Annual Review 2013

About this report

Welcome to Stockland's 2013 Annual Review – reporting on our financial, social and environmental performance for the period 1 July 2012 – 30 June 2013.

In FY13 we continued our involvement in the Business Pilot Program for Integrated Reporting, led by the International Integrated Reporting Committee (IIRC). The Annual Review 2013 is our second report that looks to integrate reporting on the management of our financial, social and environmental performance.

For Stockland, integrated reporting is a journey toward more meaningful corporate reporting and will be a process of continuous improvement, one that will provide great benefit to both the organisation and our stakeholders. We look forward to further developing our approach and the quality of our integrated report disclosure over the coming years. Our reporting approach and materiality is discussed in detail on page 53.

Our full reporting suite for 2013 is:

- **Annual Review** – focusing on strategy, corporate governance, and our integrated financial, social and environmental performance.
- **Shareholder Review** – a concise version of the Annual Review sent to all securityholders.
- **Financial Report** – a detailed account of our FY13 financial performance.
- **Property Portfolio** – details on each of the assets within our portfolio, updated every six months.
- **Sustainability Reporting (online only)** – in-depth sustainability performance and management report in accordance with GRI G4, including detailed discussion on our material issues, data sets and case studies.

Copies of all reports are available online at **www.stockland.com.au/reports/2013**

Feedback

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

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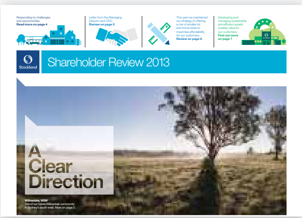


View our full Sustainability Performance: **www.stockland.com.au/sustainability**

Further information

For more information on Stockland, including the latest financial information, announcements, property news and corporate governance information, visit our website at **www.stockland.com.au**

Letter from the Chairman

A Clear Vision

Stockland has embedded sustainability in all aspects of our business over many years. Both our employees and the Board take great pride in working for a group with a deep commitment to being a diverse, socially concerned and environmentally responsible organisation.

For Stockland, the past year was one of transition. In January, we appointed our new CEO, Mark Steinert, following the retirement of our long-serving CEO, Matthew Quinn. We have refreshed our senior executive team with new appointments from both within and outside the Company. We reviewed and redirected our strategy for future growth to better build on our key strengths, but also to retain the ability to respond to market opportunities with greater agility and discipline. We rebased our Residential business by adopting more conservative project valuations and revised our approach to capitalised interest to make our projects more financially robust. We raised $400 million in equity capital to help fund our accretive development pipeline and build our Industrial asset portfolio while maintaining low gearing to reduce the volatility of future earnings.

The Board is confident that we have in place the right plan to improve returns for securityholders as the property market recovers, and the right leadership team to achieve that plan.

Our FY13 results

As previously reported, our results in FY13 were disappointing, largely reflecting the prolonged downturn in the Australian residential land market and related impairments. While earnings in our Residential business were hit hard, our Commercial Property and Retirement Living businesses performed well in difficult market conditions. In FY13 we substantially completed three major shopping centre projects – Merrylands, Shellharbour and Townsville – in which we have invested some $900 million over the past two to three years.

Our Underlying Profit in FY13 was $494.8 million, down from $676.1 million in FY12. Underlying earnings per share was 22.4 cents, 24 per cent lower than in FY12.

Our statutory profit in FY13 fell by $382.4 million from FY12 to $104.6 million, largely due to impairment in the value of a number of residential land holdings of $354.8 million. The majority of the impaired projects were acquired prior to the Global Financial Crisis, and many were “lifestyle projects” for which the market has declined steeply in recent years. We plan to work out or sell these impaired projects as soon as market conditions permit to return cash to reinvest for stronger returns in other areas.

Distributions

Despite reduced earnings in FY13, our strong balance sheet enabled us to deliver on our commitment to maintain full-year distributions at the FY12 level of 24 cents per security even though this payout ratio was above our target range. It is our intention to again hold our distribution at 24 cents in FY14, in the absence of a major market downturn, and this is a mark of the Board’s confidence that our earnings should improve steadily.

We maintained our prudent balance sheet management in FY13, retained our A-/Stable credit rating and reduced our gearing to 22.7 per cent as at 30 June 2013. While the Group’s overall financial position is strong, the recent Residential impairment provisions make it sensible to move up to $510 million of capital from the Stockland Trust to the Corporation to better position our development businesses for future growth. We will seek securityholder approval for this at the October AGM.

Our new team

Our new CEO, Mark Steinert, commenced in January 2013. Mark has 25 years of experience in property and financial services, and came with a strong reputation for his analytical and strategic approach, together with his experience in fostering an engaging work environment for employees.

We have made a number of further changes to our senior management team to give us the right mix of skills and experience to lead the business in the years to come. Pleasingly, two of these senior appointments were made from within the Group (Andrew Whitson – Residential, and Stephen Bull – Retirement Living) reflecting the success of our talent development and succession planning. Simon Shakesheff – Strategy & Stakeholder Relations, and Tiernan O’Rourke – Chief Financial Officer, bring to us valuable expertise from other organisations.

Responsible remuneration

We continued our policy of recent years of executive remuneration restraint, and for the second successive year senior executive pay was unchanged in FY13. We have also awarded no pay rises in FY14 except where there has been a change of responsibilities. Total annual bonuses paid across the Group were significantly down on prior years, demonstrating a clear alignment between performance and reward. In line with our new policies, a third of annual bonuses for senior executives was awarded in Stockland securities with deferred vesting. No senior executives earned any long-term incentive vesting in FY13 as the relevant performance hurdles were not met.

Our commitment to sustainability

Stockland has embedded sustainability in all aspects of our business over many years. Both our employees and the Board take great pride in working for a group with a deep commitment to being a diverse, socially concerned and environmentally responsible organisation.

In FY13 Stockland again achieved international recognition for its leadership in sustainable management with our continued listing on several global indexes, including being ranked second globally for real estate companies on the RobecoSAM Index.

In conclusion

I conclude by thanking my Board colleagues, especially the Chairs of our Committees, for their dedication and hard work during a year which presented many challenges. On behalf of all securityholders, I would also like to thank our dedicated employees for their steadfast commitment during a year of change, challenge and achievement.

I look forward to reporting Stockland's progress to you at the AGM in October.

Graham Bradley
Chairman

The Board is confident that we have in place the right plan to improve returns for securityholders as the property market recovers, and the right leadership team to achieve that plan.

Letter from the Managing Director

A Clear Direction

We have begun to execute a plan to make our business more resilient and profitable in the future by reshaping our portfolio, improving capital and operating efficiency and growing revenue.

Since joining Stockland in January 2013 I have visited dozens of our assets and the people who operate them. I have not been disappointed: I have seen what sets our business apart – quality assets, a strong and ethical corporate culture and people with a passion for creating great places to live, shop and work.

Clearly the business has faced performance headwinds in recent years. I am, however, confident that we have re-established strong foundations from which to deliver growing and predictable returns for our securityholders.

Clear direction

A key task in my first six months was to conduct a detailed strategic review and to put our revised plan quickly into action. In defining our strategy we set a clear objective in relation to our securityholders: to deliver earnings per share growth and total risk-adjusted returns above our sector.

To achieve this we have identified optimal target weightings for each asset class in our portfolio to guide our allocation of capital within a disciplined risk/return framework. We are executing plans to maximise returns from our existing assets and we have restructured the business to improve our efficiency. Unchanged in the strategy is a firm commitment to prudently managing our balance sheet, retaining our A-/Stable credit rating and managing our gearing within our target range, ensuring we are able to fund our growth plans.

Commercial Property

Our Commercial Property business, which accounts for around 70 per cent of our assets, continues to deliver a solid and reliable stream of recurring income for the Group. Overall, our Commercial Property profit in FY13 was lower than the previous year, reflecting our strategy of divesting non-core, mainly Office, assets that do not meet our risk/return hurdles.

Retail: We achieved a five per cent increase in net operating income in our portfolio of shopping centres. This reflected the contribution of newly developed centres and demonstrated the particularly resilient nature of the assets in our portfolio, which tend to have a relatively high proportion of non-discretionary and service-based retailers and have sustainable tenant occupancy costs.

We are strongly committed to continuing to grow our Retail business through the redevelopment of centres in our portfolio which are well-suited to being upgraded and expanded. We opened stages at three major redevelopments in FY13 and have commenced our next project at Hervey Bay in Queensland.

Office: By tightly managing our Office assets we lifted our comparable net operating income, which measures like-for-like assets, by two per cent and improved occupancy and weighted average lease expiry.

Our strategy is to maintain a tactical exposure to Office, optimising the performance of our assets to maximise returns, lowering our total weighting to Office when we view market conditions as being right.

Industrial: Net operating income in our Industrial business decreased 18 per cent from the previous year, mainly due to asset sales in FY12 and a high number of leases expiring in FY13. Pleasingly we executed leases on 288,000 sqm of space during the year positioning the portfolio for income growth in FY14.

Our strategic review confirmed that industrial assets are an important part of our diversified portfolio and accordingly we intend to grow our exposure to this sector over time. We are optimising the performance of our existing assets and assessing growth opportunities within and outside our existing portfolio.

Residential

The performance of the Residential business was significantly impacted by market softness which affected both volume and prices and required impairment of non-core holdings. The profit decline in FY13 also reflected the shift in sales mix, with a lower proportion coming from higher margin projects in Victoria, and the adoption of a more conservative approach to interest capitalisation, a change which should deliver more consistent returns over time. Overall, Residential Operating Profit declined from $198 million in FY12 to $60 million in FY13. The change in interest approach accounted for $34 million of the decrease.

We have begun to execute a plan to make our portfolio more resilient and profitable in the future by reshaping our portfolio, improving capital and operating efficiency and growing revenue. We are already accelerating the sale of impaired projects and bringing higher margin projects to market. We have restructured our business to reduce costs and identified opportunities to apply our Group Project Management and Procurement capabilities to greater advantage. We have also identified projects in our portfolio where we can increase revenue and broaden market reach by expanding our medium density offering.

Retirement Living

We have a clear strategy to continue to grow returns in the Retirement Living business by improving scale and efficiency. Our ability to grow is largely in our control, with a strong development pipeline at sites we already own, efficiency improvements well in train, and a commitment to maintain consistently high customer satisfaction.

The Retirement Living business continues to deliver against its strategy with a solid result despite the soft residential market. Operating profit was up six per cent on the previous year and return on assets also rose, thanks to a record number of settlements.

> I have seen what sets our business apart – quality assets, a strong and ethical corporate culture, and people with a passion for creating great places to live, shop and work.

Outlook

Having assessed the business and put our revised strategy into action, I am confident we will see a steady improvement in Stockland's earnings from FY14 as new Retail, Residential and Retirement Living projects begin to contribute, and as recent Industrial letting, rental growth and cost reduction initiatives begin to come through.

However, improvement in Residential earnings will likely be constrained as we continue to trade through impaired and low margin projects. It will also take some time to see the full benefits of our new strategic priorities, particularly in Industrial and medium density housing development.

We are targeting FY14 earnings per share of four to six per cent above FY13, assuming there is no material decline in market conditions.

I am confident that the strategic direction we have set, the new leadership appointments we have made and the actions we have taken this year will position us well to deliver sustainable, competitive and growing returns into the future.

Mark Steinert
Managing Director and CEO

01. Our performance in FY13

This has been a challenging year and we have responded with a number of important strategic decisions.

A Clear Outcome

Stockland Marylands, New South Wales

Key performance results

FY13 was a difficult year with profit impacted by challenging residential market conditions in FY12 and ongoing portfolio transition. We responded with a number of important strategic decisions to position the business to deliver reliable and growing future returns.

Active capital management and maintaining a strong balance sheet

The Group maintained its strong focus on prudent balance sheet management and retained its A-/Stable credit rating. Gearing was down following effective cash management in difficult trading conditions and a $400 million equity raising in May 2013.

Balance sheet as at 30 June 2013

6.2%
Weighted average cost of debt

5.4 years
Weighted average debt maturity

22.7%
Gearing

6.0%
Return on Equity

The way we measure return on equity is set out in our Investor Presentation found on our website.

For more information please see **Capital management** P.28

Prudent cost management and operational efficiency

The Group reduced overheads by around 10 per cent over two years, by realising savings through optimisation of our procurement practices, centralising Group functions, and a continuing focus on efficiency.

Reduction in management, administration, marketing and selling expenses

FY13	$259m
FY12	$266m
FY11	$286m

Reduction in Commercial Property energy consumption intensity

We achieved our target 20 per cent reduction by FY14.

23%

For more information please see **Operational efficiency** P.31

Engaged and productive workforce

We achieved an engagement score of 80 per cent, 4 per cent lower than FY12, however it remains above the Australian National Norm. 96 per cent of respondents indicated that they are willing to go beyond what is required to help Stockland succeed.

Employee engagement score

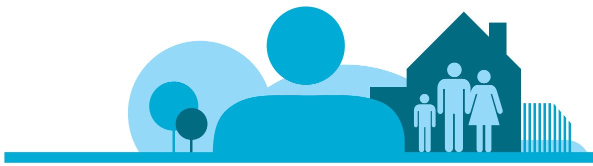
80%

Women in management

We are progressing well toward our target of 45 per cent by 2017.

FY13	43%
FY12	43%
FY11	38%
FY10	35%
FY09	34%

For more information please see **Engaged and productive workforce** P.34



Customer satisfaction and an enhanced community value proposition

Our research has shown customer satisfaction encourages referrals, promotes retention and drives growth. We track customer satisfaction across our business units to ensure we meet and exceed customer expectations. In FY13 we improved our results across all business units.

Customer satisfaction

Retailers

FY13	71%
FY12	69%

Residential customers

FY13	82%
FY12	78%

Retirement Living residents

FY13	8.51/10
FY12	8.38/10

We completed the development of our National Liveability Index surveying more than 1,700 residents in our communities.

For more information please see **Customer satisfaction** P.40

Product innovation, value and convenience

We pride ourselves on our deep understanding of customer needs and our responsiveness, both of which enable us to meet and exceed customer expectations. This year we have focused on maximising affordability, value and convenience.

Residential lots supply < $200,000.

43%

Lot supply (under 450m²)

FY13	56%
FY12	52%
FY11	49%

Over 65% of our Retirement Living villages have a monthly base fee equal or less than 25% of the monthly aged pension.

We strengthened the diversity in retail rental income with more than 50% from value and convenience shopping.

Developing and managing sustainable and thriving communities and places

Sustainable development and management has become one of our core competencies. Our focus on developing Green Star assets, managing our impact on the environment, and partnering to build thriving communities ensures we create enduring shared value for all of our stakeholders.

- **Most Green Star rated retail assets in Australia**
- **The first Green Star rated Retirement Living community centre**
- **Piloting the world first Green Star Communities tool at Caloundra South**

Stockland total greenhouse gas emissions – Scope 1 and 2 (tCO_2-e)

FY13	119,404
FY12	144,511
FY11	155,742

We focused on the three key elements that underpin liveable communities: health and wellbeing; lifelong learning and prosperity; and a sense of belonging and vitality.

For more information please see **Sustainable development** P.46

Group recognition for our FY13 sustainability leadership

EOWA Employer of Choice for Women

Employer of Choice for Women 2012.

Dow Jones Sustainability Indexes Member 2012/13

ROBECOSAM Sustainability Award Silver Class 2013

Listed 2nd globally for real estate on the RobecoSAM World Index (DJSI).
We have been a member of the World Dow Jones Sustainability Index for six years.

Most Sustainable Corporations in the World GLOBAL 100

Listed on the Corporate Knight Global 100 Most Sustainable Corporations in the World for the third consecutive year.

CDP DRIVING SUSTAINABLE ECONOMIES

Listed on the CDP 2012 ASX200 Carbon Disclosure Leadership Index for the fifth consecutive year.

FTSE4Good

Listed on the FTSE4Good Index for the sixth consecutive year.

Key financial results

Underlying Profit ($M)

$494.8

FY13	494.8
FY12	676.1
FY11	752.4
FY10	692.3
FY09	631.4

Underlying Profit was $494.8 million, down 27 per cent from FY12. This result reflects soft housing market conditions, the impact of asset sales in the current and prior year, and adoption of a more conservative approach to capitalisation of interest.

Underlying Profit is a non-IFRS[1] measure that is designed to present, in the opinion of Stockland's Directors, the results from our ongoing operating activities in a way that appropriately reflects the Group's underlying performance. Underlying Profit excludes items such as unrealised fair value gains/(losses), unrealised provision gains/(losses) (such as Residential impairment) and adjustments arising from the effect of revaluing assets/liabilities (such as derivatives, financial instruments and investment properties).

Other Underlying Profit adjustments are made for realised transactions occurring infrequently and those that are outside the course of our core ongoing business activities. Underlying Profit is also the basis on which distributions are determined.

We have reported consistently on this basis for more than five years to help investors understand the performance of our business.

Statutory Profit ($M)

$104.6

FY13	104.6
FY12	487.0
FY11	754.6
FY10	478.4
FY09	(1,801.9)

The decline in statutory profit was primarily driven by an impairment charge on Residential inventory of $354.8 million as a result of the prolonged market downturn and more conservative future assumptions.

Valuation movements in Commercial Property contributed $64.7 million (2012: $65.7 million) to statutory profit, primarily due to valuation uplifts recognised on the Shellharbour and Merrylands retail redevelopments. A review of unit pricing assumptions during the year led to a net reduction of $49.8 million (2012: $13.7 million) in the fair value of the Retirement Living business. Other movements which affected the statutory profit were non-cash changes in the market values of the Group's financial instruments and investment in FKP.

An income tax benefit of $106.4 million, which is equivalent to the income tax benefit related to the write-down of inventory in the year ended 30 June 2013, has not been recognised as this benefit is not currently deemed to be recoverable with sufficient certainty.

Underlying earnings per security (¢)

22.4¢

FY13	22.4
FY12	29.3
FY11	31.6
FY10	29.1
FY09	36.5

Our underlying earnings per security was 22.4 cents, down 24 per cent from FY12.

Distribution per security (¢)

24.0¢

FY13	24.0
FY12	24.0
FY11	23.7
FY10	21.8
FY09	34.0

The distribution for the year was 24.0 cents, consistent with FY12. We remain confident earnings will begin to improve from FY14 and for this reason distributions are above our target 75–85 per cent payout ratio.

Capitalised interest changes

Having completed a detailed review, we changed the way we apply capitalised interest on our Residential projects, effective 1 July 2012. We now allocate a share of both incurred and estimated future interest to each lot sold rather than just a share of actual interest incurred. While this will negatively impact our Underlying Profit in the short to medium term, it will ultimately ensure our Residential projects deliver more consistent returns over time.

Project impairments

We conduct regular six-monthly reviews of our Residential portfolio carrying values. Our review in late 2012 indicated that of our then 70 Residential projects, 21 were affected by changed market conditions and, as a result, no longer met our development return hurdles and required impairment. Of these projects, 14 were earmarked for wholesale disposal when market conditions are advantageous, while we have determined to develop the remaining seven projects as the best way to maximise the cash released.

We have created a clear classification within the portfolio of 'core' and 'workout' (impaired) projects. The business has a strong focus on driving returns from our 'core' projects and accelerating the completion or disposal of 'workout' projects.

[1] International Financial Reporting Standards.

Operational review

John Schroder
Group Executive and CEO, Commercial Property

Retail

The retail sector faced a challenging consumer environment in FY13. Sales growth has moderated in recent years as consumers have become more cautious and continue to deleverage.

Despite subdued market conditions, our Retail business achieved solid sales growth with net operating income (NOI) increasing 5 per cent. Comparable NOI, which measures the growth in operating income on like-for-like assets, was up 2.6 per cent, demonstrating the resilient nature of the assets in the portfolio. We also benefited from higher income from recently completed developments. Occupancy remains high at 99.4 per cent.

We made significant progress on our Retail redevelopment pipeline with the official openings of centres at Merrylands in NSW and Townsville in Queensland in late 2012, and the grand opening of Myer at Stockland Shellharbour in NSW in May 2013. Work commenced on a $116 million redevelopment at Hervey Bay in March 2013.

