Innovation through diversity

ANNUAL REVIEW
30 June 2017

Stockland

About this report

Welcome to Stockland's 2017 Annual Review – reporting on our financial, social and environmental performance for the financial year, 1 July 2016 – 30 June 2017.

This is our sixth integrated report. We continue to evolve our approach to Integrated Reporting across our corporate reporting suite: integrating our sustainability strategy with our Group strategy, further streamlining our Financial Report, and providing more accessible content online. Our reporting approach and materiality is discussed in detail on page 63-67.

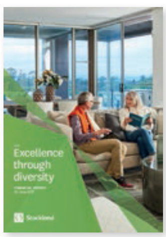
For Stockland, integrated reporting is a journey toward more meaningful corporate reporting and is a process of continuous improvement, one that we believe will provide great benefit to both our organisation and our stakeholders.

Our full corporate reporting suite for 2017 includes:

Annual Review (online only)	Focusing on strategy, corporate governance, and our integrated financial, social and environmental performance.
Financial Report	A detailed account of our FY17 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 management approaches in accordance with GRI G4 "comprehensive".
Shareholder Review	A concise version of the Annual Review sent to all our securityholders.

Copies of all reports are available online at:

www.stockland.com.au/corporate-reporting



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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.

WE SUPPORT

FEEDBACK

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

Follow us at *@stockland*

Find us at *linkedin.com/company/Stockland*

Letter from the Chairman

Our focus on delivering diverse and affordable housing options for all Australians, coupled with positive market conditions, resulted in record Residential and Retirement Living sales.

TOM POCKETT
CHAIRMAN

Dear Securityholders,

It was a great honour to be invited by my fellow board directors to become Chairman last October.

I am pleased to report that Stockland delivered a strong result across our diversified portfolio for the 2017 financial year. This outcome is a result of the disciplined and consistent implementation of our strategy.

STRENGTH THROUGH DIVERSITY

Funds from operations (FFO) grew by 8.5% to $802 million and FFO per security grew 7.4% on the prior year. This was slightly above our previous guidance range for the year. Statutory profit was $1,195 million, up 34.4%.

In our **Commercial Property** business, our Retail Town Centres are the largest component of our portfolio. We delivered 3.5% comparable FFO growth, and continued to remix our assets to reflect changing customer trends.

Within the financial year we made good progress on our Commercial Property development pipeline. The first stage opening of our $412 million Stockland Green Hills shopping centre redevelopment in Maitland, NSW, was well received by locals, and our customers in Ballarat eagerly anticipate the opening of our $37 million redevelopment of Stockland Wendouree.

Our Logistics and Business Parks portfolio achieved strong comparable FFO growth with positive leasing results. Recent industrial redevelopments in Sydney and Melbourne were completed on budget and fully leased.

Our focus on delivering diverse and affordable housing options for all Australians, coupled with positive market conditions, resulted in record Residential and Retirement Living sales.

Profitability of our **Residential** business improved strongly, at 17.4% growth on the previous year. A record 6,604 lots were settled in the financial year, with 75% of sales to owner occupiers and more than 50% of net deposits coming from first home buyers.

We have made a number of strategic land acquisitions over the past 12 months to significantly restock our portfolio, acquiring 9,900 lots. The majority of these are in the high-performing Melbourne market. Our landbank now totals over 80,000 future housing lots nationally.

Our focus remains on owner occupiers and first home buyers, placing us in a preferred position for residential lending trends and government growth initiatives.

Our **Retirement Living** development pipeline is also proceeding well and we remain committed to providing high quality retirement living options for our residents. We delivered our Urban Development Institute of Australia (UDIA) award winning apartments at Cardinal Freeman The Residences in Sydney's inner-west, our vertical village at Birtinya, Sunshine Coast is making good progress, and planning is underway at a number of brownfield projects.

DISTRIBUTION

As forecast, our full year distribution was 25.5 cents per security, representing a payout ratio of 77% of funds from operations.

We saw a good take-up of our distribution reinvestment plan with over 20% of securities participating, providing funds for our accretive development pipeline.

We are targeting to increase distributions by 4% to 26.5 cents per security in FY18, assuming there is no material change in market conditions.

GOVERNANCE

The expectations being placed on companies continue to evolve and the Board closely monitors and engages with these changing expectations, which go to the heart of our ability to deliver long term value.

The Board is committed to an open and transparent relationship with stakeholders. We believe we have the right mix of skills and experience to oversee a high standard of governance, integrity and accountability.

In July we were delighted to welcome Andrew Stevens to the Board. Andrew is a highly regarded director with extensive expertise in the technology sector and significant commercial experience. He has strengthened the breadth and depth of knowledge and leadership capabilities on our Board and we look forward to his contribution.

As required by the Stockland Constitution, Andrew will offer himself for election by securityholders at the 2017 Annual General Meeting on 25 October 2017.

STRONG CULTURE

The Board recognises and promotes the importance of a strong culture and the shared benefits that this can bring to employees and securityholders.

Our employees have all contributed to the strong result for the year. It is also pleasing that we maintained a high employee engagement score of 82%, with 95% of respondents saying they are willing to work above and beyond what is required to help Stockland succeed. Our safety and employee turnover metrics improved and we were recognised by the Workplace Gender Equity Agency (WGEA) as an Employer of Choice for Gender Equality.

Our focus on sustainability remains, with many key achievements during the year including Aura, our largest masterplanned community, achieving the highest ever Green Star Communities Rating – World Leadership – of any greenfield community in Australia.

The expectations being placed on companies continue to evolve and the Board closely monitors and engages with these changing expectations, which go to the heart of our ability to deliver long term value.

We have also retained our global sustainability leadership credentials.

We were named Global Real Estate Sector Leader by both the S&P Dow Jones Sustainability Indices and GRESB (the Global Real Estate Sustainability Benchmark) in the category Diversified – Retail/Office.

CONCLUSION

Thank you to my Board colleagues and our employees for their continued enthusiasm and dedication to delivering exceptional outcomes. The Board and I are confident we have the right management and strategy in place and look forward to discussing these results with you at our Annual General Meeting in October.

TOM POCKETT
CHAIRMAN

Letter from the Managing Director and CEO

We continue to see the benefits of our disciplined approach to implementing our strategy – to grow our asset returns and improve customer experiences, deliver operational excellence, and improve our capital strength.

MARK STEINERT
MANAGING DIRECTOR AND CEO

Dear Securityholders,

We've delivered another positive performance this financial year across our diversified business, by reinforcing our position as the leading creator of communities in Australia, strategically repositioning our assets, and restocking the portfolio.

We continue to see the benefits of our disciplined approach to implementing our strategy – to grow our asset returns and improve customer experiences, deliver operational excellence, and improve our capital strength.

GROW OUR 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 3.4% across the portfolio, with 3.5% in Retail, 3.6% in Logistics and Business Parks, and 2.3% in Office.

In a challenging environment, our retail business delivered positive income growth, maintained high occupancy and continued to focus on remixing our portfolio in line with our customer needs and trade area dynamics.

Our centres combine traditional, everyday shopping needs with food, entertainment, lifestyle and services, and are the 'town centres' of their communities. Specialty store sales productivity grew 1.9% to $9,072 per square metre, which exceeds the Urbis sub-regional average by 8.3%.

Our Logistics and Business Parks business had an outstanding year. Occupancy increased to 99% and the portfolio now represents 15% of our total assets.

The Sydney office portfolio also performed well this year, where the majority of our assets are located. The Perth and Canberra markets remain challenging, but we are seeing positive leasing momentum at our properties.

Our **Residential** business settled a record 6,604 lots, up 7.6% on FY16, achieved significant operating profit (FFO) growth of 17.4%, and lifted return on assets to 20.8% on the core portfolio. Importantly, strategic metropolitan acquisitions with strong transport links added around 9,900 lots to inventory during the period. We commence FY18 with record pre-sales of 5,811 lots.

We have continued to expand our medium density business, with 213 homes settled this year and close to 600 currently under construction. Medium density development is a key growth driver for our residential business as we extend our focus on community creation into the important "missing middle" of our major capital cities.

Our leadership in housing affordability initiatives, and commitment to delivering a range of options for first home buyers and families, places us in a preferred position for residential lending trends and government growth initiatives.

Our **Retirement Living** business also delivered its fourth consecutive year of double-digit growth. Operating profit was up 11.1% on FY16, reflecting strong sales, active management of our portfolio and improved margins.

Our developments are progressing well and we are broadening our customer reach through our new non-deferred management fee communities for over 55s, called 'Aspire', with two projects underway.

We take pride in our retirement living business, and we are committed to open, transparent and respectful relationships with our residents. Every year, we run independent surveys of residents to better understand their satisfaction levels with our service. Last year, more than 6,800 residents responded to this survey, and rated their overall satisfaction with Stockland as 8.4 out of 10.

CAPITAL STRENGTH

Our focus on maintaining a strong balance sheet has underpinned this solid result and sets a good platform for future growth.

Gearing at the end of FY17 was 22.7%, at the lower end of our 20-30% target range, due to disciplined capital management and operating cash flows.

We retained an A-/stable credit rating from Standard and Poor's and also obtained a new comparable A3 rating from Moody's in August 2017. This confirms the strength of our balance sheet and provides access to a broader range of debt markets, positioning the business well to continue to grow in the future.

OPERATIONAL EXCELLENCE

We continue to progress implementation of new systems, including Salesforce and SAP, which will improve efficiencies across our business.

We have also introduced new digital technology in our assets, including virtual masterplans at some of our new communities and our Geni app trial at Stockland Balgowlah. We will continue to look at ways to introduce technology to enhance our customers' experience across our assets.

Once again, we were recognised as a global leader for our sustainability credentials and we remain committed to excellence in this space. 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

In the year ahead, we expect positive economic conditions to continue, and interest rates to remain fairly stable. We commence the financial year well placed to meet our goals of sustainable profit growth on a through the cycle basis, with strong occupancy and pre-sales.

While lending conditions to investors and foreign buyers are tightening, owner occupiers remain our core focus and represent 75% of our net residential sales, with less than 3% of total buyers requiring Foreign Investment Review Board approval.

We expect FY18 FFO growth to be slightly lower than FY17 primarily due to non-Sydney office let-up assumptions, higher Commercial Property outgoings, particularly electricity prices, and lower Retirement Living development profit reflecting project timing.

Our disciplined approach to acquisitions and our focus on creating the most liveable and connected communities and their town centres set us up well for the future.

Assuming no material change in market conditions, we are targeting growth in FFO per security of 5.0-6.5% in FY18, with growth skewed to the first half due to timing of residential settlements, with distribution per security growth targeted at 4%, representing 26.5 cents per security.

MARK STEINERT
MANAGING DIRECTOR AND CEO

Our focus on maintaining a strong balance sheet has underpinned this solid result and sets a good platform for future growth.

Our performance

Our key financial metrics

DISTRIBUTION PER SECURITY (¢)

25.5¢

FY17	25.5
FY16	24.5
FY15	24.0
FY14	24.0
FY13	24.0

The distribution payable for the full year ended 30 June 2017 is 25.5 cents per ordinary stapled security. Our distribution policy is to pay the higher of 100% of Trust taxable income or 75–85% of FFO.

STATUTORY PROFIT ($M)

$1,195m

FY17	1,195
FY16	889
FY15	903
FY14	527
FY13	105

Our statutory profit increase was underpinned by the strong FFO performance and growth in our business. Statutory profit includes significant fair value adjustments. The largest component comprised increased valuations from our Commercial Property portfolio, driven by continued capitalisation rate compression and income growth.

FUNDS FROM OPERATIONS (FFO) ($M)

$802m

FY17	802
FY16	740
FY15	657
FY14	573
FY13	472

FFO has replaced underlying profit as our primary reporting measure. FFO has been determined with reference to the Property Council of Australia's guidelines. It excludes adjustments such as unrealised fair value gains/losses, realised transactions occurring infrequently and those that are outside the course of our core ongoing business activities.

FFO PER SECURITY (¢)

33.4¢

FY17	33.4
FY16	31.1
FY15	28.0
FY14	24.8
FY13	21.3

FFO per security was 33.4 cents, up 7.4% on FY16.

NET TANGIBLE ASSETS (NTA) PER SECURITY ($)

$4.04

FY17	4.04
FY16	3.82
FY15	3.68
FY14	3.53
FY13	3.50

Our NTA per security increased by 5.8% to $4.04, reflecting income growth and an average 20 basis points tightening in capitalisation rates on our Commercial Property portfolio.

ADJUSTED FUNDS FROM OPERATIONS (AFFO) ($M)

$687m ↑10.3% on FY16

AFFO PER SECURITY (¢)

28.6¢ ↑8.7% on FY16

AFFO 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. For Stockland, the key differences between FFO and AFFO relate to cash paid for incentives and leasing costs, and maintenance capital expenditure. These items are deducted from FFO to determine AFFO.

Our key performance outcomes

OUR STRATEGIC PRIORITIES

Grow asset returns and our customer base

COMMERCIAL PROPERTY

Retail town centres

FUNDS FROM OPERATIONS (FFO)

$419m ↑4.1% Comparable FFO ↑ 3.5%

OCCUPANCY (STABLE ASSETS)

99.5%

RETAILER SATISFACTION

75%

WEIGHTED AVERAGE LEASE EXPIRY

6.6 years

RETURN ON ASSETS

8.1%

DEVELOPMENT UNDERWAY

$449m with a $1.0bn pipeline

Logistics and Business Parks

FUNDS FROM OPERATIONS (FFO)

$143m ↑8.3% Comparable FFO ↑ 3.6%

OCCUPANCY (STABLE ASSETS)

99.0%

TENANT SATISFACTION

89%

WEIGHTED AVERAGE LEASE EXPIRY

4.5 years

RETURN ON ASSETS

8.0%

DEVELOPMENT PIPELINE

$680m

Office

FUNDS FROM OPERATIONS (FFO)

$59m ↓13.2% Comparable FFO ↑ 2.3%

OCCUPANCY (STABLE ASSETS)

91.4%

WEIGHTED AVERAGE LEASE EXPIRY

3.6 years

RETURN ON ASSETS

8.4%

Residential

OPERATING PROFIT

$270m ↑17.4%

LOTS SETTLED

6,604

RESIDENT LIVEABILITY

83%

OPERATING PROFIT MARGIN

15.3%

RETURN ON ASSETS

15.2%

Retirement Living

OPERATING PROFIT

$63m ↑11.1%

SETTLEMENTS

1,050

OCCUPANCY

95.0%

RESIDENT SATISFACTION

84%

CASH RETURN ON ASSETS

6.2%

OUR STRATEGIC PRIORITIES

Capital strength

S&P RATING

A-/stable

MOODY'S RATING

A3[1]

GEARING

22.7%

WEIGHTED AVERAGE DEBT MATURITY

5.7 years

WEIGHTED AVERAGE COST OF DEBT

5.4%

OPERATING CASH FLOWS

$921m ↑ from $787m

Operational excellence

RETURN ON EQUITY (ROE)[2]

11.4% ↑ from 11.0%

CORE SYSTEMS PROGRAM PROGRESS

Successful implementation of Salesforce and SAP SuccessFactors modules

EMPLOYEE ENGAGEMENT SCORE

82%, seven points above Australian National Norm

CITATION BY WGEA (WORKPLACE GENDER EQUALITY AGENCY)

Employer of Choice for Women for 3rd consecutive year

GLOBAL LEADERSHIP IN SUSTAINABILITY

WORLD DOW JONES SUSTAINABILITY INDEX

MEMBER OF
Dow Jones Sustainability Indices
In Collaboration with RobecoSAM

2016–17 Global Real Estate Industry Leader; 4th year listed as global leader

GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK (GRESB)

GRESB
Sector Leader 2016

Global Sector Leader for Diversified – Office/Retail sector

CDP RECOGNITION

CDP A LIST 2016 CLIMATE

Position on the Climate A list for leading global climate performance

1 Moody's rating received August 2017
2 Excludes work out assets

CREATING SHARED VALUE

Shape thriving communities

RESIDENTIAL COMMUNITIES WELLBEING

Personal Wellbeing Average Score of 79%, above the national average of 72-76%

RETIREMENT LIVING RESIDENT WELLBEING

Personal Wellbeing Index score of 82%, above national average 72-76%

NEW SOCIAL INFRASTRUCTURE

Three new inclusive play spaces developed with Touched by Olivia

STOCKLAND COMMUNITY GRANTS PROGRAM

320 local community organisations, awarded $303,000 in total

COMMUNITY CONTRIBUTION

$6 million invested in community development initiatives

Optimise and innovate

ELECTRICITY INTENSITY REDUCTIONS SINCE FY06

35% across Retail and
51% across Office and Business Parks
Over $78 million saved

NABERS ENERGY RATINGS

Exceeded target 4.5 star average for Office and Business Parks

GREEN STAR – COMMUNITIES

Six Residential communities achieved 5 star or 6 star ratings

WASTE DIVERSION FROM LANDFILL

96% of Residential and 84% of Retail waste diverted (from FY15-17)

