



*Results built on
sound strategy*



Stockland

ANNUAL REVIEW
30 June 2016

About this report

Welcome to Stockland's 2016 Annual Review – reporting on our financial, social and environmental performance for the financial year, 1 July 2015 – 30 June 2016.

This is our fifth integrated report. We continue to evolve our approach to Integrated Reporting across our corporate reporting suite: integrating our sustainability strategy with our Group strategy, further streamlining our Financial Report, and providing more accessible content online. Our reporting approach and materiality is discussed in detail on pages 68–71.

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

Our full reporting suite for 2016 is:


Annual Review (online only)	Focusing on strategy, corporate governance, and our integrated financial, social and environmental performance.
Financial Report	A detailed account of our FY16 financial performance.
Property Portfolio	Details on each of the assets within our portfolio, updated every six months.
Sustainability Reporting (online only)	Our in-depth sustainability performance, case studies and disclosure on management approaches (DMA) in accordance with GRI G4 “comprehensive”.
Shareholder Review	A concise version of the Annual Review sent to all of our securityholders.

Stockland is a signatory to the United Nations Global Compact (UNGC) and supports the Ten Principles of the Global Compact on human rights, labour, environment and anti-corruption and the Sustainable Development Goal of the UNGC. Stockland's Sustainability Reporting also serves as its UNGC Communication on Progress.

Copies of all reports are available online at www.stockland.com.au/corporate-reporting.

FEEDBACK

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

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Letter from the Chairman



All three of our core businesses are realising the benefits of our strategy, underpinned by our strong balance sheet and our focus on operational excellence.

GRAHAM BRADLEY AM
CHAIRMAN

Dear Securityholders,

I am very pleased to report that Stockland has continued to deliver good value for securityholders with another strong profit performance in FY16.

STRONG PERFORMANCE

Funds from operations grew by 12.5% to \$740 million and underlying profit rose 8.5% on FY15, to \$660 million. Funds from operations per security grew 11.1% on the prior year, exceeding the target growth range of 9–10%. Underlying earnings per security rose by 7.3%, at the top end of the target range of 6.5–7.5%. Statutory profit was \$889 million.

These excellent results show the progress we have made over the last three years in our disciplined pursuit of sustainable growth.

All three of our core businesses are realising the benefits of our strategy, underpinned by our strong balance sheet and our focus on operational excellence. Progress includes more than \$681 million of retail property developments underway, seven medium density residential projects launched across four states, the launch of our unique Retire Your Way selling proposition, and several new greenfield developments that demonstrate our ability to create outstanding masterplanned communities.

We also achieved international recognition for our sustainability leadership, being named the 2015–2016 Global Real Estate Industry Leader in the Dow Jones Sustainability Index, and we retained our Employer of Choice for Gender Equality citation from Australia's Workplace Gender Equality Agency.

DISTRIBUTION

As forecast, our full year distribution was 24.5 cents per security, representing a payout ratio of 88% of underlying profit.

Looking ahead, from FY17 funds from operations will replace underlying profit as our primary reporting measure, recognising the importance of this measure in enabling comparison across the Australian property industry.¹

Accordingly, our distribution policy from FY17 will be the higher of 100% of Trust taxable income or 75–85% of funds from operations. This is equivalent to our current distribution policy to pay the higher of 100% of Trust taxable income or 80–90% of underlying profit.

In recognition of our consistent profit growth over the last three years, we are targeting to increase distributions to 25.5 cents per security in FY17, assuming there is no material change in market conditions.

STOCKLAND CARE FOUNDATION

I am delighted to report that the Stockland CARE Foundation has made a real impact in its first full year of operation, contributing much needed funds in the areas of health, wellbeing and education and also boosting volunteering and giving among our employees, business partners and the broader community.

In addition to the \$200,000 donated by the CARE Foundation Trust in FY16, Stockland and its employees, customers and residents donated over \$100,000 and more than 2,200 hours of support to chosen charity partners, Redkite and Touched by Olivia Foundation (TBO). Through these efforts 72 families who have children or young people with cancer gained access to Redkite's suite of programs in FY16, and four inclusive playspaces and four social enterprise cafés based in our communities were added to TBO's expanding national network. As Chair of the Foundation, I congratulate all involved.

¹ Funds from operations (FFO) has been determined with reference to the Property Council of Australia's voluntary disclosure guidelines to help investors and analysts compare Australian real estate organisations. FFO is calculated by adding back tenant incentive amortisation and non-cash tax benefit/expense to underlying profit and deducting straight line rent from underlying profit.

GOVERNANCE

Following more than 10 years of service, director Peter Scott retired from the Stockland Board in August 2016. With his engineering and construction background and his broad business management experience, Peter has brought many insights to us and contributed enormously throughout his time on the Board. I thank Peter sincerely for his long and dedicated service.

As part of the Board renewal process, we were delighted to welcome Stephen Newton to the Board in June 2016. Stephen is a highly experienced director with an extensive career history in the property and investment sectors. His deep experience across real estate development, property management and infrastructure investment makes him an excellent addition to our team and we look forward to his contribution.

Stephen will offer himself for election by securityholders at the 2016 Annual General Meeting (AGM).

As announced in August 2016, I will conclude my current term as a director at the AGM on 26 October 2016 after 11 years as Chairman. I am delighted that my Board colleague Tom Pockett has been elected to succeed me. Tom joined the Board in September 2014 and has served with distinction as a director and as Chair of our Audit Committee and as a member of our Risk and Sustainability Committees.

CONCLUSION

I would like to thank my Board colleagues and Stockland's talented employees for their continued dedication in supporting our many achievements over the past year. The strong fundamentals we have established over the last three years will allow Stockland to sustain solid growth in the year ahead.

In closing, I thank all securityholders for their support during my term on the Board. It has been my great privilege to serve as your Chairman over the past 11 years. I am proud of our many accomplishments, our team, and our corporate values. I am confident that my successor will continue to build upon these foundations.

I am confident that the strong fundamentals we have established over the last three years will allow Stockland to sustain solid growth in the year ahead.



GRAHAM BRADLEY AM
CHAIRMAN

GRAHAM BRADLEY AM
CHAIRMAN

Letter from the Managing Director and CEO



We have achieved strong results across all of our key metrics in FY16 and we are confident that our strategy set in 2013 is working.

MARK STEINERT
MANAGING DIRECTOR AND CEO

Dear Securityholders,

This has been a year of strong and sustained performance for Stockland as we continue our disciplined approach to growing asset returns and our customer base, improving our capital strength, and delivering operational excellence.

We have achieved strong results across all of our key metrics in FY16 and I am very pleased that our Commercial Property, Residential and Retirement Living businesses have each made significant contributions to the performance of the Group. This demonstrates that our strategy set in 2013 is working and we are succeeding in positioning our business to capitalise on good market conditions.

Our focus remains squarely on implementing our strategy to deliver sustainable growth and creating inspiring places where people want to live, work, shop, and invest. Our aim is to continue to improve our customer experience and take advantage of new opportunities so that our business is more stable and resilient for the long term.

GROW ASSET RETURNS AND CUSTOMER BASE

Commercial Property accounts for around 70% of our assets and remains a key profit driver, delivering comparable growth in funds from operations of 4.5% across the portfolio, with 3.7% in Retail, 3.7% in Logistics and Business Parks, and 9.9% in Office.

Our Retail portfolio performed well, with high occupancy and positive leasing spreads on operating lease deals, and continued sales growth, with total Moving Annual Turnover up 4.6%, driven by 6.0% growth in specialty retail.

We have also made good progress on major redevelopments, completing Harrisdale in Perth and the remodelling of our Pitt Street Mall asset in the Sydney CBD. Wetherill Park in Sydney has achieved practical completion over the majority of stages and is trading well. We have also commenced our \$372 million Green Hills redevelopment in New South Wales and progressed a number of small but important projects, including casual dining precincts at Rockhampton in Queensland and Shellharbour in New South Wales. All of these projects have been very well received by customers. Stockland has a future retail development pipeline of \$1.0 billion and is targeting stabilised funds from operations yields of 7–8% from this activity.

The good performance in our Logistics and Business Parks portfolio reflected our active asset management, disciplined acquisition strategy and good progress on our \$467 million development pipeline.

We executed leases on more than 25% of our portfolio in FY16 and also acquired three new sites in Sydney and Melbourne.

In Office we continue to focus on optimising returns from the portfolio while managing our exposure tactically. The bulk of our assets are located in the improving Sydney market where our assets are fully occupied.

Our **Residential** business settled a record 6,135 lots in FY16 and achieved significant operating profit growth of 38.8% as well as a lift in return on assets to 19.6% on the core portfolio.

This strong result reflected our repositioning of this business over the last three years to enhance our community creation capabilities and capitalise on supportive market conditions. We have activated a high proportion of our Residential portfolio in key growth corridors and more than 90% of our net funds employed are in projects that are actively selling, up from 60% in FY13. We also broadened our market reach with the introduction of medium density homes and completed homes within a number of our communities, and we are now exploring mixed use apartment opportunities at Merrylands in Sydney.

Our **Retirement Living** business operating profit was up 19.7% on FY15 reflecting strong sales and active management. Cash return on assets also increased by 50 basis points to 5.8%, reflecting our continuing focus on operational efficiencies and growing our development pipeline.

In FY16 we sold more than 1,000 retirement living homes and apartments, which is a record number of settlements, including the first apartments at Cardinal Freeman in Sydney. We also launched a new village within our Willowdale community in Sydney and we continued to reshape our portfolio, embedding eight South Australian villages acquired in FY15 and selling five relatively small, low return on asset villages in Western Australia in July 2016.

CAPITAL STRENGTH

We have maintained our strong balance sheet and A-/stable credit rating, supporting investment in the future growth of our business.

Our disciplined capital management has seen us improve our weighted average cost of debt and increase our average debt maturity. Gearing at the end of FY16 was 23.8%, at the lower end of our 20–30% target range, due to disciplined capital management, the strong and increasing velocity of operating cash flows and growth in the value of our investment portfolio.

OPERATIONAL EXCELLENCE

Our people remain highly engaged, delivering great outcomes and contributing to a range of initiatives that improve the way we work. Our new Stockland Support Centre, established in June 2015 to outsource some finance and IT functions, is progressing well and providing more flexible and scalable support for our in-house teams. We have also made significant progress improving our Group system capabilities, including the commitment to implement SAP and Salesforce as core systems, with deployment to take place during the next two years.

Stockland has also maintained its leadership in sustainable operations. We have continued our commitment to engage effectively and improve the liveability, convenience and efficiency of our communities and commercial operations, and to continue to reduce our impact on the environment, particularly energy and water efficiency. Recognising these efforts, we were proud to be named the 2015–16 Global Real Estate Industry Leader in the Dow Jones Sustainability Index, the third time we have received this outstanding acknowledgement.

Stockland has been a signatory to the United Nations Global Compact since 2015, and we remain committed to its principles and to promoting the Global Compact where we operate. I am pleased to confirm our continued support of this important initiative.

OUTLOOK

The low interest rate, moderate population growth environment in Australia is supportive of economic growth and we have set our business on a course that provides us with a positive outlook for FY17, despite a level of uncertainty in macroeconomic conditions.

Our commercial properties are expected to maintain moderate growth in returns and our retail centres remain highly productive. Expected residential lot settlements and retirement living net reservations also remain buoyant for the year ahead.

I am confident in the strategy we are executing and that Stockland is well placed to generate profitable business growth in FY17 and beyond. We have forecast growth in funds from operations per security of 5–7% and distribution growth of 4.1% in FY17, assuming no material change in market conditions.



MARK STEINERT
MANAGING DIRECTOR AND CEO

—
*Our performance
in FY16*

Key financial metrics

UNDERLYING PROFIT (\$M)

\$660m

FY16	660
FY15	608
FY14	555
FY13	495
FY12	676

Underlying profit was \$660 million, up 8.5% on FY15.

STATUTORY PROFIT (\$M)

\$889m

FY16	889
FY15	903
FY14	527
FY13	105
FY12	487

Statutory profit was marginally down on the prior year, primarily due to a number of unrealised fair value items, including the mark to market movement of Stockland's debt and derivatives as well as the realised gain of \$73 million in the prior year from the sale of Stockland's investment in Australand.

FUNDS FROM OPERATIONS (\$M)

\$740m

FY16	740
FY15	657
FY14	573
FY13	472

Funds from operations was \$740 million, up 12.5% on FY15. *FFO will replace underlying profit as Stockland's primary performance measure from FY17, in line with our peers in the Australian Real Estate Investment Trust sector. FFO is considered to be the most meaningful measure of underlying and recurring earnings, as referenced in the Property Council of Australia voluntary disclosure guidelines.*

UNDERLYING EARNINGS PER SECURITY (¢)

27.8¢

FY16	27.8
FY15	25.9
FY14	24.0
FY13	22.4
FY12	29.3

Underlying earnings per security (EPS) was 27.8 cents, up 7.3% on FY15.

DISTRIBUTION PER SECURITY (¢)

24.5¢

FY16	24.5
FY15	24.0
FY14	24.0
FY13	24.0
FY12	24.0

The distribution payable for the year ended 30 June 2016 is 24.5 cents per stapled security, up 0.5 cents on FY15 and reflecting a payout ratio of 88% of underlying EPS and 79% of FFO. *From FY17 our distribution policy will be based on FFO and will reflect a payout ratio of 75-85%.*

FFO PER SECURITY (¢)

31.1¢

FY16	31.1
FY15	28.0
FY14	24.8
FY13	21.3

FFO per security was 31.1 cents, up 11.1%.

RETURN ON EQUITY (ROE)

11.0%

FY16	11.0
FY15	9.9
FY14	8.8
FY13	7.7
FY12	8.2

Return on equity (excluding Residential workout projects) was 11.0%, up 1.1% on FY15.

NET TANGIBLE ASSETS PER SECURITY (\$)

\$3.82

FY16	3.82
FY15	3.68
FY14	3.53
FY13	3.50
FY12	3.68

Our net tangible assets per security has increased to \$3.82, representing our total assets minus liabilities and intangible assets.

Key performance outcomes

Grow asset returns and our customer base



COMMERCIAL PROPERTY

Retail

FUNDS FROM OPERATIONS (FFO)

\$402m ↑6.1% Comparable FFO ↑3.7%

NET OPERATING INCOME (NOI)

\$371m ↑5.8% Comparable NOI ↑3.2%

DEVELOPMENT UNDERWAY

\$681m with a \$1.0bn pipeline

OCCUPANCY

99.3%

RETAILER SATISFACTION

76%

Logistics and Business Parks

FUNDS FROM OPERATIONS (FFO)

\$132m ↑0.5% Comparable FFO ↑3.7%

NET OPERATING INCOME (NOI)

\$119m ↓1.3% Comparable NOI ↑1.0%

DEVELOPMENT PIPELINE

\$467m

OCCUPANCY

94.7%

LEASING ACTIVITY

306,500sqm

Office

FUNDS FROM OPERATIONS (FFO)

\$68m ↓13.0% Comparable FFO ↑9.9%

NET OPERATING INCOME (NOI)

\$53m ↓17.0% Comparable NOI ↑5.9%

OCCUPANCY

95.4%

LEASING ACTIVITY

17,900sqm

Residential

OPERATING PROFIT

\$230m ↑38.8%

PROPORTION OF NET FUNDS EMPLOYED IN ACTIVELY SELLING PROJECTS

90%

LOTS SETTLED

6,135

OWNER OCCUPIER DEPOSITS

75%

BROADENING CUSTOMER REACH

74 medium density home settlements 110 completed home settlements

Retirement Living

OPERATING PROFIT

\$57m ↑19.7%

SETTLEMENTS

1,013

HOMES UNDER DEVELOPMENT

400

OCCUPANCY

94.9%

VILLAGE RESIDENT SATISFACTION

90%

Key performance outcomes

Capital strength



S&P RATING

A-/stable

GEARING

23.8%

WEIGHTED AVERAGE DEBT MATURITY (PRO FORMA)

5.9 years

WEIGHTED AVERAGE COST OF DEBT

5.8%

OPERATING CASH FLOWS

\$787m, up from \$401m

Operational excellence



RETURN ON EQUITY (ROE)

11.0%, up 1.1%

WORLD DOW JONES SUSTAINABILITY INDEX

2015–16 Global Real Estate Industry Leader;
9th consecutive year of listing

CITATION BY WGEA (WORKPLACE GENDER EQUALITY AGENCY)

Employer of Choice for Women

CORE SYSTEMS PROGRAM PROGRESS

SAP and Salesforce deployment
over next 2 years

MORE FLEXIBLE AND SCALABLE SUPPORT

Embedded Stockland Support Centre
outsourced team

Shape thriving communities

RESIDENTIAL COMMUNITIES LIVEABILITY

National Liveability Score of 84%,
consistent with FY15

RETIREMENT LIVING RESIDENT SATISFACTION

90% of Retirement Living residents
are happy with their village

NEW SOCIAL INFRASTRUCTURE

4 inclusive playspaces,
4 social enterprise cafés
developed with Touched by Olivia

STOCKLAND COMMUNITY GRANTS PROGRAM

300+ local community organisations,
awarded \$325,000 in total

COMMUNITY CONTRIBUTION

\$4.05m invested in community
development initiatives

Optimise and innovate

GREEN STAR – PERFORMANCE

Australia's first retail
portfolio rating for 22
of our shopping centres

WASTE DIVERSION FROM LANDFILL

96% of Residential and
Retirement Living, 39%
of Retail waste diverted

ELECTRICITY INTENSITY REDUCTIONS IN RETAIL

30% reduction since FY06,
resulting in \$30m savings

SOLAR AIR CONDITIONING TRIALS

Pioneering solar thermal
technology at Stockland
Wendouree with CSIRO

BIODIVERSITY SAVINGS

Around 1,750 hectares of land
reserved for protection in perpetuity

Enrich our value chain

EMPLOYEE ENGAGEMENT SCORE

83%, equal to Global High
Performing Norm

EMPLOYEE FLEXIBLE WORK OPTIONS

61% of employees now work flexibly

PROCUREMENT AND SUPPLY CHAIN EXCELLENCE

2015 Chartered Institute of
Procurement and Supply (CIPS)
Australasian awards winner

ENABLING ENDURING EMPLOYMENT

Launch of Stockland Connectivity
Centre at Green Hills redevelopment

Our business

Our vision is to be a great Australian real estate company that makes a valuable contribution to our communities and our country.

Our business

Stockland is one of the largest diversified property groups in Australia with more than \$15.8 billion of real estate assets. We own, manage and develop shopping centres, logistics centres and business parks, office assets, residential communities, and retirement living villages.

Founded in 1952, today Stockland leverages its diversified model to help create thriving communities where people live, shop and work. Our vision is to be a great Australian real estate company that makes a valuable contribution to our communities and our country.

This vision is underpinned by our purpose – “we believe there is a better way to live” – and is brought to life by our 1,500 employees who are guided by Stockland’s values of Community, Accountability, Respect, and Excellence (CARE).

Our primary objective is to deliver earnings per security growth and total risk-adjusted securityholder returns above the Australian Real Estate Investment Trust index average, by creating quality communities and property assets and delivering great customer experiences.

To optimise value to securityholders we are structured as a stapled security: a combination of a unit in Stockland Trust and a share in Stockland Corporation that are together traded as one security on the Australian Securities Exchange. This stapled structure allows Stockland to efficiently undertake property investment, property management and property development activities to create sustainable risk/reward outcomes.

WE ARE WELL POSITIONED WITH A DIVERSE PORTFOLIO



Our portfolio

COMMERCIAL PROPERTY

Retail

We are one of the largest retail property owners, developers and managers in Australia. Our 42 retail centres accommodate more than 3,500 tenants and generate in excess of \$6.6 billion of retail sales per annum.

Logistics and Business Parks

Our Logistics and Business Parks portfolio comprises 27 properties encompassing 1.3 million square metres of building area. These properties are strategically positioned in key locations for logistics, infrastructure and employment.

Office

Our Office portfolio comprises 9 assets, mostly in Sydney.

RESIDENTIAL

We are the largest residential land developer in Australia. Our portfolio includes 56 communities across New South Wales, Queensland, Victoria and Western Australia. We are focused on delivering a range of masterplanned communities and medium density housing in growth areas across the country with over 76,800 lots remaining in our portfolio, with a total end value of approximately \$18.8 billion.¹

RETIREMENT LIVING

We are a top three retirement living operator in Australia, with over 9,600 established units across five states and the Australian Capital Territory. The portfolio includes a development pipeline of 3,100 units.

Retail 42 properties 1,046,629sqm GLA* \$6.8bn asset value†	Logistics & Business Parks 27 properties 1,299,308sqm GLA* \$2.0bn asset value†	Office 9 properties 153,895sqm NLA* \$0.8bn asset value†
Residential 56 communities 76,800 lots remaining \$18.8bn ¹ approx end value	Retirement living 70 villages 9,600 established units \$1.3bn book value‡	

* Reflects 100% interest. (GLA) Gross Lettable Area. (NLA) Net Lettable Area. † Value of Stockland's ownership interest. ‡ Includes established and development units.

