irrigation.

Incorporating these systems reduces the development's reliance upon potable supply for irrigation purposes and reduces the ongoing long-term impacts of urban runoff on waterways. The installed 1ML RainVault™ system is designed to conserve 21.1 ML of stormwater runoff that will be used for irrigation.

## NABERS ratings

### NABERS OFFICE ENERGY AND WATER RATINGS

NABERS is a performance-based ratings system that measures existing buildings' environmental performance during operation. We use NABERS to undertake energy and water ratings on our portfolio of office buildings.

We set a NABERS Energy office portfolio average target of 3.5 Stars for the 2008 calendar year. We achieved a 3.4 Star average. A challenge for us has been maintaining the improvements in our portfolio average whilst increasing the size of the portfolio we are measuring. We originally set this target for a small portfolio of buildings, which have since achieved a 3.6 Star NABERS Energy portfolio average. We broadened our targets in last year's report to include all Stockland managed buildings.

AVERAGE  
NABERS  
ENERGY  
RATING

**3.4**stars

#### Average NABERS energy rating (stars)



AVERAGE  
NABERS  
WATER  
RATING

**3.6**stars

#### Average NABERS water rating (stars)



### NABERS OFFICE ENERGY AND WATER RATINGS

Property	Net Lettable Area (m <sup>2</sup> )	NABERS Energy Rating 2008 (stars)	NABERS Energy Rating 2007 (stars)	NABERS Energy Rating 2006 (stars)	NABERS Water Rating 2008 (stars)	NABERS Water Rating 2007 (stars)	NABERS Water Rating 2006 (stars)
<b>NSW</b>							
110 Walker St, North Sydney	4,532	<b>4.0</b>	3.5	3.5	<b>4.0</b>	3.5	3.0
118-120 Pacific Hwy, St Leonards	5,131	<b>3.5</b>	3.0	3.0	<b>4.5</b>	4.0	3.5
Piccadilly Tower, 133 Castlereagh St, Sydney	29,876	<b>3.5</b>	4.0	N/A	<b>4.0</b>	3.0	N/A
Piccadilly Court, 222 Pitt St, Sydney	9,724	<b>4.0</b>	4.5	4.0	<b>3.5</b>	4.0	3.5
135 King St, Sydney <sup>3</sup>	27,056	<b>2.0</b>	N/A	1.5	<b>2.5</b>	1.5	N/A
175 Castlereagh St, Sydney	11,984	<b>4.0</b>	2.5	3.5	<b>3.5</b>	3.0	1.0
9 Castlereagh Street, Sydney <sup>#</sup>	21,185	<b>3<sup>#</sup></b>	N/A	N/A	<b>3<sup>#</sup></b>	N/A	N/A
234 Sussex St, Sydney	11,071	<b>4.5</b>	4.0	4.0	<b>4.0</b>	1.0	0.0
333 Kent St, Sydney <sup>1</sup>	8,938	<b>N/A</b>	2.5	N/A	<b>N/A</b>	3.5	N/A
52 Martin Place, Sydney <sup>3</sup>	39,071	<b>3.0</b>	N/A	N/A	<b>1.5</b>	N/A	N/A
601 Pacific Hwy, St Leonards	12,690	<b>4.0</b>	3.5	2.0	<b>3.5</b>	3.5	2.0
7 Macquarie Place, Sydney <sup>3</sup>	13,641	<b>3.0</b>	N/A	N/A	<b>1.0</b>	N/A	N/A
72 Christie St, St Leonards <sup>2</sup>	11,221	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A
75 George St, Parramatta <sup>4</sup>	9,545	<b>2.5</b>	3.0	1.5	<b>N/A</b>	0.0	N/A
77 Pacific Hwy, North Sydney <sup>4</sup>	9,337	<b>N/A</b>	2.5	2.0	<b>N/A</b>	3.5	2.5
3 Byfield Street, North Ryde <sup>1</sup>	2,695	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A
16 Giffnock Ave, North Ryde	11,701	<b>2.0</b>	1.5	N/A	<b>1.5</b>	2.0	N/A
60 Waterloo Road, North Ryde <sup>1</sup>	8,167	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A
66 Waterloo Road, North Ryde	10,082	<b>5.0</b>	N/A	N/A	<b>4.0</b>	N/A	N/A
11-17 Khartoum Road, North Ryde	4,212	<b>4.5</b>	4.0	N/A	<b>4.0</b>	N/A	N/A
33-39 Talavera Road, North Ryde <sup>2</sup>	10,931	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A
Centrecourt Estate, North Ryde	84,194	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A