BIODIVERSITY SAVINGS

Around 1,972 hectares of land reserved for protection in perpetuity

Enrich our value chain

EMPLOYEE FLEXIBLE WORK OPTIONS

70% of employees now work flexibly

DIVERSITY

45.9% women in management

SAFETY

Corporate LTIFR of 1.8, down from 4.0 in FY16

STAKEHOLDER ENGAGEMENT

Aura Engagement Excellence Program – Property Council Project Innovation Award

ENABLING ENDURING EMPLOYMENT

74 job placements at the Connectivity Centre at Stockland Green Hills

Our business and strategy

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

Our business

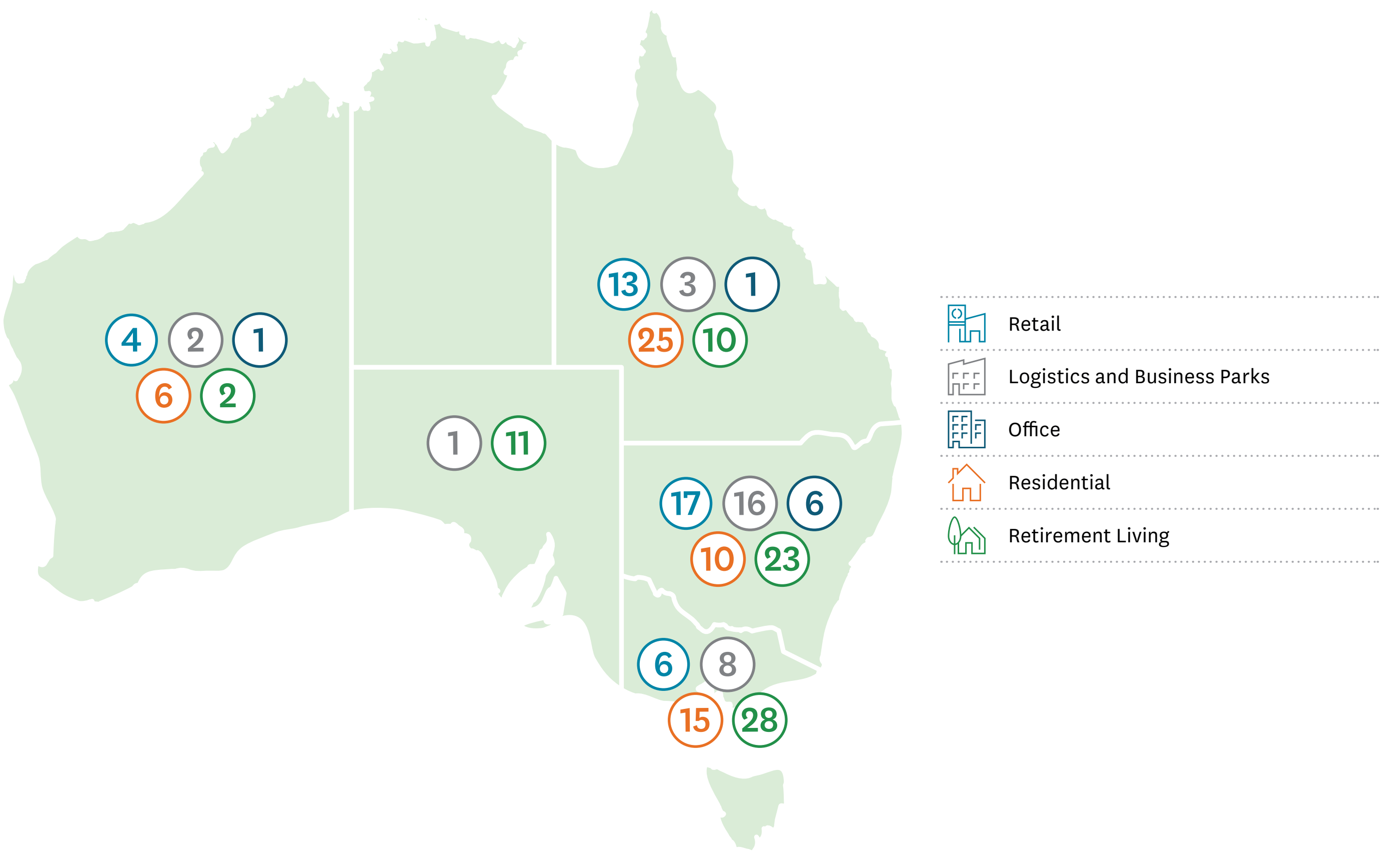
Stockland is one of the largest diversified property groups in Australia with more than $16.6 billion of real estate assets. As Australia's largest community creator we own, manage and develop shopping centres, logistics centres and business parks, office assets, residential communities, and retirement living villages.

Founded in 1952, today Stockland leverages a diversified model to help create thriving communities with dynamic town centres 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.

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, traded together as one security on the Australian Securities Exchange. This stapled structure allows us 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

41 RETAIL TOWN CENTRES

3,500+ retailers
421,000+ customers every day
$7.1 billion in value
1 million+ sqm of gross lettable area
$6.7 billion+ p.a. retail sales

27 LOGISTICS CENTRES AND BUSINESS PARKS

146 tenants
1.4 million sqm
$2.0 billion in value

8 OFFICE BUILDINGS

$0.8 billion in value
140,000+ sqm of net lettable area
168 tenants

56 RESIDENTIAL COMMUNITIES

127 families move in every week
80,400 lots remaining
~$21.1 billion* total end value

65 RETIREMENT LIVING VILLAGES

11,900+ residents
9,600+ established units
2,900+ units in development pipeline
$1.3 billion funds employed

* Excluding value on projects identified for disposal

For more information see our Property Portfolio ***www.stockland.com.au/property-portfolio***

Our strategy

OUR GROUP BUSINESS STRATEGY HAS THREE STRATEGIC PRIORITIES:

Grow asset returns and our customer base

Driving returns in our core businesses and providing great customer experiences

Operational excellence

Improving the way we operate across the Group to drive efficiencies, compliance, sustainability and employee engagement

Capital strength

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

OUR PURPOSE

We believe there is a better way to live

OUR VALUES

Community
Accountability
Respect
Excellence

OUR VISION

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

Five year indicative asset mix

OUR SUSTAINABILITY STRATEGY

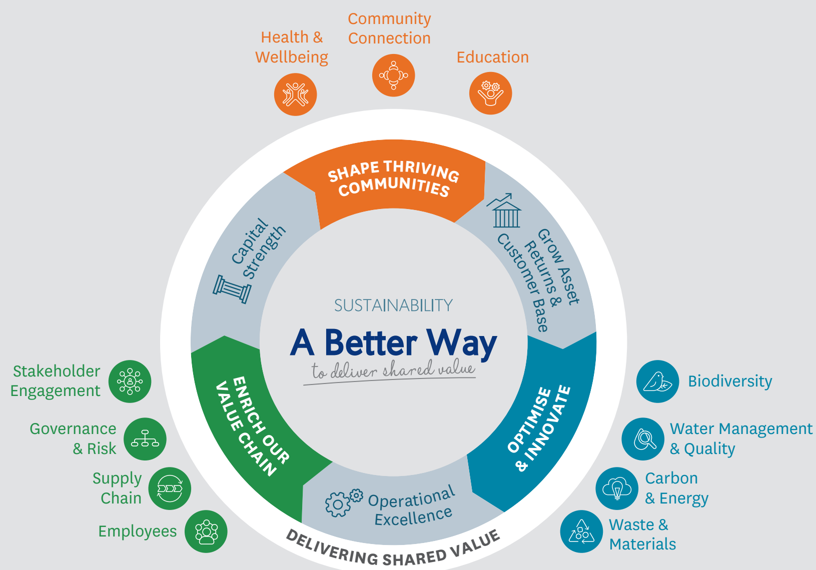
Our sustainability strategy integrates with our business strategy and priorities, providing a better way to deliver shared value for all stakeholders. We have three core sustainability priorities:

- Shape thriving communities
- Optimise and innovate
- Enrich our value chain

We pursue each sustainability priority through action in several focus areas. We explore our sustainability priorities and focus areas throughout this review.

FY17 marks the end of our three-year sustainability targets. To enable continuous improvement we have set new targets for FY18-FY20.

We have also committed to a longer-term carbon intensity reduction target of 60 per cent for our Commercial Property portfolio.



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. For example climate change risks and opportunities are reflected in several risks listed below: extreme weather events, changing regulation, and the ability to develop products that meet anticipated future demand. Read more on page 50. Our risks include, but are not limited to:

SHORT TERM – STRATEGY EXECUTION

Risk	Our response
Increased competition and changing market conditions impact our opportunities for growth	Continue to: • maintain a diversified business model at scale in each sector • reinvest in our assets to meet changing customer needs • 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
Systems enhancements affect business process efficiency	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 successful implementation of Salesforce and SAP SuccessFactors. Deployment of further SAP and Salesforce capabilities will continue during next year. We continue to maintain two-way engagement with employees to enable a smooth transition.
Housing affordability is increasingly challenging in Australia	Our Residential business is influenced by the dynamics of the Australian housing market. Housing affordability remains of key concern for Australians as the price of housing and rental properties continues to increase. We believe a suite of measures is required to unlock housing supply and address affordability. Our affordability initiatives in Queensland, New South Wales and Victoria have given first home buyers priority to purchase land and get a foothold in the market. We will also continue to: • partner with government and industry to drive solutions • provide 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
Extreme weather, security risks and price shocks impact business continuity and community resilience	Continue to: • train our employees and increase their risk awareness • undertake regular scenario testing • engage with peers and across industries • invest in asset upgrades and adapt community design to improve resilience • assess and implement wholesale energy strategies and renewable energy installations
Change within the retail sector impacts rental growth	The retail landscape is constantly evolving. Within the last 10 years the sector has seen a convergence of technical advances, in particular e-commerce, changes in underlying consumer behaviour, and the entry of new, international retailers. These changes have challenged some of our retailers. We have been proactive and have pre-empted many of the changes. We continue to: • focus on experiential retail, services, food catering • redevelop our assets to create diverse, walkable town centres that form the social hub of the community • leverage deep customer insights and analytics to inform our tenant remixing
Regulatory changes impact our business and customers	Continue to: • engage with industry and government on policy areas including taxation and planning reform • develop in areas where governments support growth • focus on good practice to remain well positioned in the market and prepared for potential regulatory changes

LONGER TERM – CHANGING MARKETPLACE

Risk	Our response
Ability to develop products that meet anticipated future customer and societal demands	Continue to: • 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, Stockland Exchange (our online research community), Quantium (which provides data-driven customer insights to inform how we view markets and opportunities) and other data sources • focus on creating sustainable and liveable communities and assets, resilient to changes in climate • enhance our design excellence, providing greater functionality and value for money that meet the demands of Australia's changing demographics, including an ageing population and more socially conscious Millennials
Our ability to harness opportunities arising from digital disruption	Continue to: • 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
Capital market volatility impacts our ability to access suitable capital	Our 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. Variable economic activity and changing capitalisation rates may impact the valuation of our assets. So that we are able to continue to raise sufficient capital to fund growth, we will continue to: • focus on retaining a strong balance sheet at appropriate levels of gearing • maintain and increase access to diverse funding sources • maintain our prudent capital management policies
Ability to adapt our operating model to meet the changing nature of the workforce	Physical and organisational boundaries are becoming increasingly blurred as new technology enables greater workplace flexibility, including when and where employees work, and encourages creative and adaptive teamwork. This year we successfully deployed Office365, Salesforce and SAP SuccessFactors to improve collaboration and flexible working. We will continue to: • encourage flexible work practices supported by our new collaboration platforms • train our senior leaders to be more agile and resilient through programs such as our Stockland Leadership Experience
Increasing expectation on corporates	Community expectations on the social and behavioural operations of a "good corporate" are changing. Corporates are increasingly expected to work in partnership with the community and government on societal issues. We are well placed to meet these expectations and have a strong reputation for sustainability leadership and community development.

The risks and opportunities listed above align with our material matters. Read more on page 64.

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

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.

- ● (blue) Currently undertaken by Stockland
- ● (orange) 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

1. Upstream products

- Building materials
- Building technologies

	2. Funding: CAPITAL PARTNERING	2. Funding: BALANCE SHEET	3. Acquisition	4. Design: DETAILED DESIGN	4. Design: MASTERPLANNING AND APPROVALS	5. Procurement, contracting & construction	6. Leasing and sales: LEASING	6. Leasing and sales: SALES	7. ASSET MANAGEMENT	7. PROPERTY MANAGEMENT	8. Refurbish/ re-development
RETIREMENT LIVING	○	● blue	● blue	● orange	● blue	● orange	○	● orange	● blue	● blue	● blue
RESIDENTIAL	● blue	● blue	● blue	● orange	● blue	● orange	○	● orange	○	● blue	● blue
RETAIL	● blue	● blue	● blue	● orange	● blue	● orange	● blue	● blue	● blue	● blue	● blue
LOGISTICS & BUSINESS PARKS	● blue	● blue	● blue	● orange	● blue	● orange	● orange	● blue	● blue	● blue	● blue
OFFICE	● blue	● blue	● blue	● orange	● blue	● orange	● orange	○	● blue	● orange	● blue

9. Downstream products

Downstream services are associated with the ongoing operation of our properties and are not undertaken by Stockland.

They include:

- Child care
- Equipment leasing
- Warehouse management
- Cleaning and security
- Catering
- Utilities provision
- Payments processing

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.

Our key stakeholders	How we engage
Employees We have 1,578 employees in Australia.	Our annual Our Voice employee survey measures employee engagement across the organisation. Employees are also provided with opportunities to provide feedback on specific issues throughout the year. Our intranet, stockXchange, is a key source of business news, activities and policies, and is updated each business day. Our annual interstate roadshow and bi-annual results Town Halls provide an opportunity for our Executive Committee to interact with employees in each capital city where we operate and provide an update on our strategy and performance. Employees are able to ask questions anonymously or directly to our Executive Committee as part of these roadshows and throughout the year. For more information on our engagement with employees refer to Operational Excellence (page 39), Enrich Our Value Chain (page 57) and our ***Employee Engagement, Development, Diversity and Inclusion Deep Dive***.
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. Our policy is to make no political donations to politicians or political parties at any level of government. For more information on our engagement with government and regulators see the Government and Industry Relations update in our ***Stakeholder Engagement Deep Dive***.
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, securityholders can engage with our Board of Directors and are updated on our strategy and performance. Our management also meet regularly with institutional investors. For more information on our engagement with securityholders and investors see the Investor Relations update in our ***Stakeholder Engagement Deep Dive***.
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 our businesses to support regular, effective and responsive engagement with our customers. For more information on our engagement with our customers refer to Grow Asset Returns and our Customer Base (page 29), Shape Thriving Communities (page 43) and our ***Customer Engagement and Experience Deep Dive***.
Suppliers We procure services and products from over 3,600 active suppliers, with the top 100 suppliers representing approximately 75 per cent of our spend.	Spend associated with the development of our assets accounts for approximately 80 per cent of our annual direct procurement spend, with operational and corporate procurement each representing approximately 10 per cent of annual procured spend. We actively monitor and engage with our suppliers. Our strategic suppliers (predominantly involved in the development and construction of our assets) are pre-qualified to ensure they have the capability and proven ability to meet general and project-specific sustainability and quality requirements. This involves an assessment of the occupational health and safety systems, financial viability, environmental, social and sustainability capabilities of suppliers. For more information on our engagement with suppliers see Enrich Our Value Chain (page 57) and our ***Supply Chain Management Deep Dive***.
Communities The people who 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. For more information on our engagement with communities see Shape Thriving Communities (page 43) and our ***Community Deep Dive***.
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. For more information on our engagement with media see the Media Relations update in our ***Stakeholder Engagement Deep Dive***.

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Governance and remuneration

The Stockland Board oversees 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:

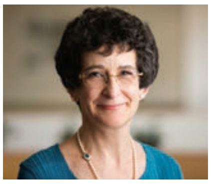
- Oversees the development and implementation of Stockland's corporate strategy, operational performance objectives and management policies with a view to creating sustainable long-term value for securityholders;
- Oversees the development and implementation of Stockland's overall framework of governance, risk management, internal control and compliance, which underpins the integrity of management information systems and financial reporting and fosters high ethical standards throughout Stockland;
- 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 or her direct reports, and reviews Senior Executive and Board succession planning and Board performance;
- Approves and monitors the annual budget, business plans, financial statements, financial policies and financial reporting and major capital expenditure, acquisitions and divestitures;
- Determines and adopts dividend and distribution policies for Stockland;
- Oversees compliance with laws and regulations that apply to Stockland and its businesses; and
- Appoints and monitors the independence of Stockland's external auditors.

Tom Pockett
Chairman (non-executive)

Carolyn Hewson
Non-executive

Barry Neil
Non-executive

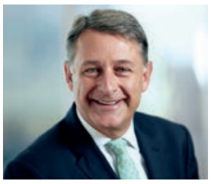
Stephen Newton
Non-executive



Nora Scheinkestel
Non-executive

Carol Schwartz
Non-executive

Mark Steinert
Managing Director and CEO



Andrew Stevens
Non-executive

New Board Director Andrew Stevens

Mr Stevens joined the Board in July 2017. He is a highly regarded director with extensive expertise in the technology sector and significant commercial experience.