¹ Excluding value on projects identified for disposal and assuming no material change in market conditions.

Our value chain

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

In FY14 we launched our medium density and completed homes program. This is allowing us to broaden our customer reach.

- Currently undertaken by Stockland
- Currently undertaken by Stockland or coordinated using external parties
- Not currently undertaken by Stockland

1. Upstream products	2. Funding	3. Acquisition	4. Design	5. Procurement, contracting & construction	6. Leasing and sales	7. Asset and property management	8. Refurbish/re-development	9. Downstream products				
→	→	→	→	→	→	→	→					
<ul style="list-style-type: none"> • Building materials • Building technologies 	CAPITAL PARTNERING	BALANCE SHEET		DETAILED DESIGN	MASTERPLANNING AND APPROVALS		LEASING	SALES	ASSET MANAGEMENT	PROPERTY MANAGEMENT		Downstream services are associated with the ongoing operation of our properties and are not undertaken by Stockland. They include: <ul style="list-style-type: none"> • Child care • Equipment leasing • Warehouse management • Cleaning and security • Catering • Utilities provision • Payments processing
	RETIREMENT LIVING											
	○	●	●	●	●	●	○	●	●	●	●	
	RESIDENTIAL											
	●	●	●	●	●	●	○	●	○	●	○	
	RETAIL											
●	●	●	●	●	●	●	●	●	●	●		
LOGISTICS & BUSINESS PARKS												
●	●	●	●	●	●	●	●	●	●	●		
OFFICE												
●	●	●	●	●	●	○	●	●	●	●		
			↓	↓	↓							
			Detailed Design By design consultants	Building and Construction By contractors	Sales By commercial agents							

Stakeholder engagement

We have a commitment to developing and maintaining strong relationships with a broad range of stakeholders across our diverse business and understanding and responding to their unique perceptions, needs and concerns. We practice open, honest, two-way communication and recognise the mutual benefits that result from genuine engagement for both our business and our stakeholders.

At Stockland, we recognise the importance of engaging regularly and directly with all our stakeholder groups so that we understand their expectations, issues and concerns.

Employees	We have 1,498 employees in Australia.	We engage with our employees through various internal communications and feedback mechanisms throughout the year including our annual Our Voice employee survey. Further information on our employee engagement is provided on pages 47–53.
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 New South Wales, Victoria, Queensland, Western Australia, South Australia and the Australian Capital Territory, both directly and through industry associations. We also engage with the Federal Government. More information on our government and industry relations is provided overleaf.
Securityholders and the investment community	We have over 51,000 securityholders in Australia and overseas.	We provide investor briefings on our strategy and financial results. At our Annual General Meeting (AGM), retail securityholders can engage with our Board of Directors and are updated on our strategy and performance. Our management also meets regularly with institutional investors. More information on our investor relations is provided overleaf.
Customers	We have daily contact with a diverse range of customers, including commercial, retail and industrial tenants, shoppers in our retail centres, our residential community customers, and residents in our retirement villages.	We regularly seek feedback from customers through surveys and research, and we incorporate feedback into our product design and service offerings. Customer Relations Management Systems are in place across all of our businesses to support regular, effective and responsive engagement with our customers. More information on our customer engagement is provided on pages 41–43.
Suppliers	We procure services and products from over 3,500 active suppliers, with the top 100 suppliers representing approximately 75% of our spend.	We actively monitor and engage with our suppliers. More information on our engagement with suppliers is provided on pages 47–49.
Communities	The people that reside, work or engage in the areas where we operate.	Our engagement with communities includes community and consultation forums, one-on-one meetings with community groups and local leaders, as well as surveys and research. More information on our community engagement is provided on pages 35–43.
Media	We interact with journalists across a wide spectrum of local, regional, metropolitan and national print and electronic media outlets.	We regularly engage with the media to provide information about our business that supports clearer and more accurate reporting. We aim to respond promptly to requests for information about our business activities. More information on our media relations is provided overleaf.

Stakeholder engagement

STAKEHOLDER ENGAGEMENT FRAMEWORK

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

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

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

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

This is guided by our philosophy of proactive engagement and five fundamental principles including:

- a proactive, harmonised approach across the business;
- early prioritised engagement with stakeholders to help build a clear project vision and identify key milestones;
- clear understanding of our stakeholders and their key drivers to build trust beyond the project;
- regular communications, recording and reporting; and
- capturing stakeholder trends across the business to inform our future strategy.

The development, implementation and monitoring of all plans is overseen by our Stakeholder Relations team, which is also responsible for ensuring lessons, trends and successful initiatives are shared across the business.

INVESTOR RELATIONS

Our aim is to keep all securityholders well-informed of all major developments and business events that are likely to materially affect our operations and financial standing and the market price of our securities. In accordance with Principle 6 of the ASX Corporate Governance Principles and Recommendations, a copy of our policy on our communication

to securityholders is available on our website at www.stockland.com.au/about-stockland/corporate-governance.

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

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

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

All securityholders are encouraged to engage with senior management and our Board of Directors at our AGM. Copies of addresses made by the Chairman and Managing Director and the minutes of the AGM are also lodged with the ASX and are publicly available on our website.

We also communicate with the investment community via regular group and one-on-one management meetings, presentations by senior management, and by participating in domestic and offshore investor conferences and roadshows. Our market briefings are webcast over the internet.

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

GOVERNMENT AND INDUSTRY RELATIONS

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

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

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

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

MEDIA RELATIONS

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

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

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

Our strategy

The primary objective of our Group business strategy is to deliver earnings per security growth and total risk-adjusted securityholder returns above the Australian Real Estate Investment Trust index average, by creating quality communities and property assets and delivering great customer experiences.

Delivering value to all stakeholders

OUR GROUP BUSINESS STRATEGY HAS THREE STRATEGIC PRIORITIES:

Grow asset returns and our customer base

- driving returns in our core businesses

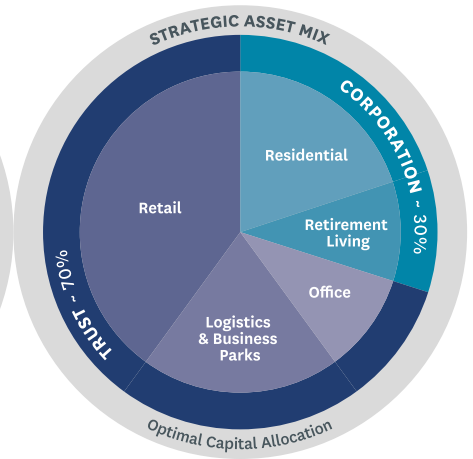
Capital strength

- actively managing our balance sheet to maintain diverse funding sources and an efficient cost of capital

Operational excellence

- improving the way we operate across the Group to drive efficiencies and effectiveness

OUR PURPOSE We believe there is a better way to live	OUR VALUES Community Accountability Respect Excellence	OUR VISION To be a great Australian real estate company that makes a valuable contribution to our communities and our country
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Five year indicative asset mix

OUR SUSTAINABILITY STRATEGY

Our sustainability strategy integrates with our business strategy and priorities, providing a better way to deliver shared value for all stakeholders. We have three core sustainability priorities: Shape Thriving Communities, Optimise and Innovate, and Enrich Our Value Chain.

Each sustainability priority is pursued through action in several focus areas. We explore our sustainability priorities and focus areas throughout this review.



Responding to our challenges and opportunities

Stockland adopts a rigorous approach to understanding and proactively managing the risks faced in its business.

We recognise that making business decisions that involve calculated risks, and managing these risks within sensible tolerances, is fundamental to creating long-term value for securityholders and meeting commitments to our employees, tenants, customers, business partners, consultants and the communities in which we do business. Various risks could impact our business, and the nature and potential impact of these risks change over time. These include, but are not limited to:

SHORT TERM – STRATEGY EXECUTION

Risk	Response and opportunities
Increased competition and changing market conditions impact our opportunities for growth	<p>Continue to:</p> <ul style="list-style-type: none"> maintain a diversified business model at scale in each sector focus on retaining a strong balance sheet with appropriate gearing use diverse funding sources concentrate on efficiency and cost management maintain a prudent approach to provisioning replenish our land and asset pipeline maintain discipline and agility in our investment decision making use a rigorous whole of business approach informed by detailed research to drive our capital allocation process
Delays or changes to the delivery of infrastructure and amenities affect customer satisfaction	<p>Continue to:</p> <ul style="list-style-type: none"> use our proprietary Liveability Index research to understand priorities of residents in our communities and drive property management and development decisions focus on stakeholder engagement plans for all projects that minimise obstacles to infrastructure and amenity delivery and provide appropriate communication with all stakeholders about these matters improve our project delivery through supply chain management
Housing affordability is increasingly challenging in Australia	<p>Stockland's Residential business is influenced by the dynamics of the Australian residential market. Housing affordability remains of key concern for Australians as the price of housing and rental properties continues to increase. We will continue to:</p> <ul style="list-style-type: none"> seek opportunities to provide market leading sustainable communities and a broader mix of value for money housing options including house and land packages, completed housing, medium density and apartments balance the demand from home owners and investors so that our residential communities remain attractive to future buyers engage with government to seek effective solutions on land supply issues
Systems enhancements affect business process efficiency	<p>As part of our continued investment in the efficiency of our operations, we have made significant progress on improving the Group's systems capabilities including the commitment to implement SAP and Salesforce as core systems. With deployment to take place during the next two years, we will continue to maintain two-way engagement with employees across the business to enable a smooth transition</p>
Regulatory changes impact our business and customers	<p>Continue to:</p> <ul style="list-style-type: none"> engage with industry and government on policy areas including taxation and planning reform develop in areas where governments support growth focus on good practice to remain well positioned in the market

LONGER TERM – CHANGING MARKETPLACE

Risk	Response and opportunities
Community resilience to evolving security and safety risks	<p>Continue to:</p> <ul style="list-style-type: none"> train our employees and increase their risk awareness undertake regular scenario testing engage with peers and across industry invest in asset upgrades
Capital market volatility impacts our ability to access suitable capital	<p>Stockland's long-term growth is dependent on our ability to access capital at the appropriate time and cost even as capital markets fluctuate in response to domestic and global economic shifts. So that we are able to continue to access sufficient capital to fund growth, we will continue to:</p> <ul style="list-style-type: none"> focus on retaining a strong balance sheet at appropriate levels of gearing maintain diverse funding sources maintain our prudent capital management policies
Ability to develop products that meet anticipated future customer and societal demands	<p>Continue to:</p> <ul style="list-style-type: none"> foster a culture of innovation where we remain flexible, and identify and take advantage of opportunities to leverage movements in stakeholder preferences evolve our market leading product innovation and deepen our customer insights using our proprietary Liveability Index research and platforms such as Stockland Exchange (our online research community) and Quantum (which provides de-identified customer transactional data to inform how we view markets and opportunities) focus on creating sustainable and liveable communities and assets enhance our design excellence, providing greater functionality and value for money
Digital disruption affects customer behaviour and transforms the market	<p>Continue to:</p> <ul style="list-style-type: none"> identify, develop and integrate technical enhancements across our business, including online residential and retirement living engagement opportunities support Stockland retail centres as thriving community hubs by delivering quality services and community spaces that are e-enabled promote employee innovation and collaboration through Ideas@Stockland to further enable us to take advantage of new opportunities



More information on Stockland's risk management policy is available at stockland.com.au/about-stockland/corporate-governance.

Governance and remuneration

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

Corporate governance

The Board believes that Stockland's governance accords fully with the principles and recommendations of the ASX Corporate Governance Council as summarised in our corporate governance statement at www.stockland.com.au/about-stockland/corporate-governance.

ROLE OF THE BOARD

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

- oversees the development and implementation of Stockland's corporate strategy, operational performance objectives and management policies with a view to creating sustainable long-term value for security holders;
- establishes Stockland's overall framework of governance, risk management, internal control and compliance which underpins the integrity of management information systems and fosters high ethical standards throughout the organisation;
- appoints the Managing Director, approves the appointment of the Company Secretary and Senior Executives reporting to the Managing Director and determines the level of authority delegated to the Managing Director;
- sets Executive remuneration policy, monitors Senior Executive performance and approves the performance objectives and remuneration of the Managing Director and his direct reports;
- approves the annual budget and monitors financial and operating performance;
- reviews and approves financial and other reports to securityholders and approves dividends from Stockland Corporation and distributions from the Trust;
- approves major capital expenditure, acquisitions and divestitures;
- reviews Executive and Board succession planning and Board performance;
- monitors compliance with laws and regulations which apply to Stockland and its business; and
- appoints and monitors the independence of Stockland's external auditors.

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

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

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

COMPOSITION AND DIVERSITY OF THE BOARD

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

The Board recognises the advantage of having a mix of relevant business, executive and professional experience on the Board, the importance of cultural and ethical values, and the benefits of diversity, including gender diversity. The Board has identified a range of core skills and experience that will assist the Board collectively to fulfil its oversight role effectively. These include experience with property investment and management, property and community development, construction and project management, retailing and consumer marketing, industrial supply chain logistics, funds management, banking and finance, government and regulatory relations and environmental, social and governance matters. It is also advantageous for some Board members to have experience in the audit and risk management field, people management and executive remuneration. The Board believes that the core skills of importance to Stockland are well represented among the current Directors. In addition, most Directors have occupied senior executive management positions in large corporations both in Australia and globally, including CEO and CFO positions, covering a wide range of industry sectors or have held senior positions in relevant finance and accounting disciplines.

Corporate governance

The Board also believes that it is important to maintain a range of director tenures to facilitate orderly Board renewal while maintaining valuable continuity and corporate knowledge among Directors. As at 30 June 2016, the Board comprised one Executive Director and eight Non-Executive Directors. Of the nine Directors, including the Managing Director, five had tenure of less than six years, two had tenure of between six and nine years and two had served for more than nine years. The Board also values the importance of diversity; currently three of the eight Non-Executive Directors are women and three of the last six Director appointments have been women.

Mr Stephen Newton joined the Board on 20 June 2016. Mr Newton has deep experience across real estate development, property management and infrastructure investment gained during almost 23 years with Lend Lease Corporation and more than 13 years as a Principal of investment management and capital advisory business, Arcadia Funds Management. It was also

announced in June 2016 that Mr Peter Scott would retire from the Board in August 2016. These changes reflect the ongoing succession planning and renewal program for the Board.

Where a Board vacancy occurs or whenever it is considered that the Board would benefit from the services of an additional director, the Board identifies the skills and experience it seeks to complement the competencies of continuing Directors. In defining the Board's requirements for a new director, consideration is given to the skills, professional experience and educational backgrounds of continuing members of the Board, including any identified skills gaps. Criteria used also include consideration of the value of gender diversity on the Board.



Graham Bradley
Chairman
(non-executive)



Mark Steinert
Managing Director
and CEO



Carol Schwartz
Non-executive



Peter Scott
Non-executive



Carolyn Hewson
Non-executive



Barry Neil
Non-executive



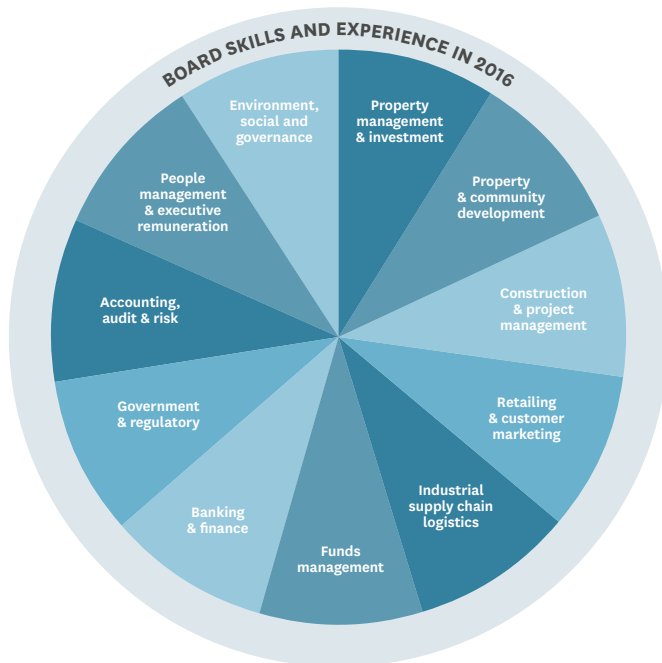
Tom Pockett
Non-executive



Nora Scheinkestel
Non-executive



Stephen Newton
Non-executive



Corporate governance

DIRECTOR REMUNERATION AND SECURITIES OWNERSHIP

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

BOARD COMMITTEES

Four permanent Board Committees have been established to assist in the execution of the Board's responsibilities (see right).

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

Human Resources Committee

The Human Resources Committee incorporates the functions of two Board Committees recommended by the ASX Guidelines: a Nominations Committee and a Remuneration Committee. The Human Resources Committee seeks to ensure that there is a strong link between employee reward, Stockland's performance and ultimately securityholder returns. The Human Resources Committee also seeks to ensure that remuneration for Non-Executive Directors is designed to attract and retain talented and experienced individuals. Refer to the Remuneration Report on pages 35 to 49 of our FY16 Financial Report for further information.

Audit Committee

The Board has delegated oversight for the preparation of Stockland's financial reports and the maintenance of a sound financial reporting control environment to the Audit Committee. The Audit Committee works in conjunction with the Sustainability Committee, Human Resources Committee and Risk Committee to assist the Board in fulfilling its responsibilities for ensuring Stockland has adopted and maintains appropriate corporate governance procedures. From February 2016 the responsibilities of the Financial Services Compliance Committee were incorporated into the Audit Committee.

Risk Committee

The Board as a whole is ultimately responsible for the sound management of risk and compliance across the organisation. The purpose of the Risk Committee is to assist the Board to fulfil its risk governance responsibilities. The Risk Committee provides a board-level forum to oversee Stockland's risk culture and review the effectiveness of risk identification and management including the structures, processes and management systems within Stockland's overall risk management framework.

Sustainability Committee

Stockland recognises that a sustainable future for its business depends upon the sustainability of the communities, economy and society in which it operates. The purpose of the Sustainability Committee is to consider the social, environmental and ethical impact of Stockland's business activities; major corporate responsibility and sustainability initiatives and changes in policy; and stakeholder communication about Stockland's corporate and sustainability policies.

Financial Services Compliance Committee

(Incorporated into the Audit Committee from February 2016). The Financial Services Compliance Committee was responsible for monitoring and reviewing the effectiveness of the Compliance Plan in respect of Stockland Trust and its controlled entities and in ensuring adherence to applicable laws and regulations. The Compliance Plan is designed to protect the interests of securityholders. The Compliance Plan for Stockland Trust and its controlled entities has been approved by the Australian Securities and Investments Commission (ASIC). The Financial Services Compliance Committee met regularly and was required to report breaches of the law and Constitution to the Board, which is required to report any material breach of the Compliance Plan to ASIC.

TAX CONTROL AND GOVERNANCE POLICY FRAMEWORK

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

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

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

The key principles of the Stockland Tax Control and Governance Framework are summarised as follows:

- A tax strategy that ensures all tax affairs are conducted in a transparent, equitable and commercially responsible manner, whilst having full regard to all relevant tax laws, regulations and tax governance processes, to demonstrate good corporate citizenship;

- A balanced tax risk appetite that is consistent with the Board approved risk appetite, to ensure Stockland remains a sustainable business and a reputable and attractive investment proposition;
- A commitment to engage and maintain relationships with tax authorities that are open, transparent and cooperative, consistent with Stockland's Code of Conduct and Ethical Behaviour policy; and
- An operating and trading business based in Australia, with no strategic intentions of engaging in any tax planning involving the use of offshore entities or low tax jurisdictions.

Remuneration

Stockland is committed to an executive remuneration framework that supports Stockland's objectives. These are to deliver growth in EPS and total risk-adjusted securityholder returns above the average Australian Real Estate Investment Trust index, to create quality property assets and to deliver value for our customers.

OUR REMUNERATION FRAMEWORK

Stockland's remuneration policies are framed around several key principles, including:

- Fixed Pay should be fair, competitive and regularly benchmarked against market practice;
- A significant portion of executive remuneration should be 'at risk': that is, awarded only if clear performance criteria set in advance are achieved;
- 'At risk' or variable pay should be aligned to securityholder interests;
- Variable pay as a portion of total remuneration should be higher for more senior executives;
- Short term incentives (STI) must be affordable and funded from annual earnings;
- STI awards should be based on a mix of individual and company performance measures that reflect progress against a Balanced Scorecard (see page 26);
- A portion of performance-based pay for Executives should be awarded as Stockland securities with deferred vesting;
- Vesting of LTI should be dependent on achievement of long-term goals;
- LTI should not only help motivate and retain key Executives but also build a sense of ownership of business performance that benefits all stakeholders;
- Remuneration policies and decisions must reflect prudent risk and capital management considerations; and
- Unvested equity awards should be forfeited if employees resign during the applicable vesting period and should be subject to a broadly framed clawback policy which gives the Board discretion to adjust or forfeit these awards in certain circumstances.