# Waiting for certification from DECC.

1 Not classified as an "Office" building so no rating can be obtained.

2 Stockland does not have operational control over this building, tenant controls utility data.

3 JV building, not managed by Stockland Facility Managers.

4 Problem with utility company providing correct data, so no rating can be achieved.



Now, in response to the National Greenhouse and Energy Rating System (NGERS), we are broadening targets to include all buildings for which we have 'operational control' under the NGERS legislation. In the 2008 calendar year we achieved our 3.5 Star NABERS Water portfolio average target for Stockland managed properties with a 3.6 star average.

Only 49 per cent of the buildings within our NGERS operational control boundary have achieved ratings. Ratings have to date only been achieved by Stockland managed properties. This means that properties owned by Stockland but managed by a third party, which make up 20 per cent of Stockland's portfolio under NGERS, are not yet rated. We are waiting on NABERS ratings for a further 24 per cent of the portfolio. Three per cent of the portfolio is not classified as 'office buildings' under NABERS definitions and a further 8 per cent having billing estimates that have prevented us from finalising ratings.

We have set the following targets:

- 4.0 star NABERS Energy portfolio average by FY14,
- 4.5 star NABERS Energy portfolio average for all key assets at risk,
- 4.0 star NABERS Water portfolio average rating by FY14.

## NABERS OFFICE ENERGY AND WATER RATINGS

Property	Net Lettable Area (m <sup>2</sup> )	NABERS Energy Rating 2008 (stars)	NABERS Energy Rating 2007 (stars)	NABERS Energy Rating 2006 (stars)	NABERS Water Rating 2008 (stars)	NABERS Water Rating 2007 (stars)	NABERS Water Rating 2006 (stars)
<b>ACT</b>							
15 Mort Street, Cox Building, Canberra	3,701	<b>4.0</b>	3.0	3.0	<b>4.5</b>	3.5	4.0
17 Mort Street, Todd Building, Canberra	1,765	<b>3.0</b>	3.0	N/A	<b>N/A</b>	N/A	N/A
68 Northbourne Ave, Canberra	9,786	<b>1.5</b>	0.0	N/A	<b>2.0</b>	1.0	N/A
70 Northbourne Ave, Drakeford Building	3,811	<b>3.5</b>	3.0	3.0	<b>N/A</b>	2.5	0.0
72 Northbourne Ave, Trace Building, Canberra	5,196	<b>3.0</b>	2.5	2.5	<b>N/A</b>	N/A	N/A
Edmund Barton Building, Canberra (Under development)	N/A	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A
40 Cameron Street, Belconnen	15,506	<b>2.5</b>	3.5	N/A	<b>N/A</b>	N/A	N/A
<b>VIC</b>							
452 Flinders St, Melbourne	38,496	<b>3.5</b>	2.0	2.0	<b>3.0</b>	3.0	3.0
541 St Kilda Rd, Melbourne	8,208	<b>4.0</b>	4.0	4.0	<b>3.5</b>	4.5	2.5
<b>QLD</b>							
Waterfront Place, 1 Eagle St, Brisbane	59,166	<b>4.0</b>	3.5	3.0	<b>4.0</b>	3.5	3.5
Garden Square, 643 Kessels Rd, Upper Mount Gravatt	12,681	<b>1.0</b>	1.0	N/A	<b>4.0</b>	4.0	N/A
150 Charlotte Street, Brisbane <sup>2</sup>	N/A	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A
80-88 Jephson Street, Toowong	6,397	<b>1.5</b>	1.5	N/A	<b>4.5</b>	4.5	N/A
<b>WA</b>							
Exchange Plaza, 2 The Esplanade, Perth <sup>3</sup>	34,178	<b>4.5<sup>#</sup></b>	N/A	N/A	<b>N/A</b>	N/A	N/A
Durack Centre, 263 Adelaide Terrace, Perth	17,312	<b>N/A</b>	3.0	N/A	<b>N/A</b>	2.0	N/A
45 St Georges Terrace, Perth	9,876	<b>N/A</b>	3.0	N/A	<b>N/A</b>	2.5	N/A
Bankwest Tower <sup>3</sup>	39,360	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A
181 Great Eastern Hwy, Belmont <sup>2</sup>	4,036	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A
1 Havelock Street, West Perth	5,087	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A
267 St Georges Terrace, Perth	3,484	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A
255 St Georges Terrace, Perth	590	<b>N/A</b>	N/A	N/A	<b>N/A</b>	N/A	N/A