As required by the Stockland Constitution, Andrew will offer himself for election by securityholders at the 2017 Annual General Meeting on 25 October 2017.

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.

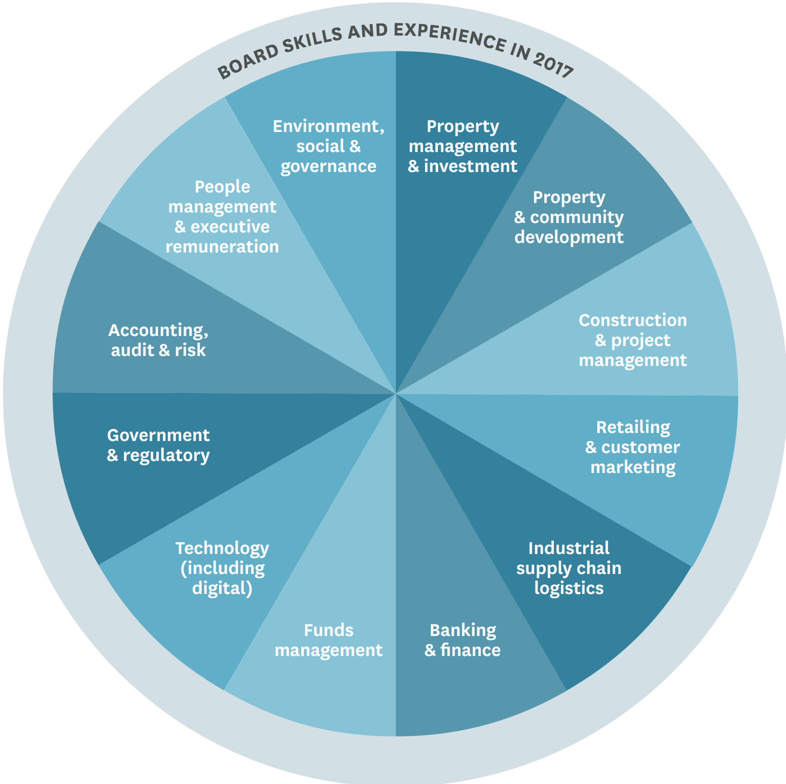
Stockland's Directors, Senior Executives and employees are required to maintain high ethical standards of conduct. Stockland's Code of Conduct (the 'Code') is periodically reviewed and endorsed by the Board and covers dealings with both external parties and internal operations. Further information in relation to the Code is located on the Stockland website.

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 deliver long-term sustainable profitable returns to securityholders. As at the date of this report, the Board comprised one Executive Director and seven Non-Executive Directors. The Boards of Stockland Corporation Limited and Stockland Trust Management Limited have the same Directors. Directors' details are listed on pages 18 to 22 of our Financial Report, including details of their other listed company Directorships and experience.

Further information on Stockland's governance including our policies can be found at ***stockland.com.au/corporate-governance***

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 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, technology (including digital), 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, capital management, mergers and acquisitions, 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 they have held senior positions in relevant finance and accounting disciplines.

The Board also believes that it is important to maintain a range of director tenures to facilitate orderly Board renewal while maintaining valuable continuity and corporate knowledge among Directors. As at 30 June 2017, of the seven Directors, including the Managing Director, four had tenure of less than six years, two had tenure of between six and nine years and one had served for more than nine years. In August 2016 and October 2016, Mr Peter Scott and Mr Graham Bradley retired from the Board respectively and Mr Andrew Stevens was appointed to the Board on 1 July 2017. These changes reflect the ongoing succession planning and renewal programme for the Board. In defining the Board's requirements for new Directors, consideration is given to the skills, professional experience, and educational backgrounds of continuing members of the Board, the organisation's strategy and any identified skills required to supplement the Board's capabilities as the organisation's strategy evolves. Criteria used include the value of gender diversity on the Board.

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:

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 37 to 51 of our Financial Report for further information.
Audit Committee	The Board has delegated oversight for the preparation of Stockland's financial reports and the maintenance of a sound financial reporting control environment to the Audit Committee. The Audit Committee works in conjunction with the Sustainability Committee, Human Resources Committee and Risk Committee to assist the Board in fulfilling its responsibilities for ensuring Stockland has adopted and maintains appropriate corporate governance procedures.
Risk Committee	The Board as a whole is ultimately responsible for the sound management of risk and compliance across the organisation. The purpose of the Risk Committee is to assist the Board to fulfil its risk governance responsibilities. The Risk Committee provides a board-level forum to oversee Stockland's risk culture and review the effectiveness of risk identification and management including the structures, processes and management systems within Stockland's overall risk management framework.
Sustainability Committee	Stockland recognises that a sustainable future for its business depends upon the sustainability of the communities, economy and society in which it operates. The purpose of the Sustainability Committee is to consider the social, environmental and ethical impact of Stockland's business activities; major corporate responsibility and sustainability initiatives and changes in policy; and stakeholder communication about Stockland's corporate and sustainability policies.
Financial Services Compliance Committee (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.

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

Remuneration

Stockland is committed to an executive remuneration framework that supports Stockland's objectives. These are to deliver growth in earning per security (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;
- A portion of performance-based pay for Executives should be awarded as Stockland securities with deferred vesting;
- Vesting of long term incentives (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 give the Board discretion to adjust or forfeit these awards in certain circumstances.

Following a review of the competitiveness of Stockland's Remuneration Framework relative to our property industry peers, the Board has made four changes, which applied from FY17.

- To make our long-term incentive program simpler and more transparent, we awarded LTI grants based on the face value of Stockland's securities at the time of grant, rather than the fair value methodology which we had used for the past 10 years.
- To make our long-term incentive plan more reflective of Stockland's performance compared with our major competitors we measure our relative TSR performance against a tailored index rather than the ASX AREIT 200 Index excluding Stockland.
- Consistent with the focus on Funds From Operations (FFO) as our key financial measure, the Earnings Per Security component on the LTI awards from FY17 will be based on Growth in FFO per security. LTI awards made before FY17 will remain based on Underlying Profit.
- Based on benchmarking with our peers, and to further weight short-term remuneration towards "at risk" compensation, we increased the potential maximum STI opportunity that our Senior Executives may earn, subject to their performance against the Corporate Balanced Scorecard and their individual annual objectives, from 125% of Target to 150% of Target. Increasing this short-term incentive brings our remuneration policy into line with most of our industry peers, and is in line with our philosophy of restraining the growth of Fixed Pay in favour of increased "at risk" incentive opportunity for our Executives. There is no change to the existing potential STI at Target for any of our executives.

OUR REMUNERATION FRAMEWORK

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

PRINCIPLES AND PHILOSOPHY	REMUNERATION COMPONENT	MEASURE	AT RISK WEIGHTING
Fixed Remuneration should be fair, competitive and regularly benchmarked to relevant market levels	**Fixed Pay (FP)** Salary and other benefits (including statutory superannuation)	External benchmarking based on surveys sourced from a number of organisations including EY, AON Hewitt and Mercer	
A significant portion of remuneration should be 'at risk' and fairly reward executives if pre-set objectives and hurdles are achieved and/or exceeded and Build a sense of business ownership and alignment which benefits all securityholders interests	**Short term Incentive (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 Managing Director & CEO (one-third for Senior Executives) and 100% awarded as deferred securities for any performance above target Any deferred securities vest equally subject to continued service after 1 and 2 years	Depends on company and individual performance reflecting progress against a Balanced Scorecard of Key Performance Indicators (KPIs) based on: · Business/Financial outcomes · Customer/Stakeholder and Sustainability performance · Leadership and People Management · Operational Excellence and Risk Management	**Target** 100% of FP (Managing Director & CEO) 80-90% of FP (Other Senior Executives) **Maximum** 150% of Target
	Long Term Incentive (LTI) Delivered as Performance Rights measured against performance hurdles over a three year performance period. Any rights then convert to deferred securities if performance hurdles are exceeded, which vest equally subject to continued service after 3 and 4 years	**Earnings per security (EPS)** Compound Average Growth Rate in Funds From Operations (FFO) (50% weighting) and **Total Shareholder Return (TSR)** Above a composite index reflecting AREIT 200 competitors, as described in section 2.3 with maximum vesting occurring if Stockland's TSR is 10% or more above this index (50% weighting)	Managing Director & CEO 200% of FP Other Senior Executives 120% of FP
	Minimum securityholding requirement	The Managing Director & CEO is required to maintain a minimum holding of Stockland securities equivalent to at least two times fixed pay (one times fixed pay for other Senior Executives) for any securities granted after 1 July 2010	

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 FY17 is provided in the following table.

KPI	Commentary	Overall Rating
Business and Financial Performance (75%)		
Group Performance		
• Funds from Operations per security (FFOps) guidance of 6% to 7%; and • Return on Equity[1] (ROE) of 10%	• FFOps growth was 7.4% to 33.4 cps • ROE was 11.4%	Above Target
Business Performance		
• Operating business performance in line with plan	Business unit profitability was up on FY16: • Commercial Property FFO of $608 million was up on FY16 and in line with plan. • Residential Operating Profit of $270 million was well up on FY16 and above plan. • Retirement Living profit of $63 million was up on FY16 and in line with plan	On or Above Target
• 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%	• Average Debt Maturity was over five years and Credit Rating maintained, liquidity buffer increased with gearing and interest cover, all within guidelines	On or Above Target
• Deliver against Key Business Priorities	• Good progress against our strategic priorities being; Grow our asset returns and customer base, Operational excellence, and Capital strength	On or Above Target
Customer, Stakeholder and Sustainability Performance		
• Achieve independent customer satisfaction goals for each business unit	• The customer satisfaction scores were above target for Retirement Living but below target for Commercial and Residential	On Target
• Embed sustainable business practices across Stockland and make good progress towards environment improvement goals	• The Leading Global Real Estate firm in DJSI Sustainability Survey. Continued progress across our GHG measures and other sustainability targets	On or Above Target
Organisational Performance (25%)		
People Management		
• Maintain employee-initiated turnover (employees rated good and above) at 12.0% or less	• Turnover was 10.6%	Above Target
• Achieve employee engagement target – 80%	• Employee engagement score of 82%	Above Target
• Maintain women as percentage of total management at 45.2% or better • Increase women as percentage of total senior management to 36.0% or better • Increase female General Managers to 33% or better	• Women in management was 45.9% • Women in senior management was 37.3% • 34.6% of General Managers were females	Above Target
• Progress longer term diversity and inclusiveness objectives	• Good progress made including being recognised as a WGEA Employer of Choice for Gender Equality for the third consecutive year	On Target
Operational Excellence and Risk Management		
• Continued Process Improvement and enhanced innovation	• Good progress with implementation of key systems as part of Core Systems Program	On Target
• Embed strong risk compliance and safety management practices	• Excellent safety record with no major preventable injuries and continued embedding of the risk and compliance framework	On Target

1 Excluding Residential workout projects. ROE was 10.1% including these projects.

FINANCIAL PERFORMANCE OVER THE PAST FIVE YEARS

Underlying Profit, FFO, EPS and other key financial performance measures over the last five years are set out below.

	FY13	FY14	FY15	FY16	FY17
Underlying profit[1] ($M)	495	555	608	660	**696**
FFO[2] ($M)	472	573	657	740	**802**
Statutory profit ($M)	105	527	903	889	**1,195**
Security price as at 30 June[3] ($)	3.48	3.88	4.10	4.71	**4.38**
Distributions/dividends per security (cents)	24.0	24.0	24.0	24.5	**25.5**
Underlying EPS (cents)	22.4	24.0	25.9	27.8	**29.0**
FFO per security (cents)	21.3	24.8	28.0	31.1	**33.4**
Statutory EPS (cents)	4.7	22.8	38.5	37.4	**49.8**
Stockland TSR – 1 year (%)	17.5	20.5	12.3	16.4	**7.1**
A-REIT 200 TSR (excluding SGP) – 1 year (%)	24.8	11.3	24.2	21.1	**(6.7)**

1 Underlying Profit was the performance measure used in determining the EPS component of LTI remuneration for periods up to and including 30 June 2016. Performance against this benchmark is set out in section 3.4 on page 43 of our Financial Report.

2 FFO replaced underlying profit as Stockland's primary reporting measure from FY17. This change recognises the importance of FFO in managing our business and the use of FFO as a comparable performance measurement tool in the Australian property industry. The reconciliation of FFO to statutory profit is provided on page 11 of the Operating and Financial Review, in our Financial Report.

3 FY12 closing security price was $3.08.

EXECUTIVE REMUNERATION OUTCOMES

Following the continued strong financial and operational performance delivered by the executive team in FY17 the aggregate Short-term Incentive (STI) awarded to our Senior Executives was higher than in the previous year. The table below outlines the cash remuneration, which includes: Fixed Pay and the non-deferred portion of any FY17 STI; the value of Deferred STI (DSTI) awards from FY15 and FY16 that vested during FY17 and Long-term Incentive (LTI) awards from FY15 that vested during FY17.

		Fixed Pay[1] $	STI awarded and received as cash $	Total cash payments in relation to financial year $	Previous years' DSTI that were realised[3] $	Previous years' LTI that were realised[3] $	Awards that lapsed or were forfeited[4] $
Executive Director							
Mark Steinert *Managing Director and CEO*	**2017**	**1,500,000**	**750,000[2]**	**2,250,000**	**1,080,721**	**1,889,970**	**1,776,090**
	2016	1,500,000	750,000[2]	2,250,000	1,177,557	1,077,413	2,154,825
Senior Executives							
Stephen Bull *Group Executive and CEO, Retirement Living*	**2017**	**700,000**	**420,000**	**1,120,000**	**307,708**	**491,655**	**462,090**
	2016	700,000	420,000	1,120,000	273,481	280,245	560,490
Katherine Grace *General Counsel and Company Secretary*	**2017**	**550,000**	**293,333**	**843,333**	**176,426**	**178,485**	**356,970**
	2016	500,000	266,667	766,667	93,743	–	–
Tiernan O'Rourke *Chief Financial Officer*	**2017**	**875,000**	**466,667**	**1,341,667**	**323,700**	**643,860**	**604,440**
	2016	850,000	453,333	1,303,333	295,845	367,380	734,760
Darren Rehn *Group Executive and Chief Investment Officer*	**2017**	**750,000**	**450,000**	**1,200,000**	**362,664**	**499,320**	**499,320**
	2016	750,000	450,000	1,200,000	560,777	268,470	536,940
Michael Rosmarin *Chief Operating Officer*	**2017**	**600,000**	**320,000**	**920,000**	**214,235**	**454,425**	**427,050**
	2016	600,000	320,000	920,000	226,673	259,050	518,100
John Schroder *Group Executive and CEO, Commercial Property*	**2017**	**1,050,000**	**630,000**	**1,680,000**	**430,664**	**794,970**	**746,790**
	2016	1,050,000	630,000	1,680,000	440,988	453,338	906,675
Simon Shakesheff *Group Executive, Strategy and Stakeholder Relations*	**2017**	**600,000**	**320,000**	**920,000**	**244,763**	**434,715**	**427,050**
	2016	600,000	320,000	920,000	303,795	237,855	475,710
Andrew Whitson *Group Executive and CEO, Residential*	**2017**	**750,000**	**450,000**	**1,200,000**	**362,664**	**531,075**	**499,320**
	2016	750,000	450,000	1,200,000	400,571	302,618	605,235

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

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

3 This represents the value of all prior years' deferred STI and LTI that vested during FY17 using the 30 June 2017 closing security price of $4.38.

4 The value shown represents the value of any previous years' equity awards that lapsed or were forfeited during the financial year. The FY17 values are based on the closing 30 June 2017 security price of $4.38 (FY16: $4.71).

REMUNERATION RATIO – MANAGING DIRECTOR/EMPLOYEE

Remuneration Measure	FY17	FY16[1]	FY15	FY14
Managing Director's annual total compensation ÷ employee median annual total compensation	**46**	48	44	44
% increase in Managing Director's annual total compensation ÷ employee's median % increase	**1.08**	-0.26	1.50	6.04

1 Annual total compensation for each year is calculated as Fixed Pay FTE (as at 30 June of end of performance year) + STI FTE (awarded for relevant performance year) + LTI (allocated at start of performance year), for employees who participated in the Remuneration Review plus sales employees paid on a commission basis.

GENDER PAY EQUITY RATIO

We believe the methodology of measuring pay equity is limited if based solely on average fixed pay by job band as it ignores different market values placed on different jobs. Stockland believes a better and more accurate process is that we assess gender pay equity by considering an individual's positioning against the relevant market benchmark. This analysis is shown in the gender pay equity ratio chart to the right.

Grow asset returns and our customer base

Driving returns in our core businesses and providing great customer experiences.