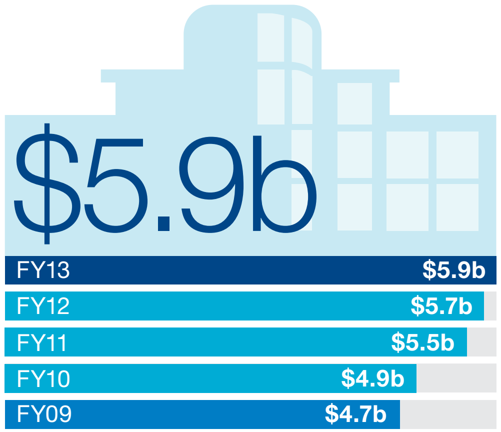
We will continue to focus on developing our most productive assets to maximise trade area share and create community and entertainment hubs. A further 14 projects, representing $1.5 billion of investment, are planned over the next five to six years.

The rate of growth in online retail spending is slowing and online sales currently account for 6.4[1] per cent of total Australian retail sales. Our diverse retail mix, underpinned by supermarkets, mini majors and speciality food and retail services, is proving to be resilient to online leakage. The business will continue to focus on the deep, mass customer segment, retailer relationships and long-term sustainable rent, and invest in industry research to adapt to an evolving retail landscape.

Net Operating Income (NOI)

$324m

Total moving annual turnover sales approaching $6 billion



NOI

↑5%

Comparable NOI

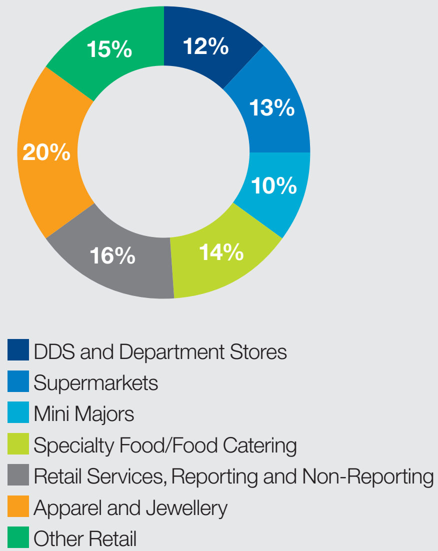
↑2.6%

Portfolio occupancy remains high at

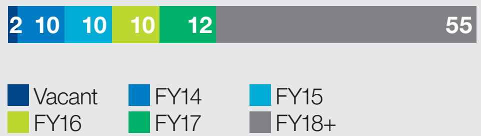
99.4%

1 Source: Quantium year ended 30 June 2013.

Strong diversity in rental income (gross rent): more than half from value and convenience shopping



Lease expiry profile (%)*



* Includes newly constructed space and vacant space held for developments.

Industrial

Industrial NOI decreased 18 per cent from FY12 (comparable NOI down 10.9 per cent) mainly due to FY12 asset sales and FY13 lease expiries. Leases were executed on around 288,000 sqm of space during the year and as a result Weighted Average Lease Expiry increased to 3.3 years (from 2.7 years in FY12).

We expect continued solid underlying demand for industrial space with market conditions likely to remain stable. As a result of re-letting and redevelopment activity already underway, we expect to achieve NOI growth from the Industrial portfolio in FY14.

We will look to grow our portfolio, targeting $1.2–1.5 billion in assets in five years. We will focus on actively leasing, upgrading and developing the existing portfolio, sourcing pre-commitments and completing design and construct, and assessing assets that fit strategic filters and investment criteria.

Net Operating Income

$63m

NOI

↓18%

Portfolio occupancy

89.1%

Comparable NOI

↓10.9%

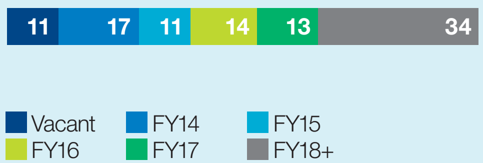
Return on Assets

9%

Weighted Average Lease Expiry

3.3 years

Lease expiry profile (%)



Office

Overall, office demand is weak relative to supply. Office vacancy and high incentives remain an industry issue. By tightly managing our Office assets we lifted comparable NOI 1.8 per cent from FY12 or 6.6 per cent pre-IFRS.

Occupancy increased to 96 per cent and our Weighted Average Lease Expiry was higher at 4.6 years. Total NOI was down 16 per cent compared to FY12, reflecting our business strategy of divesting non-core office assets that do not meet our hurdles.

We will retain a tactical exposure to office and will continue to focus on maximising returns from the portfolio. Income will be optimised in the short to medium term with a focus on active management, refurbishment and leasing. We will also look to take advantage of value-add opportunities within the existing portfolio, consider joint ventures (or part sales) as appropriate, and progressively down-weight when market conditions are optimal.

Net Operating Income

$119m

Office NOI

↓16%

Comparable NOI

↑1.8%

Weighted Average Lease Expiry

4.6 years

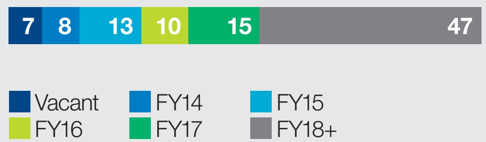
Portfolio occupancy

96%

Return on Assets

8.3%

Lease expiry profile (%)*



* Represents full portfolio, including assets under development in FY13.

Andrew Whitson
Group Executive
and CEO,
Residential

Residential

In FY13 our Residential business was significantly impacted by market softness which affected both volume and prices. The profit also reflected the shift in sales mix with a lower proportion coming from higher margin projects in Victoria. Profit was also affected by a change in approach to capitalised interest.

The business has been actively managed through the cycle, reducing finished goods by 50 per cent, ensuring a good mix of affordable products and accelerating the sale of impaired lots to release capital for reinvestment. To improve efficiency, the business was restructured and has identified opportunities to leverage the Group Project Management and Procurement capabilities, to reduce costs and improve outcomes on projects.

We plan to make the portfolio more resilient and profitable in the future by focusing on:

- Reshaping the portfolio — accelerate the launch of new projects to create greater geographic diversity and scale; actively manage the portfolio to improve returns; right size the land bank; and retain its preference to acquire land on capital efficient terms.
- Improving efficiency — continue to tightly manage costs.
- Delivering revenue growth — increase revenue by creating a better community value proposition that drives high customer referrals; and broaden market reach through medium density offering.

Operating Profit

$60m

Return on Assets

5.5%

EBIT

$182m

EBIT Margin

19.9%

Lots settled

4,641

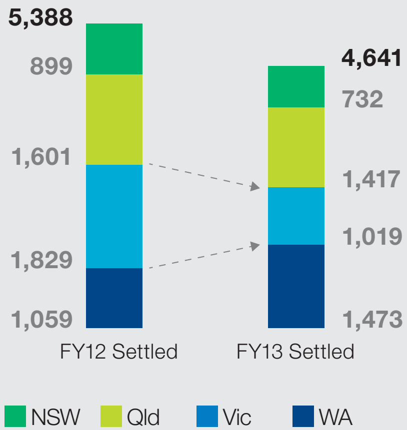
down 14% on FY12

June ’13 contracts on hand 1,946

↑25%

on same time last year

Lots settled by location (lots). Fewer sales in Victoria where margins are higher.



Willowdale – the good-natured place to live

Willowdale at Denham Court in Sydney’s South West is the latest and largest residential development we’ve ever undertaken in New South Wales. Spanning 350 hectares of former grazing land, the new community will ultimately yield more than 3,000 new homes.

We acquired the land on capital-efficient terms less than four years ago and achieved rezoning in line with the NSW State Government’s agenda to unlock more affordable housing that’s well-connected to upgraded road infrastructure and the soon-to-be-completed Leppington train station.

Willowdale comes to market at a time of record low interest rates and just as the cost of renting approaches parity with the repayment costs associated with buying your own home. Lots at Willowdale will range in size from 300 sqm to 600 sqm, with land prices starting at around $200,000.

We received more than 1,000 pre-registrations from potential customers before the project was officially launched on 17 August 2013, and the first lots released sold out within hours. Interested customers have included a diverse mix of first home buyers, upgraders, downsizers and investors with single purchasers, couples and family groups all well represented.

Willowdale will feature an abundance of green, open spaces with 25 hectares of parks and playing fields (equivalent to 13 full size football fields) and kilometres of walking tracks and cycle paths.

Stephen Bull
Group Executive
and CEO,
Retirement Living

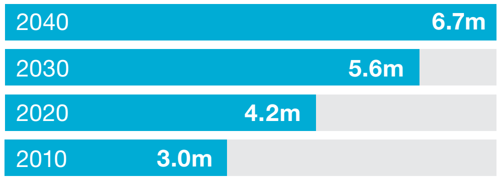
Retirement Living

Our Retirement Living business continues to deliver its growth strategy with a solid result despite the soft residential market. Operating Profit and return on assets increased, reflecting a record number of new and established settlements.

We have a strong development pipeline, are driving resident referrals for more cost-effective sales, and improving the efficiency of our processes, such as reducing the time it takes to refurbish and sell vacant homes. Resident satisfaction ratings are consistently high and the business continues to use the feedback received to improve its offering.

The business has a clear strategy to achieve a target return on assets of 8.0 per cent by FY18 by focusing on improving returns by managing costs, differentiating the customer experience and growing development volumes.

Australian population aged 65 or older (Millions of people)*



* ABS population projections.

Operating Profit

$38m

Operating Profit
↑6%
on FY12

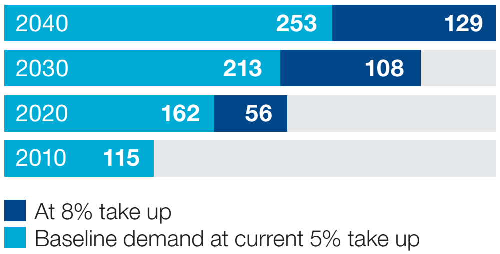
Return on Assets
4.5%

Portfolio occupancy
94%

Record number of settlements:
547
existing units

304
new units

Demand for retirement units (Thousands of units)†



† Potential national penetration by 2025 estimated by the RVA in submission to Productivity Commission, August 2011.

UK/Apartments

Our wind down of these businesses is on track and no further meaningful profit contribution is expected from UK and Apartments.

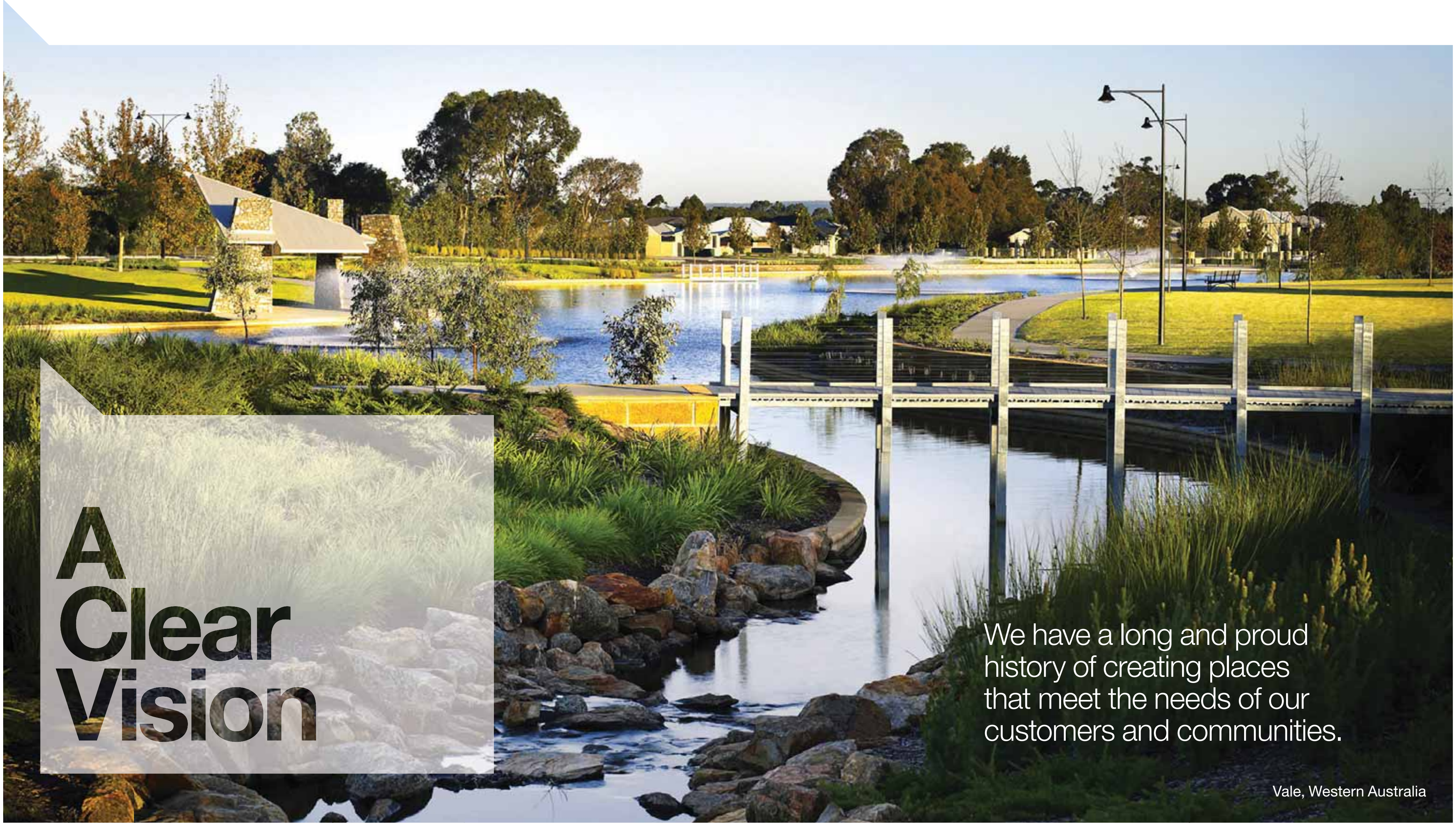
Supporting independent living and job seekers with Careways Community

Stockland has entered into a number of partnerships this year to provide our village residents with easy access to services that will assist them to remain living independently longer in their homes. One of the key NSW partnerships has been with Careways Community, a not for profit organisation that provide access to a variety of services including in-home care, meals, cleaning, transport, social support and navigation assistance for care.

The Careways partnership has also seen the successful launch of community cafés in a number of NSW villages where residents can enjoy the vibrancy of a café and access meals and connect with other residents, their families or friends in their very own community centre. The café is staffed by volunteers who are local job seekers looking for training and an opportunity to enter the workforce.

This partnership has led to over 14,000 hours of training being delivered to local job seekers through the café and the transitioning of 15 local job seekers into paid employment. This initiative is being further expanded, along with other partnerships around the country, to continue to provide easy access to services inside and outside of the village.

02. About Stockland



A Clear Vision

We have a long and proud history of creating places that meet the needs of our customers and communities.

Vale, Western Australia

Our business

Stockland was founded in 1952 with a vision to not merely achieve growth and profits but to make a worthwhile contribution to the development of our cities and great country.

Pursuing that vision has seen Stockland grow to become one of Australia's leading diversified property groups – owning, developing and managing a large portfolio of shopping centres, office and industrial assets, residential communities, and retirement villages.

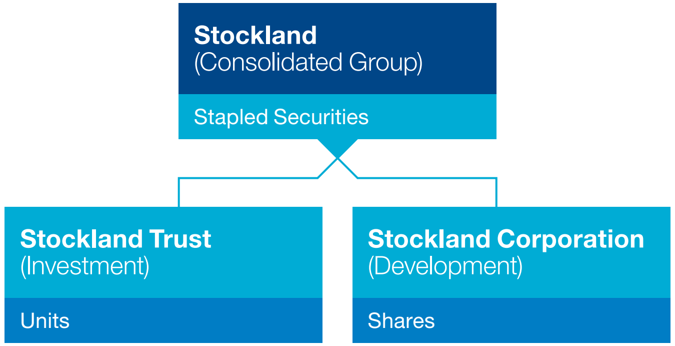
Today our vision is to be a great Australian property company that delivers value to all its stakeholders. Our primary objective is to deliver earnings per share (EPS) growth and total risk-adjusted shareholder returns above the Australian Real Estate Investment Trust (A-REIT) index average, by creating quality property assets and delivering value for our customers.

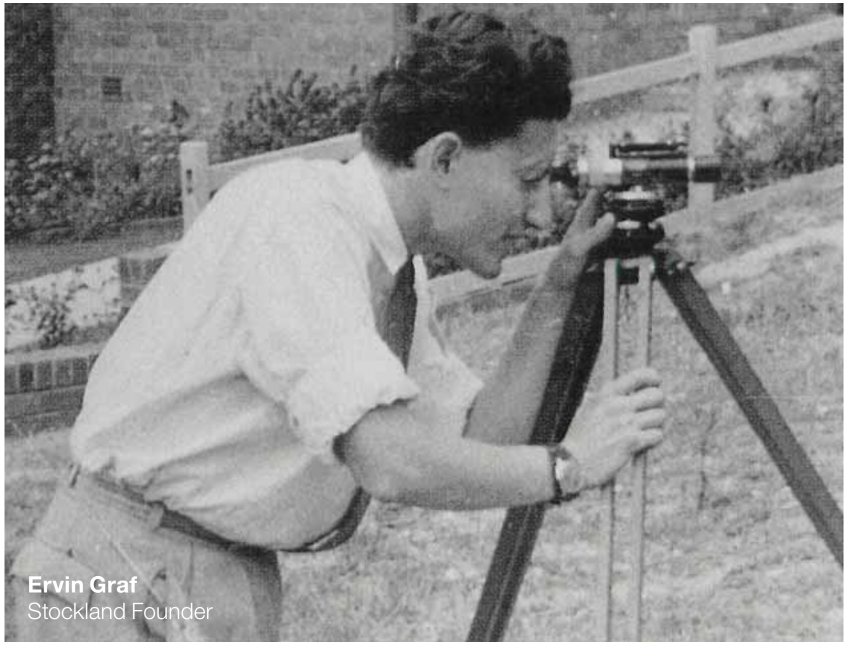
We recognise our responsibilities to the environment and the community and are a leader in sustainable business practices. With the benefit of our diverse property skills, we connect different types of properties in shared locations, to create places that inspire people to connect, to share, to live life, and create communities.

We are structured as a stapled security; a combination of a unit in a trust and a share in a company which are traded together on the Australian Securities Exchange. This allows the Group to undertake both property investment (via Stockland Trust) and property management and development (via Stockland Corporation). The structure enables all parts of the business to benefit from our strong balance sheet.

Our purpose:
We believe there is a better way to live

Our stapled security structure





Ervin Graf
Stockland Founder

Commercial Property

Retail

We are one of the largest retail property owners, developers and managers in Australia. Our 41 retail centres accommodate more than 3,200 tenants, creating nearly $6 billion of retail sales per annum.

41 retail centres

$5.3b

Industrial

Our Industrial portfolio comprises 13 properties with just under one million square metres of building area. These properties are strategically positioned in key locations for logistics, infrastructure and employment.

13 industrial properties

$0.8b

Office

The Office portfolio comprises 16 properties in key locations with 90 per cent of assets A-Grade and above.

16 office buildings

$1.6b

Residential

We are the largest residential developer in Australia. The business is focused on delivering a range of masterplanned communities in growth areas across the country.

Active portfolio (lots approx.)

25,200

Inactive portfolio (lots approx.)

54,400

Total end value (approx.)

$21.2b

Retirement Living

We are a top three retirement living operator within Australia, with a deep development pipeline and just over 8,000 established units across five states and the Australian Capital Territory.

Portfolio (established units)

8,082

Short to medium-term development pipeline (units approx.)