REMUNERATION OUTCOMES

In FY16 there was no change to the remuneration arrangements for the Managing Director nor the remuneration framework for the other senior executives who are Stockland's Key Management Personnel (Senior Executives). During the year, three of our nine Senior Executives were awarded modest increases in their Fixed Pay to reflect increased scope of responsibilities and market relativities.

Following the strong financial and operational performance delivered by the executive team in FY16, as reflected in the Corporate Balanced Scorecard in our Financial Report, the aggregate short-term incentives paid to our Senior Executives was marginally higher than in the previous year. Under our remuneration policies, the greater part of the increased STI awards was made in the form of Stockland securities with deferred vesting. The approved STI pool for all employees in FY16 was \$37.0 million, of which \$8.9 million (or 24% of the pool) was awarded in Stockland securities with deferred vesting and is subject to the risk of forfeiture until vesting dates at the end of FY17 and FY18. For the first time in five years, a portion of the LTI awards available to our Senior Executives vested as relevant hurdles were achieved in the three years to 30 June 2016.

In FY16, the Board decided to increase the annual base fees for Non-Executive Directors by \$5,000 to \$175,000 (an increase of 2.9%). This is the first increase in base fees since July 2011. Board Committee fees remained unchanged in FY16 except for a reduction in the fees paid to the independent Director on the Stockland Capital Partners Limited (SCPL) Board (reduced to \$30,000 from \$45,000), reflecting the reduced number of managed funds and workload. In FY17, in line with our prudent approach to remuneration, there will be no changes in the base fees for the Chairman and Non-Executive Directors or for Board Committee fees.

Remuneration

OUR REMUNERATION FRAMEWORK

The table below provides a summary of Stockland's framework and how each component is determined.

PRINCIPLES	REMUNERATION COMPONENT	MEASURE	AT RISK WEIGHTING
Fixed Pay should be fair, competitive and regularly benchmarked to relevant market levels	Fixed Pay Salary and other benefits (including statutory superannuation)	External benchmarking based on surveys sourced from a number of organisations including EY and AON Hewitt	
A significant portion of remuneration should be 'at risk' and reward executives if pre-set objectives are achieved or exceeded and Build a sense of business ownership and alignment which benefits all securityholders interests with Senior Executives having "skin in the game"	STI 50% awarded as cash for performance up to Target for MD (two-thirds as cash for other Senior Executives) 50% awarded in deferred securities for performance up to Target for MD (one-third for Senior Executives) and 100% awarded as deferred securities for any performance above target Any deferred securities vest equally after 1 and 2 years subject to continued service	Based on company and individual performance reflecting progress against a Balanced Scorecard of Key Performance Indicators that measure: <ul style="list-style-type: none"> • Business/Financial outcomes • Customer/Stakeholder and Sustainability performance • Leadership and People Management • Operational Excellence and Risk Management 	Target 100% of Fixed Pay (Managing Director) 80-90% of Fixed Pay (Other Senior Executives) Maximum 125% of Target <i>In FY17 the maximum will be 150% of Target</i>
	LTI Delivered as Performance Rights measured against hurdles over a three year performance period based on a 'fair value' methodology Applicable rights convert to deferred securities if performance hurdles are exceeded and vest equally after 3 and 4 years subject to continued service	<ul style="list-style-type: none"> • Underlying EPS Compound average growth rate in Underlying Profit (50% weighting) and • TSR above AREIT 200 index excluding Stockland (50% weighting) <i>In FY17 EPS will be based on Funds From Operations (FFO) and TSR will be measured against a composite index reflecting AREIT 200 competitors</i>	100% of Fixed Pay (Managing Director) 60% of Fixed Pay (Other Senior Executives) <i>In FY17, LTI grants will be based on face value methodology</i>
	Minimum securityholding requirement	The Managing Director is required to retain a minimum holding of Stockland securities equivalent to at least two-times Fixed Pay (one times for other Senior Executives)	

Remuneration

CORPORATE BALANCED SCORECARD

At Stockland, STI awards are dependent on Group, business unit and individual performance measures based on a Balanced Scorecard approach, which the Board uses to set financial and non-financial KPIs that are aligned to overall business strategy and priorities. The Corporate Balanced Scorecard is used by the Board to determine the size of the overall STI pool.

The Board's assessment of performance against the Corporate Balanced Scorecard in FY16 is provided in the following table.

Performance Measure	Commentary	Overall Rating
Business and Financial Performance (75%)		
Underlying Profit Performance		
<ul style="list-style-type: none"> • EPS growth target of 5% to 6% (27.4-27.6cps) • ROE of 9.5%-9.8% 	<ul style="list-style-type: none"> • Actual underlying EPS growth was 7.3% to 27.8 cps • ROE was 11.0%¹ 	<ul style="list-style-type: none"> Above Target Above Target
Business Performance		
<ul style="list-style-type: none"> • Operating business performance in line with plan 	Profitability of all business units was at or above plan: <ul style="list-style-type: none"> • Commercial Property profit of \$524m was up on FY15 and in line with plan • Residential profit of \$230m was well up on FY15 and significantly above plan • Retirement Living profit of \$57m was up on FY15 and above plan 	<ul style="list-style-type: none"> Above Target
<ul style="list-style-type: none"> • Maintain conservative debt profile and remain within policy limits for gearing, interest cover, asset mix, credit rating and debt profile: • Credit Rating Maintain A- rating • Debt Maturity profile >5 Years • Liquidity Buffer 10% above committed and undrawn facilities • Gearing within range 20-30% 	<ul style="list-style-type: none"> • Average Debt Maturity was over 5 years and A- Credit Rating was maintained, liquidity buffer increased, and gearing and interest cover were all within guidelines 	<ul style="list-style-type: none"> On or Above Target
<ul style="list-style-type: none"> • Deliver against Key Business Priorities 	<ul style="list-style-type: none"> • Good progress 	<ul style="list-style-type: none"> On or Above Target
Customer, Stakeholder and Sustainability Performance		
<ul style="list-style-type: none"> • Achieve independent customer satisfaction goals for each business unit 	<ul style="list-style-type: none"> • The customer satisfaction scores were above or at target for Commercial and Retirement Living but below target for Residential 	<ul style="list-style-type: none"> On Target
<ul style="list-style-type: none"> • Embed sustainable business practices across Stockland and make good progress towards environment improvement goals 	<ul style="list-style-type: none"> • The Leading Global Real Estate firm in DJSI Sustainability Survey. Continued progress across our GHG measures and other sustainability targets 	<ul style="list-style-type: none"> On or Above Target
Organisational Performance (25%)		
People Management		
<ul style="list-style-type: none"> • Maintain employee-initiated turnover (employees rated good and above) to 12.0% or less 	<ul style="list-style-type: none"> • Turnover was 11.8% 	<ul style="list-style-type: none"> On Target
<ul style="list-style-type: none"> • Achieve Employee Engagement target of 80% 	<ul style="list-style-type: none"> • Employee engagement score was 83% 	<ul style="list-style-type: none"> Above Target
<ul style="list-style-type: none"> • Maintain women as percentage of total management at 45% or better • Increase women as percentage of total senior management to 34.5% or better 	<ul style="list-style-type: none"> • Women in management was 45% • Women in senior management was 35% 	<ul style="list-style-type: none"> On Target
<ul style="list-style-type: none"> • Progress longer term diversity and inclusiveness objectives 	<ul style="list-style-type: none"> • Good progress made including again being recognised as a WGEA Employer of Choice for Gender Equality 	<ul style="list-style-type: none"> On Target
Operational Excellence & Risk Management		
<ul style="list-style-type: none"> • Continued process improvement and enhanced innovation 	<ul style="list-style-type: none"> • Good progress with introduction of Stockland Support Centre and commencement of Core Systems upgrade program 	<ul style="list-style-type: none"> On Target
<ul style="list-style-type: none"> • Embed strong risk compliance and safety management practices 	<ul style="list-style-type: none"> • Excellent safety record with no major preventable injuries, and with continued embedding of the risk and compliance framework 	<ul style="list-style-type: none"> On Target

1 Excluding Residential workout projects. ROE was 9.8% including these projects.

Remuneration

GENDER PAY EQUITY RATIO

The limitation of measuring pay equity based solely on average Fixed Pay by job band is that it ignores different market values placed on different jobs. Stockland aims to achieve gender pay equity within roles by considering an individual's positioning against the relevant market benchmark and comparing gender outcomes. This analysis is shown in the gender pay equity ratio table below. Our target is for a gender pay equity ratio of 100% plus or minus 3.0% across the company. This means that males and females would be paid the same for performing similar roles, with a small variance to allow for different levels of experience and other factors.

	FY16	FY15	FY14
Stockland¹	97.4%	97.2%	96.9%

¹ A gender pay equity ratio that is less than 100% suggests that males are better positioned against market in comparison to females, whereas a gender pay equity ratio that is 100% or higher suggests that females are equally or better positioned against market in comparison to males.

AVERAGE FIXED REMUNERATION RATIO BY JOB BAND

The average fixed remuneration ratio looks at the ratio of the average female fixed pay to the average male fixed pay by job band. This does not necessarily measure whether Stockland pays males and females similar rates for the same role, as job bands cover a broad range of diverse roles. The ratios below in part reflect the under participation rates for females in management and certain job families where market benchmarks are higher.

Job Band	FY16	FY15	FY14	FY13	FY12	FY11	FY10
Executive	0.59	0.60	N/A	N/A	0.51	0.51	0.43
Senior Management¹	0.85	0.93	0.89	0.88	0.85	0.83	0.78
Management	0.83	0.85	0.83	0.84	0.84	0.86	0.81
Employee / Professional Technical	0.86	0.86	0.86	0.86	0.83	0.84	0.77
Stockland²	0.64	0.66	0.65	0.64	0.64	0.63	0.57

¹ Senior Management includes Senior Manager and General Manager job bands.

² The ratio is a function of total pay and employee number by gender.

Remuneration

EXECUTIVE REMUNERATION

The table below outlines the cash remuneration that was received in relation to FY16 which includes Fixed Pay and the non-deferred portion of any FY16 short term incentives (STI). The table also includes the value of Deferred STI awards from FY14 and FY15, which vested during FY16 and long term incentives (LTI) awards from FY14 which vested during FY16.

Executive remuneration (non-statutory presentation)

		Fixed Pay ¹ \$	STI awarded and received as cash \$	Total cash payments in relation to financial year \$	Previous years' Deferred STI which were realised ² \$	Previous years' LTI which were realised \$	Awards which lapsed or were forfeited ³ \$
Executive Director							
Mark Steinert <i>Managing Director and CEO</i>	2016	1,500,000	750,000⁴	2,250,000	1,177,557	1,077,413	2,154,825
	2015	1,500,000	750,000 ⁴	2,250,000	590,486	–	2,164,800
Senior Executives							
Stephen Bull <i>Group Executive and CEO, Retirement Living</i>	2016	700,000	420,000	1,020,000	273,481	280,245	560,490
	2015	650,000	390,000	1,040,000	132,267	–	358,570
Katherine Grace⁵ <i>General Counsel and Company Secretary</i>	2016	500,000	266,667	766,667	93,743	–	–
	2015	430,138	229,407	659,545	–	–	–
Tiernan O'Rourke <i>Chief Financial Officer</i>	2016	850,000	453,333	1,303,333	295,845	367,380	734,760
	2015	850,000	453,333	1,303,333	96,552	–	–
Darren Rehn⁶ <i>Group Executive and Chief Investment Officer</i>	2016	750,000	450,000	1,200,000	560,777	268,470	536,940
	2015	700,000	420,000	1,120,000	306,802	–	–
Michael Rosmarin <i>Chief Operating Officer</i>	2016	600,000	320,000	920,000	226,673	259,050	518,100
	2015	600,000	320,000	920,000	139,913	–	953,250
John Schroder <i>Group Executive and CEO, Commercial Property</i>	2016	1,050,000	630,000	1,680,000	440,988	453,338	906,675
	2015	1,050,000	630,000	1,680,000	278,574	–	1,783,500
Simon Shakesheff <i>Group Executive, Strategy and Stakeholder Relations</i>	2016	600,000	320,000	920,000	303,795	237,855	475,710
	2015	600,000	300,000	920,000	301,294	–	–
Andrew Whitson <i>Group Executive and CEO, Residential</i>	2016	750,000	450,000	1,200,000	400,571	302,618	605,235
	2015	700,000	420,000	1,120,000	190,446	–	351,329

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

2 This represents the value of all prior years' deferred STI which vested during FY16 using the 30 June 2016 closing security price of \$4.71. No LTI vested during FY15 or in FY14.

3 The value shown represents the value of any previous years' equity awards which lapsed or were forfeited during the financial year. The FY15 values are based on the closing 30 June 2016 security price of \$4.71 (FY15: \$4.10).

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

5 Katherine Grace commenced employment on 21 August 2014.

6 Darren Rehn was appointed to the Executive Committee on 13 August 2014 with his remuneration arrangements effective from 1 July 2014.

— *Grow asset returns and our customer base*



Driving returns in our core businesses.

Our business unit results

FY16 PROGRESS

Commercial Property

- ✓ 4.5% growth in comparable FFO in our Commercial Property portfolio
- ✓ \$681 million Retail development under construction and a pipeline of \$1.0 billion
- ✓ \$400 million Logistics and Business Parks future development pipeline

Residential

- ✓ A record 6,135 settlements and 4,567 contracts on hand in our Residential business
- ✓ Improvement in return on assets on our core Residential portfolio to 19.6%, excluding impaired projects
- ✓ Over 90% of Residential capital employed in projects actively selling
- ✓ Broadening our customer reach in Residential, with seven medium density projects launched across four states

Retirement Living

- ✓ A record 1,013 Retirement Living settlements
- ✓ 19.7% increase in Retirement Living operating profit
- ✓ Launched our unique selling proposition, Retire Your Way

COMMERCIAL PROPERTY PERFORMANCE

Commercial Property (\$m, unless otherwise stated)	Funds from operations				Underlying profit			
	FY16	FY15	Change	Comparable growth	FY16	FY15	Change	Comparable growth
Net operating income								
• Retail	402	379	↑ 6.1%	↑ 3.7%	371	351	↑ 5.8%	↑ 3.2%
• Logistics and Business Parks	132	131	↑ 0.5%	↑ 3.7%	119	120	↓ 1.3%	↑ 1.0%
• Office	68	78	↓ 13.0%	↑ 9.9%	53	64	↓ 17.0%	↑ 5.9%
Net overheads	(18)	(18)			(18)	(18)		
Total Commercial Property	584	570	↑ 2.4%	↑ 4.5%	525	517	↑ 1.4%	↑ 3.0%
Return on assets (ROA)					8.3%	8.4%		

RESIDENTIAL PERFORMANCE

Residential Communities (\$m, unless otherwise stated)	FY16	FY15	Change
Lots settled (no. of lots)	6,135	5,876	↑ 4.4%
Revenue – Retail	1,373	1,194	↑ 15.0%
– Superlots ¹	109	51	↑ 111.1%
EBIT (before interest in COGS)	354	290	↑ 21.9%
EBIT margin	23.9%	23.3%	↑
Operating profit	230	166	↑ 38.8%
Operating profit margin	15.5%	13.3%	↑
ROA – core projects ²	19.6%	17.0%	↑
ROA – total portfolio	13.8%	12.7%	↑

1 33 superlot settlements in FY16; 30 superlot settlements in FY15. FY16 includes the part disposal of impaired projects Bahrs Scrub (Queensland) and the disposal of The Islands Apartments at Southbeach (Western Australia).

2 Core excludes impaired projects.

RETIREMENT LIVING PERFORMANCE

Retirement Living (\$m, unless otherwise stated)	FY16	FY15	Change
EBIT	64	54	↑ 20.5%
Operating profit (funds from operations)	57	48	↑ 19.7%
Transaction value ³	393	333	↑ 18.0%
Occupancy	94.9%	94.4%	↑
ROA	5.8%	5.3%	↑
Established			
Established settlements (units)	716	663	↑ 8.0%
Average re-sale price	\$329k	\$329k	–
Turnover cash per unit	\$81k	\$84k	↓ 3.1%
Turnover cash margin	24.7%	25.4%	↓
Reservations on hand (units)	155	132	↑ 17.4%
Development			
Average price per unit	\$509k	\$413k	↑ 23.3%
Average margin – excludes DMF	16.8%	15.9%	↑
Development settlements (units)	297	282	↑ 5.3%
Reservations on hand (units)	67	119	↓ 43.7%

3 Reflects gross sales value of established villages and new developments settlements.



Stockland's Retail portfolio performed well in FY16, with high occupancy and positive leasing spreads.

The Retail portfolio recorded 3.7% growth in comparable FFO and continued sales growth, with total Moving Annual Turnover up 4.6%, driven by 6.0% growth in specialty retail. The best performing categories continued to be communication and technology, retail services, food catering and fast casual dining.

Some areas of specialty retail, such as apparel, slowed in the June quarter due to unseasonably warm weather. Comparable growth in supermarket sales has been impacted by strong competition in pricing.

While the number of retailer closures in the last six months has been slightly elevated and retail trade at some centres has moderated, we have continued to produce sales growth and our centres are highly productive. Comparable specialty sales per square metre is 9.8% above the Urbis average.

We have made good progress on major redevelopment projects. We opened Stage 3 of the \$228 million Wetherill Park redevelopment in Sydney, which is trading well. We completed construction of the \$51 million Harrisdale neighbourhood centre, which is a key part of our Newhaven community development in Perth, and opened the remodelled Pitt Street Mall asset in the Sydney CBD, incorporating flagship H&M and Zara Home stores.

We also commenced the \$372 million redevelopment of Green Hills in New South Wales, which will be anchored by David Jones, JB Hi-Fi Home and a new Harris Scarfe department store, and is targeting an accretive FFO yield of 7.0% and IRR of 12.6%.

During FY16, we also commenced and completed a number of relatively small but important projects, creating new casual dining precincts at Rockhampton in Queensland and Shellharbour in New South Wales, and undertaking anchor retailer redevelopment and remixing activities at Point Cook in Melbourne and Cairns in Queensland.

RETAIL STRATEGIC PRIORITIES

The Retail business maintains its focus on creating market leading centres, redeveloping its most productive assets to create community and entertainment hubs and maximise trade area share. We have \$681 million of retail development under construction and a future pipeline of \$1.0 billion, targeting incremental internal rates of return (IRR) of 11–14%¹ and stabilised FFO yields of 7–8% from this activity.

Stockland's retail mix continues to evolve, underpinned by supermarkets, mini majors, food catering and fast casual dining and speciality food and retail services. The business will continue to focus on tailoring its offering to each specific trade area, cultivating retailer relationships and long-term sustainable rent, and investing in industry research and technology to adapt to an evolving retail landscape.

\$681m RETAIL DEVELOPMENT UNDER CONSTRUCTION AND \$1.0 BILLION PIPELINE

Under construction	Total spend (\$m)	Stabilised yield (%) ²	Incremental IRR (%) ¹
Wetherill Park	228	7.3	15.0
Harrisdale	51	7.8	11.2
Green Hills	372	7.0	12.6
Kensington	30	7.0	7.8
Total	681		

¹ Forecast unlevered 10 year IRR on incremental development from completion.

² FFO incremental yield.

Logistics and Business Parks



Our Logistics and Business Parks portfolio delivered good profit growth, with comparable FFO up 3.7%, reflecting positive leasing momentum.

We have been very active in our asset management, executing leases on more than 300,000 square metres in FY16, representing more than 25% of our Logistics and Business Parks portfolio.

We have been disciplined in our acquisition strategy, buying three new assets including Wonderland Drive in Sydney on an 8.0% initial FFO yield, Mulgrave in Melbourne on a 7.1% initial FFO yield and a development site at Erskine Park in Sydney. We are also making good progress on our development pipeline, with more than \$67 million worth

LOGISTICS AND BUSINESS PARKS STRATEGIC PRIORITIES

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

of accretive projects underway and a further development pipeline of \$400 million, also targeting IRRs of 11–14%¹ and stabilised FFO yields of 7–8%. Our Logistics and Business Parks business is well positioned to achieve solid growth and deliver consistent returns.

LOGISTICS AND BUSINESS PARKS \$67M UNDERWAY AND \$400M DEVELOPMENT PIPELINE

	Completed	Active development	Planning underway	Future wave
NSW	Erskine Park	Ingleburn (Stage 1) Waterside (Land subdivision)	Ingleburn (Stage 2) Yennora (Build 3 and 8A) Warwick Farm	Ingleburn (Stage 3) Yennora (Build 1 and 2)
VIC	Oakleigh (Stage 1)	Oakleigh (Stage 2)	Brooklyn (A and C)	Altona DC
QLD		Yatala		Willawong (previously Pallara) ²
SA				Port Adelaide DC
WA		Balcatta (Land subdivision)		

Development type:

Greenfield Brownfield

- 1 Unlevered 10 year IRR on incremental development from completion.
- 2 Asset developed on acquired land as part of Residential Community activity.