PRIORITIES AND PERFORMANCE OVERVIEW

COMMERCIAL PROPERTY:
- Retail town centres
- Logistics and Business Parks
- Office

FUNDS FROM OPERATION

3.4%
growth in comparable FFO across our Commercial Property portfolio

CUSTOMER SATISFACTION

75%
Retail tenant satisfaction TenSAT score produced by Monash University

89%
Logistics and Business Parks tenant satisfaction

OCCUPANCY (STABLE ASSETS)

99.5%
across Retail portfolio

99%
across Logistics and Business Parks portfolio

RESIDENTIAL

OPERATING PROFIT

↑17.4%

OPERATING PROFIT MARGIN

15.3%

RETURN ON ASSETS

20.8%
core portfolio

RESIDENT LIVEABILITY

83%
communities liveability score – Stockland Liveability Survey

RETIREMENT LIVING

OPERATING PROFIT

↑11.1%

RETURN ON ASSETS

6.2%

RESIDENT SATISFACTION

84%

Our business unit results

COMMERCIAL PROPERTY

	Funds from operations			
($M, unless otherwise stated)	**FY17**	**FY16**	**Change**	**Comparable growth**
· Retail town centres	**419**	402	4.1% ↑	3.5% ↑
· Logistics and Business Parks	**143**	132	8.3% ↑	3.6% ↑
· Office	**59**	68	13.2% ↓	2.3% ↑
Trading profit	**5**	–		
Net overheads	**(18)**	(18)		
Total Commercial Property	**608**	584	**4.2% ↑**	**3.4% ↑**
Return on assets (ROA)	**8.1%**	8.3%		

RESIDENTIAL COMMUNITIES

($M, unless otherwise stated)	FY17	FY16	Change
Lots settled (lots)	**6,604**	6,135	7.6% ↑
Revenue	**1,767**	1,482	19.3% ↑
– Including superlot revenue[1]	**91**	109	16.3% ↓
EBIT (before interest in COGS)	**412**	354	16.4% ↑
EBIT margin	**23.3%**	23.9%	↓
Operating profit (FFO)[2]	**270**	230	17.4% ↑
Operating profit margin	**15.3%**	15.5%	↓
ROA – core portfolio[3]	**20.8%**	19.6%	↑
ROA – total portfolio	**15.2%**	13.8%	↑

1 44 superlot settlements in FY17; 33 superlot settlements in FY16.
2 Operating profit is equal to FFO for the Residential business.
3 Core excludes impaired projects.

RETIREMENT LIVING

($M, unless otherwise stated)	FY17	FY16	Change
EBIT	**69**	64	8.3% ↑
Operating profit (FFO)[1]	**63**	57	11.1% ↑
Occupancy	**95.0%**	94.9%	↑
Cash ROA	**6.2%**	5.8%	↑
Established			
– Established settlements (units)	**731**	716	2.1% ↑
– Withheld settlements (units)	**49**	19	↑
Total sales volume (units)	**780**	735	6.1% ↑
Average re-sale price	**$339k**	$329k	3.3% ↑
Turnover cash per unit	**$86k**	$81k	6.2% ↑
Turnover cash margin	**25.4%**	24.7%	↑
Reservations on hand (units)	**128**	155	17.4% ↓
Development			
Average price per unit	**$539k**	$509k	5.8% ↑
Average margin – excludes Deferred Management Fee (DMF)	**19.1%**	16.8%	↑
Development settlements (units)	**270**	297	9.1% ↓
Reservations on hand (units)	**58**	67	13.4% ↓

1 Operating profit is equal to FFO for the Retirement Living business.

Retail town centres

Create market leading retail town centres

FUNDS FROM OPERATIONS

$419m ↑4.1%

Comparable FFO ↑ 3.5%

In a challenging environment, we have delivered positive FFO growth of 4.1%, maintained high occupancy, and we continued to focus on remixing our portfolio, in line with our customer needs and trade area dynamics.

Nationally, retail sales have been impacted by low wages growth, some retailer closures in the past year, and mixed results from major tenants. While trading at some of our centres has been variable, we have seen an improvement in sales growth in the second half and particularly in the final quarter. Specialty store sales productivity grew 1.9% to $9,072 per square metre, which exceeds the Urbis sub-regional average of $8,273 per square metre by 8.3%.

We continue to see growth in lifestyle and entertainment tenancies, particularly larger format operators such as JB Hi-Fi, Hoyts and Harris Scarfe, and we've recently confirmed that H&M will open new stores at our Townsville and Rockhampton centres.

Growth in specialty retail sales of 9.7% in retail services and 5.3% in casual dining and food catering over FY17, reflects the success of our remixing strategy. We also continue to look at ways to introduce technology to enhance our customers' experience across our centres.

Momentum continued in the delivery of the retail development pipeline, with the $412 million transformation of Stockland Green Hills at East Maitland progressing on schedule, and a $37 million redevelopment underway at Stockland Wendouree in Ballarat.

RETAIL TOWN CENTRE DEVELOPMENT PIPELINE

UNDER CONSTRUCTION

Green Hills NSW
$412m
7% stabilised yield
~11.9% incremental IRR

Wendouree Vic
$37m
7.2% stabilised yield
~13.7% incremental IRR

NEXT WAVE

Glendale NSW
Shellharbour Bunnings NSW
Baringa Qld
Glendale NSW
Caloundra Qld

Targeting incremental IRRs of 9%+[1] and stabilised FFO yields of 7%+

RETAIL STRATEGIC PRIORITIES

The Retail business maintains its focus on creating market leading town centres, redeveloping its most productive assets to create community and entertainment hubs and maximise trade area market share. We have $449 million, at cost, of retail development under construction and a future pipeline of $1 billion, targeting incremental IRRs of 9%+ and stabilised FFO yields of 7%+ from this activity.

Our retail mix continues to evolve, underpinned by supermarkets, mini majors, food catering, fast casual dining, speciality food, theatre, targeted apparel, health and retail services.

We will continue to focus on tailoring our offering to each specific trade area, cultivating retailer relationships and long-term sustainable rent, and invest in industry research and technology to adapt to an evolving retail landscape.

1 Unlevered 10 year IRR on incremental development from completion.

Logistics and Business Parks

Grow and develop a leading portfolio

FUNDS FROM OPERATIONS

$143m ↑8.3%

Comparable FFO ↑ 3.6%

Our Logistics and Business Parks business had an outstanding year. Occupancy increased to 99%, following a period of active leasing and renewals, and the portfolio now represents 15% of our total assets.

We achieved strong comparable FFO growth of 3.6% with positive leasing results, particularly in the Sydney market.

Our development pipeline is also progressing well, with recent redevelopments at Ingleburn (Sydney), Erskine Park (Sydney) and Oakleigh (Melbourne) all completed on budget and fully leased. A $77 million development project is underway at Warwick Farm (Sydney), which is majority pre-leased to Daikin, for a 10 year term. The future pipeline also looks very positive.

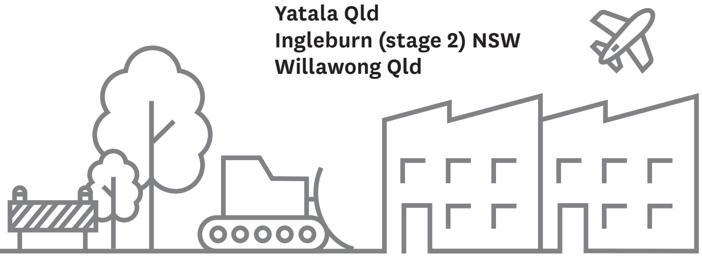
LOGISTICS AND BUSINESS PARKS DEVELOPMENT PIPELINE

UNDER CONSTRUCTION

Coopers Paddock, Warwick Farm NSW
Waterside NSW
Yennora NSW

PLANNING UNDERWAY

Macquarie Technology Park NSW
Brooklyn Vic
Yatala Qld
Ingleburn (stage 2) NSW
Willawong Qld



● **Greenfield**
● Brownfield

Targeting incremental IRRs of 9%+ (Greenfield) and incremental FFO yields of 7%+

LOGISTICS AND BUSINESS PARKS STRATEGIC PRIORITIES

Our focus is on growing and developing a market leading 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.

Office

Optimise returns and assess development opportunities over time

FUNDS FROM OPERATIONS

$59m ↓13.2%[1]

Comparable FFO ↑ 2.3%

Our Sydney office portfolio performed well this year, which represents the majority of our assets. Total FFO growth was lower due to the sale of Waterfront Place and Eagle Street Pier, Brisbane, in FY15. The Perth and Canberra market remains challenging, but we are seeing positive leasing momentum at our assets. Several of our Sydney properties also have development opportunities.

OFFICE STRATEGIC PRIORITIES

In Office we continue to focus on optimising returns. We intend to retain the majority of our residual office portfolio (strongly weighted to Sydney) whilst we maximise returns and assess development opportunities over time. Joint ventures (or part sales) will also be considered as appropriate.

1 Lower due to sale of Waterfront Place and Eagle Street Pier, Brisbane in FY15.

Residential

Maximise returns by creating thriving communities

OPERATING PROFIT

$270m ↑17.4%

Our Residential business delivered another year of double-digit operating profit (FFO) growth of 17.4%, and a net operating profit margin of 16.6% on the core portfolio. We settled a record 6,604 lots in FY17, and we commence FY18 with record pre-sales.

We made a number of strategic land acquisitions over the past 12 months to significantly restock our portfolio, acquiring 9,900 lots. The majority of these are in the high-performing Melbourne market. Our landbank now totals over 80,000 future housing lots nationally.

We have continued to expand our medium density business, with 213 homes settled this year, close to 600 currently under construction, and pipeline of over 2,800 across Australia. Medium density development is a key growth driver for our Residential business as we extend our focus on community creation in the important "missing middle" of our major capital cities.

We continue to deliver some of the most liveable and desirable new communities in Australia. Our leadership in housing affordability and commitment to delivering a range of options for first home buyers and families, places us in a preferred position for residential lending trends and government growth initiatives.

During the year, the Residential business reviewed its application of whole of life (WOL) accounting to ensure ongoing consistency across our portfolio, ahead of our change in systems, specifically in relation to the allocation of costs and treatment of superlots consistently with retail lots. There was no net impact to our WOL profitability and no material change to FFO in FY17.

We regularly review our approach to managing project cost contingencies and potential revenue upside as part of our WOL accounting within the Residential business. This ensures effective risk management to support our business performance through the business cycle. The cost contingency and revenue review resulted in no incremental FFO in FY17.

RESIDENTIAL STRATEGIC PRIORITIES

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

1. **Reshaping the portfolio** – Actively manage the portfolio to improve returns 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. **Broaden our market reach** – 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.
3. **Improving efficiency** – Continue to manage costs. Project management has been embedded into the business and is driving significant cost savings.

LEADING IN HOUSING CHOICE AND AFFORDABILITY

RESIDENTIAL: BROADENING CUSTOMER CHOICE

75%
75 per cent of customers are owner occupiers

50
Launched *50 homes in 50 days* – First Home Buyer initiative in Queensland

100
Launched *100 homes in 100 days* – First Home Buyer initiative in Sydney

200
Launched *200 homes in 100 days* – First Home Buyer initiative in Melbourne

2,800+
Medium density sites across our portfolio

Retirement Living

Leading operator and developer

OPERATING PROFIT

$63m ↑11.1%

Operating profit (FFO) in Retirement Living was up 11.1% on FY16, reflecting strong sales, active management of our portfolio and improved margins. Reservations on hand reflect the availability of stock in key markets. Cash ROA increased to 6.2%, from 5.8% in FY16.

This is the fourth consecutive year of double-digit operating profit growth for our business, driven by our focus on resident satisfaction underpinned by a customer-centric culture.

Our development pipeline is proceeding well, with the delivery of our UDIA award-winning apartments at Cardinal Freeman The Residences in Sydney's inner-west. We are also making good progress on our new vertical village at Birtinya, in the heart of the Sunshine Coast's new health hub.

We continue to invest in new projects, with planning underway on a number of brownfield redevelopments at existing villages.

Development margins were high this year at 19.1% due to project delivery mix, but will normalise in FY18 to around 15-17%.

We are further extending our reputation for quality villages and broadening our customer reach through our new, non-deferred management fee communities for over 55s, called 'Aspire'. We have two projects currently underway, at our Elara residential community in Sydney and Calleya in Perth, and the initiative will be rolled out at other locations in our portfolio over the coming years.

We understand there is a lot of focus on the sector at the moment. We take pride in our Retirement Living business, and we are committed to open, transparent and respectful relationships with our residents. Every year we engage independent consultants to assess resident satisfaction. Last year, more than 6,800 residents participated in the survey, and rated their overall satisfaction with Stockland as 8.4 out of 10.

RETIREMENT LIVING STRATEGIC PRIORITIES

The business remains focused on being a preferred operator and developer of Retirement Living villages by creating high quality retirement villages in Australia. 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.

RETIREMENT LIVING DEVELOPMENT PIPELINE

UNDER CONSTRUCTION

Lightsview SA
Somerton Park SA
Mernda Vic
Cardinal Freeman The Residences NSW
Affinity WA
Willowdale NSW
Birtinya (formerly Oceanside) Qld
Gillin Park Vic
Aspire at Elara NSW
Aspire at Calleya WA

TO START WITHIN NEXT 18 MONTHS

Newport Qld
Somerton Park SA

Capital strength

Actively managing our balance sheet to maintain diverse funding sources and an efficient cost of capital.

Our progress

PRIORITIES AND PROGRESS OVERVIEW

STRATEGIC PRIORITIES

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

FY17 PROGRESS

- Maintained S&P A-/stable credit rating for over ten years and new equivalent Moody's credit rating of A3 (received in August 2017)
- 22.7% gearing remains within our target range of 20-30%
- Reduced average cost of debt to 5.5% for FY17
- Increased our access to diverse funding sources

We maintained our focus on prudent balance sheet management, continuing to utilise diverse funding sources throughout the year. Our gearing level decreased to 22.7% at 30 June 2017 (30 June 2016: 23.8%), driven by strong operating cash flows allowing continued investment without needing to increase debt, and the impact of revaluation gains across the Commercial Property portfolio. This is comfortably within our target range of 20-30%.
We continue to retain our A-/stable credit rating from S&P and obtained a new A3 rating from Moody's (equivalent to S&P's A-), in August 2017.

We manage our exposure to financial markets, including movements in foreign exchange rates and interest rates, through the use of derivative financial instruments in order to provide greater certainty over future financing costs, taking advantage of the historically low interest rate environment. The fixed/hedged ratio of 109% at 30 June 2017 (30 June 2016: 96%) represents the proportion of debt that has fixed interest based on drawn debt at 30 June 2017. The overhedged position resulted from strong operating cash inflows at the end of the financial year and is expected to revert to around 100%. The weighted average cost of debt for the period has decreased to 5.5% (2016: 5.8%).

Interest cover has increased to 4.8:1 (30 June 2016: 4.5:1) due to stronger performance across the business.

Gearing remains within our target range of 20-30%. We continue to retain our A-/stable credit rating from S&P and obtained a new A3 rating from Moody's (equivalent to S&P's A-), in August 2017.

BALANCE SHEET

($M)	FY17	FY16	Change %
Cash	**238**	208	14% ↑
Real estate assets:[1]			
· Commercial Property	**10,255**	9,706	6% ↑
· Residential	**2,483**	2,517	1% ↓
· Retirement Living	**3,848**	3,589	7% ↑
Other assets	**701**	922	24% ↓
Total assets	**17,945**	16,942	
Interest bearing loans and borrowings	**3,529**	3,800	7% ↓
Retirement Living resident obligations	**2,629**	2,427	8% ↑
Other liabilities	**1,410**	1,461	3% ↓
Total liabilities	**7,568**	7,688	
Net assets/total equity	**9,927**	9,254	

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

The Commercial Property investment portfolio has increased by $549 million to $10,255 million, primarily due to net valuation uplift across all three asset classes (up $264 million including equity-accounted joint venture investments) and capital and development expenditure of $333 million.

Retail portfolio values benefited from income growth and capitalisation rate compression, including the following centres in NSW: Wetherill Park ($43 million), Glendale ($32 million), Shellharbour ($30 million), and Balgowlah ($21 million). Our Office portfolio recorded a net valuation gain of $67 million largely due to an uplift at 135 King Street, NSW ($52 million), while Logistics and Business Parks similarly delivered valuation gains of $18 million during the period. Valuation gains across the portfolio saw our weighted average capitalisation rate reduce marginally from 6.4% to 6.2%.

Retail portfolio values benefited from income growth and capitalisation rate compression.

The increase in capital and development expenditure predominantly reflects continued investment in the Retail development pipeline including the redevelopment of Green Hills, NSW.

Residential assets, which represent mainly land under development, decreased slightly to $2,483 million at 30 June 2017. Strong settlement volumes in FY17 (up 8% on prior period) and the sale of some previously impaired land and capital efficient restocking led to a reduction in inventory, while a disciplined approach to development expenditure throughout the year ensured that production did not exceed sales. Whilst we settled 6,604 lots during the year we have added approximately 9,900 lots to the pipeline. Finished goods levels remain appropriate. Land acquisitions reflect our focus on acquiring land on capital efficient terms where possible.

The value of the Retirement Living assets, net of resident loan obligations, was $1,219 million, an increase of $57 million from June 2016. This primarily reflects capital expenditure on the development pipeline including the redevelopment of Cardinal Freeman, Sydney, and fair value uplift on the investment property portfolio, partly offset by an increase in resident loan obligations created on first sales of development units. We have identified potential to develop a further 2,970 Retirement Living units in our existing portfolio.