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## WASTE AND MATERIALS

Waste management is an important dimension of eco-efficiency, particularly for our Commercial Property operations where we have a high degree of influence in helping to manage and reduce waste. We anticipate that waste fees will increase when carbon starts to be accounted for and, therefore, implementing waste reduction measures now will help reduce costs later.

A management challenge has been a lack of completeness in our waste data. In FY08, for example, we had accurate waste data for only 26 per cent of our office portfolio. In FY09, we improved our waste data collection systems. In December 2008 we completed a tender for waste management services to our office and retail sites. This included minimum performance requirements for waste diversion from landfill (including mandating 80 per cent recycling in our New South Wales office properties) and monthly reporting to a set format.

Complementing this process in FY08 we committed to implement waste recycling facilities at all of our retail centres to the recycling level available with the centre's local council area by FY10. We are progressing well against this target. Currently over 81 per cent of our retail centre has waste reporting in place. Fifteen per cent of retail waste is currently diverted from landfill. We have set a 20 per cent diversion target from landfill for retail sites in FY10. We have set a target of 70 per cent diversion from landfill for our office portfolio in FY10.

Using a single national approach for waste allows for consistency across states and asset classes and leads to more meaningful metrics, and waste management outcomes. Our minimum performance requirements also allow for waste audits to the standard of NABERS Waste ratings (using independent assessors) to validate outcomes.

OPERATIONAL WASTE (tonnes)	FY07	FY08	FY09
<b>Office</b>			
Total waste	989	1,047	<b>4,038</b>
Total waste to landfill			<b>1,046</b>
Total waste recycled			<b>2,637</b>
Percentage diversion from landfill			<b>65%</b>
Percentage of portfolio reporting	27.6%	26%	<b>90%</b>
<b>Retail</b>			
Total waste	9,352	10,124	<b>8,546</b>
Total waste to landfill			<b>7,203</b>
Total waste recycled			<b>1,343</b>
Percentage diversion from landfill			<b>15%</b>
Percentage of portfolio reporting	85%	85%	<b>81%</b>

**Boundary:** We are reporting against the same National Greenhouse and Energy Reporting Act (NGERA) 'operational control' boundary that we use for energy and water. We report on all properties within this boundary, with the exception of some properties where our tenants run their own waste contracts. We also report on a small number of additional properties that fall out of our NGERA boundary, but where we have taken on management of the waste contract for service provision purposes.

DEVELOPMENT WASTE FY09 (tonnes)	Office	Retail
Total waste	12,120	656
Waste recycled	10,581	577
Waste to landfill	1,884	79
Diversion from landfill	87%	88%
Percentage of the developments included	100%	20%

**Boundary:** Calculated based on total number of projects for which Stockland is the developer. Active waste is tracked through the builders as for these sites the principal contractor has operational control.

## Waste in the development of new buildings

We are a signatory to the Green Building Council of Australia's Green Business Partnership. Under this agreement all new office assets are required to meet a minimum 4 Star Green Star rating. The rating framework enables us to consider aspects such as waste and material selection in the development of new office buildings. For retail buildings we either complete Green Star ratings or use our retail charter, both of which have equivalent requirements for development waste.

Green Star awards points for construction waste diverted from landfill, with targets of 60 and 80 per cent, and for allowing suitable space for recycling.

