



19 August 2015

Stockland Green Bond – Use of Proceeds Statement 2015

As outlined in Schedule 2 of the Pricing Supplement of the Stockland Trust (Stockland) EUR 300,000,000 Medium Term Note due 3 November 2021, Stockland has committed for the term of the notes to publish annual updates as part of 'Sustainability Reporting' detailing, at a minimum, the allocation of the net proceeds of the notes to "Eligible Green Projects" together with key features and where applicable.

These updates are accompanied by:

- (i) an assertion by management that the proceeds of this offering were invested in qualifying "Eligible Green Projects".
- (ii) an independent assurance report in respect of management's assertion on the use of proceeds in compliance with the Green Bond Principles, 2014 and Stockland's Green Bond Management Statement, performed in accordance with International Standard on Assurance Engagements ISAE 3000 Assurance Engagements other than Audits and reviews of Historical Financial Information.

Stockland is responsible for the completeness and accuracy of the listing of specified investments to which the Medium Term Note Proceeds have been applied and for ensuring that the specified investments meet the "Eligible Green Projects" criteria (set out below). Stockland Group has established and continues to maintain control procedures which are suitably designed and implemented to meet the requirements of the "Green Bond Principles, 2014".

"Eligible Green Projects" means

- I. Developments which have received, or are expected to receive, a Green Building Council of Australia¹ (GBCA) 4, 5 or 6 star certification or equivalent certification
- II. Redevelopments which have received, or are expected to receive, a 4, 5 or 6 GBCA star certification or equivalent certification
- III. Tenant improvement projects funded by us (Stockland) which have received, or are expected to receive, a GBCA 4, 5 or 6 star certification or equivalent certification
- IV. Capital projects which are and/or are not yet certified by GBCA but which are based on a third-party engineering and/or specialist consultant study, improve the efficiency (energy, water and/or waste) of a building and/or development.
- V. Capital projects, executed in a manner in line with Stockland sustainability policies and focus areas which yield a measurable benefit in line with the "Green Bond Principles, 2014".

The table below outlines the allocation of these funds across the following assets:

Type of project	Site	Financial allocation (\$ million AUD)	Green Star rating
Development (Use of Proceeds Category I)	Caloundra South	10.7	6 Star - Communities Pilot v0.1 - Rating achieved
	Merndaⁱⁱ	15.0	4 Star - Custom Design – Rating achieved
	Selandra Riseⁱⁱⁱ	15.5	4 Star - Custom Design – Rating achieved
Redevelopment (Use of Proceeds Category II)	Wetherill Park	97.9	5 Star - Retail Centre Design v1 - Rating achieved
	Baldivis	93.2	4 Star - Retail Centre Design v1 - Rating achieved
	Hervey Bay	13.5	4 Star - Retail Centre As Built v1 - Rating achieved
	Shellharbour (Development)	175.7	4 Star - Retail Centre Design v1 - Rating achieved.
	Green Hills	9.4	4 Star – Retail Centre Design v1 – Target rating
Capital project (Use of Proceeds Category V)	Shellharbour (Solar)	2.1	Largest Australian single rooftop solar system installation
	Total	EUR300m / AUD 433m^{iv}	

Further information on the performance of these assets can be found in Stockland's Sustainability Reporting (to be released 22nd September 2015).



Tiernan O'Rourke
Chief Financial Officer
Stockland Group

19 August 2015

ⁱ The Green Building Council of Australia (GBCA) was established in 2002 to develop a sustainable property industry in Australia and drive the adoption of green building practices through market-based solutions.

Key Objectives - To drive the transition of the Australian property industry towards:

- Sustainability by promoting green building programs, technologies, design practices and operations
- Integration of green building initiatives into mainstream design, construction and operation of buildings.

What GBCA do:

- Rate – through Australia's only national, voluntary, holistic rating system for sustainable buildings and communities – Green Star.
- Educate – people on how to design and deliver sustainable outcomes for our buildings and communities.
- Advocate – policies and programs that support GBCA's mission and work with industry and government to achieve these goals.