Total debt decreased by $271 million to $3,529 million at 30 June 2017 primarily as a result of favourable fair value movements on foreign denominated debt due to an appreciation in the AUD against the USD, EUR and HKD and largely offsets the net unfavourable movements in derivative financial instruments. Movements in other assets and liabilities mainly reflect the changes in value of the Group's financial instruments, equity-accounted investments and intangibles.

CASH FLOWS

($M)	FY17	FY16	Change %
Operating cash flows	**921**	787	17% ↑
Investing cash flows	**(380)**	(508)	25% ↓
Financing cash flows	**(511)**	(241)	112% ↑
Net change in cash and cash equivalents	**30**	38	21% ↓
Cash at the end of the period	**238**	208	14% ↑

Operating cash inflows are up $134 million on the prior year, primarily as a result of increased FFO and favourable movements in working capital, partially offset by increased payments for Residential land.

Net cash outflows from investing activities reflects our continued commitment to growing our asset base and mainly comprises payments for and development of Commercial Property investment properties ($374 million), with the largest individual contribution relating to ongoing development at Green Hills.

Investment in Retirement Living totalled $133 million with main villages including Cardinal Freeman, Willowdale and Mernda Village. Investing cash inflows includes $71 million in dividend receipts relating to our investment in BGP Holdings Plc together with proceeds from sale of investment properties of $74 million.

Net financing cash outflows primarily reflect dividends paid (net of DRP). The prior year included $335 million in net proceeds from borrowings to fund acquisitions and development expenditure and also included payments to terminate derivatives ($119 million), with no payments on terminations in the current year.

EQUITY

Distribution/Dividend Reinvestment Plan (DRP)

On 9 June 2017, Stockland announced that the DRP would operate for the final distribution to 30 June 2017 to help fund the accretive development pipeline. We achieved a take-up rate of 21.6%.

The DRP security price of $4.20 was determined by the average of the daily volume weighted averages of the selling price over a 15 day trading period immediately preceding 27 July 2017, with a discount of 1.0% on the securities acquired under the DRP.

DISTRIBUTIONS

The dividend and distribution payable for the year ended 30 June 2017 is 25.5 cents per Ordinary Stapled Security. Our distribution policy is to pay the higher of 100% of Trust taxable income or 75-85% of FFO.

The distribution for the full year comprises:

Stockland (cents)	FY17	FY16
Trust distribution	**25.5**	24.5
Corporation dividend, fully franked	–	–
Total dividend/ distribution	**25.5**	24.5

For more information please see our Financial Report 2017 ***www.stockland.com.au/corporate-reporting/downloads***

OUR APPROACH TO TAX

Stockland's tax strategy is to conduct all of our tax affairs 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.

Consistent with the Board approved low tax risk appetite, we maintain a low tax risk profile to ensure we remain a sustainable business and an attractive investment proposition, in both the short and long term.

We are structured as a stapled security: a combination of a unit in Stockland Trust and a share in Stockland Corporation, traded together as one security on the Australian Securities Exchange (ASX). This stapled structure allows us to efficiently undertake property investment, property management and property development activities to create sustainable risk/reward outcomes.

STAPLED SECURITY LISTED ON THE ASX

STOCKLAND TRUST

- The Trust is not liable for income tax provided taxable income and any assessable realised capital gains are fully distributed to unitholders each tax year
- Income of the Trust is taxed in the hands of unitholders through distributions

STOCKLAND CORPORATION

- Income/losses are subject to the Australian company tax rate of 30%

TAX CONTROL AND GOVERNANCE POLICY FRAMEWORK

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

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

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

The key principles of our TCGF are summarised as follows:

- A tax strategy that ensures all tax affairs are conducted in a transparent, equitable and commercially responsible manner, whilst having full regard to all relevant tax laws, regulations and tax governance processes, to demonstrate good corporate citizenship,
- A balanced tax risk appetite which is consistent with the Board approved risk appetite, to ensure Stockland remains a sustainable business and a reputable and attractive investment proposition,
- A commitment to engage and maintain relationships with tax authorities which are open, transparent and 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.

VOLUNTARY TAX TRANSPARENCY CODE

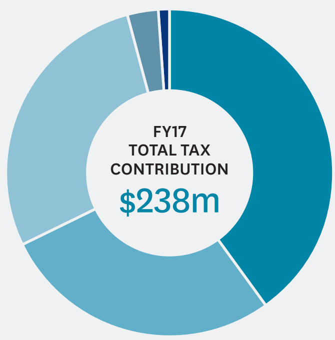
As part of our commitment to tax transparency and demonstrating good corporate citizenship, Stockland has adopted the Australian Federal Government's Voluntary Tax Transparency Code (TTC), which provides a set of principles and minimum standards to guide medium and large businesses on public disclosure of tax information.

Tax disclosures and information

For information and detailed reconciliations of Stockland's tax expense, effective tax rate and deferred tax balances please refer to Section (B3) – Taxation on page 67 of the Financial Report.

TAX CONTRIBUTION SUMMARY

As Australia's largest diversified property group, we own, develop and manage commercial property assets, residential and retirement living communities. We contribute to the Australian economy, through the various taxes levied at the federal, state and local government level. For 2017 these taxes totalled approximately $238 million, and were either borne by Stockland as a cost of our business or collected and remitted as part of our broader contribution to the Australian tax system.



%	
40	Net GST paid
28	PAYG withholding
28	State taxes (includes land tax, stamp duty and payroll taxes)
3	Other duties and levies
1	Fringe Benefit Tax

Operational excellence

Improving the way we operate across the business to drive efficiencies, compliance, sustainability and employee engagement.

Our progress

PRIORITIES AND PROGRESS OVERVIEW

STRATEGIC PRIORITIES

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

FY17 PROGRESS

Return on equity

- Improved return on equity (excluding workout assets) from 11.0% to 11.4%

Core systems

- Successful implementation of Salesforce and SAP SuccessFactors modules with further deployment of SAP systems over the next year

Safety

- Reduced LTIFR to lowest rate in six years to 1.8

Employee engagement

- Maintained high employee engagement of 82% – seven points above the Australian Norm

Sustainability leadership

- Recognised as Global Real Estate Sector Leader on the Dow Jones Sustainability Index (DJSI) for 2016-17, the second consecutive year
- Global Sector Leader on Global Real Estate Sustainability Benchmark (GRESB) for Diversified – Office/ Retail sector
- Recognised by CDP with a position on the Climate A list for leading global climate performance
- Received Employer of Choice for Gender Equality citation from WGEA three years in a row

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.

SUPPORTING EFFICIENCY AND AGILITY

During the year we made significant progress on improving the Group's IT systems' capabilities, in particular the roll out of our Core Systems Program. The Program represents the largest investment in our systems in Stockland's history and supports our business strategy by delivering business tools that empower employees to work more efficiently. This involves reducing 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.

In FY17, we rolled out our new SuccessFactors Performance Module across the business, and Salesforce customer relationship management tool in our Residential and Retirement Living businesses. The remainder of the Human Resources and Finance modules are scheduled for FY18.

Our Collaboration project is also underway with the rollout of Office 365. This will enable the business and our partners to create, store and share content securely, anywhere, anytime, using Office 365 technology. The project is already delivering improved document management protocols, accessibility and supporting flexible work practices. The improvements that have been delivered through the Collaboration project will be further enhanced as we transition to mobile laptop technology and activity based working as part of our Digital Workplace Strategy.

Our 'Flex in Feb' campaign aimed to increase participation in 'One Simple Thing', an initiative encouraging employees to identify an activity that enhances their work life quality.

Part of creating a better way to work is our focus on flexible work. We continued to promote flexibility with employees through our 'Flex in Feb' campaign which aimed to increase participation in 'One Simple Thing', an initiative encouraging employees to identify an activity that enhances their work life quality. The campaign attracted positive participation, with 70 per cent of employees recording their 'One Simple Thing' or with a formal flexible work arrangement in place.

In a constantly evolving modern workplace it is also important that we enhance the capabilities of our senior leaders. In October 2016 we completed the development of the Stockland Leadership Experience for senior leaders and delivered the program to our first cohort of leaders. The Program is designed with our purpose at its core and focuses on improving customer-led innovation, inclusive leadership and collaboration to enhance people and enterprise leadership capability.

DEVELOPING INCLUSIVE LEADERSHIP THROUGH THE STOCKLAND LEADERSHIP EXPERIENCE

The Stockland Leadership Experience (SLE) for Senior Leaders was launched in October 2016 for roll-out across our top 145 leaders. The purpose of the programs is to develop our senior leaders ability to:

- Operate more inclusively,
- Lead customer-centric innovation with greater agility,
- Lead and drive personal and organisational change,
- Increase emotional intelligence and self-awareness,
- Develop habit to build resilience and wellbeing, and
- Build more collaborative working relationships with peers.

To create a learning experience, the SLE is centred on our Purpose of "creating a better way to live" for the communities in which we operate. Leaders are set in the context of a community for a week, and are set a challenge to address, supported by a faculty of experts in the fields of innovation, inclusion, mindfulness and leadership effectiveness.

Our first program was centred in Maitland, where we are investing in a $412 million dollar shopping centre re-development. The Maitland region is experiencing an economic downturn due to a slowdown in mining, has the highest rate of youth unemployment in the state and is one of the centres for the re-settlement of Syrian refugees. It was in this context that the leaders spoke with the community members about: "How can we create a better way to live in the Maitland Community?" Throughout the experience leaders were guided by an inclusive leadership expert to develop their listening skills and reflect on how their biases might get in the way of listening. This gave leaders an understanding of their own biases as well as a set of tools they can adopt back in the workplace to use with their teams and customers.

Feedback on the program from our first cohort and the executive team has been exceptional, with an 88 per cent approval rating. We've seen a positive shift in leaders operating differently with their teams, adopting mindfulness and innovation techniques in their work. The program will be rolled out to a further 75 leaders in FY18.

Senior Leadership Experience Workshop, Maitland (NSW)

SUSTAINABILITY LEADERSHIP

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

Recognising these efforts, we were proud to be named the 2016-17 Global Real Estate Industry Leader in the Dow Jones Sustainability Index (DJSI). This is the fourth time we have received this outstanding acknowledgement and the tenth consecutive year that we have been listed in the World DJSI. In addition, we were awarded 2016 Global Sector Leader for Diversified Listed REITs on the Global Real Estate Sustainability Benchmark (GRESB) and were one of two Australian companies listed on the CDP Climate A List for climate change action. For the third consecutive year we received an Employer of Choice for Gender Equality citation with Australia's Workplace Gender Equality Agency.

MEMBER OF Dow Jones Sustainability Indices In Collaboration with RobecoSAM

GRESB Sector Leader 2016

CDP A LIST 2016 CLIMATE

ROBECOSAM Sustainability Award Gold Class 2017

WGEA Employer of Choice for Gender Equality

HEALTH, SAFETY AND WELLBEING

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

In FY17, we reported a total of five lost time injuries (LTIs) with an associated Lost Time Injury Frequency Rate (LTIFR) of 1.8. This represents the lowest figure we have achieved in the last six years. The result can be attributed to various remedial activities implemented progressively throughout the year, including refresher training in workers' compensation, injury management, increased focus on reducing incident reporting times and the engagement of injury management specialists to assist in the management of work-related injuries (including stress).

Our employee wellbeing score (as measured in our annual employee engagement survey, Our Voice) was 75 per cent. Whilst this represents a one point decline on FY16, our score remains six points above Willis Towers Watson's Australian National Norm (ANN). We also scored 12 points above the ANN for the question "I often feel anxious at work". These results parallel those for the Work Life Quality category, which also declined one point in FY17 to 75 per cent, but remains five points above the ANN. 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.

We engage our supply chain on health and safety matters in key areas including: the direct and indirect procurement process, development and implementation of project level safety management systems, project inductions, risk reviews and health and safety performance monitoring of project delivery.

In addition to these processes, in December 2016 we commenced a series of joint discussions with our development contractors in each state to drive safety behaviours and advance best practice in the construction industry, with a particular focus on plant rollovers and services strikes. Named 'Sights on Safety', the initiative focuses on collaboration with our construction project delivery partners to identify and implement measures to help reduce the number of serious incidents occurring at our development sites.

The focus on plant rollovers and service strikes followed a review of serious incidents across our development projects from FY15 to date, which identified these types of incidents as priority areas. The review found over 80 per cent of these incidents were primarily caused by operator error and required safety performance improvement by our delivery partners. Since starting the Sights on Safety initiative, we note a reduction of rollover incidents towards the second half of FY17. We are working with our delivery partners through FY18 to communicate and implement agreed standards for mitigating the risk of these incidents.

Key health and safety metrics

	FY17	FY16	FY15	FY14	FY13	FY12
Total average workforce[1]	**1,578**	1,507	1,438[2]	1,695	1,736[3]	1,384
Total hours worked (million)	**2.83**	2.75	2.53	2.97	3.03	2.42
Number of lost time injuries (LTI)[4,5]	**5**	11	12	18	17	18
Lost time injury frequency rate (LTIFR)[6]	**1.8**	4.0	4.7	6.1	5.6	7.4

1 Total average workforce uses monthly employee totals rather than the end of financial year figure used in Our People metrics.
2 Total average workforce in FY15 reduced as a result of the sale of the Aged Care business in FY14.
3 Total average workforce was updated in FY13 to include Aevum payroll employees.
4 Includes injuries incurred as a result of a work related incident. Does not include commuting/recess injuries.
6 Number of LTIs/total hours worked from July 2016 to June 2017 × 1,000,000 hours.

MATES IN CONSTRUCTION ACCREDITATION FOR GREEN HILLS

Construction is a crucial component of our supply chain and involves close partnerships with contractors and local communities. Construction activities present a number of risks requiring sound management, and mental health on construction sites has emerged as an important industry safety concern. Construction workers are six times more likely to die by suicide than through a workplace accident.

To support mental health at its worksites, we have been working with Mates in Construction, an independent charity working on suicide prevention in construction.

Over the past financial year, Stockland Green Hills (NSW) become our first accredited Mates in Construction site. The accreditation involved 192 employees participating in one-hour suicide awareness training, and eleven employees participating in half- or two-day workshops aimed at developing higher levels of support skills. The training has confirmed the importance of "looking out for your mates" on site and has equipped workers with skills necessary to recognise concerns before it is too late.

Shape thriving communities

Our research indicates that health and wellbeing, community connection and education contribute most to liveable communities.

Our progress

PRIORITIES AND PERFORMANCE OVERVIEW

STRATEGIC PRIORITIES

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

FY17 PROGRESS

Community wellbeing

- Residential Communities National Liveability Score of 83%, third year above 80% target
- Residential Community resident Personal Wellbeing Index score of 79%, above the national average 72-76%
- Retirement Living resident Personal Wellbeing Index score of 82%, well above national average 72-76%

Community investment

- Three new inclusive play spaces developed with Touched by Olivia
- 320 local community organisations, awarded over $300,000 in total through the Stockland Community Grants Program
- $6 million invested in community initiatives

New target

- New targets set for health and wellbeing, education and community connection to FY20

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

Our proprietary industry and customer research tells us that these social impact areas are important to customers when deciding whether to live, recreate and shop with us. Aligning our activities to these focus areas allows us to create a positive impact on our communities, ensuring they thrive, now and into the future.

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

- **Customer engagement** – Maintaining high levels of communication with our local community to ensure we are responsive to their needs and interests
- **Community development** – Local 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.

OUR TARGETS

To ensure we create and shape our communities that thrive now and into the future.

- All residential and retirement living communities score above the Australian average National Wellbeing Index to FY17
  ACHIEVED
- Achieve consistent Stockland National Liveability Index scores of 80% across our residential communities
  ACHIEVED
- 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
  ACHIEVED

For our FY18-FY20 targets visit *www.stockland.com.au/sustainability.*

CUSTOMER ENGAGEMENT

We engage with our customers through satisfaction surveys and maintaining high levels of communication with our local community to ensure we are responsive to their needs and interests. We use these surveys to measure our progress against our strategic priorities.

For our Retirement Living business, we use our Residents' Voice survey to measure residents' satisfaction with the community elements of the village and their personal wellbeing whilst living in a Stockland retirement village.

The FY17 survey was completed by over 6,800 residents, with 90 per cent of residents rating their overall happiness between 7 and 10 on a scale of 1 (very unhappy) to 10 (very happy). The average happiness score was 8.4 out of 10 and 30 per cent of residents rated their happiness with village life as a 10 out of 10. The overall happiness across Stockland's villages has remained stable since 2013.

Residents' responses were also assessed against the Personal Wellbeing Index (founded by work conducted by the Australian Centre on Quality of Life at Deakin University). This is a subjective assessment of quality of life, determined by questions that are directed at how people feel about themselves. Areas addressed include standard of living, personal relationships, health, feeling part of your community and how safe you feel. The Stockland average was 82.3 per cent while the national average sits at 75 per cent.