4,050

Estimated end value

$1.7b

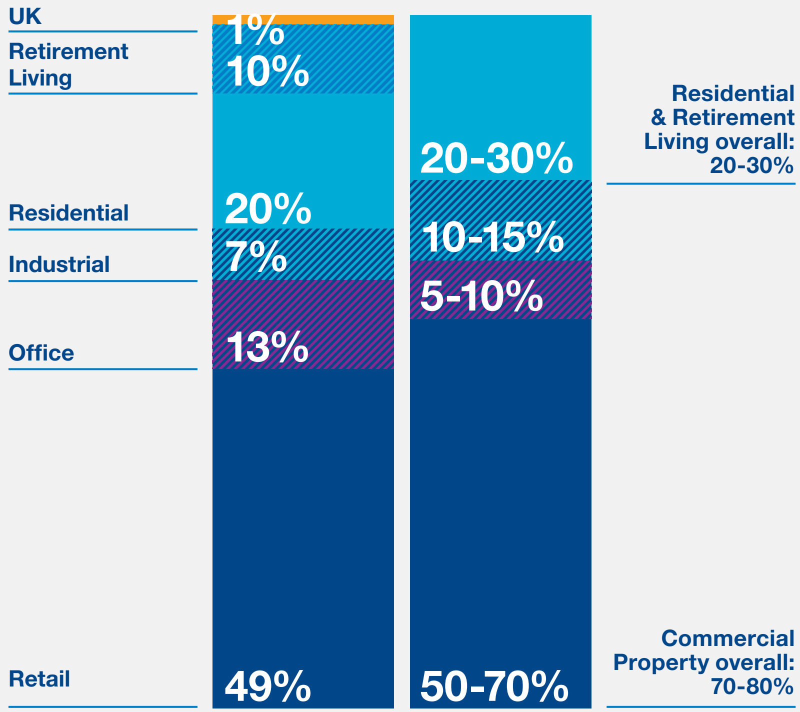
We are well positioned with a diverse portfolio

Our strategy

Deliver value to all our stakeholders

Our primary objective is to deliver earnings per share growth and total risk-adjusted shareholder returns above the Australian Real Estate Investment Trust index average, by creating quality property assets and delivering value for our customers.

Today → Future direction



Maintain a strong diverse portfolio to deliver reliable growth

How we achieve it

- Leverage our **core competencies** in asset management and development to drive value.
- Maintain a **strong balance sheet** with agile capital allocation within a disciplined risk/return framework.
- Focus on **cost and efficiency.**
- Leverage our **strong customer and community value proposition,** delivering products that exceed customer expectations – affordability, value and convenience – a better way to live.
- Maintain a **desirable, engaged and productive workplace.**

Our priorities

- Improve profitability of the Residential business.
- Improve Retirement Living return on assets.
- Grow Commercial Property through development and acquisition.
- Reduce overheads and improve organisational efficiency.
- Strengthen the Corporation through capital reallocation.

Sustainable performance

Our strategy clearly articulates our short-term priorities for the Group. Underpinning this is the awareness that decisions made to improve our short-term performance also consider the long-term sustainability of our business and the communities in which we operate.

For our Retail business it is about creating community and entertainment hubs, building and maintaining strong retailer relationships and investing in industry-leading research to adapt to an evolving retail landscape. For our Industrial and Office portfolio we are focusing on tenant satisfaction and optimising the performance and returns of our assets.

The delivery of our Residential and Retirement Living communities accentuates community creation elements to ensure we increase resident satisfaction and wellbeing, drive referrals, and deliver sustainable margins over time. Our focus on the delivery of medium density and affordable homes reflects our commitment to the ongoing evolution of our product to meet current and future customer needs.

Challenges and opportunities

We are actively ensuring that decisions made to improve performance in the short term also consider the long-term sustainability of our business and communities in which we operate.

Short Term
Challenging market conditions

Challenge
Ongoing global and domestic economic uncertainty

Our response
- Focus on efficiency and cost management. Achieved ~10% reduction in overheads over two years. Expect overheads to reduce by a further ~10% in FY14
- Maintain a strong balance sheet with low gearing and tight control of costs
- Maintain a desirable work environment. Focus on employee engagement and those elements that drive employee retention and productivity

Challenge
Consumers remain cautious

Our response
- Provide affordable options for first home buyers through to retirees
- Sharpened our focus on understanding our customers and maintaining high customer satisfaction
- Create leading retail centres with a clear value and convenience offering with strong diversity in rental income

Longer Term
Changing marketplace

Challenge
The regulatory environment is constantly evolving

Our response
- Develop where governments support growth
- Remain flexible and open to opportunities to take advantage of shifts in stakeholder preferences
- Continue to focus on good practice to remain well positioned to respond to regulatory change
- Engage with regulators and standard setters on good practice

Challenge
Technology is changing spending habits and business processes

Our response
- Continually monitor consumer and market trends
- Create centres that provide tangible experiences that virtual shopping is unable to match
- Foster a culture of innovation to ensure we identify and take advantage of new opportunities
- Dedicated focus on continual improvement of systems and processes with the appointment of new Chief Operating Officer

Challenge
Consumers have higher expectations of companies and their products

Our response
- Continue to evolve our market-leading research in areas such as product innovation and customer insights across all asset classes
- Focus on elements that create liveable and sustainable communities and assets
- Ensure our retail centres are thriving community hubs by delivering quality retail and dynamic spaces
- Foster a culture of high transparency, trust and accountability

Our value chain

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

We are not a builder.

	1. UPSTREAM PRODUCTS	2. FUNDING		3. ACQUISITION	4. DESIGN		5. PROCUREMENT, CONTRACTING AND CONSTRUCTION	6. LEASING AND SALES		7. ASSET AND PROPERTY MANAGEMENT		8. REFURBISH/ RE-DEVELOPMENT	9. DOWNSTREAM PRODUCTS
	• Building materials • Building technologies	OFF-BALANCE SHEET	ON-BALANCE SHEET		DETAILED DESIGN	MASTERPLANNING AND APPROVALS		LEASING	SALES	ASSET MANAGEMENT	PROPERTY MANAGEMENT		Downstream services are associated with the ongoing operation of our properties but typically go beyond our existing property and asset management activities. They include: • Child care • Equipment leasing • Warehouse management • Cleaning and security • Catering • Utilities provision • Payments processing
Retirement Living		◉	●	●	◉	●	◉	○	●	●	●	●	
Residential Communities		◉	●	●	◉	●	◉	●	●	○	●	○	
Retail		◉	●	●	◉	●	◉	●	◉	●	◉	●	
Office and Industrial		◉	●	●	◉	●	◉	◉	◉	◉	◉	●	

Detailed Design
By design consultants

Building and Construction
By contractors

Sales
By commercial agents

● Currently undertaken by Stockland

◉ Coordinated by Stockland or sometimes undertaken by Stockland

○ Not currently undertaken by Stockland

Stakeholder engagement

STOCKLAND'S KEY STAKEHOLDERS

Employees

We have 1,367 employees in Australia.

Government and regulators

Federal, state and local governments set the regulatory environment in which we operate.

Shareholders and the investment community

We have close to 50,000 shareholders in Australia and overseas. The investment community includes our debt investors.

Customers

We have daily contact with a diverse range of customers, ranging from our commercial, retail and industrial tenants, shoppers in our retail centres, residential community customers and residents in our retirement villages.

Suppliers

We procure services and products from over 8,000 active suppliers.

Communities

Our communities include those within our residential and retirement living developments, as well as the communities that visit our retail centres.

Media

We interact with journalists across a wide spectrum of local, regional, metropolitan and national print and electronic media outlets.

We are committed to developing and maintaining strong two-way relationships with a broad range of stakeholders across our uniquely diverse business.

We have a well-established stakeholder engagement framework which informs our group strategy together with the strategies of our operating businesses and their assets and development projects. This framework is based on five fundamental principles, endorsed by our Board and Executive Committee in 2010, which continue to guide our engagement with a wide variety of stakeholders:

- A proactive, harmonised approach across the business;
- Early, prioritised engagement with stakeholders to help build a clear project vision and identify key milestones;
- Clear understanding of our stakeholders and their key drivers to build trust beyond the project;
- Regular communications, recording and reporting with corporate circuit breaking if required; and
- Capturing stakeholder trends across the business to inform our future strategy.

All Stockland projects and assets have plans which identify key stakeholders, priority issues and a clear contact plan. Development, implementation and monitoring of all plans is overseen by our Stakeholder Relations team, who are also responsible for ensuring lessons, trends and successful initiatives are shared across the business. This commitment is extended to our state-level engagement with government, industry and other key stakeholders, with plans in place or under development to guide our coordinated engagement and advocacy across our business units.

Government and industry engagement

We actively engage with governments, public servants, regulators and our industry bodies with respect to policy opportunities and specific decisions required to advance our projects. This engagement is governed by a Board-endorsed government and stakeholder engagement policy that applies to all our people and covers donations, the role of consultants, access to our properties, gifts and personal political participation. The policy is updated annually and communicated to our people through our Executive Committee. It is also published on our website.

Stakeholders take great interest in our stance on political donations. In July 2008, as part of our annual review, our Board moved from a bi-partisan donations policy to implement a zero political donations policy. We do not make direct or indirect transfers of money to political parties or politicians at any level of government. In adopting this policy we seek to reinforce our longstanding view that our projects be judged solely on their merits.

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

Investor relations

We have around 45,000 securityholders in Australia and overseas. We aim to ensure that securityholders are kept well-informed of all major developments and business events that are likely to materially affect our operations and financial standing, and the market price of our securities. A copy of our policy on our communication to securityholders is provided in our Financial Report and is available on our website in accordance with Principle 6 of the ASX Corporate Governance Principles and Recommendations.

We provide securityholders with information through our annual and half-year financial reports, our Annual General Meeting (AGM), and announcements of market-sensitive and other information, including results, Q1 and Q3 updates, and analysts' presentations. These documents are lodged with the ASX and are available electronically on our website at www.stockland.com.au. The annual and half year financial reports are made available to all securityholders.

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

Investor presentations and AGM webcasts can be accessed from our Investor Centre: **www.stockland.com.au/investor-centre**

Community engagement at Caloundra South supports Federal environmental approval

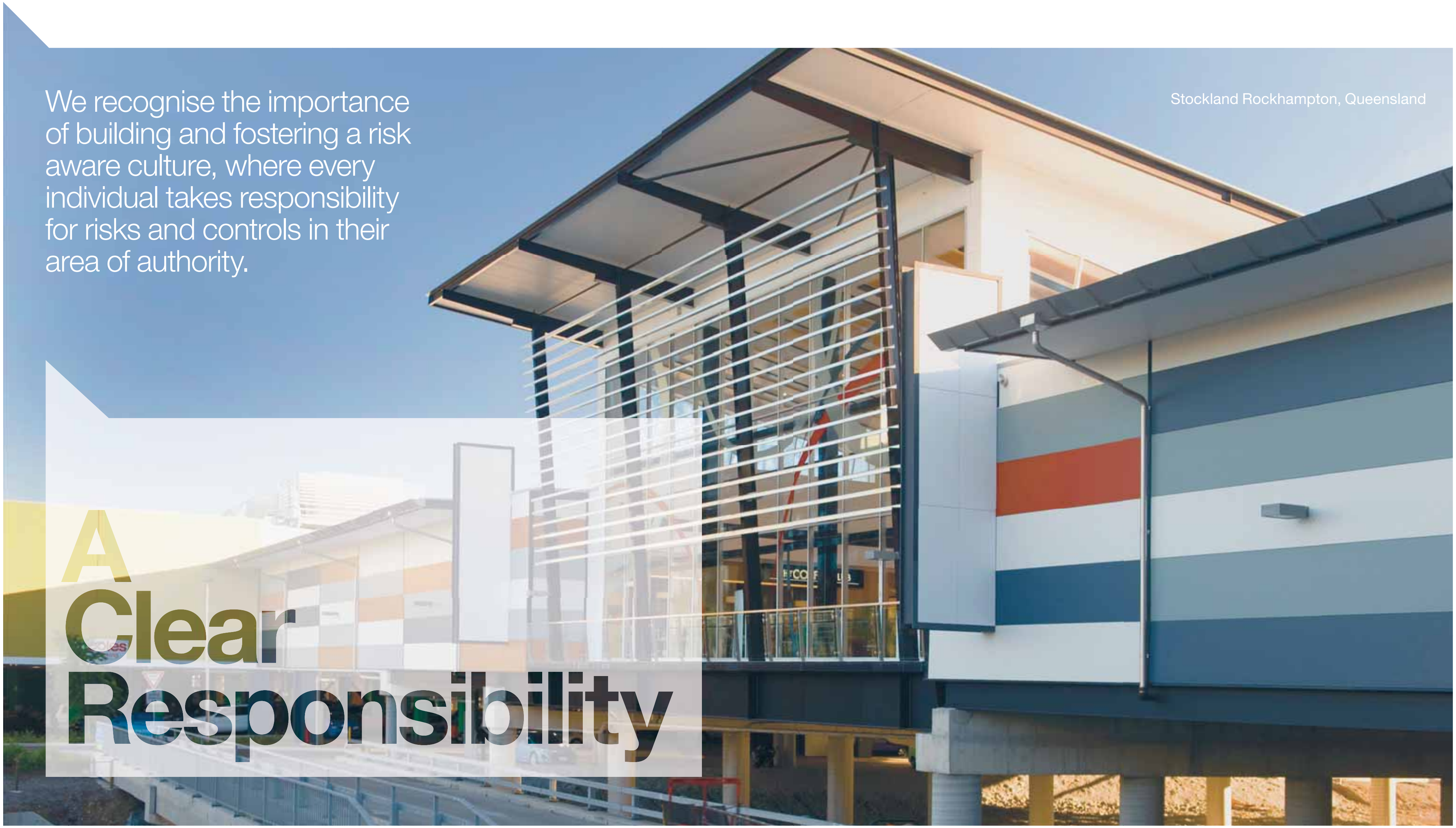
Caloundra South is a future mixed use community set on a 2,310 hectare greenfield site at the southern edge of the Sunshine Coast, with the potential to eventually house 50,000 residents when completed over the next 30–40 years. Given the scale and local importance of the project, we continued our comprehensive community engagement program to ensure community involvement in our planning. With the site's proximity to Ramsar-listed wetlands, and environmental considerations falling under federal jurisdiction, our emphasis in FY13 was on achieving federal government environmental approval.

A robust stakeholder engagement strategy has been in place over the past three years to complement the preparation of a comprehensive Public Environment Report (PER) as part of our submission for Federal Government environmental approval. As part of this strategy, we have provided a variety of channels to engage and exchange information with the community about the PER process including a project shopfront in the main street of Caloundra, regular updates on our project website, and regular stakeholder briefings and community meetings. The strategy was supported by dedicated community engagement officers to allow stakeholders easy access to the project team and information. We also provided local stakeholders with a simplified summary of the PER to maximise inclusiveness. The project team guided the community through the draft PER and statutory consultation phases to allow stakeholders the opportunity to influence decision making.

Following our review of public submissions and the update and finalisation of the PER, we received federal government approval for Caloundra South in June 2013. The PER reflects our commitment to key community priorities, especially the protection and enhancement of the immediate environment and protection of Pumicestone Passage and threatened species.

Across this process, we received positive feedback from key stakeholders, including environmental advocates, about our commitment to stakeholder consultation and inclusion in the PER process, and our responsiveness to community input. As a direct result of the community's contribution to our Master Plan (2011–2012) and PER consultation process, we now have a very comprehensive approach to environmental protection, enhancement and stewardship.

03. Governance and remuneration



Stockland Rockhampton, Queensland

Corporate governance

The Board takes its governance responsibilities very seriously and believes it has the necessary mix of experience and skills to oversee the high standard of corporate governance, integrity and accountability required of a professional and ethical organisation. The Board believes that Stockland's governance accords fully with the principles and recommendations of the ASX Corporate Governance Council.

Role of the Board

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

1. 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;
2. establishes Stockland's overall framework of governance, risk management, internal control and compliance which underpins the integrity of management information systems and fosters high ethical standards throughout the organisation;
3. appoints the Managing Director, approves the appointment of the Company Secretaries and Senior Executives reporting to the Managing Director and determines the level of authority delegated to the Managing Director;
4. sets Executive remuneration policy, monitors Senior Executive performance and approves the performance objectives and remuneration of the Managing Director and his direct reports;
5. approves the annual budget and monitors financial and operating performance;
6. reviews and approves financial and other reports to securityholders and approves dividends from Stockland Corporation and distributions from the Trust;
7. approves major capital expenditure, acquisitions and divestitures;
8. reviews Executive and Board succession planning and Board performance;
9. monitors compliance with laws and regulations which apply to Stockland and its business; and
10. appoints and monitors the independence of Stockland's external auditors.

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

Composition of the Board

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

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.

Board diversity

In defining the Board's requirements for a new Director, consideration is given to the skills, business experience and educational backgrounds of ongoing members of the Board, including any identified skills "gaps". The Board also 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 Stockland Board has two women Non-Executive Directors out of seven.

Board Committees

Five permanent Board Committees have been established to assist in the execution of the Board's responsibilities as described below. The Board's policy is that a majority of the members of each Board Committee should be independent Directors. The Audit Committee, Risk Committee and the Human Resources Committee comprise only independent Directors. The Financial Services Compliance Committee and the Sustainability Committee are chaired by an independent Director and have a majority of independent Directors or external independent persons as members.

All Board Committees have written charters which are reviewed on a regular basis. The charters for all Board Committees (except the Financial Services Compliance Committee) may be viewed on the Stockland website **www.stockland.com.au**

Human Resources Committee

The purpose of this Committee is to consider and make recommendations to the Board on the size, composition and desired competencies of the Board; Director independence, performance, remuneration and succession arrangements; the content of the annual Remuneration Report; remuneration of Senior Executives; and changes to overall remuneration policies.

The Committee seeks to ensure that there is a strong link between employee reward, Stockland's performance and ultimately securityholder returns. The Committee also seeks to ensure that remuneration for Non-Executive Directors is designed to attract and retain talented and experienced individuals.

Audit Committee

The Board has delegated oversight for the preparation of the Group's Financial Statements and the maintenance of a sound financial reporting control environment to the Audit Committee.

The purpose of the Audit Committee is to assist the Board to discharge its responsibilities for: the integrity of Stockland's Financial Reports and external audit; the appropriateness of Stockland's accounting policies and processes; the effectiveness of Stockland's financial reporting controls and procedures; the effectiveness of Stockland's internal control environment; and compliance with relevant laws and regulations including any prudential supervision procedures to the extent that they impact the integrity of Stockland's financial statements.

Risk Committee

The purpose of the Risk Committee is to assist the Board to fulfil its risk governance responsibilities. The 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

The purpose of the Committee is to oversee Stockland's commitment to operate its businesses ethically, responsibly and sustainably. The Committee considers the social, environmental and ethical impact of Stockland's business activities; major sustainability initiatives and changes in policy; and stakeholder communication about Stockland's sustainability policies. The Committee comprises the whole Board.

Financial Services Compliance Committee

The Financial Services Compliance Committee is responsible for monitoring and reviewing the effectiveness of the Compliance Plans in respect of Stockland Trust, its controlled entities and Macquarie Park Trust and in ensuring adherence to applicable laws and regulations.

Board and Director performance

The Board has instituted a formal annual process to review the performance and effectiveness of the Board, the Board Committees and individual Directors. The Human Resources Committee oversees this process.

Directors coming up for re-election are reviewed by the Human Resources Committee and, in their absence, the Board considers whether to support their re-election. It is the Board's policy that Directors offer themselves for re-election only with the agreement of the Board. It is the Board's policy that Directors should serve only for as long as they have the confidence of their fellow Board members.

Risk management

Stockland adopts a rigorous approach to understanding and proactively managing the risks we face in our business. We recognise that making business decisions which involve calculated risks, and managing these risks within sensible tolerances is fundamental to creating long-term value for securityholders and meeting commitments to employees, tenants, customers, business partners, consultants and the communities in which we do business. As an investor of capital, we conduct risk assessments at critical decision points during the investment process to monitor risks to meet target returns.