Office



Comparable Office FFO increased 9.9%, reflecting the strength of the Sydney market where the bulk of our assets are located. We also completed the sale of Waterfront Place and Eagle Street Pier in Brisbane in October 2015, reducing net income from our Office portfolio.

Our exposure to the office sector remains tactical, reflecting our view on the state of the market. The majority of our portfolio is located in the improving Sydney market, with our assets in this market currently fully occupied. The Perth and Australian Capital Territory markets remain very challenging.

OFFICE STRATEGIC PRIORITIES

In Office we continue to focus on optimising returns from the portfolio while managing our exposure tactically. We intend to retain the majority of our residual Office portfolio whilst we maximise returns and highest and best use over time. Joint-ventures (or part sales) will also be considered as appropriate.

Residential



Our Residential business settled a record 6,135 lots in FY16, achieved significant operating profit growth of 38.8% and lifted return on assets (ROA) to 19.6% on the core portfolio.

This strong performance is a direct result of our strategy to activate the highest possible proportion of our Residential portfolio. More than 90% of our net funds employed are in projects that are actively selling, up from 60% in FY13.

The results also reflect our repositioning of the business over the last three years to enhance our community creation capabilities and capitalise on supportive market conditions in key growth corridors as well as the positive impact of new projects, efficiency improvements and our broader product range.

We launched five major projects in FY16 including Aura, Pallara and Newport in Queensland, Altrove in Sydney, and Cloverton in Melbourne.

We have also broadened our market reach with the introduction of medium density homes and completed homes within a number of our communities. We settled 110 completed homes and 74 medium density homes in FY16. We are now exploring mixed use apartment opportunities within our portfolio, including at our Sydney asset at Merrylands, adjacent to our regional shopping centre.

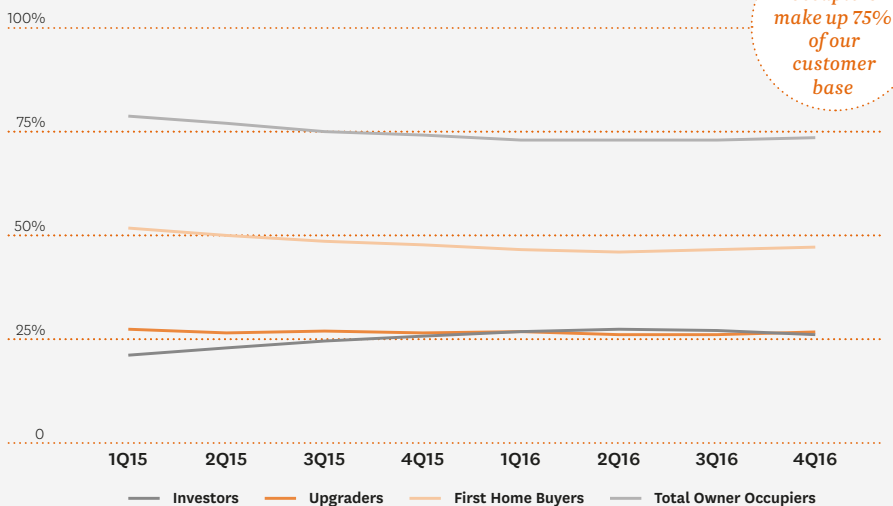
We continue to focus on affordability and community creation within our Residential business; over 75% of our buyers were owner occupiers in FY16. We commenced FY17 with 4,567 residential contracts on hand, a record for the Group.

RESIDENTIAL STRATEGIC PRIORITIES

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

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

STRONG RESIDENTIAL NET DEPOSITS



Retirement Living



Operating profit in the Retirement Living business was up 19.7% on FY15, reflecting strong sales, active management and improved efficiency.

Retirement Living sold more than 1,000 homes and apartments in FY16, which is a record number of settlements. We also lifted our cash ROA by 50 basis points in the last 12 months to 5.8%, reflecting our continued focus on operational efficiencies

and growing our development pipeline. Our development margin was 16.8% in FY16, which is at the top end of our target range.

We completed and sold the first 57 apartments in two buildings at Cardinal Freeman The Residences in Sydney, with the next building of 40 apartments due for completion in the second half of FY17. We also launched a new village within our Willwodale community in Sydney in the second half of FY16.

We have continued to reshape our business, embedding the eight new South Australian villages acquired in FY15 into our portfolio, and selling five relatively small, low ROA villages in Western Australia in July 2016. We will continue to recycle capital, drive our development pipeline, which currently comprises 400 homes under development, and grow profits and returns.

RETIREMENT LIVING STRATEGIC PRIORITIES

The business remains focused on being a preferred operator and developer of retirement living villages. The business has a clear strategy to continue to improve its return on assets by:

- 1 Actively managing the portfolio;
- 2 Growing development volumes; and
- 3 Differentiating the customer experience through access to a range of resident care and other services.

STRONG RETIREMENT LIVING DEVELOPMENT PIPELINE

Construction timeframe		Future settlements	FY17	FY18	FY19	FY20	FY21+
Completed (FY16)	Arilla, Vic		●				
	Somerton Park, SA		●				
	Golden Ponds, NSW		●				
	Sub-total	10					
Current development projects	Selandra Rise, Vic		●				
	Highlands, Vic		●	●			
	Lightsview, SA		●	●	●	●	
	Mernda, Vic		●	●	●	●	
	Cardinal Freeman The Residences, NSW		●		●	●	
	Affinity, WA		●	●	●	●	●
	Willwodale, NSW		●	●	●	●	●
Sub-total	910						
To start within 18 months	Elara, NSW			●	●		
	Somerton Park, SA			●	●		
	Oceanside, Qld			●	●	●	
	Calleya, WA			●	●	●	●
	Altrove, NSW				●	●	●
	Newport, Qld				●	●	●
	Sub-total	715					
Masterplanning/future projects	The Grove, Vic					●	●
	Aura, Qld						●
	Cloverton, Vic						●
	Sub-total	750					
Redevelopments	Proposed brownfield redevelopments		●	●	●	●	●
	Sub-total	780					
Total units yet to be released	Total	3,165					

A better way to shape thriving communities

As part of our sustainability strategy our goal is to create and shape communities that thrive now and into the future. Our research indicates that health and wellbeing, community connection and education contribute most to liveable communities.

Our progress

STRATEGIC PRIORITIES

Our three community focus areas are:

Health and wellbeing

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

Community connection

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

Education

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

FY16 PROGRESS

- ✓ Residential Communities National Liveability Score of 84%, consistent with FY15 result
- ✓ 90% of Retirement Living residents are happy with their village
- ✓ 4 new inclusive playspaces and 4 social enterprise cafés developed with Touched by Olivia
- ✓ 300+ local community organisations, awarded \$325,000 in total through the Stockland Community Grants program
- ✓ \$4.05m invested in community development initiatives



Our community metrics are provided on page 40.

By using our skills and experience to facilitate healthier living, promote community connection and provide lifelong learning opportunities, we believe we will help shape places where our customers want to live, shop and work.

We coordinate our efforts in the community through a combination of mechanisms including:

- **Community development** – projects and initiatives that enhance the communities at Stockland’s assets;
- **Community investment** – our employee volunteering and giving programs; and
- **Stockland CARE Foundation** – our charitable trust, which delivers infrastructure, programs and initiatives to Australian communities.

During the year our focus on community development increased considerably, as our national partnerships and community grants investments continued to build consistent and replicable activities and programs across our assets, complementing our asset based programs and initiatives which are tailored to meet local needs and preferences.

We expanded our suite of community partners and now have 15 community organisations that we regularly work with across Australia. We also increased our community development activities, implementing a total of 561 initiatives across our business units and investing more than \$4.05 million in financial support. The total value of Stockland’s community investment was more than \$10.42 million, including the \$4.0 million transfer by Stockland to the Stockland CARE Foundation, as shown on page 40.

We also launched our national community grants program across our shopping centres, residential communities and retirement living villages to streamline the financial contribution we make to local communities, based on merit and need, in accordance with Stockland’s community focus areas. More than \$325,000 in total was granted to over 300 local community organisations in FY16 including community preschools, Men’s Sheds, sporting clubs, respite for carers, youth wellbeing programs, suicide prevention groups, toy libraries, choirs, over 55s recreation and computing clubs, disability groups and children’s reading groups.

In FY16 we invested over \$5.7 million in our local communities and selected charities through our community investment giving and volunteering programs. We also achieved a key target in this area, substantially increasing our employee volunteering to 48% of all employees. Our success followed a review of our volunteering strategy, which led to a range of initiatives including the addition of two new volunteering organisations to our suite of volunteering options, a new toolkit for employees looking to volunteer, introduction of skilled volunteering activities with our CARE Foundation partner, Touched by Olivia Foundation (TBO), and alignment of our state team-building initiatives with our CARE Foundation partners in Queensland.

STOCKLAND CARE FOUNDATION

The Stockland CARE Foundation also completed its first full year of operation in FY16, contributing much needed funds in the areas of health, wellbeing and education and also boosting volunteering and giving among our employees, business partners and the broader community.

In addition to the \$200,000 donated by the CARE Foundation Trust, Stockland and its employees, customers and residents donated over \$100,000 and more than 2,200 hours of support to chosen charity partners, Redkite and TBO. New CARE Foundation employee committees in each state have been critical in this success, helping to raise awareness about the Foundation and mobilise activities in our offices, communities and shopping centres. Through these efforts 72 families who have children or young people with cancer gained access to Redkite’s suite of programs in FY16, and four inclusive playspaces and four social enterprise cafés based in our communities were added to TBO’s expanding national network.

Our progress

GREATER IMPACT THROUGH COMMUNITY PARTNERSHIPS

We have close working relationships with a variety of community organisations that help deliver social infrastructure and programs in and around our properties and communities. Our project and asset teams and state office employees can draw on a suite of partnerships for advice, resourcing and implementation support. These partners all align to Stockland's community focus areas of health and wellbeing, education and community connection.

Amongst these, we announced our new three year partnership with Bowls Australia in March 2016, designed to boost the health, wellbeing and connectedness of more than 11,000 residents living in our retirement living villages across the country.

Regular physical activity for retirees has been shown to be the key to maintaining good health and vitality, and one of the most effective ways to improve emotional wellbeing. Recent research from the Australian Bureau of Statistics, however, shows people aged 65 and over have the lowest participation rate in physical activity nationally, at 47%, as well as the lowest rate of involvement in organised sport, at 17%.

At Stockland, we encourage our retirement living residents to get involved, keep fit, stay connected and be a part of something they can enjoy in a group. Regular social and competitive lawn bowls, coaching clinics, and free health and wellbeing seminars are just some of the ways that the Bowls Australia partnership will continue to support our residents. A framework to benchmark resident participation has also been established with Bowls Australia and this will be used to create a meaningful participation and engagement target in FY17.

Our new partnership with The National Theatre for Children, launched in FY16, is also expanding education opportunities within our residential communities. As part of our strategy to provide access to educational resources of excellence within our residential communities, the program is open to all schools located in and around our existing communities. Some 29 schools are already participating in the program, which focuses on educating children and young people about preserving and protecting the environment within our communities.

 561

Community development initiatives implemented in FY16 with our 15 community partners nationally

 11,000

Retirement Living residents with access to Bowls Australia activities through our three year partnership

 \$4.05m

Value of Stockland's investment in FY16 in community development initiatives to boost health and wellbeing, education and connectedness



Our progress

LIVVI'S PLACE AT WHITEMAN EDGE

Through our partnership with the Touched by Olivia Foundation (TBO), we are expanding the opportunities for community connection within our residential communities and retail centres across Australia.

In FY16, Whiteman Edge became our first residential community in Western Australia to include a 'Livvi's Place' playspace, which welcomes people of all ages and abilities with accessible structures and sensory and inclusive equipment.

Located in the fast growing City of Swan in Western Australia, where around 3,800 children and adults require daily assistance as a result of disability, the Whiteman Edge playspace opened in November 2015.

When designing the playground, Stockland and TBO worked with the City of Swan to conduct face to face and online community consultation and also visited local primary schools to explore what makes the 'ultimate playground' for children, parents and carers.

The Whiteman Edge playground aims to include children with physical disabilities, vision, hearing and mobility impairments, and autism spectrum disorders in playtime. It includes a tree-top climbing structure, a 3m high slide, a double flying-fox with a seat and harness to cater for people with a physical disability, a wheel spin and a bespoke cubby house with wheelchair access and musical chimes. There are also tactile stimulants, water play and facilities such as a public restroom, a BBQ and picnic seating.



Our progress

HEALTHY EATING WITH JAMIE'S MINISTRY OF FOOD

In March 2016, Stockland expanded its partnership with Jamie's Ministry of Food (JMOF) and The Good Foundation, entering into a three year local partnership with the JMOF Mobile Kitchen to create healthier Queensland communities.

The JMOF Mobile Kitchen will travel throughout Queensland, visiting various communities, including a select number of Stockland shopping centres and residential communities. In FY16, cooking courses for local residents were delivered at Stockland Townsville, as well as for communities at Logan in Brisbane and Mossman Gorge in Far North Queensland.

Our partnership is intended to give Queensland participants greater insights into healthier eating habits, with a particular focus on growing healthier

and more connected communities. Stockland expects more than 2000 people to directly benefit each year from attending the cooking classes, with the ripple effect of better food choices and good nutrition felt by families and friends.

Extensive research by Deakin and Melbourne universities in 2014 and 2015 concluded that the JMOF program not only increased participants' cooking confidence, knowledge, attitudes and beliefs towards cooking and healthy eating, but also shifted behaviour towards healthier cooking and eating in the home.

In FY17, the JMOF partnership will expand into our Retirement Living business, with programs being developed to provide residents, families and friends with the skills and knowledge to make smarter and healthier food choices, while providing a fun and engaging environment that promotes community connection.



Our targets

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

- ① All of our residential and retirement living communities score above the Australian average National Wellbeing Index by FY17.
- ② We achieve consistent Stockland National Liveability Index scores of 80% across our residential communities.
- ③ We make a meaningful contribution to community health and wellbeing, community connection and education in partnership with community groups supported directly and by the Stockland CARE Foundation.

Our community metrics

COMMUNITY CONTRIBUTION

We coordinate our efforts through a combination of community investment, community development, and Stockland CARE Foundation initiatives. Stockland continues to use the London Benchmarking Group (LBG) to measure and benchmark our community activities. LBG captures all data relating to our community investments and allows us to put a figure on our time, monetary support and in-kind donations to charities and community groups.

The table below provides an overview of the substantial contribution we made during FY16.

Community Contribution	Definition	Investment		
		FY16	FY15	FY14
Community Development				
National Partnerships	Financial contributions made to not-for-profit organisations that are national community development partners of Stockland.	\$290,638	\$206,750	\$297,835
Stockland Community Grants	Financial contributions made to not-for-profit organisations that were successful in receiving a Stockland Community Grant.	\$325,750	\$218,500	\$95,880
Asset-based Contributions	Financial and in-kind support provided to local community organisations from a Stockland residential, commercial property or retirement living asset or project.	\$3,435,802	\$2,136,776	\$1,317,342
Total community development		\$4,052,189	\$2,562,026	\$1,711,057
Community Investment				
Workplace Giving	Total matched donations made by Stockland through Stockland's Workplace Giving Program.	\$87,584	\$84,988	\$64,378
In-kind Donations	Total donations of non-financial goods to not-for-profit organisations including land, property and casual mall leasing space.	\$708,926	\$1,043,493	Not reported
Corporate Donations	Ad-hoc community donations made on behalf of Stockland Development and/or Stockland Trust.	\$289,277	\$124,762	\$82,683
National Community Investment Partnerships	Financial support given to not-for-profit organisations that support the delivery of volunteering opportunities for Stockland employees.	\$104,500	\$71,500	*Reported in National Community Development Partnership for FY14
Volunteering	Total number of hours logged from personal volunteering, team volunteering and student mentoring.	\$238,284	\$122,725	\$263,210
Stockland CARE Foundation	The transfer of \$4 million by Stockland to the Stockland CARE Foundation Trust made on 1 July 2016 and \$200,000 in grants distributed to Stockland CARE Foundation beneficiaries, Redkite and Touched by Olivia (TBO).	\$4,200,000	\$4,000,000	N/A
	The total donations made to CARE Foundation partners Redkite and TBO as a result of sponsorships, fundraising and additional grants.	\$80,095	N/A	N/A
Total community investment		\$5,708,666	\$5,447,468	\$474,649
Management Costs ¹	Includes costs associated with the management and delivery of Stockland's community programs including average salaries, costs associated with the development, design and assistance of the Stockland sustainability report and training for community resources.	\$659,973	\$421,614	\$188,677
Total community contribution		\$10,420,828	\$8,009,494	\$2,185,706
Total value of community contribution as verified by LBG		\$10,420,828	\$6,300,383	\$1,185,144

¹ Prior to FY16 we reported community development and community investment contributions separately and did not include management costs. Management costs have therefore not been included in the total community contribution for FY15 and FY14. Management costs are included in the FY16 total community contribution and will be included going forward.

Our community metrics

COMMUNITY ENGAGEMENT

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

Retirement Living – Residents Voice

The Residents Voice survey is a comprehensive survey used to measure resident satisfaction whilst living in a Stockland retirement village. The survey is typically completed annually by over 6,000 residents.

Our retirement living satisfaction target of 8.25/10, as measured by asking how happy our residents are with the village where they live, was met in FY16.

RETIREMENT LIVING RESIDENTS VOICE SATISFACTION

	FY16	FY15	FY14	FY13
Average overall happiness with their village (out of 10)	8.5	8.5	8.5	8.5
Proportion of residents rating satisfaction as seven or more	90%	90%	90%	90%
Number of residents completing the survey	6,614	5,897	6,668	6,143
Response rate (% of residents responding)	57%	59%	68%	66%

Additional metrics that provide insights about the experiences of our retirement living residents include:

- 93% of residents are satisfied with their homes;
- 89% of residents are extremely happy with their social life at the village;
- Home and social life in the village remain the biggest drivers of overall satisfaction amongst residents; and
- 81% of residents would recommend their village to friends and family and 41% have done so in the last year.

The table below outlines the satisfaction of our retirement living residents with the community elements of the village and their personal well-being for FY16. The FY16 results remained stable compared to FY15, except for key elements that relate to health and the opportunity to learn new things.

RETIREMENT LIVING RESIDENTS VOICE COMMUNITY AND WELLBEING

Focus Area	Element	Response (% satisfaction score)		
		FY16	FY15	FY14
Health and Wellbeing	Physical health	76%	78%	69%
	Emotional wellbeing (health)	82%	91%	84%
	Personal relationships/ social life of the village	92%	92%	85%
	Feeling safe	92%	93%	93%
	Number of social activities to participate in	83%	84%	80%
	Satisfaction with accessibility features	87%	88%	87%
Education	Satisfaction with the opportunity to try new things and learn	75%	77%	73%
Community Connection	Satisfied with sense of community	86%	87%	86%
	Satisfied with opportunity to connect with others	88%	88%	85%

Our community metrics

Residential

We continue to conduct our proprietary Liveability Index survey with residents and in FY16 we received over 1,500 survey responses from residents across 29 communities.¹ This research tells us how satisfied our residents are once they have moved into our communities, what we are doing well, what we can improve and learnings that we can take forward for future developments. We have set targets for the key drivers of resident satisfaction and we are on track to meet these in FY17.

We included additional questions in our FY16 Liveability survey which provide important insights as to how our residents are using the local amenity and how connected they feel with their community, which we use to inform our community strategy. Some key insights at a national level include:

- 83% of residents agree that since moving in they have seen a net positive impact;
- 74% of residents agree that their standard of living has improved since moving into a Stockland community;
- 66% agree that they have made new friends since moving in;
- 63% claim they do more physical exercise since moving in; and
- 61% feel part of a community more since moving in.

RESIDENTIAL LIVEABILITY INDEX PERFORMANCE

	FY17 TARGET	FY16	FY15	FY12/13
Average Liveability Index ² score across our communities	80%	84%	84%	75%
Average resident Personal Wellbeing score as measured using Deakin University's methodology	Above national range of 72-76%	80%	80%	79%
Resident satisfaction with Community Design elements that influence health and wellbeing	80%	82%	88%	81%
Resident satisfaction with Community Perceptions	80%	79%	78%	71%

¹ We received sufficient responses from 24 communities to look at these results in depth.

² Liveability score is a single number which measures resident satisfaction on a range of attributes calculated using regression analysis.