For our Commercial Property business, in addition to our tenant and mystery shopper surveys, we completed a shopper survey asking shoppers questions regarding sustainability in our shopping centres. This was conducted by Stockland Research in April 2017 and we received 687 responses. The survey found a statistically significant positive correlation between involvement in community programs and shoppers' overall rating of the shopping experience. Likelihood to recommend the centre to others also had a positive correlation with participation in community programs. The survey also found that we have a role to play in creating communities in our retail centres by providing activities and services beyond shopping (92 per cent agree).

For our Residential business, we use our proprietary liveability survey to assess residents' satisfaction with their communities.

LIVEABILITY – FUNDAMENTAL TO RESIDENTS' WELLBEING AND LONG-TERM SATISFACTION

STOCKLAND LIVEABILITY INDEX

As cities continue to experience strong population growth, we need to have an overarching focus on creating liveable, healthy and connected places for people.

We have conducted in-depth, customer-driven research since 2011 to measure the liveability of our Residential communities nationally over time. We know from this research that people buy more than just a house or land. Home buyers are buying into a lifestyle shaped by the people, facilities, activities and environment around them.

We have identified four guiding principles for liveable cities, grounded in the Index:

Connected to work, shops and community hubs ideally within 30 minutes of home

Healthy by providing walkable neighbourhoods and great outdoor places that encourage people to get active

Smart with great access to high quality education at every stage of life, and clear pathway to jobs of the future

Affordable with a variety of housing options for different life stages, ages and budgets

2017 STOCKLAND COMMUNITY LIVEABILITY RESULTS

2,500
responses from 40[1] communities

83%
Stockland Liveability Score – above our 80% target

79%
average personal wellbeing score of residents – above the Australian average[2]

63%
of residents are doing more exercise

63%
feel safer

75%
feel like they are part of the community

Our Liveability Index gives us a transparent method for prioritising our efforts in designing, planning and building what is important to residents.

The results of our index help to inform:

- **Project planning** – Development managers use the Liveability Index customer insights to better plan, design and bring forward key community infrastructure, to generate higher levels of customers satisfaction.
- **Community lifecycles** – We measure how customer satisfaction, wellbeing and happiness increase over time as our communities mature.
- **Place-making** – Research informs the creation of a consistent place-making approach across our communities, as set out in our 'Better Places Manual'
- **Collaboration** – Our research shows us that if we work with government and other key stakeholders to fast-track schools, parks, childcare, cafes and shops, we can have a profound impact on the liveability of our communities and customer wellbeing.

1 We targeted and received sufficient responses from 24 communities to look at these results in depth.
2 Benchmarked against the Deakin University's Personal Wellbeing Index

*Learn more about our Liveability Index at **www.stockland.com.au/liveability***

COMMUNITY DEVELOPMENT AND INVESTMENT

In FY17, we invested close to $6 million through our community development, community investment programs and the Stockland CARE Foundation. Over the year 640 community development initiatives were delivered across our assets.

Community development	
National partnerships	$457,985
Stockland community grants	$303,714
Asset-based contributions	$2,551,436
Community Investment	
Workplace giving	$251,197
In-kind donations	$617,114
Corporate donations	$280,947
National community investment partnerships	$130,000
Volunteering	$213,720
Stockland CARE Foundation	$376,034
Management costs	$856,205
Total community contribution	**$6,038,651**

640
community development initiatives delivered across Australia

$6m
contributed to community investment and development

4,000+
hours volunteered by our employees

140
employees involved in our student mentoring program

We continued to focus on our national partnerships delivering health and wellbeing, education and community connection benefits. Some of those benefits are listed below:

- **Live Life Get Active** – Across 20 of our communities more than 5,000 people participated in our free outdoor activity camps to promote fitter, healthier and happier communities. Collectively participants reported losing 2,695 kilograms.
- **National Theatre for Children** – More than 23,000 students in Melbourne, Sydney, Brisbane and Perth enjoyed live National Theatre for Children productions focussed on environmental preservation, protection, rehabilitation and stewardship within our residential communities.
- **Jamie's Ministry of Food** – More than 3,600 participants in our community based five- and seven-week cooking programs that teach individuals the basics of how to prepare simple, healthy, fresh and affordable meals. At our Stockland Wetherill Park kitchen 45 per cent of attendees were concession card holders.

We also received strong local interest in our Community Grants Program for a second year. We awarded more than $300,000 of community grants to 320 local community organisations in FY17. These winners comprise a diverse group of community organisations, 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.

Fostering more inclusive and accessible communities remains an important goal. We added to our growing number of inclusive play spaces and opened three new play spaces in our residential and retail communities in partnership with our Stockland CARE Foundation partner Touched by Olivia. In FY17, two new accessibility initiatives were developed in consultation with the community. At our Stockland Shellharbour shopping centre we opened two quiet rooms designed to create a safe and calm retreat for parents, carers and children with Autism Spectrum Disorder (ASD). We also installed adult change facility based on 'Changing Places' design principles to provide an accessible toilet with a hoist to assist visitors with mobility impairments, and an adult-sized changing table.

We added to our growing number of inclusive play spaces and opened three new play spaces in our residential and retail communities in partnership with our Stockland CARE Foundation partner Touched by Olivia.

HEALTHY EATING WITH JAMIE'S MINISTRY OF FOOD

Residents and their grandchildren participating in a cooking and nutrition program led by Jamie's Ministry of Food at Stockland Wetherill Park (NSW)

Jamie's Ministry of Food program not only increases participants' cooking confidence, knowledge, attitudes and beliefs towards cooking and healthy eating, but shifted behaviour change towards healthier cooking and eating in the home.

Our commitment to delivering healthy cooking and good nutrition programs in our local communities continues through our exciting partnerships with Jamie's Ministry of Food.

In FY17, over 3,660 of our residents, customers and local community members participated in a variety of initiatives that provided opportunities to change behaviours through education and practical hands-on cooking programs.

These programs included the continued delivery of cooking classes at our permanent kitchen at Stockland Wetherill Park (NSW) and our hosting of the Jamie's Ministry of Food Mobile Kitchen at Stockland Cairns (Qld), Cleveland (Qld), Newport (Qld) and Baldivis (WA).

Our retirement village residents have also benefited from Jamie's Ministry of Food programs, participating in cooking demonstrations and the Learn Your Fruit and Veg program with their grandchildren during school holidays.

The focus of these classes was having generations cooking together in a fun and educational environment. Fruit and vegetables were introduced with loads of facts and visuals around smelling, touching and tasting the different varieties, followed by the grandparents and grandchildren making a simple no cook Jamie Oliver recipe.

Independent evaluations conducted by Melbourne University and Deakin University in 2014 and 2015 concluded that the Jamie's Ministry of Food program not only increases participants' cooking confidence, knowledge, attitudes and beliefs towards cooking and healthy eating, but shifted behaviour change towards healthier cooking and eating in the home.

Participants of both the permanent and mobile kitchens were found to increase their vegetable consumption by over half a serve per day and this behaviour has been sustained six months after the completion of the program. The program has also been shown to increase social connectedness particularly for the socially isolated and people with disabilities.

STOCKLAND CARE FOUNDATION

We launched our CARE Foundation in 2015 to help improve the health, wellbeing and education of communities in and around our assets. In 2015, a survey of our shoppers found that only 50 per cent had heard of Redkite, with only 23 per cent aware of their activities. As few as 15 per cent of shoppers had heard of Touched by Olivia, with only eight per cent aware of what they do.

To increase awareness amongst both our employees and the broader community, we introduced an annual awareness-raising campaign – Foundation Fortnight. The two-week campaign held in late October included targeted events and activities to promote awareness and raise funds for the Stockland CARE Foundation and our partners across all our retail, residential and retirement living assets and our state offices.

Our shopping centres hosted 'CARE Day' on October 29, with a variety of children's activities. CARE Foundation red kites and butterfly wings were available for purchase, with all proceeds going to our partners. Customers were invited to post pictures of their families enjoying care day with the hashtag *#CareDay2016*.

In seven of our retirement living villages we hosted Grandparents Day, inviting friends and families to take part in a range of activities including kite-making and story time. Across our residential sales offices, for a gold coin donation, customers could read about the Foundation and its cause whilst their children coloured in a Touched by Olivia colouring book or made and decorated a kite.

The campaign received incredible support from employees, customers, and our suppliers and partners. Over $290,000 was raised for the Stockland CARE Foundation's charity partners.

Foundation Fortnight 2017 will be held from 2 October to 15 October 2017.

Stockland CARE Foundation raised

$376,034

94
families with access to RedKite's services for kids with cancer

$30,000
of marketing and maintenance costs avoided for Touched by Olivia through volunteering

3 more
inclusive play spaces designed with Touched by Olivia:

- Stockland Shellharbour, NSW
- Stockland Wetherill Park, NSW
- Cloverton, Vic

*For more information on our community initiatives see our **Community Deep Dive** and **Community Data Pack***

*For more information on our customer engagement see our **Customer Engagement & Experience Deep Dive***

Optimise and innovate

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

Our progress

PRIORITIES AND PERFORMANCE OVERVIEW

STRATEGIC PRIORITIES

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

Climate change and energy efficiency

- Reduce emissions and improve climate 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

FY17 PROGRESS

- Electricity intensity reductions: Retail 35% and Office & Business Parks 51% since FY06
- Green Star – Communities: 6 Residential communities achieved 5 star or 6 star ratings
- Waste diversion from landfill: 96% of Residential and 84% of Retail waste diverted (from FY15-17)
- Biodiversity savings: Around 1,972 hectares of land reserved for protection in perpetuity
- Installed a 925 kW solar photovoltaic (PV) system at Stockland Wetherill Park (NSW)
- New targets set for climate change, energy, biodiversity, water, waste and materials to FY20, including longer-term FY25 carbon intensity target.

RESILIENT COMMUNITIES AND ASSETS

For the benefit of our stakeholders, and society more broadly, we are committed to creating climate-resilient assets that operate with minimal disruption, as well as building strong communities that are equipped to adapt to climate change risks and opportunities.

We have a comprehensive approach to assessing and managing the physical risks of climate change for both our assets and our local communities, residents and customers. This approach includes the following key steps:

- Conduct a national mapping exercise of all assets in the portfolio (including those under development) to identify the level of vulnerability and exposure based on 1.5°C to 2°C warming scenarios, their geographic location and perceived exposure to climate vulnerability based on recent experiences.
- Undertake climate and community resilience assessments at assets prioritised through the national mapping exercise.
- Develop an action plan to implement the key recommendations outlined in the assessment process. Recommendations may include the implementation of operational responses, maintenance regimes, emergency response plans and community development programs that focus on improving the health and wellbeing of our communities. This action planning is integrated with annual sustainability and asset/ business planning processes.

Our work in building resilience means that we are able to:

- Optimise asset performance by minimising increases in operating and maintenance costs,
- Make informed decisions 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.

In FY17, we reassessed the climate resilience of our portfolio of North Queensland retail assets, and benchmarked them against their original assessment undertaken in FY15.

OUR TARGETS

To reduce our net environmental impact we aimed to achieve:

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

For our FY18-FY20 targets visit *www.stockland.com.au/sustainability.*

We achieved our target to improve the resilience of our North Queensland retail assets, with the improvements resulting from implementation of climate resilience initiatives (see case study). We also assessed seven residential communities and 10 retirement living villages prioritised based on their climate risk exposure.

Over the past year, we formalised our participation in the University of NSW Microclimate and Urban Heat Island Mitigation Decision-Support Tool Project. The aim of the project is to provide governments and developers with a resource that incorporates existing and emerging evidence to inform policy and practices related to urban design for cooling streetscapes, precincts and cities, decreasing energy consumption, protecting health and vulnerable populations, and improving comfort conditions.

CLIMATE RESILIENT ASSETS

Our climate resilience assessment methodology focuses on the vulnerability of the asset to climate change, particularly its ability to endure severe weather impacts and operate without disruption. As outlined in the figure below, the methodology defines key resilience criteria, with a particular focus on location and design, structure, operation and maintenance, utilities and services, and stakeholders.

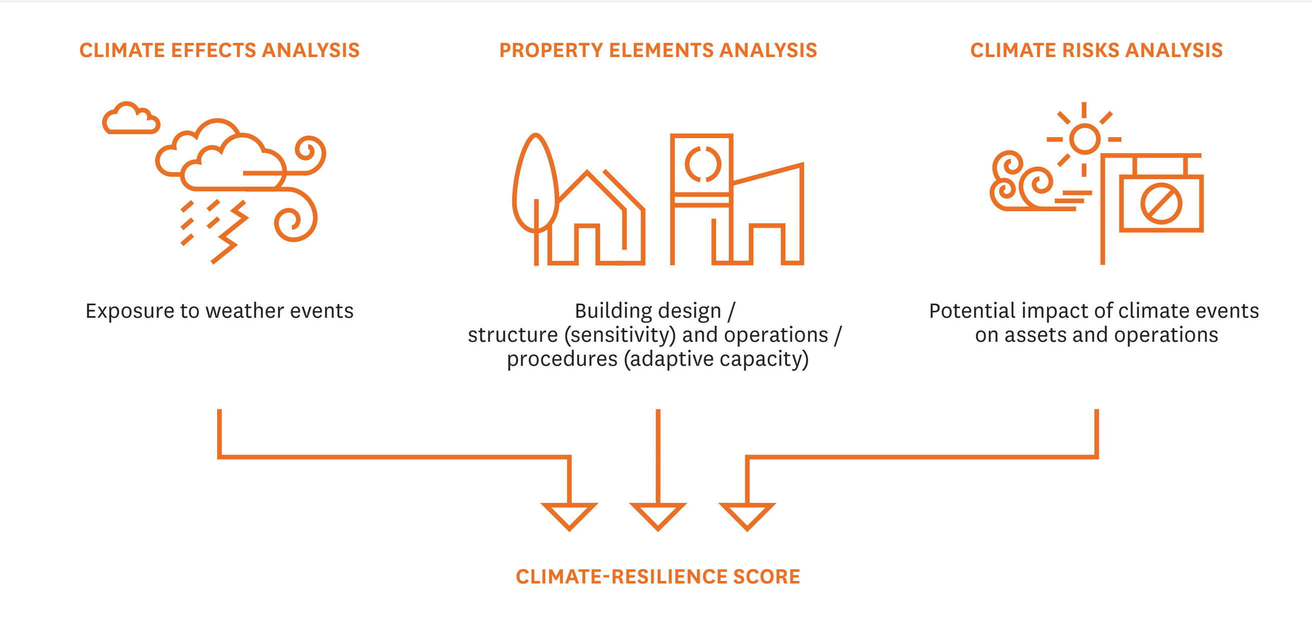
In FY15 we set a FY17 climate resilience target for the assets in our North Queensland retail portfolio. The aim was to improve the score from 5.9 to 5.5 by implementing a range of actions and initiatives aimed at improving reliability and resilience to extreme weather events, better emergency preparedness and greater comfort and amenity for building occupants.

Examples of initiatives and actions included:

- Fastening roofing systems and roof mounted equipment to improve resilience to cyclonic wind,
- Upgrading air conditioning and electrical equipment to provide greater reliability and performance during days of extreme heat,
- Replacing ageing roofing materials and specifying new roofing systems in developments to utilise 'cool roof' technologies to reduce urban heat island effect and heat loads on plant and equipment,
- Improving the design of stormwater drainage infrastructure to be more resilient to the effects of intense flooding, and
- Implementing new business continuity plans and emergency procedures for assets in regions vulnerable to cyclones.

After further experience with extreme weather events and comparison against other portfolio assets, the vulnerability of some built elements was revised due to a lower perceived vulnerability than originally scored or where a particular vulnerability has been removed. For example, our shopping centre in Cairns is no longer deemed a cyclone evacuation centre so the resulting vulnerability has been removed.

On reassessment, the North Queensland retail portfolio achieved an average score of 5.4 from the initial score of 5.9 which is 0.1 ahead of target. This still places these assets in the upper range of moderate vulnerability, due to their proximity to cyclone affected regions, but some assets that were in the high range of vulnerability have had their vulnerabilities measurably reduced due to the implementation of resilience initiatives.



Commercial Property – electricity intensity (kWh/m²)

FY17	64.43
FY16	68.26
FY15	69.30
FY14	69.47
FY13	70.90

Renewable energy generated using solar power (kWh)

FY18-20	12,300,000
FY17	2,376,838
FY16	1,940,689
FY15	292,124
FY14	175,374

TARGETING ENERGY EFFICIENCY AND EMISSIONS REDUCTION

The increasing cost of energy, particularly electricity, poses a challenge for the property industry and for all Australians. Coupled with our commitment to reduce our carbon emissions, improving the energy efficiency of our assets and communities not only improves the cost of operations and living but also provides improved environmental outcomes.

As electricity is an increasing proportion of our assets' operating expenditure, improvements in energy efficiency enable us to reduce cost and improve our operational efficiency. The increasing cost of power also means that renewable energy options such as solar have become cost-effective choices for our energy supply.