We recognise the importance of building and fostering a risk aware culture, such that every individual takes responsibility for risk and controls in their area of authority. Our approach to risk management is guided by Australia/New Zealand Risk Management Standard (AS/NZS ISO 31000: 2009), the ASX Corporate Governance Principles and other applicable regulatory standards.

Risk management is the responsibility of every employee, and is assured according to the "Three Lines of Defence":

First Line of Defence: All functions (Business Units and Group, including the Executive Committee) are responsible for managing risk through identification, assessment and treatment of risks. This includes developing, implementing and following appropriate processes, procedures, checklists and other controls, and monitoring those controls to ensure they are, and remain, effective.

Second Line of Defence: The Group Risk functions assist the First Line of Defence, and are responsible for the design and implementation of the risk management framework, and for adapting it to changes in the business and the external environment in which we operate. They are jointly responsible for building risk management capabilities throughout the business through actively engaging with employees in risk management processes and supporting training initiatives. The Group Risk functions report to Executive management and separately to the relevant Board Committees. Their responsibilities are as follows:

Strategy: Provides advice to management and the Board on strategic risks, and includes leading Group-wide strategic risk reviews.

Operational Risk: Oversees the active management of all classes of operational risk and supports the systematic identification of risks by embedding an operational risk framework, systems and reporting. This includes the development, implementation and monitoring of systems and processes for work, health and safety, environment, business continuity, public and physical asset protection, and general insurances. Operational Risk provides oversight and assurance through the establishment of common practices, standards and accreditations across the business to ensure, as a minimum, regulatory compliance in these areas.

Group Compliance: Oversees the operation and suitability of the compliance framework and its review and continuous improvement. This includes monitoring and reporting, advising on adequacy of proposed controls, developing and implementing policies and associated procedures and training to assist the First Line of Defence in compliance with their obligations under law, regulation, policies and governance expectations.

Third Line of Defence: Independent oversight and checking from:

- the Board and Board Committees, including the Risk Committee, Audit Committee, Financial Services Compliance Committee, Sustainability Committee, and Human Resources Committee, in respect of the matters set out in their respective charters;
- Internal Audit, which regularly and independently assesses the effectiveness and efficiency of the risk management framework and periodic reporting. This includes supporting and advising on implementing appropriate risk management processes and controls, and undertaking projects to provide independent assessment of internal controls; and
- External Audit, which regularly and independently assesses the effectiveness of financial controls and processes in connection with the preparation of the Group's Financial Statements.

The ongoing monitoring of risks by the Board and Executive management is achieved through regular reports and briefings from the business units, Group Risk functions and internal and external audit.

Copies of our Risk Management Policy and Corporate Governance policies and charters are available on the Corporate Governance section of the Stockland website: **www.stockland.com.au**

Our Board of Directors

1

Carol Schwartz
BA, LLB, MBA, FAICD
(Non-Executive)

Ms Schwartz was appointed to the Board on 1 July 2010. Ms Schwartz serves on the Risk Committee and was a member of the Stockland Audit Committee until June 2012.

2

Mark Steinert
B Prop Res Mgt (Valuation), G Dip App Fin (Sec Inst), AAPI FFIN
Managing Director
(appointed 29 January 2013)

Mr Steinert was appointed Managing Director and CEO of Stockland on 29 January 2013. Mr Steinert is a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted property funds.

3

Terry Williamson
BEc, MBA, FCA, FCIS, MACS
(Non-Executive)

Mr Williamson was appointed to the Board in April 2003. Mr Williamson is Chair of the Stockland Audit Committee, the Stockland Capital Partners Audit and Risk Committees and Stockland Capital Partners Financial Services Compliance Committee.

4

Carolyn Hewson
BEc (Hons), MA (Ec), FAICD
(Non-Executive)

Ms Hewson was appointed to the Board on 1 March 2009. Ms Hewson is Chair of the Risk Committee and a member of the Human Resources Committee.

5

Graham Bradley
BA, LLB (Hons 1), LLM, FAICD
Chairman
(Non-Executive)

Mr Bradley was appointed to the Board on 9 February 2004 and was appointed Non-Executive Chairman on 25 October 2005. Mr Bradley is a member of the Human Resources Committee and was appointed Chairman of the Sustainability Committee on 1 July 2012.

6

Barry Neil
BEng (Civil)
(Non-Executive)

Mr Neil was appointed to the Board on 23 October 2007. Mr Neil is Chairman of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds and a member of the Stockland Audit Committee.

7

Peter Scott
BE (Hons), MEng Sc, FIE. Aust, CPEng, MICE
(Non-Executive)

Mr Scott was appointed to the Board on 9 August 2005. Mr Scott is Chairman of the Human Resources Committee and a member of the Risk Committee.

8

Duncan Boyle
BA (Hons), FCII, FAICD
(Non-Executive)

Mr Boyle was appointed to the Board on 7 August 2007. Mr Boyle served as Chairman of the Sustainability Committee until 30 June 2012. Mr Boyle was a member of the Risk Committee until 30 June 2012 and was appointed as a member of the Audit Committee from 1 July 2012.

Matthew Quinn retired 11 January 2013. Mr Quinn was a member of the Stockland Board and a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds up to his retirement.

Remuneration

We are committed to ensuring that our remuneration policies are fair, responsible and competitive and that we communicate our remuneration arrangements with full transparency. We undertook a thorough review of our remuneration policies and practices in FY12.

On an ongoing basis, the Board monitors our remuneration policies and practices to ensure that they remain in line with current best practice, are consistent with anticipated regulatory changes and market trends, and continue to be effective to meet our changing business priorities and market challenges.

Our remuneration structure has three components:

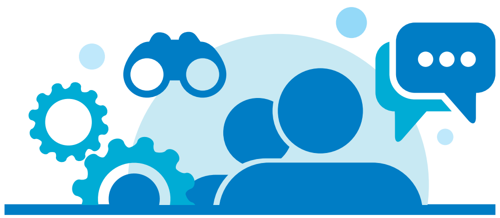
- fixed remuneration (Fixed Pay);
- performance-based pay, or short-term incentives (STI); and
- long-term incentives (LTI).

There were no material changes to the remuneration arrangements for our existing Senior Executives but the remuneration arrangements for our new Managing Director and CEO Mark Steinert, who commenced in January 2013, differ from those of our previous Managing Director Matthew Quinn.

In FY13, for the second consecutive year, we awarded no Fixed Pay increases to our Senior Executives continuing our prudent approach to remuneration management.

The total short-term incentives (STI) for all employees and those awarded to our Senior Executives are significantly down from FY12. These outcomes reflect the Board's assessment of performance against the measures outlined in our Corporate Scorecard. We believe that these measures create appropriate alignment for our employees with our securityholders' interests and encourage proper management of risk in delivering business objectives.

Base fees for our Non-Executive Directors were not changed in FY13 and will not increase in FY14.



Full details of the **Remuneration Report** are in our **Financial Report** page 27.

Stockland remuneration framework

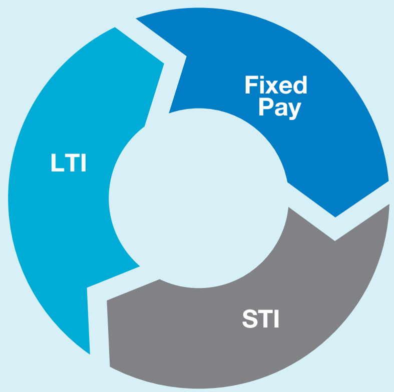
Competitive fixed pay to attract and retain talent.

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

Pay for performance based on a balanced scorecard of key performance indicators:

- **Business/Financial**
- **Customer/Stakeholder**
- **People and Leadership**
- **Sustainability/WHS**

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



Executive remuneration for FY13

Executives received a mix of remuneration during FY13 including Fixed Pay, STI awarded as cash and as deferred securities which may vest one or two years later subject to continued employment, and a LTI which may vest three and four years later subject to performance hurdles and continued employment.

The table below outlines the cash remuneration that was received in relation to the FY13 which includes Fixed Pay and the non-deferred portion of any FY13 STI. The table also includes the value of a portion of the deferred STI award from FY12 which vested during FY13. No previous years' LTI vested during FY13. This information differs from that provided in the statutory remuneration of Executives set out in the table on page 33 of the Financial Report, which was calculated in accordance with statutory rules and applicable Accounting Standards.

		Fixed pay[1]	STI awarded and received as cash	Total cash payments in relation to financial year	Previous years' Deferred STI which were realised[3]	Previous years' LTI which were realised	Awards which lapsed or were forfeited[4]
		$	$	$	$	$	$
Executive Director							
Mark Steinert *Managing Director and CEO*	**2013**	**690,410**	**207,500**[2]	**897,910**	**–**	**–**	**–**
	2012	–	–	–	–	–	–
Senior Executives							
Tim Foster *Chief Financial Officer*	**2013**	**875,000**	**163,333**	**1,038,333**	**56,989**	**–**	**2,540,400**
	2012	875,000	210,000	1,085,000	–	–	696,080
Mark Hunter *Group Executive and CEO, Residential*	**2013**	**800,000**	**–**	**800,000**	**119,405**	**–**	**3,476,520**
	2012	800,000	220,000	1,020,000	–	–	1,191,960
David Pitman *Group Executive and CEO, Retirement Living*	**2013**	**700,000**	**210,000**	**910,000**	**56,989**	**–**	**3,045,000**
	2012	700,000	210,000	910,000	–	–	1,062,600
Michael Rosmarin *Group Executive, Strategy and Human Resources*	**2013**	**550,000**	**176,667**	**726,667**	**50,657**	**–**	**741,240**
	2012	550,000	186,667	736,667	–	–	–
John Schroder *Group Executive and CEO, Commercial Property*	**2013**	**1,030,000**	**403,333**	**1,433,333**	**90,458**	**–**	**1,510,320**
	2012	1,030,000	333,333	1,363,333	–	–	1,635,480
Former Executives							
Matthew Quinn *Former Managing Director*	**2013**	**1,308,316**	**650,000**	**1,958,316**	**–**	**–**	**3,580,920**
	2012	1,900,000	665,000	2,565,000	–	–	3,880,800

1 Fixed Pay includes salary, superannuation and salary sacrificed items.
2 For Mark Steinert this is 50 per cent (two-thirds for Senior Executives) of his STI awards. The remaining 50 per cent of his STI (one-third for Senior Executives) was deferred in Stockland securities which vest over two years following the performance year, 50 per cent after year 1 and 50 per cent after year 2 subject to continued employment.
3 This represents the value of all prior years' deferred STI which vested during FY13 using the 30 June 2013 closing security price of $3.48. No LTI vested during FY13 or in FY12.
4 The value shown represents the value of any previous years' equity awards which lapsed or were forfeited during the financial year. The FY13 values are based on the closing 30 June 2013 security price of $3.48 (FY12: $3.08).

Note: Termination benefits for Mark Hunter, Tim Foster and Matthew Quinn can be found in the Remuneration Report on page 33.

Board remuneration paid in FY13

		Short-term		Post-employment	
		Board and Committee Fees $	Non-monetary benefits $	Superannuation contributions $	Total[1] $
Non-Executive Directors					
G Bradley (Chairman)	**2013**	**495,882**	**–**	**4,118**	**500,000**
	2012	484,225	–	15,775	500,000
D Boyle	**2013**	**185,882**	**–**	**4,118**	**190,000**
	2012	191,725	–	15,775	207,500
C Hewson	**2013**	**205,882**	**–**	**4,118**	**210,000**
	2012	194,225	–	15,775	210,000
B Neil	**2013**	**218,582**	**–**	**4,118**	**222,700**
	2012	219,425	–	15,775	235,200
C Schwartz	**2013**	**178,382**	**–**	**4,118**	**182,500**
	2012	186,725	–	15,775	202,500
P Scott	**2013**	**208,382**	**–**	**4,118**	**212,500**
	2012	196,725	–	15,775	212,500
T Williamson	**2013**	**242,942**	**–**	**4,118**	**247,060**
	2012	231,285	–	15,775	247,060
Total consolidated remuneration	**2013**	**1,735,934**	**–**	**28,826**	**1,764,760**
	2012	1,704,335	–	110,425	1,814,760

[1] The fees for each Director are paid on a total cost basis which includes any applicable compulsory superannuation. The amount of superannuation included in the total fees will vary depending on the timing of payments and in line with applicable legislation.

Workforce remuneration — Average Fixed Remuneration Ratio by Job Band (Women:Men)

Job Band	FY13	FY12	FY11	FY10	FY09
Executive Committee	**N/A**	0.51	0.51	0.43	0.37
Senior Management	**0.88**	0.85	0.83	0.78	0.74
Management (Stockland*)	**0.84**	0.84	0.86	0.81	0.81
Management (Aged Care)	**0.89**	–	0.94	–	–
Employee (Stockland*)	**0.86**	0.83	0.84	0.77	0.75
Employee (Aged Care)	**0.90**	0.93	0.92	–	–
Total Stockland*	**0.64**	0.64	0.63	0.57	0.55
Total Aged Care	**0.90**	0.93	0.96	–	–

* Excluding Aged Care

Note: Remuneration comparison data includes Fixed Pay only and does not include incentives. Aged Care figures include casuals due to the large numbers of employees on this type of employment contract. However, those who received a sales-based incentive have been excluded.

04. Capital management

A Clear Position

We maintained our strong financial position with an A-/Stable credit rating and remain focused on prudent balance sheet management.

Active capital management is fundamental

We ensure we have the optimal mix of funding sources together with strong capital management discipline

Debt

Equity

Capital recycling

Capital partnering

It contributes to our financial strength and flexibility when opportunities arise and if market conditions shift

Stockland maintained its strong focus on prudent balance sheet management and retained our A-/Stable credit rating. Gearing was down to 22.7 per cent at 30 June 2013 following effective cash management in difficult trading conditions and a $400 million equity raising in May 2013.

The equity placement replaced the proposed underwritten Distribution Reinvestment Plan. As part of our ongoing commitment to active capital management, we will maintain balanced and diverse funding sources.

The value of our Commercial Property investment portfolio decreased by $268.5 million to $7,866.0 million, primarily due to the sale of Office properties and the Bay Village retail centre. This was offset by valuation uplift on development assets at Shellharbour, Merrylands and Townsville.

Residential assets (mainly land under development) decreased by $244.2 million to $2,310.5 million at 30 June 2013. Excluding the $354.8 million impairment of inventory in the current year, total inventories increased slightly. This was largely driven by the commencement of development on land purchased on deferred payment terms, such as East Leppington.

Our investment in Retirement Living property, net of resident loan obligations, was $1,068 million, down marginally on FY12. A record number of new unit settlements as well as continued spend on units under construction offset a reduction in the asset values of the established portfolio, following a reduction in unit pricing assumptions during the year.

Our total debt decreased by $406.1 million to $2,461.5 million at 30 June 2013 mainly due to bank debt repayments from the proceeds of the capital raising in May 2013. Movements in other assets and liabilities mainly reflect the changes in values of the Group's financial instruments and strategic investments.

Stockland Group balance sheet

$ million	**30 June 2013**	30 June 2012	Change
Cash	**227.1**	135.6	▲ 67%
Real estate assets			
– Commercial Property	**7,866.0**	8,134.5	▼ 3%
– Residential	**2,310.5**	2,554.7	▼ 10%
– Retirement Living	**2,897.3**	2,834.0	▲ 2%
– UK	**72.2**	93.4	▼ 23%
Other assets	**696.6**	781.7	▼ 11%
Total assets	**14,069.7**	14,533.9	–
Interest bearing loans and borrowings	**2,461.5**	2,867.6	▼ 14%
Resident loan obligations	**1,829.4**	1,753.4	▲ 4%
Other liabilities	**1,583.9**	1,685.5	▼ 6%
Total liabilities	**5,874.8**	6,306.5	–
Net assets/total equity	**8,194.9**	8,227.4	▼ **1%**

We maintained our strong balance sheet.

Balance sheet as at 30 June 2013

6.2%
Weighted average cost of debt

5.4 years
Weighted average debt maturity

22.7%
Gearing

6.0%
Return on Equity

Cash flows

Stockland Group cash flows

$ million	2013	2012	Change
Operating cash flows	**625.2**	398.7	▲ 57%
Investing cash flows	**104.5**	275.3	▼ 62%
Financing cash flows	**(638.2)**	(733.0)	▼ 13%
Net change in cash and cash equivalents	**91.5**	(59.0)	▲ 255%
Cash at the end of the period	**227.1**	135.6	▲ 67%

Despite a decrease in Underlying Profit, operating cash flows remained strong as a result of a focus on capital efficient residential development and on cost efficiency. Prior year operating cash flows were also affected by $271 million paid for land under an asset swap agreement.

Cash flows from investing in the portfolio were lower in FY13 compared to FY12. Lower proceeds from the sale of Commercial Property assets in FY13 were offset by a reduction in development costs in Commercial Property as the re-development of Shellharbour, Merrylands and Townsville shopping centres neared completion.

Proceeds from the May 2013 capital raising were used to repay bank debt during FY13, while distribution payments to securityholders remained largely the same.

Equity

On-market buyback

During FY12, Stockland announced that it would undertake an accretive on-market buyback of up to 10 per cent of its issued capital.

Securities acquired through the buyback were purchased on-market at a price no more than 5 per cent above their last five trading day average closing market price at the time. On 13 February 2013 we announced that the on-market buyback would cease with immediate effect.

During FY13 889,265 securities were bought back at a price of $2.8 million (2012: 179,489,489 securities at a price of $545.3 million). A total of 180,378,754 securities (8.19 per cent of issued capital) have been bought back at a total price of $548.1 million for an average price of $3.04. These securities have been cancelled.

Capital raising

On 22 May 2013 we raised $400 million (pre-fees) through a fully underwritten placement to institutional investors of 103,092,784 securities at $3.88 each. This was a 2.5 per cent discount to the closing price on Tuesday 21 May 2013.

We also announced a non-underwritten Security Purchase Plan ("SPP") inviting eligible securityholders to participate in a non-underwritten SPP capped at $100 million. The SPP was subsequently withdrawn due to the decrease in share price during the offering period.

Capital restructure

On 13 February 2013 we noted that while the Group's capital position remains strong, following the residential inventory impairments we should consider prudently moving capital between the Trust and Corporation. As a result, shareholders will be asked to support a reallocation of up to $510 million of capital from the Trust to Corporation at the Annual General Meeting in October 2013.

Distributions

The dividend and distribution payable is 24.0 cents per stapled security, consistent with 24.0 cents paid for the previous corresponding period. We remain confident earnings will begin to improve from FY14 and for this reason distributions are above our target 75–85 per cent payout ratio.

Business outlook

We have commenced executing our strategy to deliver stronger future returns through agile allocation of capital within a disciplined risk/return framework, driving returns from existing and development assets, and tightly controlling costs. Steady improvement in earnings is expected from FY14 with new Retail, Residential and Retirement Living projects beginning to contribute, and as recent Industrial letting, rental growth and benefits of cost reduction initiatives come through.

However, improvement in Residential earnings will likely be constrained as Stockland continues to work through a number of impaired and low margin projects. It will also take some time to see the full benefits of our new strategic priorities, particularly in Industrial and medium density housing development.

We have made the decision to hold our distribution at 24.0 cents per share, despite being outside our target payout ratio, demonstrating our confidence that earnings should continue to improve from FY14. We are targeting earnings per share growth for FY14 of 4–6 per cent above FY13, assuming no material decline in market conditions.

05. Operational efficiency

A Clear Deliverable

Prudent cost management and operational efficiency remained a key focus across the business. We realised savings through optimised procurement practices, centralisation of Group functions and asset operational efficiency.