ⁱⁱ Retirement Living Village

ⁱⁱⁱ Retirement Living Village

^{iv} Conversion rates EUR/AUD was 1.443 corresponding to the swap rates used on the date the Green Bond was priced (24 October 2014). This will be unchanged for the life of the bond.



Independent reasonable assurance report to the directors of Stockland Group Limited

We have performed a reasonable assurance engagement in relation to Stockland Group Limited's (the Company) Green Bond Use of Proceeds Statement 2015 ("Statement") (as contained in Appendix A) to provide an opinion as to whether, as at 30 June 2015:

- the specified investments to which the Medium Term Note Proceeds have been applied, meet the Eligible Green Projects criteria (as set out in the Statement); and
- the management statement, described in the Statement, that controls have been suitably designed and implemented to meet the requirements of the Green Bond Principles, 2014, is fairly stated.

The specified investments and the management statement on controls are contained in the Statement and collectively comprise the "Assured Subject Matter".

We have not been engaged to provide an assurance opinion on the financial performance of the Medium Term Notes. The obligation to perform financial due-diligence remains with investors.

Directors' responsibilities

The directors of the Company are responsible for the preparation of the Statement which contains the Assured Subject Matter and for:

- ensuring the Medium Term Note proceeds are used to fund investments which meet the Eligible Green Projects criteria; and
- establishing control procedures that are suitably designed and implemented to meet the requirements of the Green Bond Principles, 2014.

Our responsibility

Our responsibility is to express an opinion to the directors on the Assured Subject Matter as described above, as contained in the Statement.

We have performed our work in accordance with International Standard on Assurance Engagements ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*; other auditing standards applicable to internal control engagements and including complying with relevant ethical requirements relating to assurance engagements. Our tests and procedures included planning and performing the engagement to obtain reasonable assurance whether, in all material respects, the Assured Subject Matter contained in the Statement, is free from material misstatement.

The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the Assured Subject Matter, whether due to fraud or error. Our tests and procedures included obtaining an understanding of the nature of the specified investments to which the Medium Term Note Proceeds had been applied and of the control procedures established and examination, on a test basis, of evidence supporting the investments and the design and implementation of the control procedures.

Inherent limitations

Because of the inherent limitations of any internal control structure, it is possible that errors or irregularities may occur and not be detected. Our reasonable assurance engagement is not designed to detect all weaknesses and errors in the Assured Subject Matter in meeting the requirements of the Use of Proceeds and the Green Bond Principles, 2014, as the evidence has been obtained on a sample basis.



Further, the internal control structure within which the control procedures which are the subject of our engagement are designed to operate, has not been subject to any reasonable assurance procedures and no opinion is expressed as to its effectiveness.

Any projection of the suitability of design and implementation of controls and their meeting the requirements of the Green Bond Principles to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

The reasonable assurance opinion expressed in this report has been formed on the above basis.

Independence

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

Opinion

In our opinion, in all material respects, as at 30 June 2015:

- the specified investments to which the Medium Term Note Proceeds have been applied, meet the Eligible Green Projects criteria (as set out in the Statement); and
- the management statement, described in the Statement, that controls have been suitably designed and implemented to meet the requirements of the Green Bond Principles, 2014, is fairly stated.

Use of Reports

The Statement has been prepared by the directors of the Company to meet the requirements of the Use of Proceeds Statement and the Green Bond Principles, 2014 and for investors of the Medium Term Notes issuance.

Our reasonable assurance report is intended solely for the directors of the Company. We disclaim any assumption of responsibility for any reliance on this report, to any person other than the directors of the Company for any other purpose than that for which it was prepared.

This assurance report refers only to the Assured Subject Matter contained in the Green Bond Statement described above and does not provide an opinion on any other information which may have been hyperlinked to/from the Statement.

KPMG
Sydney
19 August 2015