Our Commercial Property business accounts for the majority of Stockland's electricity costs. We continue to trial new technologies as they emerge, and where proven successful we stage implementation through the portfolio. In FY17, we implemented a number of energy efficiency projects including:

- LED lighting upgrades at Stockland Shellharbour (NSW), Stockland Tooronga and Stockland Rockhampton (Qld) equivalent to savings of approximately 800,000kWh annually,
- Completion of variable speed drives (VSDs) at Stockland Rockhampton, which has the potential to result in 160,000 kWh of savings annually,
- Completion of our second largest solar system at Stockland Wetherill Park (NSW), which is on track to generate 1,200,000 kWh annually, and
- Completion of LED lighting upgrade at Stockland Point Cook (Vic) and Stockland Hervey Bay (Qld) and a large HVAC upgrade at Stockland Bundaberg (Qld).

Following the successful achievement of our FY17 renewable energy target, we will install a further 12.3 MW of solar PV projects in our Retail portfolio in operating centres and in developments from FY18-FY20.

Our approach to alternative energy is focused predominantly on solar PV in our retail commercial properties, though wind and tri-generation has also been explored across certain assets. Our installed capacity of 2.26 MW includes our newest installation at Stockland Wetherill Park (NSW) as well as installations at Stockland Shellharbour (NSW), Stockland Green Hills (NSW) and Stockland Nowra (NSW).

REDUCTION IN ELECTRICITY INTENSITY SINCE FY06 (kWh/m²)

↓35%
Retail portfolio

↓51%
Office and Business Park portfolio

$78m+
saved

We actively assess the most appropriate locations to roll out solar across the portfolio and focus on alternative energy initiatives that meet our return-on-investment hurdle. Following the successful achievement of our FY17 renewable energy target, we will install a further 12.3 MW of solar PV projects in our Retail portfolio in operating centres and in developments from FY18-FY20.

We also have solar PV installations on a large proportion of our retirement village homes. 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.

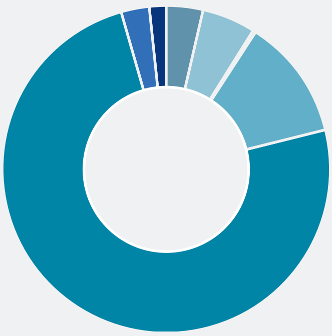
OUR EMISSIONS PROFILE

We report our scope 1 and scope 2 emissions according to our operational control boundary under the National Greenhouse and Energy Reporting Act 2007 (NGER Act).

Residential constitutes the largest proportion of our scope 1 emissions due to contractor construction activity across our developments. Commercial Property constitutes our largest proportion of scope 2 emissions and remains the focus of our strategic energy efficiency initiatives.

Total scope 1+2 emissions (tCO_2-e)

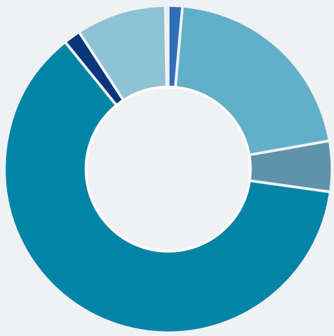
Total scope 1 emissions (tCO_2-e)



	FY17
Office and business parks base building gas	1,010
Logistics centres gas	–
Retail centres gas	1,451
Vehicle fleet fuel	84
Refrigerants leaked	3,224
Residential sites gas	12
Residential contractors fuel and gas	20,278[1]
Retirement living villages gas	745
Retirement living contractors fuel, gas	393
Total scope 1 emissions	**26,884**

1 Construction activities across masterplanned residential communities transition from civil works in FY16 to residential lots in FY17.

Total scope 2 emissions (tCO_2-e)



	FY17
Corporate tenancies electricity	1,418
Office and business parks base building electricity	18,350
Logistics centres electricity	4,328
Retail centres electricity	54,944
Residential sites electricity	1,413
Residential contractors electricity	147
Retirement living villages electricity	7,874
Retirement living contractors electricity	8
Total scope 2 emissions	**88,483**

*For more information please see our **Carbon and Energy Deep Dive** and our **Environmental Data Pack***

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 independent validation that key sustainability aspects, including social and environmental factors, have been considered in our project and asset designs, developments and operations.

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

We have a strong commitment to the use of product rating and certification tools to ensure the sustainability performance of our projects and assets. They include:

- **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.
- **Livable Housing Australia** – 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. We have the largest number of Green Star rated retail properties in Australia, as verified by the GBCA, with 23 assets awarded one or more rating. We have also received the first Green Star rating for a retirement living asset.

We continue to extend our Green Star certifications across our new Retail and Retirement Living projects. In our Retail portfolio we achieved a 4 Star Green Star – Design rating for Stockland Harrisdale (WA); our first ever 5 Star Green Star – As Built rating for retail at Stockland Wetherill Park (NSW).

For our Logistics and Business Parks portfolio, we have committed to integrate sustainability standards into our design brief so that we maintain consistency in the design of logistics buildings that deliver good environmental outcomes.

In our Residential business we use the Green Star Communities tool (see our case study).

We completed **NABERS** Energy ratings for the calendar year 2016 for 23 out of 24 eligible assets in our Retail portfolio and for 16 out of 19 assets in our Office and Business Parks' portfolio. Based on the ratings that have been undertaken, the retail portfolio average for NABERS Energy is 3.98 stars (4.19 stars in FY16) and 3.20 stars for NABERS Water (2.85 stars in FY16). The Office and Business Parks portfolio NABERS Energy rating is 4.74 star and the NABERS Water rating is 3.98 stars.

We remain committed to delivering more accessible housing options for Australians. In FY17, we achieved the following **Livable Housing Australia (LHA)** certifications:

- LHA Silver standard design for Willowdale Community Place, our sustainability and community hub at the Willowdale (NSW) residential community,
- LHA Silver design ratings for two homes in the Aura (Qld) display village, and
- LHA Silver standard at Birtinya Retirement Village (Qld), our first vertical village.

We updated and relaunched our Retirement Living design guidelines to reflect LHA principles, and remain committed to 100% Silver LHA in new greenfield retirement villages. We are working to deliver LHA more efficiently with our builder partners. We will continue to improve processes to enable better delivery and better awareness within the market.

In addition to rating our assets we have minimum standards for our assets. These include targets for water quality and waste management.

For the FY15-FY17 target cycle, our Commercial Property combined landfill diversion rate on four major retail construction projects was 84%, against our target of 80%. In our Residential and Retirement Living businesses we achieved a diversion of waste from landfill rate of 97%. At our new Newport community (Qld), we worked with our principal contractor to develop a refined spoil management strategy that enabled the project to reuse 1.5 million cubic metres of spoil on site (read more in our case study).

Portfolio sustainability ratings

3.98 NABERS Energy Retail portfolio average*	**4.74** NABERS Energy Office and Business Parks portfolio average*	**22** Green Star Performance rated Retail assets
3.20 NABERS Water Retail portfolio average*	**3.98** NABERS Water Office and Business Parks portfolio average*	**24** Green Star Design, Communities & As Built rated assets

* Includes assets eligible for a rating

For more information please see our ***Asset Ratings and Certification Deep Dive***

GREEN STAR COMMUNITIES

The Green Star – Communities rating tool, administered by the Green Building Council of Australia (GBCA) is a voluntary certification for developers of masterplanned communities that recognises the achievement of best practice sustainability outcomes. We seek Green Star – Communities ratings for our residential projects so that the project's sustainability outcomes are independently verified and benchmarked by the GBCA. The tool relies on scientific and holistic analysis, which has been peer-reviewed and ratified by more than 1,000 industry and sustainable development experts.

Over the past year, we advanced our first 6 Star Green Star – Communities rated community at **Aura** (Qld, rating achieved in FY15) by achieving additional Green Star – Communities credits for the development. These additional sixteen points lift Aura's score to 91.3 points, and makes it the highest-scoring Green Star – Communities rated development in Queensland (second-highest nationally). Our community at Aura was recognised for its:

The highly coveted 6 Star Green Star – Communities rating signifies world leadership in the design of the masterplan, which sets the highest possible sustainability standards for the community both during construction and after it is completed.

- Heat island effect reduction through provision of open space and cool roofs, both of which reduce heat stress and also contribute to energy savings in cooling homes,
- Cool Roof policy, which establishes guidelines for the roofs of homes to reduce the heat island effect,
- Veloways that provide leading cycling infrastructure, separating cyclists from motorists and improving cycling connections,
- Dark Sky Alliance-compliant LED street lights, which improve night sky amenity and reduce impact on nocturnal fauna, and
- Aura's community stewardship program, which empowers the community to engage and contribute to the successful operation and longevity of the environment and society.

Aura has set a strong precedent that has been followed by the Residential business, which achieved six more Green Star – Communities ratings in FY17:

- **Newport** – 5 Star (*Australian Excellence*)
- **Altrove** – 5 Star (*Australian Excellence*)
- **Willowdale** – 6 Star (*World Leadership*)
- **The Grove** – 5 Star (*Australian Excellence*)
- **Cloverton** – 6 Star (*World Leadership*), and
- **Calleya** – 6 Star (*World Leadership*).

BIODIVERSITY MANAGEMENT – A NET POSITIVE OUTCOME

The impacts of our business on biodiversity are, for the most part, unique to our greenfield residential developments and in particular our masterplanned communities. These impacts occur both during construction (e.g. clearing, sediment runoff, changed hydrological regimes) and as a result of urbanisation (e.g. poaching species, introduction of invasive species, isolation of habitat).

Our developments can leave biodiversity in better shape through conservation, investment, secure ownership, and ongoing management, especially when compared with the existing state of many pre-development sites. These sites are often degraded habitat, facing continued impacts from threatening processes. They are also usually in private ownership with no certainty over conservation outcomes. When we develop the site, in some cases we will retain the majority of biodiversity, and in some cases land will be cleared. Where this is the case, conservation in perpetuity of remaining biodiversity or biodiversity off-site provides certainty for ecological communities and species.

Our developments can leave biodiversity in better shape through conservation, investment, secure ownership, and ongoing management, especially when compared with the existing state of many pre-development sites.

In FY15 we set a target of delivering a positive biodiversity outcome across all of our new projects between FY15 to FY17, as measured by the biodiversity calculator. A total of 11 new projects were delivered over this period, and we met our target to deliver a net positive outcome.

WASTE MANAGEMENT

The materials and equipment used within our assets have a significant bearing on the capital cost of our projects and on the operating cost and efficiency of the assets we retain and manage as owners.

Our FY17 diversion from landfill rate for Residential and Retirement Living development was 97 per cent, which exceeded our target rate of 60 per cent due to a number of large residential projects not needing to export large amounts of debris from site.

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 was 45 per cent, exceeding our waste diversion target of 36 per cent. In our Office and Business Parks portfolio, waste diversion from landfill was 43 per cent; just short of the 45 per cent diversion target.

We also undertook a Life Cycle Assessment on our Stockland Green Hills (NSW) redevelopment. Results from the analysis showed a cumulative 142 per cent reduction in environmental impact was achievable by the proposed building design for Stockland Green Hills compared to the standard reference building.

SPOIL MANAGEMENT SAVES MILLIONS

Our forthcoming community at Newport (Qld) on the Redcliffe Peninsula will feature a range of waterside and waterfront homes, a retail and dining precinct, a retirement village, foreshore parks, and a proposed 23-hectare lake with access to Moreton Bay.

The earthworks required to develop a site like Newport can be emissions intensive and often require sending large amounts of dirt off site to landfill. As with all of our developments, we have worked with our contractors to deliver sustainable outcomes on construction sites, such as minimising the environmental impacts from earthworks.

At Newport, we worked with our principal contractor to develop a refined spoil management strategy that enabled the project to reuse 1.5 million cubic metres of spoil on site. That's over 600 Olympic swimming pools worth of material that may have otherwise ended up in landfill.

Earthworks at Newport also prioritised the use of scoops over dump trucks to transport dirt, given the relative fuel efficiency of scoops. Prioritising scoops saved the project over 114,000 litres of fuel.

This equates to a saving of over $135,000 (using 2016 average Queensland diesel fuel price of $1.192 per litre) and over 305,000 kg CO_2-e of greenhouse gas emissions avoided.

The project saved over $3.5 million by not having to pay to export material off site and import new material.

These sustainable earthworks initiatives at Newport protect our natural environment, save money, and improve the competitiveness of our business and our suppliers. Our leadership in sustainable development was a key factor in receiving approval to proceed with Newport, further underscoring the value of sustainable practices for efficient property development that delivers value for us, our suppliers, and the communities in which we operate.

Newport (Qld)

Enrich our value chain

When we collaborate our outcomes are strong and relationships prosperous.

Our progress

PRIORITIES AND PERFORMANCE OVERVIEW

STRATEGIC PRIORITIES

Our four value chain focus areas are:

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

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

Stakeholder engagement (see page 18)
- Develop and maintain strong relationships through regular and genuine engagement with stakeholders

FY17 PROGRESS

Employee flexible work options
- 70% of employees now work flexibly

Diversity
- 45.9% women in management

Safety
- Corporate LTIFR of 1.8 down from 4.0 in FY16

Stakeholder engagement
- Aura Engagement Excellence Program – Project Innovation Award at the 2017 Property Council Innovation and Excellence Awards

Enabling enduring employment
- 74 job placements through Green Hills Connectivity Centre at our Stockland Green Hills redevelopment

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 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.

We continued focus on implementing our supply chain framework and providing 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.

OUR TARGETS

So that we create and maintain positive relationships and collaboration within our value chain, we aim to:

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

Stockland expects its suppliers and their supply chain to meet commitments in regards to governance and management, environmental impact, health and safety, social value, human rights and capability and capacity.

For more information please see our ***Supply Chain Management Deep Dive***

BOOSTING LOCAL EMPLOYMENT

We expect our suppliers to actively engage with the communities in which we operate. Suppliers are encouraged to source labour, goods, and services from local communities, thus maximising the opportunities for our projects to benefit both Stockland and locals.

We partnered with the primary contractor of our $412 million shopping centre redevelopment of Stockland Green Hills (NSW) to focus on local employment opportunities provided by the project. Over the past year, the project created 1,495 construction jobs within the local community (defined as contractors residing within 50 kilometres of the site). Furthermore, the project has procured over one-third of its construction services from within the local area (measured by value).

Another feature of our Green Hills redevelopment is the Green Hills Connectivity Centre, which we set up in collaboration with the primary contractor on the project. The aim of the Connectivity Centre is to connect job seekers with employment opportunities, and to upskill individuals in preparation for the workplace. Over the past year, the Connectivity Centre placed 74 people into employment in construction, retail, and administration positions. The Centre also provided post-placement support to 19 employers to ensure placement retention.

The Green Hills Connectivity Centre connects job seekers with employment opportunities, and upskills individuals in preparation for the workplace. Over the past year, the Connectivity Centre placed 74 people into employment.

The Connectivity Centre also convened workshops such as the Customer Service Workshop, where young job seekers interested in working in industries such as retail and hospitality can gain a statement of attainment to increase their employability.

Other workshops hosted by the Connectivity Centre during the year include Driver Learner and Driver Awareness workshops, as well as Interview Technique workshops.

One of the highlights of the year for the Connectivity Centre was an art exhibition that the centre hosted in April 2017. The exhibition engaged job seekers in the local community who are artistic or undergoing art as therapy, and encouraged broader community engagement with the centre. The exhibition involved a collaboration with Maitland City Council and the Local Aboriginal Land Council, and was featured in the local paper the day after winners were announced.

Aerial photograph of construction at Stockland Green Hills. The Green Hills Connectivity Centre has assisted locals to find employment in construction, retail, and administration positions within the centre.

EMPLOYEE ENGAGEMENT AND DEVELOPMENT

Building a highly engaged workforce is critical to our success as an organisation and our ability to deliver on our priorities. For over a decade Stockland has partnered with Willis Towers Watson, a leading global advisory company, to design and deliver the Our Voice employee engagement survey, which is one of the key ways we measure the engagement of our employees.

- Employees consider that we care about **health and safety** (92 per cent), with employees indicating their work area is a safe place to work (96 per cent), that Stockland provides adequate OH&S systems, resources & training (90 per cent), and prompt and effective action is taken when unsafe conditions are brought to management's attention (90 per cent).

In 2017, we achieved an employee engagement score of 82 per cent, which remains above the Australian National Norm of 75 per cent.

In 2017, we achieved an employee engagement score of 82 per cent, which remains above the Australian National Norm (ANN) of 75 per cent. 96 per cent (14 points above the ANN) of employees indicated they fully support the values for which Stockland stands, 91 per cent of respondents said they believe strongly in the goals and objectives of Stockland, and 95 per cent of respondents indicated 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** had a positive rating of 88 per cent, which is nine points above the Global High Performing Norm (GHPN), reflecting our employees' belief that we are doing a good job of integrating sustainability into our projects, activities (86 per cent), and our products and services (84 per cent).
- **Diversity and Inclusion** continues to be a key driver of employee engagement for our employees, with 86 per cent of employees considering we are diverse and inclusive. As we continue to create a more diverse and inclusive workplace, it is encouraging to note the large proportion of employees who agree that men and women have the same opportunities to advance at Stockland (83 per cent), perceive the working environment to be accepting of differences with regard to people with disabilities or psychological/physical impairment (86 per cent), and agree Stockland is accepting of differences with regard to cultural background or lifestyles (93 per cent).
- **Leadership** remains steady with a score of 73 per cent, eight points above the ANN, and people have a clear sense of direction from the Leadership Team at 80 per cent. These results reflect concerted efforts on employee communication, and visibility of leaders reinforcing our objectives and priorities.