Investment

All energy efficiency projects target a 12 per cent internal rate of return

Cost savings

The energy saved since 2006 represents an operational saving of avoided costs of over

$35 million

Return on investment

Energy efficiency related capital projects contribute to cost savings, where every dollar invested has contributed to $2 in cost savings

Environment

Since 2006 our investment in energy efficiency programs has reduced our greenhouse gas emissions by over 55,000 tonnes or the equivalent of turning off one of our larger shopping centres* for 10 years

Customer

We pass through savings in outgoings to our tenants. In FY13 our tenants will benefit by over

$4.0 million

*Stockland Townsville

FY13 was a challenging year for Stockland. An outcome of the Strategic Review was to restructure the business to improve efficiency by centralising Group functions to enhance consistency and reduce costs. This year one of our key focus areas was to apply our Group Project Management and Procurement capabilities to greater advantage. Coupled with our continued focus on maximising returns from our existing assets, we made significant progress in the area of operational efficiency. Here are three examples:

Optimising our supply chain

In FY13 Stockland undertook a Direct Spend Analysis across our three business units, Commercial Property, Residential and Retirement Living. This identified where the majority of our spend was being allocated, and investigated opportunities where supply chain management initiatives could deliver reductions in capital and operational expenditure.

Nearly two-thirds of our Group spend relates to projects across the development divisions of our three business units. These projects are primarily undertaken by contractors and consultants and comprise new residential developments and extensions and major refurbishments to existing Commercial Property and Retirement Living assets.

The analysis affirmed the prominent role of contractors in our supply chain with nearly 50 per cent of our total spend, and 75 per cent of our direct spend, being attributed to contractor payments.

The analysis also highlighted the significant degree of spend on project-related consultants at group level. When analysed in more detail, it became clear that consultant spend differed significantly across business units and reflected the different procurement practices and processes in place. Further review identified advanced procurement practices in our Commercial Property and Retirement Living businesses, and the opportunity to adapt and apply these to our Residential business. This will not only enhance time and cost efficiencies by streamlining the tendering process, it will also minimise risk by ensuring contractors are financially secure and enhance responsible practices.

Initiatives emanating from the supply chain analysis include the development of a standard bidding or tender framework, which is already having significant cost and program benefits in Residential projects, and a reduction of our bidder lists to no more than four prequalified potential suppliers.

Maximising asset performance – energy efficiency

In FY09 our Commercial Property business committed to a 20 per cent reduction in energy and carbon intensity by FY14 and a NABERS Office Energy portfolio average rating of 4.5 Stars. Despite selling some of our more efficient buildings since 2009, our Office portfolio has continued to deliver energy efficiency through a strong focus on management.

We have achieved a 23 per cent improvement to date against FY09 levels across Commercial Property and exceeded our FY14 target. Energy costs are still forecast to escalate and as a result we have adopted an active management approach which will deliver strong financial returns whilst reducing our carbon footprint.

Our Office portfolio achieved a 4.3 star NABERS Energy average in FY13. We are continuing to work towards a target of 4.5 star NABERS, but acknowledge that this may be challenging given the recent sale of certain highly efficient assets in our portfolio.

Over the past year focus areas have included:

- **Alternative energy** – implementing two additional projects at Stockland Jimboomba and Stockland Nowra. A substantial solar project will be delivered in FY14 at Shellharbour, and we will benchmark these results to provide a portfolio strategy for renewables.
- **LED lighting** – implementing new LEDs at Corrimal, Bull Creek, Wetherill Park, Jesmond, and Caloundra external, and completing selective LED installations at Forster, Benowa and Burleigh Heads.
- **Sub-metering installations** – implementing an additional five projects (two new assets and Building Management System monitoring extensions for three additional sites).
- **Air-conditioning enhancements and tuning** – completing extensive plant upgrades and looking to move to enhanced plant where possible. We are seeing large savings opportunities in this space, and are continuing to review industry trials.

‘Coming Soon’ is now coming sooner

In FY13 we acknowledged that a slow turnaround time between a lease agreement and operating tenancy in our retail centres was affecting revenue, tenant businesses and centre operations. In some cases, retail tenancies were taking several months to re-open with new tenants.

The entire cycle of leasing, facilities management, design, procurement and delivery was thus reviewed, with the intent to integrate and simplify the overall process that sits across a number of business functions: Leasing, Operations, and Project Management. These functions agreed to develop an integrated system, serving as the common communication, status and reporting platform.

Concurrently, we refined our requirements and standards as a retail owner and developer and recognised the opportunity to reduce agreement to operations turnaround times, and also increase quality and compliance by communicating these standards to our tenants, their consultants and contractors through an innovative, interactive portal that contains our updated Retail Guidelines.

The updated Retail Guidelines were developed in an interactive format enabling tenants to be increasingly self-sufficient, to reduce their costs by making requirements for their tenancies clear to their consultants and contractors, and to reduce cost and time in construction by making documentation more complete and accurate.

The Guidelines, to be officially launched in FY14, will facilitate improvements in the overall efficiency, time periods and quality/compliance outcomes of our tenants’ fit-out works, thus reducing lease agreement to operating periods for tenancies and allowing us and our tenants to earn income earlier.

The interactive Guidelines will be tailored for specific new developments and feedback on the application will be used to inform an enhancement program, including improvements to the CRM system. The initiative enables us to enhance relationships with our retailers and “partner” with them in a tight retail market.

Progress & priorities

ONGOING | ACHIEVED OUTCOME

Last year we committed to — PAST	This past year we have — PRESENT	Status	In the coming year our priorities are to — FUTURE
Energy efficiency Continue to deliver energy efficiency improvements in line with FY09 baseline targets by FY14: • 20 per cent reduction in GHG emission intensity across our Commercial Property portfolio, • a 4.5 Star average NABERS Energy rating across our Office portfolio.	Continued to deliver energy efficiency improvements: • On track to achieve intensity target with a 17 per cent improvement to date against FY09 levels. • Our Office portfolio achieved a 4.3 star average NABERS rating in FY13.	Ongoing	‣ Continue implementation of our CAPEX program to support: – achievement of our 20 per cent improvement in carbon intensity by FY14, based on FY09 levels. – aspiration towards a target of 4.5 star NABERS average for Office (we recognise that the sale of high-performing assets in our portfolio may affect future improvements to this average). ‣ Continue solar installations and develop a portfolio wide strategy for roll-out.
• Continue to work with the NSW Office of Environment and Heritage to create a robust retail asset rating tool. • Roll out additional NABERS Retail rating once the tool is refined.	• We have participated in the NABERS Retail Technical Advisory Group, contributing to the evolution of the tool. • In FY13 we rated one of our Retail assets using the revised rating tool.	Achieved outcome	‣ Identify and rate appropriate retail assets in our portfolio with the NABERS Retail Tool.
• Construct all new Retirement Living homes[1] with a 5 per cent improvement on building code energy efficiency performance requirements.	• All new homes designed and delivered through an ACC at Selandra Rise are 7 Star NaTHERS rated and well above 5 per cent improvement on BCA[1].	Achieved outcome	‣ Continue to ensure all new homes achieve a minimum 5 per cent improvement on the BCA thermal energy performance requirement.
Supply chain management • Strengthen our approach to responsible supply chain through reviewing and updating our sustainable supply chain policy and supplier guidelines. • Engage with selected suppliers to pilot these guidelines and seek feedback.	• Developed a standard bidding or tender framework which is already having benefits in Residential projects with significant cost and program savings. • Reduced bidder lists to no more than four prequalified potential suppliers. • Focused on increasing compliance to contracts for major consultancies and construction works. • Developed an initiative to gain greater visibility over key subcontractor risk. • Developed “Green Plans” for all major Commercial Property projects and larger Retirement Living projects. • Reduced waste to landfill in construction and operations with core focus on earthworks, including reuse by stockpiling and soil reallocation, and compliance with environmental standards in relation to contaminants.	Ongoing	‣ Apply Common Bidding Framework to all divisions. ‣ Normalise procurement processes across all businesses, integrating the advanced practice currently demonstrated by our Commercial Property business into our Residential and Retirement Living businesses. ‣ Rationalise the supplier base to reduce overall numbers by 20 per cent on FY13 numbers, and, in turn, the time and effort in establishing, maintaining and processing procurement, purchase orders/contracts and payments. ‣ Achieve >90 per cent contract compliance in FY14. ‣ Implement the initiative across all Commercial Projects and selected larger Residential and Retirement Living developments in FY14. ‣ Develop “Green Plans” for all projects in FY14.

[1] All homes designed and delivered through an internal Authorisation to Commence Construction (ACC).

06. Engaged and productive workforce

A Clear Resolve

We aim to foster a culture where our people are empowered to perform, can develop their careers, and are recognised and rewarded for their contribution.

Leadership effectiveness

82%

Providing a positive reflection of our strategic focus on the development of leadership capabilities

Diversity and inclusion

84%

Accepting of differences with regard to gender, age, cultural background and/or lifestyle and working style

Flexibility

80%

Managing work schedule and family/personal commitments is important to employee wellbeing. Identified as the second highest reason people stay at Stockland

We achieved an 80% employee engagement score

What's important to our employees?

80%

Efficient operations and clear accountabilities

Employee perceptions that the organisational structure facilitates these have declined. The survey pre-dated the FY13 organisational restructure which sought to address these issues

Values

Perceptions regarding clarity of our values have declined. In response to this we have initiated a project to refresh our values in FY14

Corporate responsibility and sustainability

87%

Reflecting our employees' pride in the contribution we make to the community and society and that we are an environmentally responsible organisation

Results from our annual 'Our Voice' survey administered by Towers Watson measuring levels of employee engagement.

At Stockland we aim to foster a culture and working environment where our people are empowered to perform, can develop their careers and are recognised and rewarded for the contribution they make to our business and the communities that Stockland helps to create.

	FY13		FY12		FY11		FY10	FY09
Our employees	**Stockland**	**Aged Care**	**Stockland**	**Aged Care**	**Stockland**	**Aged Care**	**Stockland**	**Stockland**
Full-Time	**1,067**	**32**	1,211	29	1,257	25	1,139	1,107
Permanent	**1,019**	**30**	1,141	29	1,208	25	1,101	1,090
Fixed Term	**48**	**2**	70	0	49	0	38	17
Part-Time	**255**	**249**	234	231	219	239	119	108
Permanent	**247**	**249**	224	231	217	239	114	108
Fixed Term	**8**	**0**	10	0	2	0	5	–
Casual	**45**	**63**	79	73	93	84	30	21
Total Headcount	**1,367**	**344**	1,524	333	1,569	348	1,288	1,236
FTE (Full Time Equivalent)	**1,262**	**219**	1,407	215	1,439	219	1,243	1,193

We have a People Strategy which identifies strategic focus areas and related initiatives each year to achieve and sustain this culture and environment.

In FY13 we made significant progress on our People Strategy with continued focus on:

- **Employee engagement** – maintaining our culture and engagement during a leadership transition.
- **Diversity and inclusion** – expanding workforce diversity and inclusion to better reflect our customers.
- **People and leadership capabilities** – strengthening immediate manager capabilities, embedding a 'One Stockland' approach that leverages core capabilities across the Group, and building Village Manager capabilities in our Retirement Living business.
- **Employee health and safety** – providing a safe and healthy workplace for everyone who works with us or attends our workplace.

Over the coming years, we will continue to focus on these strategic areas, strengthening our capabilities and culture to support our purpose and growth strategy. In FY14 we will further embed our purpose and culture through a refresh of our corporate values.

Overall in FY13 we have achieved solid results across our focus areas. However, a number of contributing factors, including a challenging market environment, financial constraints and a significant organisational restructure, have impacted certain metrics.

Employee initiated turnover for FY13 was 15.8 per cent (up from 13.6 per cent in FY12) which was above our target of 12 per cent, and was most notable in functions directly affected by the soft market. Our overall turnover increased to 28 per cent in FY13 (22.5 per cent in FY12) largely due to our significant restructuring. Pleasingly, by focusing on recruitment training for people leaders and enhancing the on-boarding experience for new hires we have been able to reduce employee initiated turnover within the first year of service to 17.6 per cent (down from 21.6 per cent in FY12).

The organisational restructure was undertaken in response to the challenging market environment in order to better adapt to new economic realities. The restructure involved a delayering of management and the centralisation of Stockland-wide functions (including Human Resources, Marketing and Finance), which will enable us to promote performance by leveraging expertise and enhancing consistency across the organisation.

We remained committed to delivering our people strategy through this transition period to ensure our ongoing ability to attract and retain talented people.

Chairman's Award for Innovation

It is the creativity and imagination of our people that transforms ideas into reality. In FY13 we launched our inaugural Chairman's Award for Innovation, an annual initiative designed to promote ongoing focus on the commercialisation of innovative and enduring business practices by recognising and rewarding the efforts of our people for their excellence in innovation.

We received more than 20 entries from across the organisation, highlighting the innovative spirit that exists within our teams. The Judging Panel assessed all entries against key criteria: innovative excellence, demonstrated commercial benefits, future replicability, and the creation of enduring community value.

The award, including a cash prize and sponsorship to participate in a global innovation event, was won by the Waterside Acoustic Terraces team. Through the introduction of the acoustic solution, the team was able to reclaim more of the site for development, creating over 90 affordable terrace homes that sold quickly.

The judges were impressed by the innovative engineering and design solutions the team created.

"It was a really wonderful commercial solution to an intractable problem and it has the potential in the judges' view to be replicable in other circumstances," said Chairman Graham Bradley.

Special recognition was also awarded to the Casual Leasing Equipment project which proposed new, well-designed solutions to a number of commercial and practical challenges faced by casual mall leasing.

Employee engagement

Our annual 'Our Voice' employee survey, administered by survey provider Towers Watson, measures our level of employee engagement and provides us with valuable information about our people's perceptions and experiences of the Stockland workplace. The survey helps us understand what is working well, where we can improve, and how our performance compares to that of our peers and leading international companies.

In 2013 we undertook our ninth annual 'Our Voice' survey. Our engagement score of 80 per cent, although 4 per cent lower than in FY12, remains above the Australian National Norm with 96 per cent of respondents indicating that they are willing to go beyond what is required to help Stockland succeed. This is pleasing when considered in the context of organisational changes, headcount reductions and challenging market conditions. Results of the 2013 survey are reflected in the infographic on page 34.

Recent research by Deloitte and the Australian Charities Fund on volunteering and workplace giving respectively illustrates that employees who participate in these initiatives are more likely to be engaged at work, with flow-on productivity impacts. We view our Community Involvement program as both an employee benefit and a key driver of employee engagement.

To support employees' personal giving and volunteering choices we have a Matched Workplace Giving program and personal volunteering leave allowance of two days per year. During FY13 over $150,000 was donated to 90 charities though our Workplace Giving program.

In FY13 our Community Involvement (or 'Giving and Volunteering') program was refocused to align more closely with our three key strategic Community Development elements in a bid to drive greater value for both our employees and for the business. This renewed approach to Community Involvement contributes to strengthening our relationships with existing community development partners.

Participation in our Community Involvement activities decreased in FY13. In FY14 we will look to reinvigorate our performance in this area with a view to increasing our volunteer participation rate to 50 per cent and our Workplace Giving participation rate to 20 per cent by FY15.

96%

of employees indicated they are willing to go beyond what is required to help Stockland succeed

Students go behind the scenes – Stockland Inspirations

Stockland Shellharbour, NSW

A structured Stockland-specific work experience program has been developed called 'Stockland Inspirations'. The program is based on the principle that education and training for young people is a collective responsibility. We are one of a select group of companies piloting it this year through the Partnership Brokers platform in South East Queensland and New South Wales.

Key benefits for us include the promotion of the property industry and our business as an employer of choice, supporting learning opportunities that contribute to skills and knowledge of the future workforce, and building strong relationships in the communities in which we operate.

Students will benefit from career exploration across key Stockland business streams, providing them with aspirations and direction for their future. It also enables teaching staff to gain industry currency and professional development. The program also provides a great opportunity to involve some of Stockland's stakeholders – such as builders, consultants, contractors and retailers – to showcase careers within their industries.

Key activities include general information sessions about Stockland and the property development industry, case study development to fit into aligned curriculum areas, 'behind the scenes' visits to Stockland retail centres, residential developments and retirement villages, job shadowing and sharing of Stockland employees' career path stories with students.

Diversity and inclusion

We value diversity and aim to create a vibrant and inclusive workforce which is reflective of the communities in which we operate. Building a more inclusive, flexible workplace enables greater diversity of thought, more informed decision making and ultimately better business outcomes.

The recent 'Our Voice' results reinforced that diversity and inclusion and related areas such as flexibility continue to be key drivers of engagement and/or wellbeing for our employees. In these challenging times therefore, continuing the diversity and inclusion momentum will be very important for morale and the broader culture in Stockland.

We are committed to **gender equity**, with a target of 45 per cent of women in management by 2017. We are progressing well towards this target and are currently at 42.7 per cent. While the percentage of women in Senior Management declined from 36 to 33 per cent in FY13, this figure is still higher than FY11 and we maintain our focus on promoting women into leadership positions.

While we have a well-developed approach to gender diversity, we continue to explore effective methods for the management and promotion of **cultural and disability inclusion**. Initiatives to promote cultural and disability inclusion include the creation of employment opportunities in our workplace and local communities.

We have a multi-cultural scholarship that helps us promote cultural diversity. We are working with our recruitment partners to ensure we have candidates that reflect the communities in which we operate and to help us find suitably qualified disability candidates to fill vacant positions. We have also added inclusion modules to our orientation program and to relevant leadership programs, with a focus on providing leaders and employees with practical tips on creating inclusive workplaces.

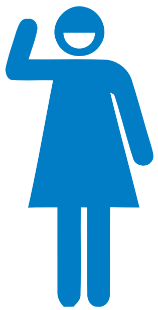
Women in management (%)**

	FY13	FY12	FY11	FY10	FY09
Stockland*	**43**	43	38	35	34
Commercial Property	**38**	44	41	37	38
Corporate	**49**	57	49	48	51
Residential	**34**	31	25	24	22
Retirement Living	**57**	50	43	41	33
Aged Care	**88**	83	75	N/A	N/A

* Excluding Aged Care
** Includes Executive Committee, Senior Management and Management.

Work schedule and family/personal commitments continue to be important to employee wellbeing and **workplace flexibility** is a key reason our people choose to stay at Stockland. We are pleased that there has been an 8 per cent increase in the percentage of our part-time work-force in FY13. There has also been an increase in flexible working arrangements (including remote working) and employees utilising informal flexibility to improve their work-life quality. We continue to see more males take primary care leave. Our focus for FY14 is to work towards mainstreaming flexibility; namely broadening the take up of flexibility across our demographics.

Another example of our work in this area is our Parental Transitions Program, which provides support to employees preparing to commence or return from parental leave. This program, together with our Group-wide focus on embracing flexible working, has helped increase our parental leave return rate from 59 per cent in FY08 to 90 per cent in FY13.



We are committed to gender equity, with a target of 45 per cent of women in management by 2017.

People and leadership capabilities

Effectively developing our employees' capabilities enables them to deliver on our strategy and purpose, drive continuous improvement and enhance performance. Key development interventions in FY13, and the provision of support to teams and leaders, played an important role in embedding our new organisational structure.

We continue to focus on developing our leaders to deliver our strategy, develop their teams, and achieve results. Recognising that most adult learning – approximately 70 per cent – happens by doing, we focus on providing our managers with the skills they need to coach and develop their teams.

We have a strong leadership curriculum in place to support this which is complemented by coaching, 360° Leadership Reviews and online training solutions. We also have a number of programs, initiatives and services to support the development of our key job families such as sales, centre management, development management, project management and village management.

This year we focused on further embedding our leadership curriculum, supporting teams and leaders going through structural changes, and building capability of village managers in our Retirement Living business through a program called Pathway to Village Excellence (PAVE). In FY14 we will focus on providing support for leadership development through innovative, cost effective learning approaches and by completing roll-out of the PAVE program across our Retirement Living business.

Employee health and safety

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

The FY13 'Our Voice' employee engagement survey returned positive results with regard to work health and safety, with 97 per cent of employees considering their area a safe place to work (9 per cent higher than the national norm); 93 per cent believing we do a good job of ensuring workers' health and safety wherever we operate (5 per cent higher than the national norm); and 96 per cent being aware of their responsibilities to ensure the areas under their control are safe places to work.