Our community metrics

Commercial Property

Our FY16 retail tenant satisfaction score was 76%, only one percentage point below our 77% target (as per the weighted customer satisfaction score in the table below). The weighted customer satisfaction score, developed by Stockland with data sourced from two different surveys conducted by Monash University, measures performance against four key metrics:

- Proportion of highly satisfied customers;
- Proportion of dissatisfied customers;
- Satisfaction ranking relative to competitors; and
- Proportion of retailers likely to renew with us (included for the first time).

As outlined above, a key metric in the Monash University surveys is 'satisfaction ranking relative to competitors'. This is asked only of retailers that are responsible for leasing and work with more than one landlord. It includes ten key landlords across Australia.

RETAIL TENANT CUSTOMER SATISFACTION

	FY16	FY15	FY14	FY13	FY12
Weighted customer satisfaction score ¹	76%	79%	80%	71%	69%
Relative customer position amongst Head Office based retailers (Monash University's TenSAT survey)	1st	1st	1st	1st	N/A
Relative customer position amongst all retailers responsible for leasing	Joint 2nd	Joint 1st	Joint 1st	2nd	3rd

¹ Weighted based on performance against four key metrics: the proportion of highly satisfied customers, the proportion of dissatisfied customers, satisfaction ranking relative to competitors, and incidence of intending to renew. Sample is all those retailers responsible for leasing.

We continued Mystery Shopping research across 33 of our retail centres in FY16. The program rates the customer experience including customer service and satisfaction with amenities compared to other shopping centres. Stockland scored 90% this year compared to our target of 80%.

In FY16 we also undertook customer satisfaction research with our logistics and business park tenants. Some 87% of our tenants rated their satisfaction with Stockland as high. The research also showed that satisfaction is higher amongst tenants that are located in assets that Stockland manages directly (as opposed to those assets where property management is outsourced), providing further support for Stockland's decision to continue in-sourcing across the portfolio.

RETAIL CENTRE MYSTERY SHOPPING

	FY16	FY15
Mystery Shopping score	90%	88%

Capital strength



Actively managing our balance sheet.

Our progress

STRATEGIC PRIORITIES

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

FY16 PROGRESS

- ✓ Maintained A-/stable credit rating for over ten years and gearing remains within our target range
- ✓ Extended pro forma weighted average debt maturity from 5.3 to 5.9 years
- ✓ Reduced average FY16 cost of debt by 40bp to 5.8%
- ✓ Significant improvement in operating cash flows, from \$401 million to \$787 million

BALANCE SHEET

\$ million	June 2016	June 2015	Change
Cash	208	170	↑ 22.4%
Real estate assets ¹			
• Commercial Property	9,706	8,942	↑ 8.5%
• Residential	2,517	2,552	↓ 1.4%
• Retirement Living	3,589	3,335	↑ 7.6%
• Other	-	7	
Other assets	922	723	↑ 26.6%
Total assets	16,942	15,729	
Interest bearing loans and borrowings	3,800	3,283	↑ 15.7%
Resident loan obligations	2,427	2,211	↑ 9.8%
Other liabilities	1,461	1,448	↑ 0.9%
Total liabilities	7,688	6,942	
Net assets/total equity	9,254	8,787	

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

Stockland maintained a strong balance sheet and A-/stable credit rating, supporting investment in the future growth of the business. Gearing at the end of FY16 was 23.8%, at the lower end of our 20–30% target range, due to disciplined capital management, strong operating cash flows and growth in the value of our investment portfolio.

Our active debt management program has seen us improve our weighted average cost of debt and, partly as a result of our post year-end US Private Placement, increase our average weighted debt maturity to 5.9 years on a pro forma basis.

Our fixed/hedged ratio has increased to 96% at 30 June 2016 (2015: 72%) as we continue to take advantage of low fixed interest rates. The weighted average cost of debt for the year ended 30 June 2016 has decreased to 5.8% (2015: 6.2%) following the termination of three swaps during the first half, funded from gains on asset sales.

Interest cover has increased to 4.5:1 (2015: 4.0:1) due to stronger earnings across the business.

Our progress

The **Commercial Property** investment portfolio has increased by \$764 million to \$9,706 million primarily due to valuation uplift across all three asset classes (up \$432 million including equity accounted joint venture investments). The overall increase also reflects continued capital and development expenditure predominantly on the Retail development pipeline, and acquisitions across Retail, and Logistics and Business Parks. The valuation gains were largely in Retail assets in New South Wales, namely Green Hills (\$35 million), Merrylands (\$32 million), Balgowlah (\$21 million), Glendale (\$21 million) and Wetherill Park (\$87 million), all benefitting from income growth and capitalisation rate compression. The Group's Office portfolio recorded a net valuation gain of \$21 million, while Logistics and Business Parks similarly delivered strong valuation gains of \$77 million during the period. Valuation gains across the portfolio saw the Group's weighted average capitalisation rate reduce from 6.9% to 6.4%.

Residential assets (mainly land under development) decreased slightly to \$2,517 million at 30 June 2016. Strong settlement volumes in FY16 led to a reduction in inventory, while a disciplined approach to development expenditure throughout the year ensured that production did not exceed sales. Land acquisitions reflect our focus on acquiring land on capital efficient terms. Finished goods' levels remain appropriate.

The value of the **Retirement Living** assets, net of resident loan obligations, was \$1,162 million, an increase of \$38 million from June 2015. This primarily reflects capital expenditure on the development pipeline, partly offset by an increase in resident loan obligations created on first sales of development units.

Total debt increased by \$517 million to \$3,800 million at 30 June 2016 as a result of increased operating activity satisfied by the issuance of Domestic Medium term notes and US Private Placement notes, partly offset by the repayment of bank facilities and Asian Private Placement notes. Unfavourable foreign exchange and fair value movements on debt were largely offset by net favourable movements in derivative financial instruments. Movements in other assets and liabilities mainly reflect the changes in value of the Group's financial instruments and intangibles.

CASH FLOWS

Operating cash flows are up significantly on the prior year, primarily as a result of improved trading revenues across the business combined with a disciplined approach to residential development spend and lower land acquisitions in Residential during the year.

Net cash outflows from investing activities reflect lower proceeds from the sale of investment properties and investments in the current year. FY16 includes investment proceeds from the disposal of Waterfront Place while the prior year includes disposal proceeds from the 50% disposal of Townsville (\$223 million), the remaining assets in the UK (\$44 million), aged care (\$20 million) and our investment in Australand (\$506 million). Overall net cash payments in relation to Commercial Property and Retirement Living capital expenditure are in line with the prior year.

Net financing cash outflows reflect the net proceeds from borrowings to fund acquisitions and development expenditure, as well as payments for the termination of derivatives. The prior year included the net repayment of borrowings from the proceeds on the sale of our investment in Australand.

\$ million	FY16	FY15	Change
Operating cash flows	787	401	↑ 96.3%
Investing cash flows	(508)	184	nm
Financing cash flows	(241)	(646)	↓ 62.7%
Net change in cash and cash equivalents	38	(61)	↑ 37.7%
Cash at the end of the period	208	170	↑ 22.4%

EQUITY

Dividend/Distribution Reinvestment Plan

On 20 June 2016, Stockland announced that the DRP would operate for the final distribution to 30 June 2016 and that investors participating in the DRP will be entitled to receive a full distribution.

The DRP security price was determined to be \$4.85, being the average for 15 daily volume weighted average prices of Stockland securities for the 15 trading days from 5 July 2016 to 25 July 2016 inclusive, with a discount of 1.0% on the securities acquired under the DRP.

DISTRIBUTIONS

The dividend and distribution payable for the full year ended 30 June 2016 is 24.5 cents per security. Our distribution policy in FY16 is to pay the higher of 100% of Trust taxable income or 80-90% of underlying profit. For FY17, we are targeting distribution per security of 25.5 cents, which reflects the higher of 100% of Trust taxable income or 75-85% of FFO, within our distribution policy.

The distribution for the full year comprises:

Stockland Consolidated Group	FY16 Cents	FY15 Cents
Trust distribution	24.5	24.0
Corporation dividend, fully franked	-	-
Total dividend and distribution	24.5	24.0

A better way to enrich our value chain

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

Our progress

STRATEGIC PRIORITIES

Our four value chain focus areas are:

Supply chain management

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

Employee engagement

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

Stakeholder engagement (see pages 15–16)

- Develop and maintain strong relationships through regular and genuine stakeholder engagement

Governance and risk management (see pages 44–46, 54–56)

- Integrate sustainability management and performance into our culture, processes and business relationships
- Maintain a prudent risk profile to ensure we remain a sustainable business and attractive proposition for our investors in both the short and longer term

FY16 PROGRESS

- ✓ Strong employee engagement of 83%, equal to Global High Performing Norm and eight points above Australian National Norm
- ✓ 61% of employees now have flexible work arrangements through Flexibility@Stockland
- ✓ Launch of Stockland Connectivity Centre at Stockland Green Hills redevelopment, enabling enduring local employment and economic development
- ✓ Best Process Improvement winner at 2015 CIPS Australasian awards for procurement and supply chain excellence



Our people metrics are provided on page 52.

SUSTAINABILITY IN OUR SUPPLY CHAIN

Effective management of our supply chain enhances our long-term business performance as it enables us to identify and address key environmental, social and governance risks and opportunities associated with our developments that are beyond our operational control.

Stockland continues to develop and encourage sustainable procurement practices across our supply chain. We expect all of our key supply chain partners (contractors on our development sites, suppliers of corporate goods and services, and service providers at our operating assets) to demonstrate their commitment to environmental and social responsibility.

Among our key initiatives, this year we developed our supply chain framework to provide clear guidance on what we expect from our suppliers and their supply chain in meeting commitments in regards to governance and management, environmental impact, health and safety, social value, human rights and capability and capacity. This is supported by our guideline What Stockland Expects of our Suppliers, which is provided as part of our annual supplier update.

Our initial priorities for the supply chain framework are:

- **Materials** – we are seeking greater understanding of the source of goods and services utilised in our developments to enable us to source and specify more sustainable products. During the year we developed minimum requirements for the quality and sustainability of materials to be used in our developments.
- **Earthworks and spoil management** – reducing our reliance on virgin materials and reducing spoil to landfill and carbon dioxide emissions in the development of our projects.
- **Local employment and procurement** – working with our strategic suppliers to identify opportunities for local employment and encourage local procurement opportunities in the delivery of our assets, particularly in regional communities. By committing to source labour and goods and services from the local communities in which we operate, Stockland seeks to provide a positive and lasting impact on these communities.
- **Capability and capacity** – partnering with industry to help the development and construction sector to improve its knowledge of sustainability practices and provide training and skills development opportunities that increase sustainability awareness, education and industry skills and capability.

In recognition of efforts to implement leading procurement and supply chain processes in asset delivery, in 2016 Stockland was awarded Best Process Improvement at the coveted Chartered Institute of Procurement and Supply (CIPS) Australasian awards.

Our progress

SUPPORTING ENDURING EMPLOYMENT AND ECONOMIC DEVELOPMENT

As one of Australia's leading sustainable property companies, we aim to enhance the value we create through positive relationships with our employees, suppliers and other key partners in the community. By working together, we are able to address key environmental, social and governance risks and opportunities and achieve more sustainable outcomes for all.

The Stockland Green Hills Connectivity Centre, launched in June 2016, is one example of how we are working with our business and community stakeholders in this way.

The \$372 million redevelopment of Stockland Green Hills in the New South Wales Hunter Valley is expected to be complete by April 2018. The centre will more than double in size to around 70,000 square metres and will feature the first new format David Jones department store in the Hunter, and around 225 specialty shops with a vibrant new dining and entertainment precinct. The redevelopment will generate more than 1,350 direct jobs during construction and over 1,250 permanent, full time jobs in retail and hospitality once completed.

Recognising that unemployment is a major issue for local youth, Stockland joined with construction partner, Brookfield Multiplex and undertook extensive discussions with community stakeholders about what kind of assistance would be of most enduring value.

The resulting Stockland Green Hills Connectivity Centre is a whole-of-community response. For the first time in the Hunter region, jobactive providers, led by youth not-for-profit yourtown, along with Maitland City Council, local employers and community groups, have come together to support and assist those most disadvantaged by unemployment, linking them to job opportunities generated by the Green Hills redevelopment.

Importantly, the Connectivity Centre is focused on finding jobs today as well as creating pathways and training so that people will be job ready for years to come. The centre provides a space for candidate screening, training and job-matching to support employment in construction and retail jobs. It also hosts programs designed to instil vocational skills, build confidence and provide exposure to business culture and mentoring.

The Connectivity Centre is located next to the Stockland Green Hills construction site at 4 Molly Morgan Drive and is staffed by yourtown, five days a week. The centre has been built by Stockland and Brookfield Multiplex with site sub-contractors donating the fit out. Additional funding has been secured from the NSW Department of Industry for resourcing the centre. As at 30 June 2016, more than 200 expressions of interest had been received from people seeking employment across a range of fields and 34 referrals had been made to contractors with vacancies.

 200

Expressions of interest from people seeking jobs in the Connectivity Centre's first month of operation

 1,350+

Jobs during construction at Stockland Green Hills

 1,250+

Permanent, full time jobs in retail and hospitality once completed



Our progress

EMPLOYEE ENGAGEMENT AND DEVELOPMENT

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

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

We are also committed to building an aligned and accountable workforce, and a scalable and agile workforce. To deliver improvements in these areas, we undertake targeted learning and development initiatives and a rigorous performance and development review process.

In 2016 we undertook our 12th annual Our Voice survey, achieving an engagement score of 83%. We remain above the Australian National Norm (ANN) and equal to Willis Towers Watson's Global High Performing Norm (GHPN), with 95% of employees indicating they fully support the values for which Stockland stands for, 93% of respondents saying that they believe strongly in the goals and objectives of Stockland and 94% of respondents indicating they are willing to work beyond what is required to help Stockland succeed. Stockland achieved strong performance across the following areas:

- **Corporate responsibility and sustainability** (87%), reflecting our employees' pride in the contribution we make to the community and society (92%) and the perception that we are a socially (95%) and environmentally responsible organisation (94%).
- **Diversity and inclusion** (87%), continues to be a key driver of employee engagement for our employees. As we continue to create a more diverse and inclusive workplace, it is encouraging to note the large proportion of employees who perceive the working environment to be accepting of differences with regard to gender and age (92%), cultural background and/or lifestyle and ethnic differences (95%), people with disabilities or psychological/physical impairment (85%), and working style (84%).
- **Health and safety** (92%), with employees indicating they are aware of their responsibilities to ensure that all areas under their control are safe (97%), that Stockland does a good job of ensuring workers' health and safety wherever we operate (95%), and prompt and effective action is taken when unsafe conditions are brought to management's attention (90%).
- **Leadership**, with a clear sense of direction from the Executive (83%) and a clear understanding of Stockland's goals and objectives (94%), we performed 17 points and 15 points, respectively, above the ANN. These results reflect our ongoing focus on employee communication and leadership team visibility in reinforcing priorities and strategic objectives.

The Our Voice survey also identified the following areas for improvement:

- **Work processes and systems** (68%); whilst remaining higher than the ANN, this is an area that requires ongoing focus to improve employees' perceptions of computerised management systems providing information to do their jobs (58%). We have subsequently launched the Core Systems Program to improve our processes and systems (see page X for further information).
- **Work-life quality** (67%) saw a two point decline from FY15, but remains two points above both the GHPN and the ANN. This result reinforces the importance of continuing to build on several key projects that were launched in FY16, which aim to improve workload, increase operational efficiency and enhance the flexibility options provided to employees. The establishment of the Wellbeing and Inclusion Employee Advocacy Group (EAG) is also designed to help address this issue.

Employee turnover

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

In early FY14, analysis of our employee turnover data revealed that a disproportionate amount of our employee-initiated turnover was occurring in the first 12 months of service, as 31% of employees left within their first year of service in calendar year 2013 (29% employee initiated). A number of initiatives were undertaken to address this and ensure a consistent recruitment and on-boarding experience for new employees. As a result, there was a significant reduction in employee turnover in FY15 and a more uniform distribution of turnover by tenure group. In FY16, we exceeded our target of 12% for employee initiated turnover for employees with good performance or above, with a rate of 11.8%. However, overall employee initiated turnover in the first 12 months increased in FY16 due in part to concerns regarding the establishment of the Stockland Support Centre (page 55). Employee initiated turnover is expected to stabilise as the Centre is further embedded into business as usual activities and its benefits are realised.

Our progress

DIVERSITY AND INCLUSION

At Stockland, we aim to leverage the maximum potential of our people, irrespective of individual differences, such as gender, ethnicity, age, physical abilities, sexual identity, family status, beliefs, and perspectives.

Our Diversity and Inclusion Steering Committee is chaired by our Managing Director and CEO, Mark Steinert. Mark is also a founding member of Property Male Champions of Change. The three priorities for our Steering Committee in FY16 included:

- Increasing the focus on women in management positions;
- Mainstreaming flexibility and demonstrating more examples of senior managers working flexibly; and
- Increasing employee awareness and participation in diversity and inclusion.

In FY16, women represented 44.6% of Stockland's management team and our target is to achieve 50% by 2020. To support this goal in FY16, seven male Executive Committee members sponsored high potential females from the senior manager job band. The program had the dual focus of supporting the career development of high potential females through greater exposure to the Executive Committee and enhancing our male leaders' understanding of corporate life from a female perspective.

During the year we also implemented a company-wide flexibility campaign, Flexibility@Stockland to give all of our employees the opportunity to openly discuss and access flexible work options. The program centred around managers working with individual team members to identify One Simple Thing that would support greater flexibility. A guide to flexibility is built into our onboarding process for all new employees. Since the launch of this campaign, we have seen a further 36% of employees introduce a flexibility arrangement into their working week on top of the existing 25% of employees with existing flexible working arrangements.

Together with our focus on embracing flexible working and inclusive leadership, our leading edge parental transitions program provides support to employees preparing to commence or return from parental leave. This program has been instrumental in maintaining our parental leave return rate well above our target of 80% again this year.

During the year we strengthened our diversity and inclusion governance with the introduction of four Employee Advocacy Groups (EAGs) aligned to our four focus areas for diversity and inclusion. The employee-led EAGs are responsible for setting diversity and inclusion objectives and guiding resourcing and implementation.

This year we were successful in securing Employer of Choice for Gender Equality status from Workplace Gender Equality Agency (WGEA), as one of only two property firms and one of 100 Australian corporates and organisations to achieve this challenging citation. We are currently applying for FY17 accreditation.

Our targets

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

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

Our diversity and inclusion focus areas



- The equitable attraction, retention and development of men and women at Stockland
- Increasing the representation of women with profit and loss responsibilities and supporting our gender targets
- Networking event and gender forums

- Initiatives that support working parents-to-be, and employees with elder care and other family and carer responsibilities
- Events and forums such as Kids@Work day and the 'keeping in touch' Yammer group

- Strategies to increase employee wellbeing and cultural diversity
- Include representatives from the Reconciliation Action Plan Steering Committee to ensure synergies

- Progressing, executing and embedding our accessibility strategy
- Monitoring and embedding the mainstreaming of flexibility and One Simple Thing

Our people metrics

WORKFORCE BY EMPLOYMENT STATUS

Status	FY16	FY15	FY14	FY13	FY12	FY11
Full Time	1,135	1,121	1,120	1,067	1,211	1,257
Permanent ¹	1,073	1,058	1,072	1,019	1,141	1,208
Fixed Term ²	62	63	48	48	70	49
Part Time	308	295	282	255	234	219
Permanent	298	282	269	247	224	217
Fixed Term	10	13	13	8	10	2
Casual³	55	46	38	45	79	93
Total Headcount⁴	1,498	1,462	1,440	1,367	1,524	1,569
FTE⁵	1,386	1,345	1,286	1,262	1,407	1,439

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

TURNOVER⁶

	FY16	FY15	FY14	FY13	FY12	FY11
Employee initiated turnover ⁷	14.9% (216)	13.8% (193)	15.0%	15.8%	13.6%	14.8%
Employee initiated turnover, (for those with good performance or above) ⁸	11.8% ⁹ (143)	12.2% ¹⁰ (150)	12.6% ¹¹	N/A	N/A	N/A
Stockland initiated turnover ¹²	5.6% ¹³ (81)	3.0% (42)	5.2%	12.3%	8.9%	4.2%
Total	20.5% (297)	16.8% (235)	20.2%	28.1%	22.5%	19.0%

- 6 Turnover presents the proportion of the Stockland workforce that has exited in the last 12 months. It is calculated by dividing [Total Number Of Exits In The Last 12 Months] by [12-Month Average Headcount]. All turnover data (including headcount) excludes those employed on a casual or fixed term basis. The first number represents this turnover. From FY15 onwards, Stockland now reports on the number of exits (the second number in parentheses).
- 7 Employee initiated turnover includes resignations and retirements.
- 8 Stockland uses a four-point rating scale for performance. This metric assesses turnover for the two highest performance ratings. Employee Initiated Turnover For Good Performance or Above is calculated by dividing [Total Number Of Exits In The Last 12 Months With A Good Performance Or Above Rating] by [Employees With A Good Performance Or Above Rating].
- 9 FY16 Employee Initiated Turnover For Good Performance or Above is calculated by dividing [Total Number Of Exits In The Last 12 Months With A Good Performance Or Above Rating] by [Employees With A Good Performance Or Above Rating As At 30 June 2016].
- 10 FY15 Employee Initiated Turnover For Good Performance or Above is calculated by dividing [Total Number Of Exits In The Last 12 Months With A Good Performance Or Above Rating] by [Employees With A Good Performance Or Above Rating As At 30 June 2015].
- 11 FY14 Employee Initiated Turnover For Good Performance or Above is calculated by dividing [Total Number Of Exits In The Last 12 Months With A Good Performance Or Above Rating] by [Employees With A Good Performance Or Above Rating As At 30 June 2014].
- 12 Stockland initiated turnover includes redundancy or termination by Stockland (e.g. terminated during probation or for cause).
- 13 Stockland initiated turnover increased in the second half of FY16 as a result of redundancies that were a part of Project Support. Project Support was an initiative to create an outsourced team (Stockland Support Centre) to undertake activities to allow Stockland to better focus on the needs of our customers. The Project Support redundancies make up 3.0% of Stockland initiated turnover.