We also target material selection credits by incorporating low volatile organic compound paints and carpets, low formaldehyde wood and recycled content in structural materials.

We have received two 6 Star Green Star ratings (classified as 'World Leadership') in FY09 for our Sydney office, Stockhome, and 2 Victoria Avenue in Perth. Our Edmund Barton Building redevelopment and Triniti buildings A and B are currently registered for certification.

## Working with suppliers to manage waste at our shopping centres

We are working with our preferred waste management suppliers to introduce recycled waste bins in our shopping centres. As a first step we are holding a pilot recycling project at four of our retail centres in New South Wales – Wetherill Park, Merrylands, Baulkham Hills and Green Hills. The project will be extended to all retail centres. Our waste management suppliers are identifying waste-sorting facilities to meet the needs of the business and to manage all waste streams, including general waste, co-mingled (plastics, aluminium cans and glass), paper, cardboard and organic waste.

Our Commercial Property team monitors waste management with suppliers submitting monthly reports on the waste streams.

## Global Reporting Initiative (GRI) index

GRI INDICATOR	RESPONDED TO IN 2009	POSITION IN 2009 REPORT
<b>1. STRATEGY AND ANALYSIS</b>		
1.2 Statement from the most senior decision maker of the organisation about the relevance of sustainability to the organisation and its strategy.	Yes	page 2 – 3
1.2 Description of key impacts, risks and opportunities.	Yes	page 2 – 3, 6 – 9, 15 – 20, 22 – 52, 57 – 64, 67
<b>2. ORGANISATIONAL PROFILE</b>		
2.1 Name of the organisation.	Yes	Stockland Corporation Limited
2.2 Primary brands, products, and/or services.	Yes	page 5
2.3 Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	Yes	page 5
2.4 Location of organisation's headquarters.	Yes	back cover
2.5 Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Yes	page 5
2.6 Nature of ownership and legal form.	Yes	page 5
2.7 Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Yes	
2.8 Scale of the reporting organisation.	Yes	page 5
2.9 Significant changes during the reporting period regarding size, structure, or ownership.	Yes	page 5 Shareholder Review 2009 page 4
2.10 Awards received in the reporting period.	Yes	page 11

GRI INDICATOR	RESPONDED TO IN 2009	POSITION IN 2009 REPORT
<b>3. REPORT PARAMETERS REPORT PROFILE</b>		
3.1 Reporting period for information provided.	Yes	page 14
3.2 Date of the most recent previous report (if any).	Yes	page 14
3.3 Reporting cycle.	Yes	page 14
3.4 Contact point for questions regarding the report or its contents.	Yes	back cover
3.5 Process for defining report content.	Yes	page 14
3.6 Boundary of the report.	Yes	page 14
3.7 State any specific limitations on the scope or boundary of the report.	Yes	page 14
3.8 Basis for reporting in joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	Yes	page 14, 54 – 57
3.9 Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	Yes	Techniques footnoted as appropriate. page 24 – 26, 29, 31, 50, 53 – 57, 63 – 67
3.10 Explanation of the effects of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	Yes	page 29 – 30, 53 – 56
3.11 Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Yes	page 14, 53 – 56
3.12 Table identifying the location of the Standard Disclosures in the report.	Yes	GRI Index page 68 – 75
3.13 Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organisation and the assurance provider(s).	Yes	page 14 Assurance statement page 76 – 77

## Global Reporting Initiative (GRI) index

GRI INDICATOR	RESPONDED TO IN 2009	POSITION IN 2009 REPORT
<b>4. GOVERNANCE, COMMITMENTS AND ENGAGEMENT: GOVERNANCE</b>		
4.1 Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	Yes	page 9 – 10, 12 Financial Report 2009
4.2 Indicate if the Chair of the highest governance body is also an executive officer (and if so, their function within the organisation's management and the reasons for this arrangement).	Yes	Shareholder Review 2009 page 7
4.3 For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Yes	Shareholder Review 2009 page 7
4.4 Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Yes	page 13
4.5 Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).	Yes	page 28 Financial Report 2009 page 10 – 11
4.6 Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Yes	Financial Report 2009 page 9 – 11
4.7 Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics.	Yes	Financial Report 2009 page 11 Directors are selected such that the Board has a balance of skills and experience. As such, the Board has extensive experience of the social and environmental context in which the business operates.
4.8 Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Yes	<a href="http://www.stockland.com.au/about/mission.htm">http://www.stockland.com.au/about/mission.htm</a>
4.9 Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Yes	page 8, 12 – 19
4.10 Processes for evaluating the performance of the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Yes	Financial Report 2009 page 11 – 12 The process for evaluating the performance of the Board is primarily focused on the relationship between the Board and management, and the effectiveness of the Board itself. This process includes the performance of Committees, encompassing the Board CR&S Committee.