In FY13 we re-launched our Stockland Work Health and Safety Policy, which outlines our commitment to providing a safe and healthy work environment for everyone who works with us or visits our workplace, including our customers, contractors, employees and visitors. A dedicated Operational Risk function was created as part of the FY13 organisational restructure and is responsible for the oversight and active management of all classes of operational risk including work health and safety (WHS), environmental management, business continuity, public and physical asset safety management systems, general insurances and workers compensation.

An Operational Risk Strategy was developed to mitigate risk exposure and ensure the safety of our employees and stakeholders. Our focus in FY13 was on embedding this strategy across the business with an emphasis on three core elements: engaging and empowering a risk aware culture; identifying and managing our key operational risks; and integrating and embedding risk management systems.

Health and safety performance

	FY13	FY12	FY11	FY10	FY09	FY08
Total average workforce[1]	**1,736**	1,384	1,330	1,243	1,320	1,372
Total hours worked	**3.03 million**	2.42 million	2.32 million	2.17 million	2.31 million	2.40 million
Number of lost time injuries	**17**	18	5	13	6	7
Lost time injury (LTI) frequency rate*	**5.6**	7.4	2.2	6	2.6	2.9
Number of injuries requiring medical treatment**	**11**	13	8	12	12	10
Medical treatment injury (MTI) frequency rate**	**3.6**	5.4	3.7	5.5	5.2	4.2
Frequency rate (LTI and MTI)***	**9.2**	12.8	5.9	11.5	7.8	7.1
Fatalities	**0**	0	0	0	0	0
Lost days (total for the recorded lost time injuries)	**417**	257[3]	70	87	31	14
Average lost days per lost time injury (Severity rate)	**24.5**	14.3[4]	14	6.6	5.2	2.3

* the number of injuries per million person hours worked[2]
** not including lost time injuries
*** not including injuries requiring first aid treatment only

1 Total average workforce uses monthly employee totals rather than end of financial year figure used in Our People metrics. The total average workforce was updated in FY13 to include Aevum Payroll employees.
2 Includes injuries incurred as a result of a work related incident. Does not include commuting/recess injuries.
3 FY12 metric has been updated to include additional lost days incurred in FY13 for lost time injuries reported in FY12.
4 Severity rate for FY12 has been updated to include additional lost days incurred in FY13 for lost time injuries reported in FY12.

The number of lost days and subsequent severity rate for FY13 has increased. This increase is largely attributed to three incidents which have collectively accumulated 328 lost days. Remedial activities have been implemented including the re-communication of stress management techniques, the national roll-out of an online ergonomics assessment program and the provision of refresher manual handling.

Our management approach and detailed performance data:
www.stocklandsustainability.com.au

97%

of employees consider their area a safe place to work in 'Our Voice' survey

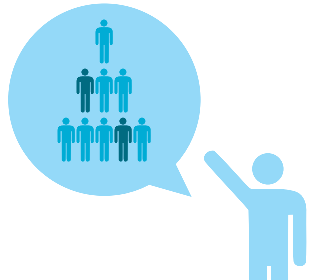
Progress & priorities

ONGOING

ACHIEVED OUTCOME

Last year we committed to PAST	This past year we have PRESENT	In the coming year our priorities are to FUTURE
Employee engagement • Extend the reward framework changes across the organisation.	• Introduced STI deferral for all senior job bands to provide our leaders with greater shareholding in our company.	‣ Review effectiveness and structure of long-term Incentives as a retention tool.
• Continue to embed a 'One Stockland' culture and further embed organisational structural changes.	• To further embed a 'One Stockland' culture, the organisation was restructured to centralise group functions not yet centralised.	‣ Refresh Stockland values to reflect our purpose, strategy and desired culture. ‣ Further embed new organisational structure and 'one Stockland' culture.
Diversity and inclusion • Expand the diversity mix of our workforce to be more reflective of the communities in which we operate.	• Launched the refreshed Diversity and Inclusion Steering Committee with Mark Steinert, Managing Director, as Chair. • Promoted flexible working practices.	‣ Continue to expand the diversity mix of our workforce to be more reflective of the communities in which we operate. ‣ Further embed a culture of inclusion and flexible work practices.
• Increase the percentage of women in management roles, in line with our target of 45 per cent by 2017.	• Percentage of women in management roles was at 42.7 per cent. • Delivered our Women Leadership Programs.	‣ Increase the percentage of women in management roles, towards our target of 45 per cent by 2017.
Learning and development • Focus on continuing to develop managers' skills through the leadership curriculum and 360 degree feedback process.	• All four core Leadership programs were delivered. • Leaders continue to complete a 360 degree review against our leadership attributes every 18 months to two years. • Developed PAVE for Village Managers and Project Management capability of our Development and Project Managers.	‣ Deliver innovative learning options to support leadership development and self-paced, remote learning across our geographies. ‣ Maintain focus on Leadership Programs and lifting the management capability of our people leaders. Progress tailored leadership initiatives to the next stage. ‣ Continue to deliver PAVE (Pathway to Achieving Village Excellence) for our Retirement Living Village Managers.
Work health and safety • Continue to deliver on our WHS Strategy against a number of fundamental risk management initiatives focusing on systems and audits.	• The Operational Risk Strategy continues to progress following on from initiatives achieved in FY13, including: – Implementation of the Operational Risk Management System (including WHS). – Development of a national Health and Wellbeing Strategy. – Expansion of the Incident Reporting and Investigation System (IRIS). – Completion of risk workshops across all business units.	‣ Continue to deliver and implement the Operational Risk Strategy in line with the three core strategic elements.
Community involvement • Refresh our Giving and Volunteering Strategy.	• Community Involvement (Giving and Volunteering) Strategy refreshed to align with our Community Development elements.	‣ Rollout our new Community Involvement Strategy across the business. ‣ Increase our volunteer participation rate to 50 per cent and our Workplace Giving participation rate to 20 per cent by FY15.

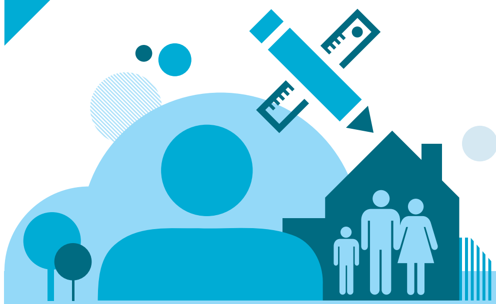
07. Customer satisfaction



A Clear Insight

Understanding and responding to our customers' changing needs is critical to the sustainability of our business, and exceeding their expectations to maximise customer satisfaction is critical to our broader business success.

Our proprietary liveability study of over 1,700 residents in our communities identified elements that contribute to higher customer satisfaction or liveability



Customer satisfaction

The biggest driver of customer satisfaction in our communities comes from factors other than their own homes

Referred new leads

Satisfied customers are more likely to refer (currently 20 per cent of new leads are referred)

Consumer focus

By focusing our development and community creation activities on the most important community elements we will increase customer satisfaction and drive referrals

Conversion to sales

Referred leads convert to sales at three times the rate of non-referred leads

Components of satisfaction:

27%	26%	20%	16%	11%
Community design elements	Community perceptions	General house & land elements	Personal circumstances	My home

Commitment to our customers is paramount across our Group and is reflected in the products we offer and the way we engage, value and respect our diverse range of customers.

Our customer base includes the shoppers, retailers, and Office and Industrial tenants across our commercial assets, as well as the people who live in our Residential and Retirement Living communities.

Understanding and responding to our customers' changing needs is critical to the sustainability of our business, and exceeding their expectations to maximise customer satisfaction is critical to our broader business success.

The nature of these focus areas may vary in each business unit given the different requirements and considerations of our diverse customer base.

Tenant retention and satisfaction, and happy shoppers

Engagement with our Commercial Property customers enables us to better tailor the retail experience of our shoppers, and to promote retention of our Retail, Office and Industrial tenants. Customer satisfaction is a key priority for our Commercial business as it promotes retention and drives growth of our net operating income.

Retailers

Our retailer engagement program consists of surveying retailers as they move in, exit or renew a lease in one of our centres. This enables us to better understand the drivers and motivations for lease renewal, and respond to those concerns which impact most heavily on retailer retention.

Since the program's implementation in mid-2011, 265 retailers across 37 of our shopping centres have completed these surveys, representing a response rate of 32 per cent. In FY13 70 per cent of our retailers renewed their lease with us. Encouragingly, 78 per cent of renewing tenants told us that their most recent lease experience was either the same or better than last time.

In FY13 we also conducted our third annual customer satisfaction tracking survey which was completed by 299 of our retail tenants. While we fell slightly short of the 75 per cent satisfaction target made last year, we made significant progress relative to our competitors and are now placed second on this measure in FY13.

	FY13	FY12	FY11
Weighted customer satisfaction score*	**71%**	69%	50%
Relative competitor position	**2nd**	3rd	6th

* Weighted based on performance against four key metrics: highly satisfied customers, reduction of dissatisfied customers, satisfaction ranking relative to competitors, and experience of renewing tenants.

Most downloaded iPad app in leasing

Our Virtual Customer and Asset Directory (VCAD) application for iPad was launched in late May 2013 and was quickly embraced by our leasing professionals.

The VCAD tool eliminates the need for retailers to physically travel to our shopping centres (two-thirds of which are in regional areas of Australia) by enabling our leasing executives to share an interactive and 'virtual' centre experience with them in the comfort of their own office.

We are able to show comprehensive floor-plans, tenancy images, trade area information, sales and rent all via iPad. We can even issue an offer on the spot.

VCAD was launched on the back of Leasing Finance Reporting (LFR) – another initiative delivered across Retail in May. LFR allows us to accurately forecast our retailers at risk by providing real-time access to key performance indicators through the customer relationship management dashboards, including revenue growth/leasing spreads, vacancy positions, capital usage and lost rent metrics.

This information, along with sales, debt, rent and expiry information, is then pushed through to VCAD, enabling leasing and centre management to analyse these metrics visually overlaid on a plan and prepare for retailer meetings.

These industry-leading tools highlight the growing importance of utilising technology to provide powerful insight to our business, as well as enhancing the experience retailers share with us.

Shoppers

To gain an insight into shopper satisfaction and to provide an operational assessment and measure of centre facilities, maintenance and customer service, we operate a comprehensive Mystery Shopping Program across all our retail assets. In FY13 our centres achieved an average score of 93 per cent, outperforming the average competitor score by 7 per cent.

We engage with shoppers indirectly through market research studies to better understand their views, perceptions and behaviours. Increasingly, we use transactional data to analyse the spending habits of our shoppers and those that live in our centres' trade areas. This insight helps inform our tenancy mix and retail development planning.

Since 2011, we have conducted transactional data centre analysis on 18 of our centres and over the next 18 months this will be rolled out to cover all our regional and sub-regional centres. We also monitor online and offline spending trends. Australian online retail spend growth is decelerating and currently sits at 6.4 per cent.

Office and Industrial tenants

We outsourced the day-to-day property and facilities management functions for our Office and Industrial assets to CBRE in FY12. Now that the transition is complete and the arrangement has stabilised, we have commenced a comprehensive strategic tenant survey, which is scheduled for completion in early FY14. The outcomes of this survey will be used to assess tenant satisfaction and inform the development of more efficient and effective strategies to maximise service delivery to our tenants.

Community satisfaction and liveability

Engagement in our Residential business is fundamental to enabling us to understand and better respond to changing customer values and behaviors so that we can continue to offer a viable pathway to home ownership. This includes direct and indirect engagement through assessments of the broader housing market, our current customer base, and residents living in our developments

In FY13 we undertook a large scale review of behaviour, values, needs and attitudes of a broad cross-section of society to investigate the factors influencing their housing decisions (such as property type, location, and whether to buy or rent), and to assess the relative importance of these factors in their final decisions. This research helped to inform our strategic decision making with regard to medium density development.

Ensuring customer satisfaction is a key priority for our Residential business as referrals play a significant role in driving sales across our communities (see Community Value Proposition infographic). Our proprietary liveability study of over 1,700 residents has enabled the identification of the specific elements that most significantly enhance customer satisfaction. By focusing our development and community creation activities on these elements, we can increase satisfaction, drive greater referral rates and grow margins over time.

Our liveability research also enables us to benchmark our residents' overall personal wellbeing against the Australian average as measured by the Deakin University and Australian Centre on Quality of Life 'Personal Wellbeing Index'. On average our residents report a higher overall level of wellbeing than the Australia average.

Customer satisfaction is not just about those living in our communities but also about our new and prospective residents and the service they receive through the sales process. As such, our sales teams have a target to achieve 80 per cent overall satisfaction with sales experience.

Each year we use third party research to assess our 'Customer Pulse'. This research provides insight into the needs of our current and potential customers, the changing composition and desires of our customers, and our customers' experiences in dealing with Stockland. Our FY13 'Customer Pulse' involved over 5000 telephone interviews with people who had either enquired about or purchased a home in one of our communities. In total 82 per cent rated the customer experience as very good or excellent (up from 78 per cent in 2012).

Happy villages

Ensuring that our current Retirement Living residents are happy, and that our villages are meeting the needs and desires of current and prospective customers, is key to the success of the business. When our residents have high satisfaction levels, they are inspired to share their experiences and this has a positive influence on prospective residents. Our residents are our best ambassadors.

Each year we conduct a satisfaction survey called 'Residents' Voice' to monitor how our customers feel about life in their Stockland retirement village. The survey allows us to measure residents' overall satisfaction with living at the village, as well as satisfaction with other key aspects of village life including their home, the village manager, community facilities, social activities and Stockland as an organisation. We are delighted with our survey results this year and have seen a continual increase in satisfaction across a number of areas.

Residents' Voice survey results

	2013	2012	2010
Average overall satisfaction	**8.51**	8.38	8.45
Villages with average satisfaction score of 7 or more	**99%**	97%	100%
Average satisfaction with Stockland	**7.71**	7.55	7.19
% of households responding	**67%**	61%	63%

Our 'Residents' Voice' survey results continue to demonstrate the importance of village managers and the role that they play in the lives of our residents, so significant investment has been made into ensuring our village managers have the training, tools and support required to deliver against the varied requirements of the role. In FY13 resident satisfaction with village managers increased to 8.36 from 8.28 the previous year.

In FY13 we implemented a new village manager training and development program across the business. The PAVE (Pathway to Village Excellence) program consists of four modules: financial management, stakeholder management, self and team management, and asset management. All village managers will have completed all modules by end FY14.

In FY13 greater emphasis was placed on social life in the village to further promote resident satisfaction. Village managers, in conjunction with the Resident Committees, are continuing to explore opportunities to broaden the range of activities and social programs on offer at each village.

Affordability

Housing affordability has remained a key focus for our Residential and Retirement Living businesses, with domestic and international economic pressures continuing to weigh heavily on the Australian housing market.

In our Residential business we maintained our strategy of offering smaller, more affordable lots and working with builders to create new, innovative housing designs that improve the efficiency of space and construction costs, as well as working to refine the Affordability Index.

Our Affordability Index incorporates two measures that together tell us how well we are responding to market demand for affordable housing:

- The Mix Index measures the relationship between the mix of lot sizes demanded as a result of each project's initial marketing and the responding supply of lots within the project.
- The Price Index measures the relationship between the price of those lots and the budget of the customer segments who demand them.

This strategy has enabled us to deliver an improved supply of affordable housing stock over the past year, with growth in the supply of lots under $200,000 rising from 36 per cent in FY11 to 43 per cent in FY13 as shown in the table below. In FY12 we achieved the breakthrough of offering lots under 250 square metres in all state businesses and we maintained this in FY13. In FY13 each of our state businesses was also able to offer a house and land package priced at less than $300,000.

We have also increased the perception of value for money with 75 per cent of our customers rating it as 'Good' or better. We have also increased the percentage of people who rated value for money as 'Very good' or 'Excellent' from 28 per cent in FY12 to 32 per cent in FY13.

Improving affordability for residential customers

	FY13	FY12	FY11
Lot supply under 450m^2	**56%**	52%	49%
Residential lot supply price points under $200,000	**43%**	40%	36%

In our Retirement Living business entry price and living costs are key elements of affordability for our residents. They ensure our Retirement Living residents, most of whom are no longer in the workforce, can enjoy living independently in their home and community for longer.

The value of their current dwelling is a key indicator of what they can afford and our price points for the most part sit well below the national median house price. We have an average price of $345,000 across our portfolio, compared to a national median sale price of $564,000.

We are able to influence two types of living costs for our residents: fees they pay for ongoing management of the village via the levy, and utility charges (particularly energy) for operating their homes. As of June 30 2013, over 65 per cent of our Retirement Living villages have a monthly base fee that is equal to or less than 25 per cent of the monthly aged pension.

Sustainable design can have significant impact on the costs associated with running homes and community facilities which directly impact affordability for residents. Our 5 Star Green Star Affinity Village clubhouse in Western Australia will avoid between $30,000 and $40,000 in running costs per year — half the normal operational energy costs. These savings are passed onto our residents.

In our Selandra Rise retirement village in Victoria homes will achieve a minimum 7 star thermal performance rating thereby significantly reducing the energy required for heating and cooling a home.

We also monitor the affordability of our commercial terms with retailers on an ongoing basis by tracking occupancy costs. This tells us what we are charging in rent as a proportion of the retailers' turnover and allows us to compare retailers with benchmarks to identify those who may be at risk of rental stress. Tracking occupancy costs enables us to minimise vacancy rates, reduce the additional costs incurred when retailers vacate outside of contract periods, and reduce the down time between retailers.

As part of our annual customer satisfaction survey, we also rate our retailers' perceptions of affordability by ascertaining their levels of satisfaction with regard to rent, promotional levy, fit-out contribution, and tenure and options periods. In FY14 we will continue to monitor lease rental stress.

Our management approach and detailed performance data:
www.stocklandsustainability.com.au

Stockland Liveability Index

During FY13 we undertook and collated 11 liveability surveys from residents in our communities as part of our Liveability Program. The Liveability Program has a multi-faceted approach which enables pro-active engagement, market research and satisfaction monitoring across our communities. Based on survey results, we created the Stockland National Liveability Index. The Index tracks how satisfied our residents are with the liveability of their communities.

The key liveability themes include:

- Affordable living
- Economic prosperity
- Lifelong learning
- Access and connectivity
- Wellbeing and healthy living
- Sense of belonging and engagement

Currently, over half of our residents are 'Very satisfied' with the liveability of their communities (i.e. minimum rating of 8/10) and 75 per cent are 'Satisfied' (minimum rating of 6/10). Although this indicates a good performance, we are targeting improvements to the ratings of 'very satisfied' residents over the coming years.

The liveability score is calculated using a comprehensive range of measures from community design and perceptions to individual wellbeing and satisfaction with individual properties. Using the index, we are able to identify the specific areas which have the most impact on overall satisfaction.

The index has shown that the areas with the highest importance rating across the majority of states are community design elements and community perceptions. Elements corresponding to these two areas are illustrated in the table below and indicate where we should focus our efforts in order to improve the liveability rating of our communities over time.

Community design elements

- Street and park furniture
- Play areas and equipment
- Parks and open spaces
- Cycleways and footpaths
- Quality and accessibility of education
- Landscaping
- Maintenance and cleanliness
- Noise levels

Community perceptions

- Road safety
- Pride in the community
- Community identity
- Community connectivity
- Opportunities to participate

Results from our liveability research have been communicated to our residents and are being used to refine our community development plans.