Our people metrics

WORKFORCE BY GENDER¹

Job band	FY16		FY15		FY14		FY13	
	Total employees	% Women	Total employees	% Women	Total employees	% Women	Total employees	% Women
Management	536	44.6%	515	44.7%	464	45.4%	454	43.0%
Executive ²	9	11.0%	9	11.0%	7	0.0%	5	0.0%
Senior Management ³	151	36.0%	138	36.0%	132	35.0%	125	33.0%
Manager	376	49.0%	368	49.0%	325	50.0%	324	47.0%
Employee	1,010	67.0%	1,012	66.0%	938	66.0%	913	66.0%
Stockland	1,546	60.0%	1,527	59.0%	1,697	59.0%	1,711	64.0%

1 Workforce by gender includes permanent employees, fixed term employees, casual employees and employees on extended leave. It excludes Board members, special contractors, temps and vendors.

2 Executive is Stockland's Executive Committee.

3 Includes General Manager and Senior Manager job bands.

WOMEN IN MANAGEMENT BY BUSINESS (%)⁴

Business	FY16	FY15	FY14	FY13	FY12	FY11	FY10
Stockland	44.6%	44.7%	45.4%	43.0%	43.0%	38.0%	35.0%
Commercial Property	33.7%	32.4%	32.1%	38.0%	44.0%	41.0%	37.0%
Corporate	50.0%	56.6%	58.9%	49.0%	57.0%	49.0%	48.0%
Residential	21.0%	23.4%	22.7%	34.0%	31.0%	25.0%	24.0%
Retirement Living	62.4%	56.5%	55.4%	57.0%	50.0%	43.0%	41.0%

4 Includes Executive Committee, General Manager, Senior Manager and Manager job bands.

RATE OF RETURN FROM PARENTAL LEAVE⁵

Our employee rates of return from parental leave continued to be well above our target of 80% in FY16.

Gender	Total leave	Within 6 months			
		Returns	Return rate	Exits	Exit rate
Male	38	36	94.74%	2	5.26%
Female	82	75	91.46%	7	8.54%
Overall	120	111	92.50%	9	7.50%

5 Parental leave return rates look at the return rates of employees who have returned from parental leave in FY15 and FY16 and either remain employed (returns) or exited during FY16 within 6 months of return.

— *Operational excellence*



*Improving the way we operate across the business
to drive efficiency and effectiveness.*

Our progress

STRATEGIC PRIORITIES

- Drive operational efficiency
- Continue to improve technology use and systems
- Strong commitment to safety
- Maintain high employee engagement
- Achieve leading sustainability credentials

FY16 PROGRESS

- ✓ Recognised as Global Real Estate Industry Leader in the Dow Jones Sustainability Index for 2015–16
- ✓ Retained our Employer of Choice for Gender Equality WGEA citation
- ✓ Improved ROE from 9.9% to 11.0%
- ✓ Established Stockland Support Centre offshore team, adding capacity and capability across a range of finance and IT activities
- ✓ Significant progress improving Group system capabilities including commitment to implement SAP and Salesforce as core systems

Our proactive focus on operational excellence means we are always looking for better ways to work and deliver improved outcomes for our customers and ultimately our securityholders. After centralising and standardising our support activities in recent years, we are now focused on embedding operational improvements and empowering our employees to both work more efficiently and innovate.

SUPPORTING EFFICIENCY AND AGILITY

During the year we made significant progress on improving the Group's IT systems capabilities, as we began the largest investment in our systems in Stockland's history through the Core Systems Program. This program aims to reduce the number of legacy systems we use around our business to simplify and streamline our activities, reduce costs, and take advantage of rapid developments in technology to improve customer outcomes.

As part of the feasibility phase of the program this year, we have committed to implement SAP as our core enterprise resource planning system and Salesforce as our customer relationship management system. Deployment will take place during the next two years. Acknowledging the Our Voice feedback that our work process and systems are an area for improvement, we will continue to maintain two-way engagement with employees across the business about the program and system implementations to enable a smooth transition.

This year we also embedded the Stockland Support Centre (SSC) within our business. The SSC is an outsourced offshore team that provides support to Stockland employees across a range of business activities. We decided to establish the SSC permanently in June 2015, after an initial six month pilot proved successful in providing more flexible and scalable support for our in-house teams and achieving the estimated benefits in the business case. Since then, we have transitioned a number of finance and IT activities to the team.

As this change led to a number of redundancies, a key priority was to support our people through this transition. We mitigated the number of redundancies through the use of fixed term contracts and by redeploying impacted employees. We were committed to open and honest communication throughout the process and provided employees with access to emotional and professional support options, including the Employee Assistance Program and career transition support.

IDEAS@STOCKLAND

Our people remain highly engaged, delivering exceptional outcomes and contributing to a range of initiatives that improve the way we work. Stockland launched a company-wide innovation program called Ideas@Stockland in August 2015 to encourage and foster the commercialisation of innovation. Rapid technology advancements and other converging mega trends are changing consumer behaviour. We are focused on creating opportunities from these changes. To that end, we are introducing support and tools for our employees to foster innovation and make it easy to implement ideas quickly.

In the first 12 months of Ideas@stockland, more than 100 new ideas were submitted and over 800 people across the organisation participated in some way in an innovation challenge. Of those 100 ideas, nine have been chosen to be developed and resourced, and six ideas are progressing towards working pilots. In addition, 20 employees were selected to receive training on leading innovation methodologies and tools. These 'Innovation Champions' are now assisting business units or functional teams with their own ideation or innovation initiatives.

SUSTAINABILITY LEADERSHIP

Sustainability remains a key focus for Stockland. We have continued our commitment to engage effectively and improve the liveability, convenience and efficiency of our communities and commercial operations, and to continue to reduce our impact on the environment, particularly by improving energy and water efficiency.

Recognising these efforts, we were proud to be named the 2015–16 Global Real Estate Industry Leader in the Dow Jones Sustainability Index, the third time we have received this outstanding acknowledgement. It is also the ninth consecutive year that we have been listed in the Index. In addition, we were awarded 2015 Australian Diversified Property Sector Leader on the Global Real Estate Sustainability Benchmark (GRESB). We also maintained our listing on the FTSE4GoodIndex and retained our Employer of Choice for Gender Equality citation with Australia's Workplace Gender Equality Agency.



Our progress

HEALTH AND SAFETY

Our vision is to foster a culture where health, safety and wellbeing are considered core values and continuous improvement of our safety performance is part of our normal business practice.

In FY16, we continued to improve health and safety compliance across all business units through our operational risk assurance program. Compliance scores have progressively improved since the inception of this assurance program in FY14, achieving a combined average score of 94% in the FY16 health and safety audits, which is up from 78% in FY14 and translates to a reduction in required audit actions from 2,869 in FY14 to 563 in FY16.

Our employee wellbeing score, as measured in our annual Our Voice survey, was 75% in FY16. While this represents a two point decline on FY15, our score remains eight points above the Australian National Norm (ANN) (see Employee Engagement and Development on page 50). We also scored 13 points above the ANN for the question "I often feel anxious at work". These results parallel those for the Work

Life Quality category of Our Voice, which also declined two points in FY16 to 67%, but remains above the ANN by two points. A key driver of these results has been identified as frustration with work systems and processes. We are addressing this through the Core Systems Program, which will be key to improving our systems (page 55).

This year we achieved the lowest Lost Time Injury (LTI) metrics in the last five years, including 11 LTIs and the associated Lost Time Injury Frequency Rate (LTIFR) of four. Various remedial activities implemented progressively throughout the year have contributed to this reduction, including refresher training in workers' compensation and injury management, manual handling training, an increased focus on incident reporting and the engagement of injury management specialists to assist in the management of work related injuries (including stress).

Stockland has experienced an increase in the amount of built-form development works over the last 12 months, which may have attributed to the increase in contractor LTIs reported over the same period. As our

construction activities are conducted by our contractors, we require principal contractors on all of our major projects to have comprehensive Workplace Health and Safety (WHS) management systems. This is verified in the tender review process and we continue to communicate our expectations and manage health and safety risks through our ongoing project-level safety management systems, project inductions, risk reviews and WHS performance monitoring of project delivery.

HEALTH AND SAFETY PERFORMANCE¹

	FY16	FY15	FY14	FY13	FY12
Total average workforce ²	1,507	1,438 ³	1,695	1,736 ⁴	1,384
Total hours worked (million)	2.75	2.53	2.97	3.03	2.42
Contractor lost time injuries ⁵	12 ⁶	5	10	14	11
Number of lost time injuries (LTI) ⁷	11	12	18	17	18
Lost time injury frequency rate (LTIFR) ⁸	4.0	4.7	6.1	5.6	7.4
Number of injuries requiring medical treatment (MTI) ⁹	12	14	14	11	13
Medical treatment injury frequency rate (MTIFR) ¹⁰	4.4	5.5	4.7	3.6	5.4
Frequency rate (LTI and MTI) ¹¹	8.4	10.2	10.7	9.2	12.8
Occupational diseases instances	0	0	0	0	0
Fatalities	0	0	0	0	0
Lost days (total for the recorded lost time injuries)	599 ¹²	267	817	417	257
Average lost day rate ¹³	27.1 ¹⁴	22.2	45.3	24.5	14.3

1 With the exception of contractor lost time injuries, all health and safety metrics include Stockland employees only.

2 Total average workforce uses monthly employee totals rather than the end of financial year figure used in Our People metrics.

3 Total average workforce in FY15 reduced as a result of the sale of the Aged Care business in FY14.

4 Total average workforce was updated in FY13 to include Aevum payroll employees.

5 Refers to all workers undertaking work on Stockland sites that are not direct Stockland employees.

6 Stockland has experienced an increase in the amount of built form development works over FY16 which may have contributed to the increase in contractor LTIs reported over the same period.

7 An injury resulting in the loss of one or more shifts. Includes injuries incurred as a result of a work-related incident. Does not include commuting/recess injuries.

8 Number of LTIs / total hours worked during Financial Year x 1,000,000 hours. Excludes contractors as we do not measure total hours worked by our contractors.

9 An injury resulting in the injured person receiving further treatment from a medical practitioner i.e. GP, physio, hospitalisation etc. Not including lost time injuries.

10 Number of MTIs / total hours worked from July 2014 to June 2015 x 1,000,000 hours.

11 Number of LTIs + MTIs / total hours worked from July 2014 to June 2015 x 1,000,000 hours. Not including injuries requiring first aid treatment only.

12 The increase in lost days has been largely attributed to two longstanding injuries from previous financial years accounting for 301 days.

13 Number of Lost Days / number of LTIs.

14 This figure is derived from 298 days lost attributed to 11 LTIs recorded in FY16.

A better way to optimise and innovate

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

Our progress

STRATEGIC PRIORITIES

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

Carbon and energy

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

Biodiversity

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

Water management and quality

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

Waste and materials

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

FY16 PROGRESS

- ✓ Australian first Green Star – Performance portfolio rating for 22 of our shopping centres
- ✓ 96% of Residential and Retirement Living and 39% of Retail waste diverted from landfill
- ✓ Electricity intensity reductions at our retail centres, resulting in \$30m savings since FY06
- ✓ Pioneering solar air conditioning technology at Stockland Wendouree with CSIRO
- ✓ Around 1,750 hectares reserved for biodiversity conservation and protection in perpetuity



Our environmental metrics are provided on page 63.

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

RESILIENT COMMUNITIES AND ASSETS

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

Maintaining an active focus on climate change adaptation and resilience assists us to:

1. Understand future climate trends and predictions;
2. Identify where we are exposed to the impacts of climate change in different regions where we operate; and
3. Take action to address vulnerability in the short term and develop plans to improve resilience over the long term.

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

- Minimise increases in operation and maintenance costs;
- Enable informed decisions to be made regarding future investments;
- Reduce liability and insurance premiums by ensuring assets are prepared for climate change;
- Increase customer comfort levels within our assets and communities; and
- Help maintain the longevity of assets within our portfolio.

Following our extensive work on the climate resilience of our retail buildings and infrastructure in previous years, in FY16 we developed a community resilience scorecard with an initial focus on our Retail portfolio. The purpose of the scorecard is to understand underlying issues

in communities around social cohesion, economic viability and connectivity and to identify opportunities to contribute further to community resilience through our community development planning process. The community resilience scorecard has since been adapted and integrated into the climate resilience strategies for our Residential and Retirement Living businesses, allowing us to assess the resilience of buildings and infrastructure as well as our residents' ability to respond to significant climatic events.

Across Commercial Property, we continued to focus on understanding the regional variances and unique vulnerabilities, using the 1-to-9 rating scale developed as part of our assessment methodology. Climate resilience assessments were undertaken at Stockland shopping centres at Bundaberg in Queensland and at Nowra in New South Wales in FY16. We also engaged the 19 centres assessed over the last four years to review progress on the range of climate resilience actions that have been implemented across the portfolio.

For our retail assets in North Queensland where there is a high exposure to extreme weather events, we have set a regional improvement target to be achieved by FY17. Our aim is to improve the regional average resilience score for North Queensland shopping centres from 5.9 to 5.5 through the implementation of recommended actions and reassessment of the centres in this region. During the year, we worked with the Cyclone Testing Station at James Cook University to complete two cyclonic wind vulnerability assessments at our shopping centres at Bundaberg and Hervey Bay in North Queensland.

We also completed a national review of our retirement living villages and residential masterplanned communities to identify those individual villages and communities which have the greatest exposure to climate extremes including heat waves, drought, flooding, storms, cyclones, coastal inundation and bushfires. We have also remapped all of our residential projects against a revised risk assessment matrix. Over the next 12 months we will focus our attention on preparing climate and community resilience plans for priority projects identified as being in high climate risk locations and implementing initiatives on all assessed sites.



Read more in our Climate and Community Resilience DMA www.stockland.com.au/about-stockland/sustainability.

Our progress

TARGETING ENERGY EFFICIENCY AND EMISSIONS REDUCTION

We recognise we have a role to play to influence the energy efficiency of our assets and reduce emissions, and have taken a proactive approach to developing policies and implementing action plans over a number of years.

The increasing cost of energy, particularly electricity, poses a challenge for the property industry and for all Australians. Improving the energy efficiency of our assets and communities will not only ensure improved environmental outcomes, but will also improve cost of living and deliver tangible benefits for our business.

Across our commercial property developments and assets we continue to trial new technologies as they emerge and where proven successful, we stage implementation through the portfolio. This year, implementations included major LED lighting upgrades and large heating, ventilation and air conditioning (HVAC) system upgrades at centres in Queensland and New South Wales, which have resulted in projected energy savings of approximately 1,718,000kWh annually. This is equivalent to removing 255 passenger vehicles driven for one year.

Civil works on residential development projects constitute a major source of our emissions. Civil contractors fall inside our operational control boundary, as defined by the National Greenhouse and Energy Reporting Act 2007 (NGER Act). Our civil contractors use heavy equipment to move large volumes of spoil across sites to achieve development and landscape levels. We work with our contractors to develop strategies for bulk earthworks at a site and regional level, targeting opportunities to minimise vehicle movements, which reduces emissions, and, where possible, balance excess spoil and fill requirements, reduce earthworks and save money.

We are committed to design and technology innovation and access to alternative energy supplies to help us and our customers realise a cost efficient, low carbon future.

For our commercial properties, our approach to alternative energy is focused predominantly on solar PV, with installations already in place at Shellharbour, Green Hills and Nowra in New South Wales and Jimboomba in Queensland. In FY16 we committed to installing a 900 kW system at Stockland Wetherill Park in FY17, following feasibility analysis assessments conducted at 15 shopping centres and two business

parks to identify new retail solar projects in FY17. The Wetherill Park installation will take our installed capacity to 2.27MW or 5.37% of FY13 retail electricity consumption, which is 70% above our Retail portfolio renewable energy target of 3.0% by FY17.

A large proportion of our retirement village homes already have solar PV installations. Over the next 12 months we will be looking closely at how solar can be adopted in the Residential business on a large scale through different network ownership and management models. We also focus on building embedded energy networks across our retail centres and retirement living villages. This enables larger installations to meet both base building and tenancy energy requirements and enables us to reduce the cost of electricity for our tenants and gain visibility of asset-wide energy consumption data. This allows us to identify further emission reduction opportunities and will enable us to work collaboratively with our tenants to further reduce their energy costs in the future.

SOLAR AIR CONDITIONING EFFICIENCY

Through our partnership with CSIRO, we have recently unveiled a new solar powered air conditioning system that aims to change the way energy is used on a commercial scale.

Operating at Stockland Wendouree Shopping Centre in Ballarat, Victoria, the system uses concentrating solar thermal technology to produce heat energy that powers the air conditioning system. The operational system is expected to significantly reduce HVAC electricity usage for commercial buildings. The roof space required for this pioneering technology can be 40% less than a traditional single stage desiccant system.

The Australian Renewable Energy Agency provided \$520,000 support toward to the \$1.2 million, three-year project, which has been jointly managed by CSIRO and Stockland.



Read more in our Carbon and Energy DMA at www.stockland.com.au/about-stockland/sustainability.



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Our progress

SUSTAINABLE ASSETS AND DEVELOPMENTS

Asset ratings and certifications are a key means of assuring and demonstrating the quality of our projects and assets. These ratings serve as validation that key social and environmental aspects have been considered in our project and asset designs, developments and operations. Rating and certification schemes also enable us to demonstrate compliance with state and national regulations, benchmark our sustainability performance against our peers and regularly track and improve on our performance across our various asset classes.

At Stockland, we have a strong commitment to the use of product rating and certification tools to ensure the sustainability performance of our projects and assets:

- Green Star – a range of tools administered by the Green Building Council of Australia (GBCA) that rate the sustainable design, construction and operation of buildings and communities, using a scale from 1 to 6 Stars, with 1 being Minimum Practice and 6 being World Leadership.
- NABERS – the National Australian Built Environment Rating System uses measured and verified performance information to assess energy efficiency, water usage and other factors of a building or tenancy and its impact on the environment. This performance is converted into a rating scale of 1 to 6 stars, with 6 being market-leading performance.
- NatHERS & BASIX – measures the thermal performance or energy use of homes. NatHERS uses a 1 to 10 scale, with 10-star rated homes being the most thermally efficient.
- Liveable Housing Australia (LHA) – three tiered performance certification for liveable housing design: Silver, Gold and Platinum.

Green Star is now a standard Stockland requirement on all shopping centre and retirement living developments, with a minimum of 4 Star Green Star – Design & As Built certification required. In FY16 we continued to extend our Green Star certifications across all new retail and retirement living projects, achieving 4 Star Green Star ratings at Stockland Harrisdale (Design) and at Mernda Retirement Village (Custom Design).

In addition, Stockland is progressing its Green Star – Communities certification credentials. Building on our FY15 achievement of the 6 Star rating at Aura in Queensland, we registered seven new projects for our residential communities at Cloverton, The Grove, Calleya, Newport, Willowdale, Altrove and Stamford Park. Six of these projects were subsequently awarded a combination of 5 and 6 Star Green Star – Communities ratings in August 2016, with the rating for Stamford Park expected to be received later in FY17.

Stockland's Office and Business Parks portfolio achieved a NABERS combined portfolio average for energy in calendar year 2015 of 4.76, up from 4.64 in the prior year. For our Retail portfolio, we undertook ratings on a broader selection of sites for calendar year 2015, with 16 centres scoring energy ratings of 4.0 stars or better and 12 centres scoring water ratings of 4.0 stars or better. Hervey Bay was rated for the first time since development and achieved an energy rating of 4.5 stars.