GRI INDICATOR	RESPONDED TO IN 2009	POSITION IN 2009 REPORT
4.11 Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	Yes	No. Sustainability for the organisation is defined in Our CR&S approach page 12 – 20
4.12 Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	Yes	page 11, 14
4.13 Memberships in associations (such as industry associations) and/or national/ international advocacy organisations.	Yes	page 11, 15
4.14 List of stakeholder groups engaged by the organisation.	Yes	page 16
4.15 Basis for identification and selection of stakeholders with whom to engage.	Yes	page 15 – 17
4.16 Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Yes	page 6 – 7, 13 – 17, 34 – 37, 40 – 43
4.17 Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	Yes	page 12 – 17, 24 – 27, 29 – 31, 34 – 37
<b>MANAGEMENT DISCLOSURES</b>		
Economic	Yes	Financial Report 2009 page 17 Shareholder Review 2009 page 1 – 4
Environmental	Yes	page 44 – 67
Labour Practices	Yes	page 22 – 31
Human Rights	Yes	page 29 – 30, 37
Society	Yes	page 38 – 43
Product Responsibility	Yes	page 34 – 39

## Global Reporting Initiative (GRI) index

GRI INDICATOR	RESPONDED TO IN 2009	POSITION IN 2009 REPORT
<b>ECONOMIC PERFORMANCE INDICATORS</b>		
<b>Economic Performance</b>		
EC1. Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. (Core)	Yes	page 42 – 43 Shareholder Review 2009 page 1
EC2. Financial implications and other risks and opportunities for the organisation's activities due to climate change. (Core)	Yes	page 44 – 52, 57 Carbon Disclosure Project Report 7
EC3. Coverage of the organisation's defined benefit plan obligations. (Core)	Yes	Superannuation contributions are made in accordance with legislative requirements.
EC4. Significant financial assistance received from government. (Core)	Yes	page 10, 41, 50, 60
EC8. Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. (Core)	Partial	page 42 – 43
EC9. Understanding and describing significant indirect economic impacts, including the extent of impacts.	Partial	page 6 – 7, 34 – 37
<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>		
<b>Energy</b>		
EN3. Direct energy consumption by primary energy source. (Core)	Yes	page 55 – 56
EN4. Indirect energy consumption by primary source. (Core)	Yes	page 55 – 56
EN5. Energy saved due to conservation and efficiency improvements.	Yes	page 45, 50 – 52, 55 – 56
EN6. Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.	Yes	page 47, 50 – 57
<b>Water</b>		
EN8. Total water withdrawal by source. (Core)	Yes	page 63 – 64

GRI INDICATOR	RESPONDED TO IN 2009	POSITION IN 2009 REPORT
<b>Biodiversity</b>		
EN11. Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. (Core)	Yes	page 60
EN12. Description of significant impacts of activities, products, and services on biodiversity value outside protected areas. (Core)	Partial	page 60 – 61
EN13. Habitats protected or restored.	Partial	page 61
EN14. Strategies, current actions, and future plans for managing impacts on biodiversity.	Partial	page 60 – 61
<b>Emissions, Effluents and Waste</b>		
EN16. Total direct and indirect greenhouse gas emissions by weight. (Core)	Yes	page 53 – 54
EN17. Other relevant indirect greenhouse gas emissions by weight. (Core)	Partial	page 53 – 54
EN18. Initiatives to reduce greenhouse gas emissions and reductions achieved.	Yes	page 45, 47, 50 – 57
EN19. Emissions of ozone-depleting substances by weight. (Core)	Yes	page 53 – 54, 57
EN22. Total weight of waste by type and disposal method. (Core)	Partial	page 67
EN23. Total number and volume of significant spills. (Core)	Yes	There were no spills in the reporting period.
<b>Products and Services</b>		
EN26. Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. (Core)	Yes	page 45, 47, 50 – 52, 59 – 64, 67
<b>Compliance</b>		
EN28. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. (Core)	Yes	Nil
<b>Transport</b>		
EN29. Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.	Partial	page 53
<b>Overall</b>		
EN30. Total environmental protection expenditures and investments by type.	Yes	page 60