	NATIONAL	QLD	NSW	VIC	WA
"Satisfied" or better	75	83	70	74	82
"Very satisfied" or "Extremely satisfied"	53	57	48	50	50

Progress & priorities

ONGOING

ACHIEVED OUTCOME

Last year we committed to PAST	This past year we have PRESENT	In the coming year our priorities are to FUTURE
Customer insight • Increase insight sharing with our customers, particularly our retailers. • Address key areas of feedback to better meet our customers' needs.	In Commercial Property we: • Conducted transactional data centre analysis on 19 of our retail centres (since 2011). • Launched Leasing Finance Reporting and Virtual Customer Asset Directory tools to improve engagement and insight sharing with our retailers. • Commenced an Office and Industrial tenant survey. In Residential we: • Launched our Liveability Program with surveys being conducted across 12 of our communities. In Retirement Living we: • Launched our Resident Feedback Program with pilots across nine villages.	• Conduct transactional data centre analysis on all our regional and sub-regional centres over the next 18 months. • Continue to use the LFR and VCAD tools in alignment with our CRM system to capture valuable retailer data and insights. • Complete and undertake tenant survey across our assets in FY14. • Explore ways to make survey more accessible to our communities so it can be conducted more frequently. • Embed liveability research and insights into our community development and urban design guidelines. • Implement Feedback Program across all our villages in FY14.
Customer satisfaction • Maintain or further increase customer satisfaction across our three business units.	In Commercial Property we achieved the following survey results: • 3 per cent increase in retailer satisfaction (71 per cent). • Maintained 93 per cent shopper satisfaction. • Office and industrial survey currently underway. In Residential: • Customers rating their sales experience as 'Good' or 'Excellent' increased by 4 per cent to 82 per cent. • We launched Mystery Shopper to rate sales service delivery and performance. In Retirement Living we: • Achieved an average overall resident satisfaction score of 8.51.	Achieve the following: • Retailer satisfaction target of 75 per cent. • Shopper satisfaction target of 90 per cent. • Establish a target for Office and Industrial satisfaction on the back of survey results. Achieve our: • FY14 target of 80 per cent. • Establish key performance benchmarks for sales service focus areas. Achieve our: • FY14 target of 8.0.
Affordability • Continue to develop house and land packages that match the purchasing budgets and requirements of the majority of new home buyers within the markets we operate in.	In Residential we achieved the following results through our Affordability Index: • 55 per cent of lots supply was under 450m^2. • 43 per cent of residential lot supply price points were under $200,000. In Retirement Living we: • Used Green Star rating tools as a way of improving not just sustainability outcomes but also energy operations costs in our Retirement Living business. In Commercial Property we continued to: • Monitor lease rental stress across our Retail portfolio.	• Look into the provision of medium density solutions to provide ongoing affordability options. • Continue to look at our entry fees, management fees structure in relation to pension rates, and ways to reduce utility fees through sustainability initiatives. • Continue to monitor lease rental stress across our Retail portfolio.

08. Sustainable development

A Clear Commitment

We are committed to making our communities and assets stronger, healthier, connected and more resilient. We look to use innovative and sustainable products to enhance quality of life and affordability, to responsibly manage and improve our environmental impact, and make our assets more efficient for the environment, our customers and our people.

Fine-tuned performance

All facets of the clubhouse are automatically measured using a building management system

Water efficiency

Careful selection of fixtures and fittings ensure the best possible use of every drop of water

Indoor environment quality

The quality of the air is constantly monitored, natural light is optimised, toxins from materials are reduced

Energy efficiency

62% reduction in lighting energy consumption, insulation and glazing keeps it cooler in summer and warmer in winter

What makes it a Green Star building?

Affinity Village Clubhouse is the first retirement living village community centre to achieve a Green Star rating from the Green Building Council of Australia

Running costs

We expect the operating efficiency improvements to reduce costs by $30,000-$40,000pa, a saving passed on to our residents

Transport

Cycling facilities were provided for staff, residents and visitors to help reduce transport emissions and support active lifestyles

Materials

Fly ash concrete was used to reduce the embodied energy (the energy used to produce cement) of the building

Developing sustainable and vibrant places has become one of our core competencies.

We are committed to making our communities and assets stronger, healthier, connected and more resilient. We look to use innovative and sustainable products to enhance quality of life and affordability and to responsibly manage and improve our environmental impact, making our assets more efficient for the environment, our customers and our people.

Over the past two years we have been transitioning our approach to sustainability from one focused on 'doing the right thing' to a 'creating shared value' approach. This transition has been guided by our Sustainability Strategy and facilitated by the integrated approach to sustainability management within the organisation.

Sustainable development

Managing and benchmarking our performance

We have a strong commitment to managing and benchmarking our performance and use environmental rating tools across our assets and developments. So much so that it has become part of the way we develop all of our Commercial Property assets. We require all our shopping centre developments to achieve a minimum of 4 stars certification for 'Design' and 'As Built' ratings. We currently have the highest number of Green Star rated shopping centres in Australia. We have an impressive list of Green Star ratings across multiple asset types.

This year we achieved Australia's first Green Star rating for a retirement village community centre, extending our expertise in green building to our Retirement Living business. We also participated in the development and beta testing of Green Star Performance with Stockland Green Hills being nominated for involvement in the Pilot rating. The Green Star Performance tool will help to more effectively benchmark and monitor the operating performance of our retail assets.

We are piloting the Green Star Communities tool and have recently committed to being a Green Star 2014 Thought Leader and are excited by the opportunity to support the Green Building Council of Australia in the update of the Green Star rating tools.

Managing our natural resources is a key part of delivering these Green Star project credits. Natural resources are essential for environmental and social health. They also provide the materials that enable us to develop and manage our assets, and play an important role in making our communities and assets attractive, healthy and efficient places in which our customers want to live and work.

We therefore recognise the importance of effectively managing the natural resources we interact with at each point in our project life cycle. We equally acknowledge the significant benefits that arise from a strategic approach to natural resource management, as it enhances the efficiency, resilience, desirability and long-term value of our assets and developments. We have identified two key areas of focus for our business and the delivery of sustainable and efficient assets.

Water management and quality in the development and operation of our assets, including improved access to alternative water infrastructure and practical innovation to support more efficient use of water. The availability, quality and maintenance of natural resources are critical for the success of property developers and managers and are increasingly important to customers and tenants.

Our aim is to deliver projects that minimise water use and contribute positively to catchments in which we operate. We therefore actively manage water efficiency on development projects, monitoring water use during both construction and delivery of our projects, and also using the CCAP PRECINCT tool on our Residential communities to predict water use and test options for reducing consumption. All Retirement Living villages are required by our minimum standards to apply water sensitive urban design.

Stockland water consumption

Commercial Property water consumption (kL)

	FY13	FY12	FY11	FY10	FY09
Office and Industrial	**299,122**	347,865	478,646	502,191	552,248
Retail	**928,198**	818,058	807,636	880,490	746,485
Total	**1,227,320**	1,165,923	1,286,282	1,382,681	1,298,733

Boundary: We report according to our 'operational control' boundary under the National Greenhouse and Energy Reporting Act (NGERA).

Water consumption intensity (kL/m^2)

	FY14 target set in FY09	FY13	FY12	FY11	FY10	FY09
Office	**0.80**	**0.63**	0.63	0.72	0.81	0.89
Retail	**0.84**	**1.03**	0.94	0.95	1.05	0.93
Commercial Property*	**0.83**	**0.91**	0.82	0.85	0.95	0.92

* Consumption Intensity data calculated based on Office and Retail consumption figures.

For detail on our operational energy and water efficiency approach and results see: **Operational efficiency** P.31

We are piloting the Green Star Communities tool and have recently committed to being a Green Star 2014 Thought Leader

Biodiversity management and enhancement in our communities, including improved access to biodiversity services for the benefit of our business, tenants, customers and residents. Biodiversity provides challenges and opportunities for our business, particularly in new urban growth corridors. Our surveys on liveability tell us that customers value green space and so balancing developable land with retention and activation of biodiversity is critical to the success of our masterplanned communities.

We have continued to collect data on biodiversity holdings and to consider the long-term value that these provide back to new communities and the local region. We have been assessing and planning for biodiversity in a number of our communities. For example, at our Caloundra South community we are creating a 460 hectare environment protection zone and restoring and protecting vegetation along waterways. These measures combine to manage potential impacts on site and downstream in Bells Creek and the Pumicestone Passage. The protection zone and restoration will provide an important natural resource for the residents of this future community and South East Queensland as a whole.

Our management approach and detailed performance data
www.stocklandsustainability.com.au

Biodiversity Impact and Management – Residential Communities

	FY13	FY12
Boundary*		
Total projects with masterplan approval	**44**	42
Total land area (ha)	**7,210**	6,733
Biodiversity impact		
Total projects with areas of significant biodiversity value	**20**	18
Total land area of significant biodiversity value (ha)	**1,197**	910
Total area of land of significant biodiversity value to be cleared (ha)	**641**	489
Biodiversity management		
Total area of land to be regenerated, re-vegetated, restored or rehabilitated (ha)	**342.5**	190.5
Total projects impacting areas of significant biodiversity that have a biodiversity plan in place (%)**	**61**	61
Total projects working with community and non-governmental organisations	**12**	10

* Our Residential communities biodiversity results are representative of all residential projects that have received masterplan approval (i.e. Stage 3 in the D-Life process) as at 30 June 2013.

** This percentage figure is representative of all residential projects with areas of significant biodiversity value that have commenced project construction and delivery (i.e. Stage 5 in the D-Life Process). Biodiversity plans become operational once activity commences on site.

Climate change action

The Intergovernmental Panel on Climate Change's Fourth Assessment report predicts likely impacts on property will include more hot days, more frequent heavy precipitation and increased incidence of extreme high sea level. If realised, these impacts would place greater demands on our assets and communities, and have a powerful influence on the actions and behaviours of our key stakeholders.

We are committed to ensuring that we understand the risks and the opportunities for climate change mitigation and adaptation. We are committed to design and technology innovation and access to alternative energy supplies that will help us and our customers realise a cost efficient, low carbon future.

Our Climate Change Action Plan reflects our five focus areas – these have been tracked over the last five years.

1. **Monitor** emissions and energy use, and streamline reporting.
2. **Reduce** emissions through both direct control and influence.
3. **Adapt** through research assessment and response to potential climate risks.
4. **Innovate** and integrate innovative solutions into operations and development projects.
5. **Communicate** effectively our position and performance.

We have continued to focus on reducing our emissions through innovative solutions. The increasing cost of carbon intensive power also creates opportunities as renewable energy, particularly solar, becomes increasingly competitive as an alternate energy source. The reduced cost of solar infrastructure, combined with increasing electricity prices, supported the business case for solar installations on two of our retail centres.

To effectively manage our performance in this area we employ evidence-based decision making tools and certification. Our use of carbon abatement cost curves has influenced ongoing financial analysis in our Commercial Property business and the CCAP Precinct tool has been used to assess and prioritise the energy initiatives that deliver the greatest emission reduction outcome for the lowest cost in our Residential and Retirement Living businesses.

Where we do not have direct control, we are focused on working with builders and building product suppliers to promote energy efficient design and on helping our customers to make informed energy decisions. Our Riverstone case study is a demonstration of our work.

In FY13 we have also focused our efforts on furthering our climate adaptation work. Following the launch of our Group Climate Adaptation Strategy two years ago, we have been working in collaboration with Manidis Roberts to develop a methodology to determine the vulnerability and resilience of our assets to climate change. Now complete, the methodology defines key vulnerability and resilience criteria, with a particular focus on location and design, structure, operation and maintenance, utilities and services, and stakeholders.

We have now undertaken a pilot program to trial the asset assessment methodology across our Commercial Property portfolio and completed assessments on several Retirement Living and Residential assets, with sites selected based on geographic location and perceived exposure in order to test the methodology across a range of varying climate conditions. Action plans were issued at the asset level to make assets more resilient, including operational responses, maintenance regimes and emergency response plans.

Monitor

Stockland greenhouse gas emissions

Total greenhouse gas emissions (kgCO_2-e)

	FY13	FY12	FY11	FY10	FY09
Scope 1	**18,467,705**	26,960,684	27,459,144	14,904,868	3,016,281
Scope 2	**100,936,022**	117,550,075	128,283,100	131,369,103	120,000,601
Total Scope 1+2 emissions	**119,403,727**	144,510,759	155,742,244	146,273,971	145,326,882*
Total Scope 3 emissions**	**17,313,657**	23,726,296	23,214,328	24,466,064	20,830,721

* In FY09 Scope 1 and 2 emissions for Residential and Retirement Living were estimated and included in total emissions figure.
** Scope 3 emissions include transmission losses from purchased electricity, gas and fuel, car hire and flights.

Reduce

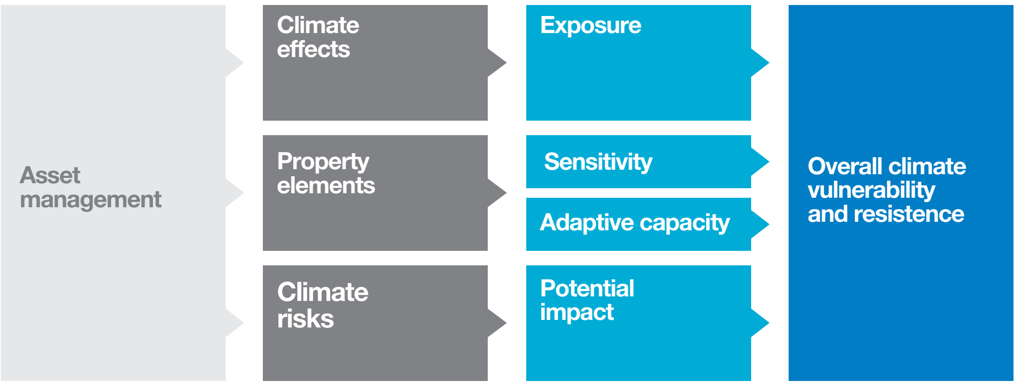
Greenhouse gas emissions intensity (kgCO_2-e/m^2)*

	FY14 target set in FY09	FY13	FY12	FY11	FY10	FY09
Office	83.0	**72.1**	77.3	85.1	97.0	103.8
Retail	59.7	**62.0**	69.2	73.0	76.0	74.6
Commercial Property**	69.6	**65**	72	78	85	87

* Based on Scope 1 and 2 emissions.
** Combined Office and Retail.

Adapt

Climate adaptation asset assessment methodology



Innovate

Riverstone Crossing 'Energiser' Trial

Stockland, in partnership with the Queensland University of Technology and Gold Coast City Council, launched a trial of a new in-home device to monitor electricity, gas and water usage at its Riverstone Crossing community in Queensland. The 'Energiser' monitoring device aims to reduce utility bills and environmental impact by providing real time consumption information.

The monitoring device shows residents how much electricity, water and gas they are using now, this week and this month compared to previous periods, thus enabling them to set targets based on previous bills, and monitor their progress in real time from a simple touch screen. A glowing orb changes colour from green to red to warn when usage targets are being exceeded, so immediate changes to consumption can be made.

Initially hoping to engage 35 households, the trial was oversubscribed by 40 per cent the day of launch with an overwhelming response from local residents enthusiastic about having the monitoring system fitted in their homes.

The Riverstone Crossing 'Energiser' Trial offers us a unique opportunity to proactively influence consumption in our Residential communities.

Communicate

We disclose our management approach and performance with regard to emissions and climate change annually in our sustainability report, and also via other reporting initiatives such as the CDP and our energy efficiency opportunities reports.

Being a property developer, acquisitions and divestments as well as the intensity and breadth of our activities within a given year can significantly impact our environmental performance.

In our FY13 Sustainability Reporting we provide an overview of the activity profile for each of our operating businesses and how this affects our environmental data, particularly our emissions.

Our management approach and detailed performance data:
www.stocklandsustainability.com.au

Developing vibrant places – community development

Communities are created in and around our projects and are central to our business' purpose – 'we believe there's a better way to live'. Through a considered approach to design, project management and asset operations we are able to optimise the role we play in developing and sustaining liveable communities.

We acknowledge that early delivery of both built infrastructure and social initiatives for residents is key to creating liveable communities as it encourages community engagement and social cohesion. Early and integrated planning with key stakeholders enables us to develop this infrastructure earlier than typical greenfield development models would allow.

This unique capacity and demonstrated ability to develop and positively contribute to communities sets us apart from our peers, inspires the trust of our key stakeholders, enhances the long term value of our assets, and thus delivers ongoing value for our shareholders.

In conjunction with stakeholders, and as a result of research into federal government priorities and the needs analyses of communities where we operate, we have identified three key elements and objectives which underpin sustainable and liveable communities. These are supported by numerous partnerships which are central to our community development approach. Examples are provided as case studies.

Understand	Engage	Create	Deliver
We research our commitments to better understand them	We ask what is important and identify local community needs	We work with our communities to identify and be involved in initiatives that address needs	We facilitate the building of strong, sustainable and identifiable communities

Health and wellbeing – assisting our communities to have access to fresh and healthy food and to participate in active living practices. Underpinned by the high value that communities place on parks, open spaces and recreation infrastructure, our key objectives are:

- To contribute to the positive physical and mental health and wellbeing of our residents and customers of all ages.
- To provide infrastructure and programs which promote healthy, safe and active lifestyles.
- To facilitate the activation of community spaces through effective programming and the provision of support in establishing health, leisure and recreation opportunities for all life stages.
- To maintain a strong focus on access to the natural environment in all projects.

Free, healthy, fun parkrun

This year we launched a national partnership with parkrun Australia – a unique, community-run program that provides free, weekly running events for people of all abilities, ages and fitness levels. Our partnership works to unite communities in a free, healthy and regular program.

Our national partnership with parkrun Australia is taking our communities by storm with new events being kicked off all around the country. The partnership aligns with our community development strategy of creating sustainable and vibrant communities that promote a healthy and social lifestyle.

The program allows everyone the opportunity to go at their own pace – run, walk or jog. Parkun is self-sustaining. Each run is timed by local volunteers under the leadership of an Event Director. Participants can track their progress and fitness online, and motivate each other through parkrun Facebook sites.

North Lakes, Queensland

Lifelong learning and prosperity – enhancing the quality of training and employment opportunities in our communities and further supported by our liveability research which identified quality education as a key driver for satisfaction. Our key objectives are:

- To provide and facilitate community access to a range of learning opportunities for all life stages.
- To enable residents and customers to continuously learn and develop, and to make positive and rewarding contributions to sustain their environment, community and the economy.
- To facilitate local skills development and employment.
- To provide affordable living solutions.
- To develop an effective exit strategy with stakeholders to ensure the long term sustainability of built infrastructure and social initiatives.

Stockland Spaces incubate new enterprise

In FY13 Stockland teamed up with Renew Australia to create Stockland Spaces – an initiative to activate long-term vacant tenancies with creative projects on a 30 day rolling license. Through this initiative, new enterprises are given temporary access to underutilised spaces, such as vacant retail stores, to incubate their creative initiatives and ideas.

Stockland Spaces enables us to provide small local businesses with a commercial opportunity they would not otherwise have access to, and at minimal cost. In providing this retail space to a business, it activates the mall by adding interest and life to an otherwise vacant shop.

Project tenants appreciate the opportunity to further expand their businesses, gain invaluable retail experience, and come face to face with their customers in a positive environment. In one case a local artist used the space as a gallery and exhibition area whilst also offering workshops and classes, effectively creating a unique community art space. By inviting people to share their memories and impressions of the local area and then artistically interpreting and displaying them in the centre and the gallery space, the artist is also able to create connections and a sense of belonging within the community.

A sense of belonging and vitality – to improve mental health through a reduction in social isolation. Community development programs seek to combat this by fostering self-sustaining social cohesion. It is also supported by the results of our liveability research which indicated that residents in our communities desire greater community connection. Our key objectives are:

- To provide opportunities for residents and customers to be socially connected and involved in social experiences.
- To ensure residents and customers feel welcome, and help create a strong sense of belonging and pride for where they live, shop and work.
- To provide infrastructure and opportunities for residents and customers to interact.
- To promote civic engagement, strong social networks and a sense of trust and belonging within the community.
- To facilitate early engagement of community members to foster ownership and self-governance of their community.

Connecting communities with Open Shed

In FY13 Stockland launched a collaborative partnership with Open Shed. Founded in 2011 by Lisa Fox and Duncan Stewart, Open Shed is an online rental service that allows Australians to rent, use and return all sorts of different household items with their neighbours including tools, garden equipment, trailers, camping gear, sporting gear, electronic goods, and children's items such as toys, cots and prams.

Open Shed matches people's unused tools and belongings to others who need them. With private messaging facilities, reputation and feedback tools and secure funds handling through PayPal, it is a safe and secure way for resourceful and community-minded individuals to participate in the sharing economy and do more with less.