In FY16, we progressed our Liveable Housing Australia (LHA) certifications, achieving a LHA Silver rated design for Willowdale House, our sustainability and community hub, and delivering the first stage of our LHA Gold Standard certified Willowdale Retirement Village. We also updated and relaunched our Retirement Living Design Guidelines to reflect LHA principles and committed to 100% LHA Silver for new greenfield retirement living village developments. We maintained our approach to achieve a target of 20% of medium density homes by FY18 and 50% target by FY19 to be developed in accordance with LHA Guidelines.



Read more in our Asset Rating and Certification DMA at www.stockland.com.au/about-stockland/sustainability.

Our progress

DELIVERING MORE SUSTAINABLE AND EFFICIENT RETAIL CENTRES

Stockland has the largest number of Green Star rated retail properties in Australia, as verified by the GBCA. In FY16 we continued to extend our ratings and certifications, with a key target to secure a Green Star – Performance portfolio rating for our retail centres. This is a new Green Star tool requiring an existing energy rating from NABERS.

In an Australian first, in June 2016 we achieved a Green Star – Performance portfolio rating for 22 of our metropolitan and regional retail centres, receiving an average 3 Star rating, which is considered 'Good Practice'.

Stockland's innovations such as climate adaptation and resilience, inclusive playspaces, electric vehicle charging stations and use of cool roof materials rated particularly well. We will now continue working with our retailers and the community to improve the sustainability management and performance of our retail centres and capitalise on savings we achieve through operational efficiencies to invest in bringing the next wave of new technologies to life.

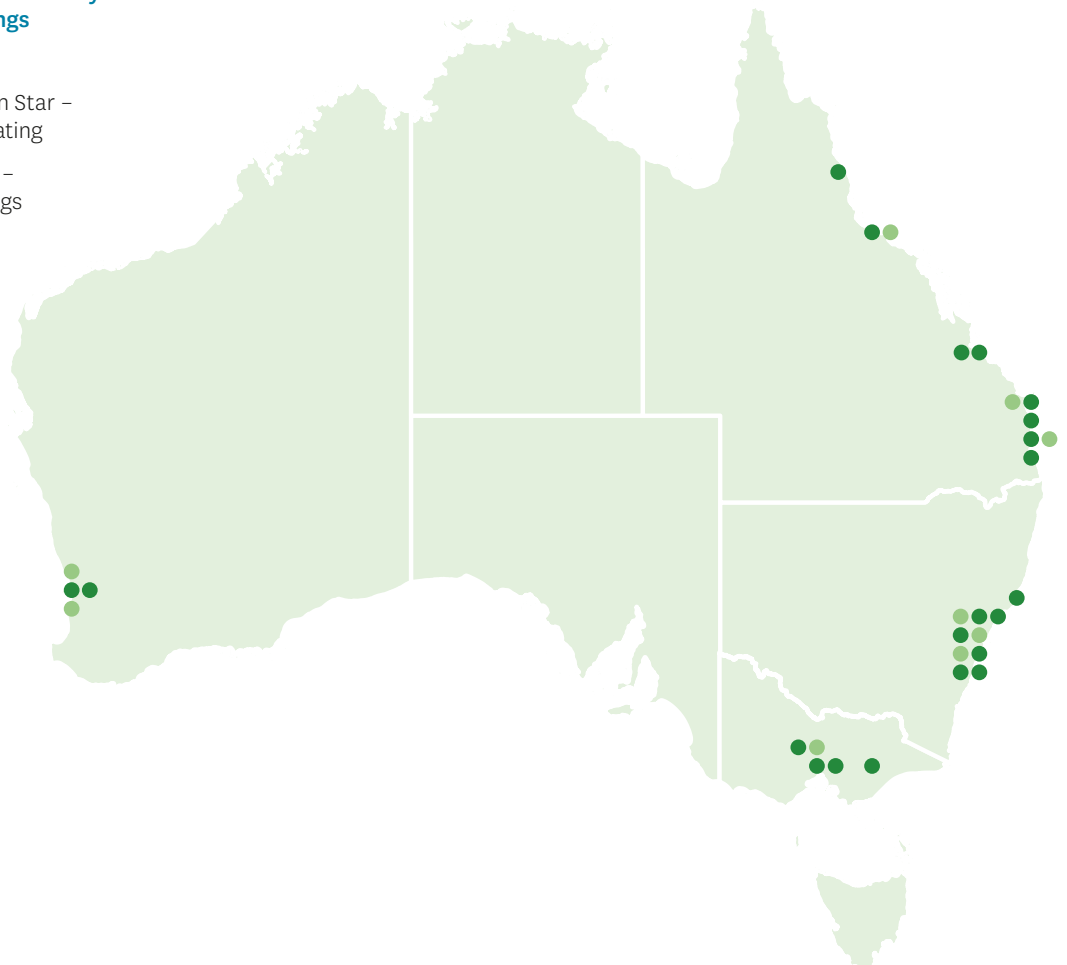
In FY16 alone we invested in numerous energy efficient measures across various commercial property assets with projected energy savings

of approximately 1,718,000kWh annually. This is equivalent to removing 255 passenger vehicles driven for one year.

These efforts add to our significant achievements since FY06, which have seen us reduce electricity usage by 30% per square metre, resulting in a \$30 million saving from avoided bills within our Retail operations.

Stockland has Australia's largest number of Green Star rated retail properties, with 23 assets currently awarded one or more ratings

- Retail centres with Green Star – Performance portfolio rating
- Centres with Green Star – Design and As Built ratings



Our progress

WATER MANAGEMENT AND QUALITY

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

Ensuring effective water management systems are in place to minimise consumption and manage water quality is a key priority. Effective systems deliver significant benefits to the environment and promote performance and cost efficiencies across our projects and operations.

We use the GBCA Green Star rating tools to support the design and delivery of water initiatives and to set a platform for optimal performance. All new commercial property and retirement living developments are required to achieve a minimum 4 Star Green Star rating. Green Star sets minimum standards for water management and efficiency in commercial property and retirement living assets.

We use the CCAP Precinct tool to help us manage the environmental impact of our projects. Our Residential business, for example, ran the CCAP Precinct tool on new bids to buy land. The Retirement Living business uses the CCAP Precinct tool on new retirement village developments or redevelopments, which enables the business to identify water reduction opportunities compared to regional averages.

All of our residential projects in NSW are BASIX compliant, and water tanks are typically provided at all homes to supply a combination of irrigation, toilets and laundry. Water Sensitive Urban Design is also considered in all our developments. As a minimum requirement for environmental approval on all projects, we have to reduce the pollutant load of any stormwater runoff before discharging water to receiving water bodies.

In Commercial Property operations, we undertake NABERS water ratings to benchmark the performance of our assets against industry standards and to measure the effectiveness of the initiatives and actions we implement. In our Office portfolio, we undertake NABERS ratings annually and have a long-standing portfolio average target of 4.5 stars. In FY16 we have undertaken ratings on 20 out of 23 established retail assets and our portfolio average target is 3 stars by the end of FY17. Several locations could not be rated due to utility billing

issues, faulty metering or the absence of metering on bore water supplies. These issues will be rectified for the next rating cycle and we anticipate that we will rate all eligible assets in FY17.

In our Retirement Living business, upgrades to operational village clubhouses and common areas include water saving measures such as water efficient tap fittings and toilets and utilising rainwater tanks for water collection and irrigation where possible. In our Residential business, we generally hand operational control to councils following project completion.



Read more in our Water Management and Quality DMA at www.stockland.com.au/about-stockland/sustainability.

BIODIVERSITY MANAGEMENT

Developments on greenfield sites can impact local bushland habitat, ecological communities and protected or significant species. These impacts occur both during construction and as a result of urbanisation and are for the most part particular to our masterplanned communities.

As part of our strategy to deliver shared value, we aim to minimise and mitigate these impacts to protect the biodiversity of our surrounding environments. We appreciate that preserving biodiversity enhances the liveability and vitality of our communities over the long term. Our Liveability surveys (with our residential communities) tell us that customers value green space and so balancing developable land with retention and activation of biodiversity is critical to the success of our masterplanned communities. By effectively minimising and mitigating the impacts on biodiversity, we are also able to reduce development approval delays at a local, state and national level.

Threatened species with habitats affected by our operations are considered as part of the environmental approval process for each development. In many cases we are able to conserve local biodiversity and place a large portion (if not all) of the significant species found on our sites into protected areas. In FY16 we had 25 projects in the construction phase with identified biodiversity on site to be protected. Many of the areas identified for protection include species that are considered threatened or vulnerable.

At Allura in Victoria, for example, we are protecting local grassland habitat for the Golden Sun Moth, and at Calleya in Western Australia we are protecting the Spider Orchids. We are also protecting various areas of koala habitat across our South East Queensland projects. Once these projects are complete, we will have placed approximately 1,750 ha of land into protection for local councils and the community to access and manage in perpetuity.

During the year we also completed the Stockland biodiversity calculator, piloted in FY15, and used it to assess the change in biodiversity value of our projects based on an initial pre-development value at a site. We have now applied the calculator to six new projects with all projects achieving a positive biodiversity outcome. The biodiversity calculator was also used to help us demonstrate the conservation outcomes for projects where we sought Green Star ratings from the GBCA.



Read more in our Biodiversity DMA at www.stockland.com.au/about-stockland/sustainability.

Our targets

To reduce our net environmental impact we aim to achieve:

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

Our environmental metrics

TOTAL GREENHOUSE GAS (GHG) EMISSIONS

FY16 saw an increase in scope 1 emissions primarily due to increased construction and delivery in the Residential business.

Scope 2 emissions reduced from FY15, largely due to reduced gross energy consumption at commercial property assets and an improvement in retirement living data acquisition. This improvement means that we can now separate management controlled emissions at our retirement living villages from our residents' emissions at sites where we have embedded electricity networks.

The table below outlines our scope 1, 2 and 3 emissions over the last five years.

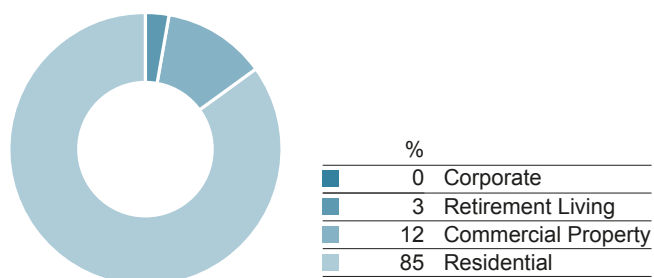
SCOPE 1, 2 AND 3 EMISSIONS (tCO₂-e)

	FY16	FY15	FY14	FY13	FY12
Scope 1 ¹	35,036	26,368	22,102	18,509	26,961
Scope 2 ²	89,881	97,763	99,927	104,393	117,517
Total Scope 1+2 emissions	124,917	124,131	122,029	122,902	144,478
Scope 3 ³	39,628⁴	21,002	23,556	23,449	23,726

- Scope 1 emissions are direct emissions, i.e. emissions from fuels that are combusted on site (including natural gas, diesel and petrol from fleet) as well as refrigerant leakage. This includes direct emissions reported by contractors where we have operational control (typically residential community projects).
- Scope 2 emissions are indirect emissions from the consumption of electricity only. This includes indirect emissions reported by contractors where we have operational control (typically residential community projects) and emissions from base building electricity across the office and business parks, retail, logistics, residential and retirement living assets for which we have operational control.
- Scope 3 emissions are other indirect emissions, including hire cars, rental vehicles and airline travel, transmission and production losses from purchased electricity, gas and fleet fuel and operational waste from our Commercial Property portfolio.
- For FY16 we have expanded our boundary to include scope 3 emissions from waste generated at our commercial property assets.

TOTAL SCOPE 1 EMISSIONS BY BUSINESS UNIT

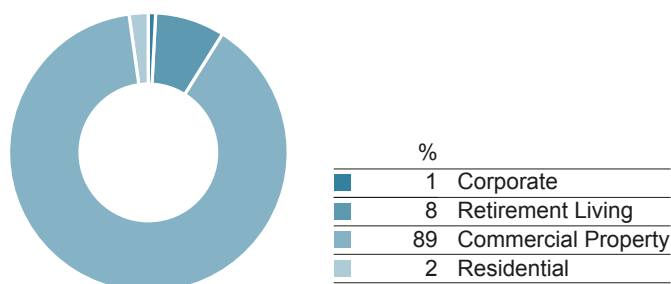
The charts below outline the percentage allocation of our scope 1 and 2 emissions by business units. Residential constitutes the largest proportion of our scope 1 emissions due to contractor construction activity across our development projects. New construction projects in FY16 include Altrove, Newport and Pallara in Queensland. Total scope 1 emissions are 35,036 tCO₂-e.



TOTAL SCOPE 2 EMISSIONS BY BUSINESS UNIT

Commercial Property constitutes our largest proportion of scope 2 emissions and remains the focus of our strategic energy efficiency initiatives. Total scope 2 emissions are 89,881 tCO₂-e.

For a detailed breakdown of our scope 1, 2 and 3 emissions, please refer to our Environmental Data at www.stockland.com.au/about-stockland/sustainability.



Our environmental metrics

COMMERCIAL PROPERTY GREENHOUSE GAS EMISSIONS INTENSITY (kgCO₂-e/m²)¹

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

Our greenhouse gas emissions intensity has been steadily decreasing across all commercial property asset classes and we will continue to monitor and invest in technology to assist us in achieving our FY17 target.

The table below outlines our GHG emissions intensity data since FY12.

GREENHOUSE GAS EMISSIONS INTENSITY (kgCO₂-e/m²)¹

	REDUCTION FROM BASELINE	FY16	FY15	FY14	FY13	FY12
Office and Business Parks	-2.57	64.98	67.32	67.55	72.1	77.3
Retail	-2.76	56.58	58.32	59.34	62.0	69.2
Commercial Property	-2.97	58.55	60.66	61.52	65	72

SOLAR GENERATION

The table below illustrates our solar generation over the past three years.

	FY16	FY15	FY14
Solar generation kWh	1,940,689	292,124	175,374

¹ Based on scope 1 and 2 emissions.

Our environmental metrics

WATER

Commercial Property water consumption (kL)

The table below outlines our year on year water consumption over the last five years.

Water consumption decreased in our Office and Business Parks portfolio in FY16 due to the divestment of Waterfront Place. While water consumption increased in Retail, this is predominantly due to redevelopments at Stockland Wetherill Park in Sydney and Stockland Baldivis in Perth. The continuing shift in our retail tenant mix toward more high water intensity food retailers, gymnasiums and car washes, and the extended operating hours has further contributed to the increase.

	FY16	FY15	FY14	FY13	FY12
Office and Business Parks	220,704	232,249	271,905	299,122	347,865
Retail	1,153,565	1,096,808	1,077,563	928,198	818,058
Commercial Property	1,374,269	1,329,057	1,349,468	1,227,320	1,165,923

Water consumption intensity (kL/m²)

We track our water consumption on a per square metre intensity basis as a means to understand our water impacts while taking divestments and investments into account. The table below outlines our year on year water intensity progress over the last five years.

In our Office and Business Parks portfolio, water consumption intensity has increased by 12% against FY15. The increase is due to irrigation of new landscapes in our business parks, installation of additional cooling towers in office and various major toilet and tap leaks across the portfolio. These results were not replicated in Retail which saw water consumption held at almost the same level as FY14 and FY15.

	FY16	FY15	FY14	FY13	FY12
Office and Business Parks	0.65	0.58	0.63	0.63	0.63
Retail	1.11	1.10	1.10	1.03	0.94
Commercial Property	1.00	0.96	0.976	0.91	0.82

Residential and Retirement Living water consumption (kL)

We report our water consumption according to our operational control boundary under the National Greenhouse and Energy Reporting Act 2007 (NGER Act).

Residential communities, apartments and retirement living water consumption results are provided by collecting and collating water use from invoices. Where invoices are unavailable or extend across financial years, estimates are provided for relevant periods. Water consumption by contractors operating on our development sites is compiled using invoice data and estimates, supplied by contractors through monthly Health, Safety and Environment reports. Data has been reported for 100% of properties this year. These figures are based on a combination of contractor estimates and invoice data.

Residential water data varies from year to year due to activities such as filling lakes in large developments and location specific variables such as natural rainfall, project life cycles, market conditions, site management techniques and local landscaping requirements set by councils.

	FY16	FY15	FY14	FY13	FY12
Residential sites	600,623	353,620	297,826	76,254	227,853
Retirement Living villages	58,158	48,500	162,930	152,065	391,734
Contractors – Residential	1,948,614	1,469,853 ¹	351,046	213,118	1,499,264
Contractors – Retirement Living	8,985	49,285	216,910	60,648	6,356
Total	2,616,380²	1,921,259	1,028,712	502,085	2,125,208

¹ Contractors self report water data, which means we do not review each contractor's data collection processes. In FY15, we completed a comprehensive review of data sets provided to us by contractors, which ensured a higher level of accuracy than in previous years.

² We experienced an increase in both potable and non potable water consumption due to new residential developments which commenced at the close of FY15 and during FY16.

Our environmental metrics

BIODIVERSITY

Biodiversity impact and management

Biodiversity impact and management represents the impacts of our business on biodiversity and how we minimise and mitigate these impacts to protect the biodiversity of our surrounding environments.

Stockland's biodiversity impact decreased in FY16 (compared to FY15) in line with the reduction in total projects with masterplan approval, from 39 projects in FY15 to 31 projects in FY16.

	FY16	FY15	FY14	FY13	FY12
Portfolio					
Total projects with masterplan approval ¹	31	39	42	44	42
Total land area (ha)	8,637	12,302	7,303	7,210	6,733
Biodiversity impact					
Total projects with areas of significant biodiversity value ²	25	30	20	20	18
Total land area of significant biodiversity value (ha)	1,332	1,736	1,198	1,197	910
Total area of land of significant biodiversity value to be cleared (ha)	425	639	655	641	489
Biodiversity management					
Total projects with areas of significant biodiversity value that have a biodiversity management plan (%)	58 ³	100	100	100	100
Total area of land to be regenerated, re-vegetated, restored or rehabilitated on ground or through offsets (ha)	1,641	1,581 ⁴	358.5	342.5	190.5
Total projects working with community and non-governmental organisations	6	5	1	12	10

1 Our biodiversity results are representative of our residential projects that have received masterplan approval and/or were active developments as at 30 June 2016.

2 As defined by the relevant state and Federal legislation.

3 This has decreased from FY15 as previous year's reporting included a commitment to prepare a Biodiversity Management Plan. This year we are reporting on the percentage for those projects that have actually prepared a Biodiversity Management Plan as at 30 June 2016. Note that all of our projects without a Biodiversity Management Plan have made a commitment to develop one.

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

Our environmental metrics

WASTE

We report against the same National Greenhouse and Energy Reporting Act 2007 (NGER Act) '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 outside of our NGER Act boundary, but where we manage the waste contract for service provision purposes. Data provided by waste contractors is based on estimates (bin volumes converted to tonnes rather than weighed).

Operational waste

In FY16 we continued to engage with our tenants, retailers and customers to further improve the levels of recycling at our retail sites. Retail waste diverted from landfill in FY16 was 39%, exceeding our waste diversion target of 36% by the end of FY17.

In our Office and Business Parks portfolio, our FY16 waste diversion from landfill was 42% which is a 4% improvement against FY15. This diversion rate is lower than anticipated due to the closure of an offsite sorting facility. Further, the Better Business Partnership (BBP) has identified that there is no industry standard for waste reporting and has introduced the BBP Operational Waste Reporting Guidelines. Stockland will adopt the bronze standard for FY17 and reset our target for the Office and Business Parks portfolio to 45% of waste diverted from landfill.

OPERATIONAL WASTE (TONNES)

Tonnes	RETAIL					OFFICE AND BUSINESS PARKS				
	FY16	FY15	FY14	FY13	FY12	FY16	FY15	FY14	FY13	FY12
Total waste	17,895	16,717	16,809	14,890	13,808	1,182	1,298	1,607	1,810	2,697
Total waste to landfill	10,858	11,537	11,549	10,443	9,793	680	806	763	538	972
Total waste recycled	7,038	5,181	5,260	4,446	4,015	502	491	944	1,272	1,725
Diversion from landfill (%)	39	31	31	30	29	42	38	53	70.3	64
% portfolio reporting	95	95	95	95	95	100	80	100	100	100

Development waste

Commercial Property

Our commercial property development construction waste is calculated based on total number of projects for which we are the developer. Active waste is tracked through the builders, as for these sites the principal contractor has active control. There have been no significant office developments since FY12.

Our combined landfill diversion rate for retail construction projects in FY16 is 83%, which exceeds our Green Star target by 3%. However, this represents a reduction on our FY15 diversion rate of 92% and our FY17 target of 80%. Recycling rates can vary from project to project depending on the types of materials recovered during demolition or used during construction. We remain focused on achieving our diversion target by the end of FY17 and will track key construction projects such as Stockland Green Hills to support the achievement of this target.