## Global Reporting Initiative (GRI) index

GRI INDICATOR	RESPONDED TO IN 2009	POSITION IN 2009 REPORT
<b>LABOUR PRACTICES AND DECENT WORK</b>		
<b>Employment</b>		
LA1. Total workforce by employment type, employment contract, and region. (Core)	Yes	page 24
LA2. Total number and rate of employee turnover by age group, gender and region. (Core)	Yes	page 31
LA3. Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	Yes	page 27
<b>Labour/Management Relations</b>		
LA4. Percentage of employees covered by collective bargaining agreements. (Core)	Yes	All of our employees are on individual contracts.
<b>Occupational Health and Safety</b>		
LA7. Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region. (Core)	Partial	page 29
<b>Training and Education</b>		
LA10. Average hours of training per year per employee by employee category. (Core)	Partial	page 27 We don't measure training per year by employee category.
LA11. Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	Partial	page 27
LA12. Per cent of employees receiving regular performance and career development reviews.	Yes	page 27 – 28
<b>Diversity and Equal Opportunity</b>		
LA13. Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. (Core)	Yes	page 25 – 26
LA14. Ratio of basic salary of men to women by employee category. (Core)	Yes	page 26
<b>HUMAN RIGHTS</b>		
<b>Investment and Procurement Practices</b>		
HR2. % of significant suppliers and contractors that have undergone screening on human rights and actions taken. (Core)	Partial	page 37
<b>Non-discrimination</b>		
HR4. Total number of incidents of discrimination and actions taken. (Core)	Yes	There were 2 serious incidents. These were investigated and in both cases the allegations were proven and the accused employees had their employment terminated for serious misconduct.

GRI INDICATOR	RESPONDED TO IN 2009	POSITION IN 2009 REPORT
<b>SOCIETY</b>		
<b>Community</b>		
SO1. Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting. (Core)	Yes	page 38 – 43
<b>Corruption</b>		
SO3. Percentage of employees trained in organisation's anti-corruption policies and procedures. (Core)	Yes	No employees underwent Trade Practices training in FY09. Relevant employees are enrolled to complete this training in early FY10.
SO4. Actions taken in response to incidents of corruption. (Core)	Yes	Nil aspects of corruption
<b>Public policy</b>		
SO5. Public policy positions and participation in public policy development and lobbying. (Core)	Yes	page 8
SO6. Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.	Yes	page 8
<b>Anti-Competitive Behaviour</b>		
SO7. Total number of legal actions for anti-competitive behaviour, anti-trust and monopoly practices and their outcomes.	Yes	Nil
<b>Compliance</b>		
SO8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations. (Core)	Yes	Nil
<b>PRODUCT RESPONSIBILITY</b>		
<b>Product and Service Labelling</b>		
PR5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Yes	page 13 – 17, 33 – 37
<b>Marketing Communications</b>		
PR6. Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. (Core)	Partial	page 16
PR7. Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes.	Yes	Nil
<b>Customer Privacy</b>		
PR8. Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Yes	Nil
<b>Compliance</b>		
PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services. (Core)	Yes	Nil





### STOCKLAND CORPORATE RESPONSIBILITY & SUSTAINABILITY (CR&S) REPORT 2009

To Stockland's stakeholders,

Banarra Sustainability Assurance and Advice (Banarra) was commissioned by Stockland to assure its CR&S Report 2009 (the Report) against the AA1000 Assurance Standard (AA1000AS) 2008. Banarra was also commissioned to validate the Report against the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines. This is Banarra's third reporting cycle with Stockland, so we have built on our previous understanding of the organisation and its progress.