We are piloting Open Shed in six communities around Australia. Partnering with Open Shed enables Stockland to offer an innovative service to our residents that will strengthen community ties, reduce the cost of living and provide environmental benefits.

Progress & priorities

ONGOING | ACHIEVED OUTCOME

Last year we committed to PAST	This past year we have PRESENT		In the coming year our priorities are to FUTURE
Sustainable development • Use the CSIRO distributed energy research to influence and inform distributed and renewable energy projects across our developments.	• Have further evolved the CSIRO research and relationship and are a member of the CSIRO Future Grid Forum and exploring Virtual Power Station technology.	Ongoing	‣ Continue to participate in the CSIRO Future Grid Forum and explore distributed and renewable energy opportunities on projects.
• Incorporate the Commercial Property assessment tool in the D-Life planning process and continue to support the eight properties that have completed assessment to implement recommendations.	• Sites already assessed have prioritised initiatives through action plans and included in Asset Planning and budgeting. • Completed assessments on a further five retail assets in FY13. • Adapted Commercial Property Climate Resilience Assessment Tool to residential and Retirement Living assets. Completed three assessments of Residential assets and three assessments of Retirement Living assets.	Ongoing	‣ Further embed our climate adaptation strategy through closer engagement with Group Risk to ensure climate vulnerability is assessed as part of our annual risk audit process. ‣ Review standard design briefs for our projects to include guidelines that reduce vulnerability through better design.
• Pilot Green Star Communities rating tool on our Caloundra South project.	• Signed up for a Green Star Communities Pilot for our Caloundra South community.	Ongoing	‣ Achieve a Green Star Communities Pilot rating on our Caloundra South Residential Community.
• Apply research conducted with specialist biodiversity consultants in FY12 to improve the project planning and construction processes through greater consistency in protecting and enhancing local biodiversity where possible.	• Conserved two large parcels of significant biodiversity through the masterplanning process at Caloundra and East Leppington. • Commenced review of the methodology by which we measure our biodiversity value.	Ongoing	‣ Explore alternative ownership and management models to ensure areas of biodiversity retained through masterplanning processes are sustainably managed for the long term.
Community development • Improve our capacity to better measure the success of community development initiatives across our projects.	• Measured our community investment through liveability surveys and partnership evaluation framework developed with CSI.	Ongoing	‣ Explore new methodologies for capturing the value of our community investments, including building on work undertaken in partnership with CSI and Net Balance.
• Design a framework for delivery of improved education and learning opportunities in our community.	• Completed an education strategy with elements embedded into the new Community Development toolkit. • Education programs with Beacon Foundation continued and School-Business-Community Partnership Brokers piloted within Commercial Property and Residential businesses.	Achieved outcome	‣ Continue to roll out key education programs (Beacon Foundation and School-Business-Community Partnership Brokers).
• Provide a National Community Partnership toolkit. • Develop toolkits for new community partnerships and engagement. • Implement a community development quarterly reporting tool for our Residential business. • Provide and pilot a community governance toolkit.	• Developed a new Community Development toolkit including a partnership resource and tested with key stakeholders. Toolkit is now in use across the business. • Developed a quarterly reporting tool and piloted in the Residential business. This tool has now been consolidated into broader Residential reporting. • Created a community governance tool.	Achieved outcome	‣ Use the toolkits and reporting tools to drive and monitor progress towards targets in our three community-based sustainability focus areas: Health & Wellbeing; Lifelong Learning & Prosperity; and Sense of Belonging and Vitality. ‣ Establish and expand partnerships across all three areas. ‣ Launch and roll out literacy and community grants programs.

Our reporting approach

In FY13 we continued our involvement in the Business Pilot Program for integrated reporting, led by the International Integrated Reporting Committee (IIRC). This Annual Review 2013 is our second report that seeks to integrate reporting on the management of our financial, social and environmental performance.

For Stockland integrated reporting is a journey toward more meaningful corporate reporting and will be a process of continuous improvement, one that will provide great benefit to both the organisation and our stakeholders. We look forward to further developing our approach and the quality of our integrated report disclosure over the coming years.

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

Materiality

The International Integrated Reporting Council defines a matter as material if 'in the view of senior management and those charged with governance, it is of such relevance and importance that it could substantially influence the assessment of the primary intended report users with regard to the organisation's ability to create value over the short, medium and long term'.

Below we set out our material matters identified this year and where they are discussed in the Annual Review:

1. Strategy and execution – Ensuring investors and key stakeholders understand and support our revised strategy over short to long term (Refer to Letter from the Chairman and Managing Director and About Stockland).
2. Governance and leadership – Ensuring we have the right governance structure and processes in place to support new leadership and maintain investor and key stakeholder confidence (Refer to Governance and Remuneration).
3. Financial strength – Maintaining our financial strength in the short term but also investing for the future and balancing customer expectations (Refer to Capital Management).
4. Systems and processes – Ensuring we have the right systems and process in place to take advantage of opportunities, adapting to changing marketplace and optimising our operations (Refer to Operational Efficiency and Customer Satisfaction).
5. Changing consumer behaviour — Understanding and responding to changes in customer behaviour (Refer to Customer Satisfaction and Sustainable Development).
6. Managing natural capital – Our ability to preserve and manage natural capital through our operations and development (Refer to Sustainable Development).
7. Changing regulation – Our ability to adapt to a changing regulatory environment (Refer to About Stockland).
8. Employee engagement – Managing engagement and productivity through organisational restructures and leadership change (Refer to Engaged and Productive Workplace).
9. Legacy of our projects – Ensuring the creation of desirable, resilient and sustainable communities and places (Refer to Sustainable Development).

This is the first year Stockland has tested this definition. Our materiality process was as follows.

Identify

Research and engagement

Research and extensive stakeholder engagement was undertaken to ascertain relevant matters identified through items such as:

- Investor research and engagement
- Customer feedback and trends
- Employee surveys
- Political and regulatory developments
- Social and mainstream media
- Strategic and operational risk assessments

The resultant list of matters served as a starting point for our Materiality Workshop.

Prioritise

Workshop

A 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 creation over time.

Material matters were mapped in terms of their potential impact on value creation over time.

The attendees then engaged directly with key stakeholders from the investment community to challenge integrated and long-term thinking before confirming a final list of material matters.

Align/Disclose

Alignment and disclosure

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 is also performed, with our final sustainability material issues disclosed in detail on our website.

Assurance

This year we have worked with Net Balance to provide assurance that begins to incorporate language and principles from the Integrated Reporting Framework. Our greenhouse gas emissions have been assured by PriceWaterhouseCoopers. The assurance statement can be found on our website **www.stocklandsustainability.com.au** netbalance

To the Board and Management of Stockland Corporation Limited:

Stockland Corporation Limited (Stockland) commissioned Net Balance Management Group Pty Ltd (Net Balance) to provide independent assurance of the sustainability content of the Annual Review and Stockland's annual sustainability reporting – online (the Reports). The Reports present Stockland's sustainability performance over the period 1 July 2012 to 30 June 2013. Stockland was responsible for the preparation of the Reports and this statement presents our opinion as independent assurance providers. Net Balance's responsibility in performing its assurance activities is to the Board and Management of Stockland in accordance with the terms of reference agreed with them. Other stakeholders should perform their own due diligence before taking any action as a result of this statement.

Assurance Standard and Objectives

The assurance engagement was undertaken in accordance with the AA1000 AS (2008) assurance standard (AA1000AS). The standard provides a way of evaluating whether an organisation is responsible for its management, performance and reporting on sustainability issues. This is undertaken by evaluating the organisation's adherence to the AA1000 AccountAbility Principles (2008), and by reviewing the accuracy and quality of disclosed sustainability performance information.

The AA1000 Accountability Principles (2008) used to assess Stockland's processes include:

Inclusivity: How does the organisation include stakeholders in developing and achieving an accountable and strategic response to corporate responsibility and sustainability?

Materiality: How does the organisation include in its reporting the material (most important) information required by its stakeholders to make informed judgements, decisions and actions?

Responsiveness: How does the organisation respond to stakeholder concerns, policies and relevant standards and adequately communicate these in its reporting?

Assessment of the above principles included due consideration of the related principles that inform the emerging Integrated Reporting framework currently being applied at Stockland.

Assurance Type, Level, Scope and Limitations

Net Balance provided Type 2 assurance in accordance with the AA1000AS (2008). This involved a high level assessment of the organisation's adherence to the AA1000 AccountAbility Principles (2008) and a moderate level assessment of the accuracy and quality of the sustainability information contained within the Reports, which focused on the following material areas, and did not include verification of financial data:

People

- Occupational health and safety
- Employee engagement and diversity
- Capability development
- Employee metrics

Customers, suppliers and government relations

- Engaging with suppliers
- Housing affordability
- Political donations
- Customer satisfaction

Climate Change & Energy and Natural Resources

- Climate Change and energy efficiency
- Water usage
- Biodiversity
- Waste generation

Community

- Community development
- Community involvement

While the majority of the interviews with data owners were conducted at Stockland's head office in Sydney, additional site visits were also conducted, which included the following Stockland locations:

Commercial:

- Baldivis WA
- Shellharbour NSW
- Merrylands NSW

Residential:

- Corimbia Landsdale WA
- Willowdale NSW
- Waterside NSW

Retirement Living:

- Affinity Village WA

Assurance Methodology

The assurance engagement was undertaken from April to August 2013, and involved:

- Interviews with over 40 Stockland personnel including the Chairman of the Board, Managing Director, CEO Commercial Property, CEO Residential Property, CEO Retirement Living, as well as the CFO and COO focussing on group level and business unit level sustainability performance.
- Visits to a number of Stockland operational and development sites to understand how sustainability is integrated within and across the organisation.
- Interviews with 10 external stakeholders to understand how Stockland engages such stakeholders to identify material issues and the effectiveness of Stockland's response to the issues that matter to them.
- A review of the materiality process and stakeholder engagement activities undertaken by Stockland during the reporting period and how this informs the sustainability strategies, policies, objectives, management systems, reporting procedures and performance of the organisation.
- Interviews with key personnel responsible for collating and writing various parts of the Reports to substantiate the reliability of selected claims.
- A review of the content for any significant omissions and anomalies, particularly in relation to claims as well as trends in data.
- Testing of a limited sample of over 160 selected data points and statements and the systems and processes that support the information reported. This included enquiry procedures to understand the integrity of Scope 1, 2 and 3 greenhouse gas emissions along with recalculation of intensity metrics.
- A Global Reporting Initiative (GRI) G4 in accordance requirements assessment.

Our Independence

Net Balance confirms that we are not aware of any issues that could impair our objectivity in relation to this assurance engagement. This assurance engagement has been conducted in compliance with our Independence Policy which can be found at http://www.netbalance.com/services/assurance

Our Competency

The Stockland assurance engagement was carried out by an experienced team of professionals led by Lead Certified Sustainability Assurance Practitioners (Lead CSAP), accredited by AccountAbility UK. The project included personnel with expertise in environmental, social and economic performance measurement within the construction and real estate sector. Net Balance is a global leader in the use of AccountAbility's AA1000AS, having undertaken over 200 assurance engagements in Australia in the past six years.

Findings and Conclusions

Adherence to AA1000 Principles

Inclusivity

Stockland has a clear understanding of the stakeholders to whom it is accountable at the corporate and industry levels as well as project and community levels. This understanding is broadly consistent across all levels of management and regions of operation. The Reports provide sufficient insight into the quality of stakeholder relationships and how the consideration of their needs informs strategies and management approaches to creating value for the organisation while balancing stakeholder needs and interests.

Net Balance recognises Stockland's additional efforts to more deeply engage the investment community on Stockland's efforts towards Integrated Reporting, demonstrating a commitment to accountability and to transparent reporting of its approach to creating and preserving long term value. Significant change within the organisation and for its employees over the reporting period means that on-going transparent and open engagement with employees and other relevant stakeholders will be important during this period of transition.

Materiality

Stockland has a mature understanding of how material sustainability issues positively and negatively impact key stakeholders as well as the long term success of the underlying drivers of business value. The materiality process is broad and balanced, allowing the organisation to integrate considerations into strategy development and risk management processes. To inform its Integrated Reporting efforts, Stockland increased its interaction with investors and analysts in identifying and confirming the matters material to them and their contribution to business value.

Stockland's ongoing and systematic engagement with its broader set of stakeholders will be important to maintain adherence to the principle of materiality. In addition, the internal value derived from the current materiality process can be further strengthened by ensuring the outputs of materiality assessments inform Group and business unit strategies and risk management processes.

Responsiveness

Stockland's approach to including stakeholders in the determination of material matters allows the organisation to develop strategies, goals and actions that are responsive and balance the expectations of key stakeholders. Strategic responses at both the group and business levels are designed to address sustainability drivers of business value that influence the short term and long term success of the organisation. Recently announced strategic priorities of the organisation are informed by longer term sustainability matters previously identified. The reporting of more financially integrated sustainability performance metrics (such as energy efficiency related cost savings) is a step towards integrated reporting.

At the operational level, Net Balance continues to observe practices and management approaches that are responsive of the needs of key stakeholders. Accordingly, maintaining organisational capacity and capability to respond to emerging issues will be important in future reporting cycles as integrated reporting is further embedded.

Reliability of Performance Information

Based on the scope of the assurance process, the following was observed with regard to performance information:

- The findings of the assurance engagement provide confidence in the systems and processes used for managing and reporting sustainability performance information included in the scope of this assurance engagement.
- The level of accuracy of sustainability performance information and integrated reporting metrics was found to be within acceptable limits.
- Data trails selected were generally identifiable and traceable, and the personnel responsible were able to reliably demonstrate the origin(s) and interpretation of data.
- A review of the adherence to GRI G4 reporting framework found that Stockland satisfies the in accordance 'comprehensive' requirements and incorporates indicators from the GRI Construction and Real Estate Sector Supplement.

Overall, it is Net Balance's opinion that the information presented within the Reports is fair and accurate. The Reports were found to be a reliable account of Stockland's sustainability performance during the reporting period.

The Way Forward

Net Balance found the Reports appropriately address Stockland's material sustainability matters. To ensure Stockland continues to improve, Net Balance has identified the following key areas for future focus. These and other areas are discussed in more detail in Net Balance's management report to Stockland.

Enhancement and alignment of sustainability strategies

Net Balance acknowledges Stockland's efforts to refresh its Sustainable Communities strategy based on a shared value approach including a commitment to developing clear and tangible targets. Net Balance recommends that other functional strategies contributing to Stockland's sustainability program, beyond environmental and community, are refreshed applying a similar approach. Net Balance also recommends associated executive and senior management level KPIs are developed to incentivise the delivery of the stated objectives and targets.

Improving sustainability outcomes through project management

Net Balance recognises that ongoing improvements in project management processes are having, and continue to have, a positive impact on a number of business value drivers. While these processes are more mature for larger and more complex projects, Net Balance identified a number of areas where processes addressing sustainability and corporate responsibility risks and opportunities could be further strengthened. Net Balance also believes that a formalised approach to project learning and knowledge sharing to ensure continuous improvement would enhance these outcomes.

Documentation of sustainability data protocols and business processes

Detailed documentation of data collection and reporting protocols exist for a number of key sustainability metrics (including energy, greenhouse emissions, operational waste and water) in some areas of the business. Documentation of corresponding processes for the same metrics in other parts of the businesses require further development. In addition, documented data protocols for other key data metrics should be improved to maintain consistency in year on year reporting methodologies. Net Balance also recommends that Stockland documents the established stakeholder engagement and materiality assessment processes occurring across the business to ensure continuity and consistency of approach over time.

On behalf of the assurance team
20 September 2013
Sydney, Australia

Terence Jeyaretnam, FIEAust
Director, Net Balance
Lead CSAP (AccountAbility UK)

Alan Dayeh, BBus(Fin) BSc(EnvBiol)
Associate Director, Net Balance
Lead CSAP (AccountAbility UK)

AA1000
Licensed Assurance Provider
000-1

Sustainability reporting 2013

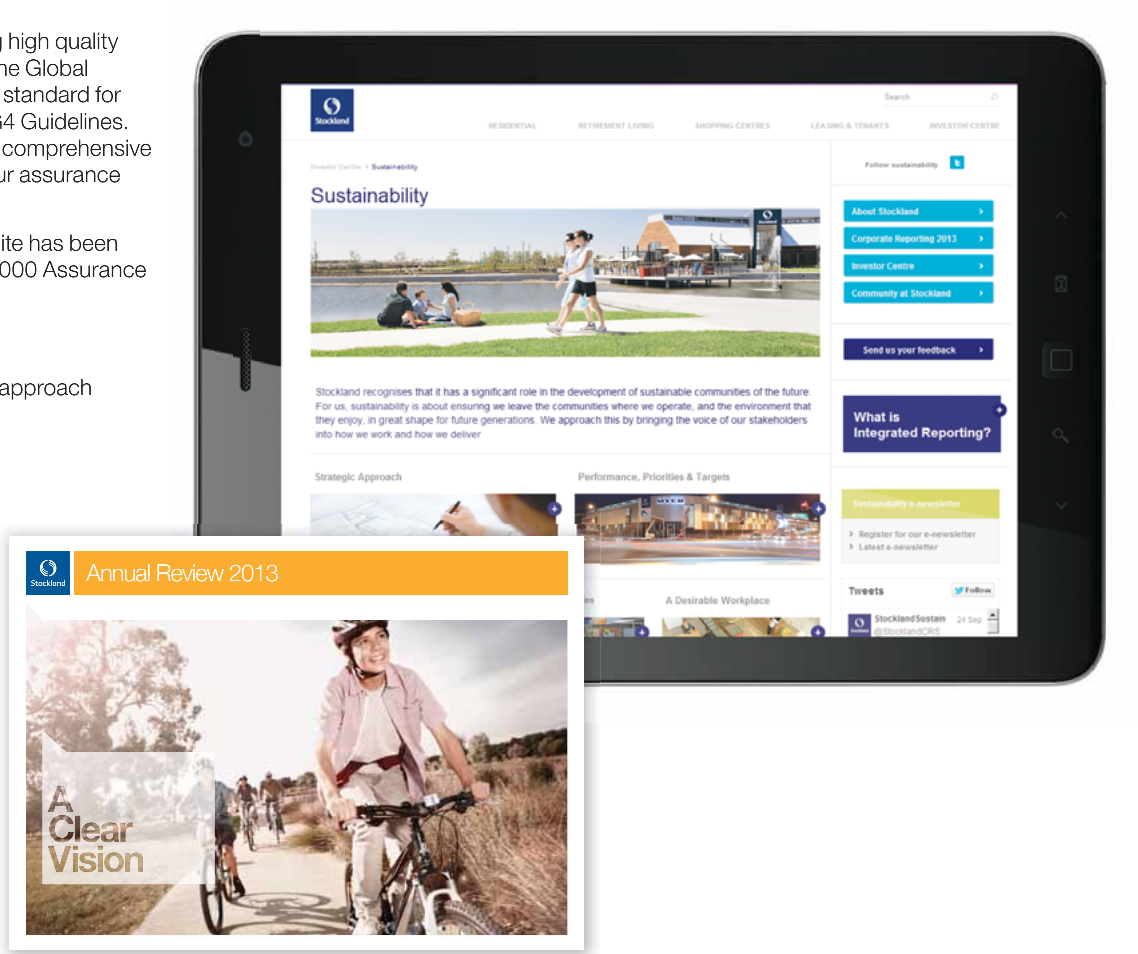
Supporting our Annual Review is detailed sustainability reporting which is now delivered online at www.stockland.com.au/sustainability.

We remain committed to delivering high quality sustainability reporting. This year the Global Reporting Initiative released a new standard for sustainability reporting – the GRI G4 Guidelines. We have applied the standard to a comprehensive level with third party review from our assurance provider, Net Balance.

Content on our sustainability website has been externally assured against the AA1000 Assurance Standard (2008).

Features provided online:

- Our sustainability management approach
- Material sustainability issues
- Detailed performance data
- Case studies
- GRI Index



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Stockland Corporation Ltd
ACN 000 181 733

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

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Note: All figures are in Australian dollars unless otherwise indicated.