RETAIL DEVELOPMENT CONSTRUCTION WASTE (TONNES)

	FY16	FY15	FY14	FY13	FY12
Total waste	3,253	6,428	4,453	7,284	8,596
Waste recycled	2,684	5,940	3,778	6,583	6,971
Waste to landfill	569	487	924	704	1,625
Diversion from landfill (%)	83%	92%	85%	90%	81%
Developments included (%)	100%	100%	100%	100%	100%

Residential and Retirement Living

All residential and retirement living waste data was provided by contractors operating on Stockland sites during the reporting period. Data is estimated by contractors or obtained from waste receipts and invoices. Data is collected from monthly Health, Safety and Environment reports submitted to Stockland by our contractors. Waste has decreased substantially in FY16 as there has been a reduced number of sites which require large amounts of debris removed from site. Stockland has been seeking to optimise this as part of ongoing design processes.

RESIDENTIAL AND RETIREMENT LIVING CONTRACTOR WASTE (TONNES)

	FY16	FY15	FY14	FY13	FY12
Total waste	35,424	82,033	80,135	82,503	137,748
Waste diverted from landfill	33,881	78,415	78,149	80,148	131,270
Waste sent to landfill	1,542	3,617	1,986	2,355	6,478
Diversion from landfill	96%	96%	98%	97%	95%

— *Our reporting approach*

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

Materiality process

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

We identified our FY16 material matters using the following process.

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

Identify	Evaluate and prioritise	Alignment and disclosure
<p>We combined the outcomes of the following two materiality processes to identify draft material matters:</p> <ol style="list-style-type: none"> 1 Materiality test capturing internal and external perspectives in alignment with the principles of AA1000 and GRI G4, including: <ul style="list-style-type: none"> • Investor research and engagement; • Customer feedback and insights; • Employee surveys; • Political and regulatory developments; • Industry engagement and advocacy; and • Social and mainstream media. 2 An internal operational and strategic risk assessment. <p>The resultant list of matters served as a starting point for our integrated reporting materiality workshop.</p>	<p>An integrated reporting materiality workshop was held with members of the leadership team to identify any additional relevant issues, rank issues of greatest significance and prioritise them based on their ability to affect value.</p> <p>Material matters were mapped in terms of their potential impact on value creation over the short, medium and long term.</p>	<p>Following the materiality workshop, the identified material matters were validated via a six stage collaborative assessment undertaken by Group Strategy. This included input from teams across the whole business.</p> <p>The final list of material matters was presented to our internal Integrated Reporting Committee.</p> <p>Once confirmed, the matters formed the basis of the Board and Executive Committee's strategy discussion.</p>

Material matters

Through our materiality research, we have identified emerging societal issues that impact the landscape in which we operate. They represent future risks and opportunities for our business and our stakeholders over the short, medium and long-term.

Our material matters also align with the core focus areas of our sustainability strategy. We anticipate that these matters will evolve over time and we will continue to work with relevant stakeholders to shape these issues going forward.

A summary of Stockland's emerging issues and where further information can be found is provided in the following pages.

1. Increased competition and changing market conditions impact our opportunities for growth

All of our businesses are impacted by local and global economic conditions. International economic markets remain volatile and the outlook for specific markets in Australia remains uneven. We expect conditions to remain reasonably supportive. Interest rates are anticipated to be stable and we expect the economy to continue to grow, albeit at below trend levels.

We have capitalised on supportive market conditions throughout the year, while ensuring the decisions we make now will serve our business well through the cycle. We will maintain asset and geographic diversification and will continue to focus on retaining a strong balance sheet with low gearing and diverse funding sources. We will also concentrate on efficiency and cost management and maintaining a prudent approach to provisioning.

Our growth is supported by a strong medium-term organic pipeline. In the longer term, however, the continued growth of our business is dependent on our ability to acquire new land and assets. Strong domestic and offshore investor demand for property assets is expected to continue, supported by relatively high asset yields, the decline in the Australian dollar and Australia's record of economic and political stability.

We will continue to ensure discipline and agility in our investment decision making so we can take advantage of opportunities that will deliver the appropriate risk-adjusted returns. We will use a rigorous whole of business approach informed by detailed research to drive our capital allocation process. Within our existing portfolio we have significant organic development opportunities supported by a strong balance sheet to provide funding flexibility.

Other stakeholders potentially impacted by this issue include customers, investors and the property industry in general.



See *Grow Asset Returns and Our Customer Base* pg 29 and *Capital Strength* pg 40.

2. Delays or changes to the delivery of infrastructure and amenities affect customer satisfaction

Australia's growing population requires physical and social infrastructure services to support the growth and development of new suburbs. This includes the provision of sustainable and accessible transport and community facilities. Delay in the provision of these services can result in unhappy customers at our assets and negative sentiment on social media.

Effective stakeholder engagement on our projects with suppliers, customers and government has resulted in positive outcomes across several projects. We will continue to use our proprietary Liveability research to understand the priorities of residents in our communities and drive property management and development decisions. We will also continue to ensure that all active projects have stakeholder engagement plans that minimise obstacles to infrastructure and amenity delivery and ensure appropriate communication with all stakeholders about these matters.

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

Other stakeholders potentially impacted by this issue include government, providers of infrastructure services and customers.



See *Our Business* pg 11, *Shape Thriving Communities* pg 35, *Enrich our Value Chain*, pg 47 and our *Community DMA*, *Stakeholder Engagement DMA* and *Supply Chain Management DMA*.

Material matters


3. Housing affordability is increasingly challenging in Australia

Stockland's Residential business is influenced by the dynamics of the Australian residential market. Housing affordability remains of key concern for Australians as the price of housing and rental properties in some areas continues to increase.

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

We will continue to seek opportunities to help meet demand and broaden our customer reach by creating market leading sustainable communities and a broad mix of value for money housing options – house and land packages, completed homes, medium density and apartments. We have also sought to balance the demand from home owners and investors to ensure our residential communities remain attractive to future buyers. We continue to engage with all levels of government to seek effective solutions on land supply issues.

Other stakeholders potentially impacted by this issue include the property industry, investors and customers.

 See Our Business pg 11, Grow Asset Returns and Our Customer Base pg 29.


4. Systems enhancements affect business process efficiency

To achieve operational excellence we need to ensure that our systems are cost effective and agile to support the diversified nature of our business.

We continue to execute our Information Technology strategy with a focus on long-term strategic investment, and we will continue to identify and integrate technical enhancements across the business.

We have made significant progress on improving the Group's systems capabilities, including the commitment to implement SAP and Salesforce as core systems. This project aims to reduce the number of legacy systems we use in our business to simplify and streamline our activities, reduce costs, and take advantage of rapid developments in technology to improve customer outcomes. This investment will also position Stockland's systems to continually improve in line with improvements to SAP and Salesforce. With deployment to take place during the next two years, we will continue to maintain two-way engagement with employees across the business to enable a smooth transition.


Other stakeholders potentially impacted by this issue include employees, customers and suppliers.

 See Operational Excellence pg 54 and our Employee Engagement and Development DMA.

5. Regulatory changes impact our business and customers

Substantial policy reform presents both opportunities and potential impacts for our business and our customers. Tax and planning reform remain key policy areas where we will continue to engage with industry and government. We will continue to focus our development activity in areas where governments support growth and focus on good practice to remain well positioned in the market.

Other stakeholders potentially impacted by this issue include investors, customers and the property industry.


 See Our Business pg 11 and our Stakeholder Engagement DMA.

6. Community resilience to evolving security and safety risks

The safety of our customers and employees is a key priority. Ensuring their safety and the resilience of the communities in which we operate is becoming increasingly complex. This includes safety and security risks associated with terrorism, cyber threats and extreme weather events.

We continue to build our resilience to these evolving risks: training our employees and increasing their risk awareness, scenario testing, engaging with peers and across industry, and investing in asset upgrades.

Other stakeholders potentially impacted by this issue include investors, customers, community, industry and employees.

 See Optimise and Innovate pg 57, and our Health and Safety DMA and Climate and Community Resilience DMA.

Material matters

7. Capital market volatility impacts our ability to access suitable capital


Stockland's long-term growth is dependent on our ability to access suitable capital at the appropriate time and cost even as capital markets fluctuate in response to domestic and global economic shifts.

Over the past 10 years we have maintained a strong balance sheet at appropriate levels of gearing, enabling us to continue to sustainably fund growth in the business. In the short term we have also been able to refinance borrowings and maintain diverse funding sources.

So that we are able to continue to access sufficient capital to fund growth, we will continue with our prudent capital management policies.

Our well-defined capital management approach enables us to invest, allocate and raise capital across various funding types and geographies at different points in the cycle.

Other stakeholders potentially impacted by this issue include investors, customers, community and employees.

 See *Capital Strength* pg 40.


8. Ability to develop products that meet anticipated future customer and societal demands

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

We are continuing to evolve our market leading product innovation and deepen our customer insights using our proprietary Liveability Index research and platforms such as Stockland Exchange (our online research community) and Quantum (which provides de-identified customer transactional data to inform how we view markets and opportunities). We are fostering a culture of innovation where we remain flexible and identify and take advantage of opportunities to leverage movements in stakeholder preferences.

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

Other stakeholders potentially impacted by this issue include our customers.

 See *Operational Excellence* pg 54, *Optimise and Innovate* pg 57, and *Our Customer Engagement DMA, Climate Resilience DMA, Community DMA and Employee Engagement DMA*.


9. Digital disruption affects customer behaviour and transforms the market

Enhancements in digital technology have rewired customer behaviour. We need to be accessible, responsive and anticipate future consumer behaviour and disruption to our industry.

We will continue to identify and integrate technical enhancements across the business, including enhancing online residential and retirement living engagement opportunities. We will also continue support our retail centres as thriving community hubs by delivering quality services and retail and community spaces that are e-enabled.

Our innovation hub established in October 2015, Ideas@Stockland, provides employees from across the business a place to share, collaborate and build on ideas, further enabling us to take advantage of new opportunities.

Other stakeholders potentially impacted by this issue include our customers and employees.

 See *Grow Asset Returns and Our Customer Base* pg 29, *Operational Excellence* pg 54.

Assurance

The sustainability reporting content within the Annual Review has been externally assured in accordance with the Australian Standard for Assurance Engagements (ASAE3000): Assurance Engagements other than Audits and Reviews of Historical Financial Information and (ASAE 3410): Assurance Engagement on Greenhouse Gas Statements by Ernst & Young (EY). A copy of EY's assurance statement is available on our website.

Independent Assurance Report to the Management and Directors of Stockland Corporation Limited in relation to its 2016 Sustainability Reporting

Our Conclusion

- Based on our limited assurance procedures conducted, nothing has come to our attention that causes us to believe that the selected sustainability disclosures for the year ended 30 June 2016 have not been reported and presented fairly, in all material respects, in accordance with the reporting criteria.
- Based on our reasonable assurance procedures conducted, Stockland's description of its adherence to the AA1000 AccountAbility Principles of Materiality, Inclusivity, and Responsiveness for the year ended 30 June 2016 have been reported, in all material respects, in accordance with the Criteria.

Ernst & Young (EY) has carried out an assurance engagement pertaining to limited and reasonable assurance over aspects of Stockland Corporation Limited's ('Stockland') consolidated Online Sustainability Report (as presented online: www.stocklandsustainability.com.au and www.stockland.com.au/corporate-reporting) ('the Report') for the year ended 30 June 2016.

Subject Matter

Limited assurance Subject Matter included the following:

- ▶ Selected material non-financial performance information ('Selected Performance Information') limited to those listed in Table 1 and related qualitative disclosures included in the report.

Table 1: Selected Performance Data

Performance data	As presented within:
Greenhouse gas and energy data: 1. Total greenhouse gas (GHG) emissions, in tonnes of carbon dioxide equivalent (tCO ₂ -e) 2. Total Scope 1 GHG emissions (tCO ₂ -e) 3. Total Scope 2 GHG emissions (tCO ₂ -e) 4. Total Scope 3 GHG emissions (tCO ₂ -e) 5. Greenhouse gas emissions intensity (kgCO ₂ -e/m ²) for Commercial Property portfolio 6. Electricity intensity reductions in Retail (% and Australian dollars (\$)) 7. Total Energy Consumption from Purchased Electricity, in kilowatt hours (kWh) 8. Renewables electricity generation (kWh) 9. Total Energy Consumption from Gas Consumption, in megajoules (MJ) 10. Total Energy Consumption from Transport Fuel Consumption, in Litres (L), and kilograms (kg)	<ul style="list-style-type: none"> ▶ Carbon and Energy Disclosure on Management Approach (DMA) ▶ Environmental Data ▶ Annual Review
Community Contribution data: 11. Community Development spend \$ 12. Community Investment spend \$, including CARE Foundation	<ul style="list-style-type: none"> ▶ Community DMA ▶ Community Data ▶ Annual Review

Performance data	As presented within:
13. Number of Asset and Project Based Initiatives	
Customer engagement data: 14. Residential – Liveability Index Survey results	<ul style="list-style-type: none"> ▶ Customer Engagement DMA ▶ Community Data ▶ Annual Review
Health & Safety data: 15. Total number of Lost Time Injuries (LTIs) 16. Lost Time Injury Frequency Rate (LTIFR) 17. Total number of Injuries requiring medical treatment (MTIs) and Medical treatment injury frequency rate (MTIFR)	<ul style="list-style-type: none"> ▶ Health and Safety DMA ▶ People Data ▶ Annual Review
Gender diversity data: 18. Workforce by gender (%) 19. Women in Management by Business (%) 20. Average Fixed Remuneration Ratio by job band 21. Gender Pay Equity Ratio	<ul style="list-style-type: none"> ▶ Diversity and Inclusion DMA ▶ People Data ▶ Annual Review

- ▶ Stockland's reported alignment to the self-declared Comprehensive level of 'in accordance' reporting requirements of the Global Reporting Initiative's ('GRI') G4 Guidelines.

Reasonable assurance Subject Matter included the following:

- ▶ Stockland's description of adherence to the AA1000 AccountAbility Principles of Materiality, Inclusivity, and Responsiveness as defined in the AA1000 AccountAbility Principles Standard (2008) ('AA1000 APS').

For both our limited and reasonable assurance engagements, the subject matter did not include:

- ▶ Data sets, statements, information, systems or approaches other than the Selected Performance Data and related qualitative disclosures
- ▶ Management's forward looking statements

Criteria

Limited assurance Criteria include:

- ▶ Definitions as set out in the Global Reporting Initiative's ('GRI') G4 Sustainability Reporting Guidelines and Stockland's own criteria as set out in the Report
- ▶ GRI G4 Comprehensive 'in accordance' reporting criteria

Reasonable assurance Criteria include:

- ▶ AA1000 AccountAbility Principles Standard (2008)

Management's Responsibility

Management of Stockland is responsible for the preparation and fair presentation of the Subject Matter in accordance with the Criteria, and is also responsible for the selection of methods used in the Criteria. No conclusion is expressed as to whether the selected methods are appropriate for the purpose described above. Further, Stockland's management is responsible for establishing and maintaining internal controls relevant to the preparation and presentation of the Subject Matter that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate criteria; maintaining adequate records, and making estimates that are reasonable in the circumstances.

Limited Assurance Responsibility and Procedures

Assurance Practitioner's Responsibility

Our responsibility is to express a limited assurance conclusion on the Subject Matter based on our assurance engagement, conducted in accordance with the Australian Auditing and Assurance Standards Board *Australian Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE 3000') and *Assurance Engagements on Greenhouse Gas Statements* (ASAE3410) and the terms of reference for this engagement, as agreed with Stockland.

Our procedures were designed to obtain a limited level of assurance on which to base our conclusion, and, as such, do not provide all of the evidence that would be required to provide a reasonable level of assurance. The procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the Subject Matter, whether due to fraud or error. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls.

Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems, which would have been performed under a reasonable assurance engagement.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Summary of Procedures Undertaken

Our procedures included, but were not limited to:

- ▶ Conducting interviews with key personnel to understand the process for collecting, collating and reporting the Selected Performance Data during the reporting period
- ▶ Checking that the calculation criteria had been correctly applied in accordance with the methodologies outlined in the Criteria
- ▶ Site visits to Stockland's Aura, Wetherill Park, and Willowdale facilities to understand how site-level data was collected and reported to the group
- ▶ Undertaking analytical review procedures to support the reasonableness of the data
- ▶ Identifying and testing assumptions supporting calculations
- ▶ Testing, on a sample basis, underlying source information to check the accuracy of the data
- ▶ Reviewing the report and testing a sample of assertions and claims made throughout the Report including substantiating claims to evidence provided.

Reasonable Assurance Responsibility and Procedures

Assurance Practitioner's Responsibility

Our responsibility is to express a reasonable assurance conclusion on the Subject Matter based on our assurance engagement conducted in accordance with the Australian Auditing and Assurance Standards Board *Australian Standard on Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* ('ASAE 3000') and the terms of reference for this engagement as agreed with Stockland.

Our reasonable assurance procedures were designed to express an opinion as to whether the Subject Matter, in all material respects, has been prepared in compliance with the Criteria based on our reasonable assurance engagement. Our procedures performed depend on the assurance practitioner's judgement including the risk of material misstatement of the Subject Matter, whether due to fraud or error. While we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls, and therefore no opinion is expressed on this.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable and limited assurance conclusions.

Summary of Procedures Undertaken

Our procedures included, but were not limited to the following:

- ▶ Interviews with Stockland personnel, including the Chairman and some Non-Executive Directors of the Board, all of Stockland's executive management team, selected members of the senior management team, as well as selected external stakeholders. The purpose of these interviews being to understand the key sustainability issues related to the subject matter and the effectiveness of Stockland's response to the issues that matter to them
- ▶ Undertaking an integrated materiality gap analysis to independently assess material matters based on the Integrated Reporting <IR> framework and AccountAbility's 'five-part materiality test'. This included a desktop review, assessment of key internal documentation provided by Stockland, and analysis against external guidelines and frameworks detailing emerging matters for the property sector
- ▶ Site visits to Stockland's Aura, Wetherill Park, and Willowdale facilities to understand how stakeholder needs are considered and responded to, and how material sustainability issues are managed and reported.

EY Observations and Opportunities for Improvement in respect to adherence with the AA1000APS

Sustainability considerations are integrated within many aspects of Stockland's business processes, reflecting its longer-term commitment to the principles of Inclusivity, Materiality, and Responsiveness. We provide the following observations in relation to Stockland's adherence with AA1000APS, noting that these observations did not impact our ability to form an unqualified assurance conclusion regarding Stockland's adherence to AA1000APS.

Inclusivity

Stockland has demonstrated its accountability to key groups of stakeholders covering employees, government, investors, customers, suppliers, communities, and the media via engagement and disclosure on sustainability performance. Stockland has in place policies, procedures, and processes to identify and engage with stakeholders on an ongoing basis at both a corporate group and at asset-level. Further, outcomes of Stockland's stakeholder engagement processes are incorporated into wider business imperatives, for example by incorporating stakeholder feedback into the target setting process.

Stockland currently reports on the results of selected stakeholder engagement activities, such as customer, community and people survey results. There is an opportunity for Stockland to consider capturing and measuring the results and outcomes of engagement with other key stakeholder groups. For example, describing how local government engagement contributes to value creation.

Materiality

Stockland has a well-developed materiality assessment process that considers both operational matters, captured as part of its 'enduring themes', and emerging matters over the short- and long-term. Stockland is therefore able to allocate appropriate attention to material and well-considered operational matters, whilst also monitoring emerging matters where the business response requires ongoing development.

Throughout the year Stockland has further developed its approach to managing these emerging matters through the Ideas@Stockland program. Once ideas are commercialised, we suggest Stockland considers measuring and reporting outcomes of the ideas progressed to implementation and how they are achieving value for the business.

Stockland could further enhance its materiality process by validating outcomes with external stakeholders.

Responsiveness

Stockland has formal and informal processes in place to respond to stakeholder concerns and feedback. These processes are carried out at both a corporate group and asset level, as considered appropriate for the specific stakeholder and matter raised. We found Stockland's responsiveness processes to be timely and balanced.

There is an opportunity for Stockland to further improve its responsiveness in relation to managing areas of risk across its supply chain. In particular, the business is subject to potential risks as a result of contractor activities which could impact the ability of Stockland to operate. Stockland continues to develop its approach on this matter, which we suggest could include more consistent processes to assess, validate and enforce expectations it has of key contractors with regards to sustainability risks across its supply chain.

Use of our Assurance Engagement Report

We disclaim any assumption of responsibility for any reliance on this assurance report, or on the Subject Matter to which it relates, to any persons other than Management and the Directors of Stockland, or for any purpose other than that for which it was prepared.

Independence and Quality Control

In conducting our assurance engagement, we have met the independence requirements of the APES 110 Code of Ethics for Professional Accountants. We have the required competencies and experience to conduct this assurance engagement.



Ernst & Young
Melbourne, Australia
20 September 2016

Stockland Corporation Ltd

ACN 000 181 733

**Stockland Trust
Management Limited**

ACN 001 900 741; AFSL 241190

**As responsible entity
for Stockland Trust**

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