#### ASSURANCE SCOPE

The assurance scope is a Type 2 engagement under AA1000AS (2008) and the scope includes:

- 1) Assessing, to a high level of assurance, the nature and extent to which Stockland adheres to AA1000APS (2008) principles of Inclusivity, Materiality and Responsiveness and how it communicates this adherence in the Report.
- 2) Verification of the performance information within the following material issue areas:
  - Energy and greenhouse gas emissions to a high level of assurance; and

- Biodiversity, capability development, climate change, community development, community investment<sup>1</sup>, employee engagement, employee profile, employee health & safety, engaging with suppliers, housing affordability, NABERS energy & water ratings, political donations, waste and water to a moderate level of assurance.

The performance information was verified using the criteria in the Guide to Corporate Responsibility Reporting in the Property Sector, Draft, February 2009 and, for performance information not included in this guidance, the GRI Guidelines. In addition, the NGRS Technical Guidelines 2008 were also used as criteria for verification of greenhouse gas emissions.

#### BANARRA ASSURANCE METHODOLOGY

Within the above scope, our methodology included:

- Interviews with: a) 11 of the Executive Committee and Board, including Matthew Quinn, Graham Bradley and Nick Greiner, concerning sustainability performance and governance; b) 40 Stockland staff at corporate, divisional and site levels concerning sustainability performance, strategy, policies for material issues, implementation of responses and performance data verification; and c) 12 external stakeholders concerning stakeholder engagement and sustainability performance.

- Review of sustainability policies, strategies, CR&S Board Minutes as well as sustainability management systems and documentation.
- Checks of the methodology, completeness and accuracy of all quantitative performance information and the processes for capturing, aggregating and reporting this data, through interviews and document review, comparison with the assurance criteria, re-calculation and cross-checks with corroborative evidence, including sample testing of source data.
- Checks of the accuracy of sampled qualitative performance information (such as management assertions and case studies), through interviews and document review.
- Visits to Stockland's headquarters in Sydney, NSW and three Stockland sites: North Lakes (residential, retirement living and commercial developments), Qld; Merrylands (retail centre and development), NSW; and Sydney Office developments (Optus and Trinit), NSW.
- An independent check of Stockland's material issues and stakeholder views on these issues, including analysis of peer reports, media articles on Stockland in FY09, Stockland's own documentation and engagement records and issues identified from Banarra's interviews.

- A review of the Report to check consistency with the GRI application level requirements of B+ and that it is consistent with the nature and extent of Stockland's adherence to the AA1000 AccountAbility Principles.

#### FINDINGS AND RECOMMENDATIONS

We believe Stockland has appropriately communicated the nature and extent of its adherence to the AA1000APS (2008) principles in the Report. Findings and recommendations on the nature and extent of Stockland's adherence to the principles are provided below.

#### Inclusivity – has Stockland a stakeholder engagement and participation process?

Stockland has made a commitment to engage with its stakeholders and Banarra found strong support of this commitment within the Executive team and other staff interviewed. Stockland has identified its key stakeholders and developed stakeholder engagement processes at the corporate and project level. Stockland acknowledges that the quality of engagement processes varies between projects and we are pleased that Stockland has started to develop a framework to enable more consistent stakeholder engagement across projects.

<sup>1</sup> Banarra only verified qualitative community investment data. Quantitative data was verified by the London Benchmarking Group and was outside of Banarra's assurance scope.

Banarra identified the following areas for improvement:

- Stakeholder participation in Stockland's sustainability decision-making at both a project and corporate level is limited and this should be reviewed;
- Stockland should develop a process to proactively identify and manage conflicting views between stakeholders at both a project and corporate level;
- Stockland should develop a process for stakeholder engagement at operational Retirement Living sites that reflects the unique stakeholder relationships that Stockland has in this part of the business; and
- Stockland engages with its Residential & Retirement Living customers through marketing and satisfaction surveys. It should take this engagement further and provide feedback to these stakeholders on the results of the surveys.