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

- Employee satisfaction with our **work processes and systems** (66 per cent) has declined from last year. Improving systems and technology is an organisational priority area, and so it is encouraging to note that employee perceptions of the efforts to enhance systems and technology improved (by four points to 79 per cent). The Core Systems Program launched last year aims to consolidate and streamline our management systems.
- Work processes continue to impact **employee enablement**, which encompasses work systems, employee wellbeing, and efficiency of processes. While 55 per cent of employees believe Stockland is working to make processes as efficient as possible, some are experiencing obstacles to doing their job well (65 per cent). In parallel to the Core Systems Program we are reviewing key operating models and processes to improve efficiencies across the organisation.
- **Innovation** continues to be a focus area for improving organisational performance and employee engagement. The Core Systems program is an example of where we are challenging our traditional ways of doing things (69 per cent) and trying new approaches to address business challenges (75 per cent). Through quarterly Leadership Team gatherings, the Stockland Leadership Experience for Senior Leaders, and the graduate program, we are improving collaboration across business units (63 per cent).

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.

We achieved our target of less than 12 per cent employee-initiated turnover for employees with Strong performance or above (turnover rate 10.6 per cent). Stockland-initiated turnover decreased in FY17 after an increase in the second half of FY16 as a result of redundancies that were a part of the formation of the Stockland Support Centre (SSC).

Our overall turnover rate decreased to 17.5 per cent from over 20 per cent in FY16.

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 FY17 employee engagement results reiterate the importance our people place on Diversity and Inclusion, which continues to be a key driver for engagement and retention. The Diversity and Inclusion Index from our 2017 Our Voice survey has remained steady at 86 per cent, and continues to be above Australian National Norm for Diversity and Inclusion.

To expand the reach of Diversity and Inclusion through our business, we have established Employee Advocacy Groups under the diversity pillars of: Gender Equity; Parents and Carers; Wellbeing, LGBTI+ and Cultural Inclusion; and Disability and Flexibility.

The achievements of the Employee Advocacy Groups included updates to the Parents and Carers Leave Policy and the launch of our second Reconciliation Action Plan.

At the launch of our second RAP we acknowledged some of the achievements from our first plan, which spanned FY14-17. They included over $3 million in procurement from First Nation suppliers, the sponsorship of four scholarships for Indigenous students through the ABCN Scholarship Foundation, and the development of an Indigenous Employment Strategy.

PARENTS AND CARERS LEAVE POLICY

Mark Steinert, Managing Director and CEO and Davina Rooney, General Manager Sustainability at Stockland's Head Office Childcare Centre Treehouse.

In FY17, the Parents and Carers EAG made policy changes to the Parental Leave experience at Stockland. The group initiated five changes to our Parental Leave policy:

1. **Changes to the timing of non-primary carer's leave** – In consultation with employees it was found that the previous policy granting 10 days leave immediately following the birth or adoption of a child was not always the best use of leave. Employees told the EAG that being able to take the 10 days of non-primary carer's leave anytime during the first year would be more appreciated.
2. **Introduction of accrued long service leave** – Employees can now access accrued long service leave on their 10-year anniversary of joining Stockland, regardless of whether parental leave has been taken (accrual is still based on paid service).
3. **Improved clarity on eligibility for short-term incentive payment** – Employees need a minimum of one month's paid service to be eligible for an STI payment (excluding paid parental leave) for existing employees (previously was three-month requirement).
4. **Amended primary carer's leave for fathers/partners** – Primary carer's leave can now be accessed within 12 to 18 months at the business's discretion (was previously only available within 12 months).
5. **Enhanced primary carer's leave** – The policy now allows for 16 weeks paid leave including superannuation plus the choice of one parental flex option:
   (a) an additional two weeks paid leave,
   (b) superannuation paid during period of unpaid leave up to one year (up to 36 weeks), or
   (c) a lump sum payment of $3000 (gross) on return from leave.

The policy has been extended to long -term foster care arrangements.

*For more information please see our **Employee Engagement Deep Dive***

*Read our Reconciliation Action Plan at **www.stockland.com.au/about-stockland/stockland-in-the-community***

AURA ENGAGEMENT EXCELLENCE PROGRAM

We conceived the Aura Engagement Excellence Program during the initial planning stages of **Aura** (Qld), Australia's largest masterplanned community under single ownership.

The program identifies and optimises opportunities for community management of natural areas within Aura. We developed a strategy following extensive consultation with local community organisations and the Sunshine Coast Council about the best way to involve the local community in the long-term delivery of Aura.

This feedback indicated that a community -led reference group should be created to work with us to guide the preservation and management of natural areas. Program implementation commenced in 2014 with the founding of the Aura Community Stewardship Group, co-ordinated by independent organisation, Healthy Land and Water. It continues to evolve and now includes more than 18 community stakeholder groups working in close collaboration with us to manage natural areas within Aura.

Representatives meet quarterly to discuss prospective research, conservation and rehabilitation opportunities.

The program has built strong relationships between our business and the community and has been instrumental in delivering industry-leading sustainability, environmental, economic and social outcomes for the masterplanned project. Program outcomes include:

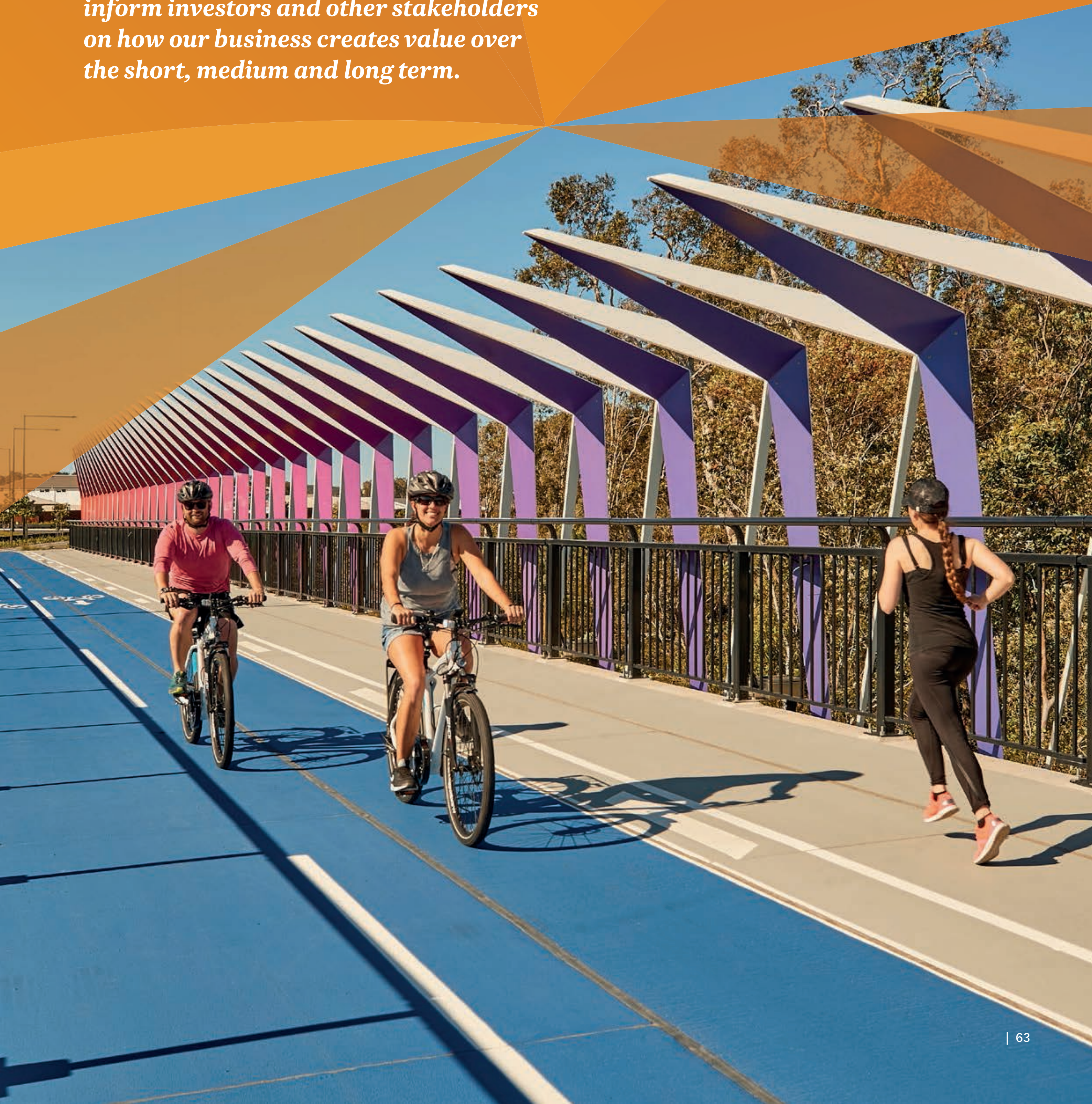
- Community stewardship of Aura's natural beauty,
- Early rehabilitation of key natural areas, well in advance of the project's State and Federal obligations, and
- Enabling us to pilot new construction technologies including High Efficiency Sediment Basins to ensure maximum protection of downstream waterways.

This community engagement methodology and its implementation was awarded a 6 Star Green Star – Communities rating from the Green Building Council of Australia.

The program was also recognised at the 2017 Property Council of Australia Innovation and Excellence Awards, where the Aura Engagement Excellence Program took out the Project Innovation Award.

Our reporting approach

The aim of our integrated approach is to inform investors and other stakeholders on how our business creates value over the short, medium and long term.



MATERIALITY PROCESS

Stockland has used the materiality definition from the Integrated Reporting Framework, which 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 FY17 material matters using the following process.

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

Identify	Evaluate and Prioritise	Alignment and Disclosure
We combined the outcomes of the following two materiality processes to identify draft material matters: 1. Materiality test capturing internal and external perspectives in alignment with the principles of AA1000 and GRI G4, including: • 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. The resulting list of matters served as a starting point for our integrated reporting materiality workshop.	An integrated reporting materiality workshop was held with members of the leadership team to identify any additional relevant issues, rank issues of greatest significance and prioritise them based on their ability to affect value. Material matters were mapped in terms of their potential impact on value creation over the short, medium and long term.	Following the materiality workshop, the final list of material matters was presented to our internal Integrated Reporting Committee. Once confirmed, the matters were submitted to the Executive Committee and the Board for review. An alignment check was also performed, with our strategy review process and sustainability materiality outcomes.

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.

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 reasonably 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 appropriate 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 lower 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 and a replenished landbank supported by a strong balance sheet to provide funding flexibility.

Other stakeholders' interests potentially impacted by this issue include returns for investors, our customers' ability to purchase/lease, and growth in the property sector in general.

*See **Capital Strength** pg 35, **Grow Asset Returns and our Customer Base** pg 29*

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 the identification and integration of 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.

In FY17, we successfully implemented Salesforce and SAP SuccessFactors modules. Deployment of further SAP and Salesforce capabilities will continue during next year. We continue to maintain two-way engagement with employees to enable a smooth transition.

*See **Operational Excellence** pg 39 and our **Employee Engagement and Development Deep Dive***

Housing affordability is increasingly challenging in Australia

Our Residential business is influenced by the dynamics of the Australian housing market. Housing affordability remains of key concern for Australians as the price of housing and rental properties continues to increase. While current regulatory settings are likely to lead to some moderation in growth rates for residential property prices, we continue to expect an elongated cycle for the east coast markets.

In response we consider a suite of measures is required to unlock housing supply and address affordability. These include early planning and delivery of infrastructure and simplified development controls to enable housing diversity. Our affordability initiatives in Queensland, New South Wales and Victoria have given first home buyers priority to purchase land and get a foothold in the market.

We will continue to partner with government and industry to drive solutions and provide a broader mix of value for money housing options including house and land packages, completed housing, medium density and apartments.

We have also assessed the demand from home owners and investors so that our residential communities remain attractive to future buyers. While lending conditions for investors and foreign buyers are tightening, owner occupiers remain our core focus and represent 75% of our net residential sales, with less than 3% of total buyers requiring Foreign Investment Review Board approval.

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

Extreme weather, security risks and price shocks impact business continuity and community resilience

The safety of our customers and employees is a key priority. Managing 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.

We also assess the impact of prices shocks on our business including electricity costs. We have assessed and implemented energy strategies and continue to grow our number of renewable energy installations across the portfolio.

Our focus on developing sustainable communities also assists in increasing the resilience of our assets. As part of our sustainability strategy we are increasing the climate resilience and resource efficiency of our assets to benefit our business, our customers and the broader community.

*See **Optimise and Innovate** pg 49, our **Health and Safety, Climate and Community Resilience** and **Carbon and Energy Deep Dives***

Change within the retail sector impacts rental growth

The retail landscape is constantly evolving. Within the last 10 years the sector has seen a convergence of technical advances, in particular e-commerce, changes in underlying consumer behaviour, and the entry of new, international retailers. These changes have challenged some of our retailers.

We have been proactive and have pre-empted many of the changes. We continue to:

- Focus on experiential retail, services, and food catering,
- Redevelop our assets to create diverse, walkable town centres that form the social hub of the community, and
- Leverage deep customer insights and analytics to inform our tenant remixing.

*See **Grow Our Asset Returns and Customer Base** pg 29 and our **Customer Engagement and Experience Deep Dives***

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.

We acknowledge the possibility of regulatory changes focused on reducing carbon emissions, particularly in the context of Australia's ratification of the 2015 Paris Agreement to limit global temperature increases to below 2°C. We regularly engage with government and industry stakeholders on mitigating long-term impacts of climate change. We are well placed to accommodate future climate change regulation given our established focus on energy efficiency and renewable energy across our portfolio.

We understand there is currently a lot of focus on the retirement living sector. We take pride in our Retirement Living business, and we are committed to open, transparent and respectful relationships with our residents. We proactively engage with government and industry to continue to raise standards across the whole industry.

*See **Our Business and Strategy** pg 11 and our **Stakeholder Engagement Deep Dive***

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 changing demographics, including an aging population and more socially conscious millennials.

We are continuing to evolve our market-leading product innovation and deepen our customer insights using our proprietary Liveability Index research, Stockland Exchange (our online research community), Quantium (which provides data-driven customer insights to inform how we view markets and opportunities) and other data sources.

We are fostering a culture of innovation where we remain flexible and identify and take advantage of opportunities to leverage movements in stakeholder preferences. We are enhancing our design excellence, providing greater functionality and value for money.

Importantly, we continue to 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.

*See **Operational Excellence** pg 39, **Optimise and Innovate** pg 49, and our **Customer Engagement and Experience, Climate and Community Resilience, Community** and **Employee Engagement and Development Deep Dives***

Our ability to harness opportunities arising from digital disruption

There are a myriad of challenges and opportunities that arise from digital disruption, including changes to the way we use digital technology. We need to be accessible and responsive and to anticipate future consumer behaviour and potential disruption to our sector.

To remain competitive we must continually assess and leverage digital innovation. This includes facilitating a connected and agile workforce, more efficient business and supply chain processes, and digital lead nurturing and customer-centric innovation.

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

*See **Grow Our Asset Returns and Customer Base** pg 29, **Operational Excellence** pg 39*

Capital market volatility impacts our ability to access suitable capital

Our 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. Variable economic activity and changing capitalisation rates may impact the valuation of our assets.

Over the past decade 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.

*See **Capital Strength** pg 35*

Our ability to adapt our operating model to meet the changing nature of the workforce

Physical and organisational boundaries are becoming increasingly blurred as new technology enables greater workplace flexibility, including when and where employees work, and encourages creative and adaptive teamwork. This year we successfully deployed cloud-based systems such as Office365, Salesforce and SAP SuccessFactors to improve collaboration and flexible working.

We will continue to encourage flexible work practices supported by our policies, new collaboration platforms and training our senior leaders to be more agile and resilient.

*See **Operational Excellence** pg 39 and our **Employee Engagement and Development Deep Dive***

Increasing expectation on corporates

Community expectations on the social and behavioural operations of a “good corporate” are changing. Corporates are increasingly expected to work in partnership with the community and government on societal issues. We are well placed to meet these expectations and have a strong reputation for sustainability leadership and community development.

*See **Operational Excellence** pg 39 and the **Chairman’s Letter** pg 02*

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 at *www.stockland.com.au/corporate-reporting/downloads*.

Designed and produced by Landor

Stockland Corporation Ltd
ACN 000 181 733

Stockland Trust Management Limited
ACN 001 900 741; AFSL 241190

As responsible entity for Stockland Trust
ARSN 092 897 348

Head Office
Level 25, 133 Castlereagh Street
Sydney NSW 2000

Sydney
Telephone 02 9035 2000

Melbourne
Telephone 03 9095 5000

Brisbane
Telephone 07 3305 8600

Perth
Telephone 08 9368 9222

www.stockland.com.au