#### **Materiality – has Stockland identified its most important sustainability issues?**

We were pleased that Stockland has developed a formal materiality process to identify its most important sustainability issues. All material issues identified for FY09 are included in the Report. In addition, Banarra's independent materiality review did not identify any further material issues or issues of high stakeholder interest for inclusion in the Report.

Banarra identified the following areas for improvement:

- The materiality process is currently not integrated within Stockland's business processes and we recommend that it is aligned with Stockland's other risk and opportunity systems; and
- Currently the materiality process draws from a relatively narrow range of stakeholder views. Stockland should develop a method to capture and consolidate stakeholder views from existing, broader engagement for use in the materiality processes.

#### **Responsiveness – has Stockland responded to these issues?**

Stockland has developed a corporate CR&S Strategy outlining responses for its most important sustainability areas. Some progress has been made in the development of divisional strategies and guidance although there is still more to do in this area. From our site visits, whilst we found evidence that site level sustainability management was congruent with corporate strategies, we found that this was mostly due to project based initiatives rather than the result of implementing corporate strategies or guidelines.

Stockland has developed comprehensive responses to the majority of its material issues. In particular we are pleased to see that it has developed monitoring and a greater understanding of sustainability performance in the Residential business. We encourage Stockland to use this information and understanding to further improve its sustainability responses in Residential.

We believe there are some areas where Stockland could develop a more comprehensive response to its material issues. In particular, The sustainable supply chain program should have greater reach within the organisation. Group Procurement manages the program and has limited visibility of procurement across the divisions. Although some gaps are being closed, Stockland would benefit from a more coordinated effort to ensure consistent sustainable procurement practices.

Stockland has made good progress through development of some quantitative environmental targets. Nevertheless, we believe that Stockland could do more and develop quantitative targets for all material issues. Stockland should also ensure that commitments are specific and measurable and progress against these should be clearly described in the Report.

#### **Performance Information Verification**

Based on our methodology we conclude:

- There is evidence that the performance data for Australian energy and greenhouse gas emissions is correct in all material aspects and is a fair representation of Stockland's performance in this area in FY09;
- There is no evidence that the performance information for biodiversity, capability development, climate change, community development, community investment<sup>1</sup>, employee engagement, employee profile, employee health & safety, engaging with suppliers, housing affordability, NABERS energy & water ratings, political donations, waste and water is not correct in all material aspects and is not a fair representation of Stockland's performance in these areas in FY09; and
- Banarra could not come to a view on the accuracy of the UK greenhouse gas emissions and energy data. This is due to a lack of transparency on the boundary of the data-set and the lack of complete energy billing information.

Banarra has a number of findings and recommendations to improve the data management and reporting process. These findings are not considered material relative to Stockland's performance:

- Stockland has made improvements to greenhouse gas emissions reporting systems with the implementation of the CCAP tool. However, some of Stockland's other environmental data reporting systems lack rigour and it is recommended that improvements are made to contractor data management, version control and internal data checking.
- Stockland has varying asset boundaries for each of its environmental data-sets. We believe this is confusing to stakeholders. Whilst Stockland have provided a broad description of each boundary in the Report, we recommend that boundaries be reviewed so that all environmental data-sets account for the same group of properties.

- Stockland should review its data-sets against the Draft PCA Reporting Guidelines once they are finalised. In particular we recommend that Stockland report on developments with significant community complaints and hectares of land with high biodiversity value lost to development.

#### **Global Reporting Initiative**

We concur with Stockland's own assessment that they have achieved GRI application level B+.

#### **RESPONSIBILITIES & INDEPENDENCE**

Stockland was responsible for preparation of the Report, stakeholder identification and engagement as well as material issue identification and response. Banarra's responsibility was to provide an independent assurance opinion of the Report using AA1000AS. This opinion is provided to Stockland Management and any reliance third parties may place on this statement is entirely at their own risk. Banarra has provided Stockland a management report containing more details on the findings and recommendations in this statement.

Banarra was paid by Stockland to conduct this assignment. Other than this payment, the assurance team declares itself independent in relation to Stockland and its stakeholders. There is a detailed statement on our independence, impartiality and competencies at [www.banarra.com](http://www.banarra.com).



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