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STOCKLAND'S CLIMATE-RELATED FINANCIAL DISCLOSURES

Stockland has long recognised the risks and opportunities presented by climate change. In an effort to further demonstrate its commitment to climate action and best practice disclosure Stockland has become an early adopter of the Financial Stability Board's Task Force on Climate-related Financial Disclosures Recommendations (Task Force).

The Task Force recommendations were published on 30 June 2017 with the objective to develop voluntary, consistent climate-related financial disclosures that would be useful to investors, lenders, and insurance underwriters in understanding material risks. Further information on the recommendations is available at www.fsb-tcfd.org

This document summarises Stockland's approach to climate change risk management in a format aligned with the recommendations of the Task Force.

Key points

- We understand that extreme weather and other physical climate risks impact our assets and communities now, and may continue to do so into the future. We manage these climate risks and capitalise on climate opportunities by developing and operating energy efficient, climate resilient assets and communities; and through our leadership in the transition to lower-carbon energy sources at our assets.
- We have had a Climate Change Action Plan in place since 2006 and a detailed Climate Adaptation Strategy since 2011.
- Since 2006, we have achieved a reduction of 40 per cent and 55 per cent in emissions intensities across our Retail and Office/Business Parks portfolios, respectively and have saved over \$78 million in avoided electricity costs over the same timeframe. Our carbon emissions intensity reductions to date contribute to our target reduction of 60 per cent by 2025 (2006 baseline).
- We have prioritised the delivery of renewable energy capacity across our portfolio with our industry leading \$23.5 million rollout of rooftop solar photovoltaic (PV) arrays, expected to both reduce our carbon emissions and deliver in excess of a 10 per cent average yield over the next 10 years.
- We include climate and community resilience assessments in the asset-level risk management process. These assessments focus on the capacity of assets and associated communities to withstand severe weather impacts and minimise any disruption.

ENDS

Stockland

Stockland (ASX: SGP) was founded in 1952 and has grown to become Australia's largest diversified property group – owning, developing and managing a large portfolio of shopping centres, residential communities, logistic centres, business parks, office assets and retirement living villages. Stockland is rated as one of the most sustainable real estate companies in the world by the Dow Jones Sustainability World Index (DJSI). Stockland is also an Employer of Choice for Gender Equality, as recognised by the Workplace Gender Equality Agency.

Climate-related Financial Disclosures

Our climate-related financial disclosures

This document summarises Stockland's approach to climate change risk management in a format aligned with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (Task Force). The Task Force recommendations were published in 2017 with the objective to develop voluntary, consistent climate-related financial disclosures that would be useful to investors, lenders, and insurance underwriters in understanding material risks. Further information on the recommendations is available at www.fsb-tcfd.org

Stockland has long recognised the risks and opportunities presented by climate change, and has responded to these issues in accordance with its Climate Change Action Plan (commenced in 2006) and detailed Climate Adaptation Strategy (commenced in 2011). We understand that extreme weather and other physical climate risks impact our assets and communities now, and may continue to do so into the future. We have also acknowledged the potential for financial impacts resulting from carbon emissions regulation, particularly in the context of Australia's ratification of the 2015 Paris Agreement to limit global temperature increases to below 2°C. We manage these climate risks and capitalise on climate opportunities by developing and operating energy efficient, climate resilient assets and communities; and through our leadership in the transition to lower-carbon energy sources at our assets.

(a) Governance

The Board and Board Committees (including the Risk Committee, Audit Committee, Sustainability Committee and Human Resources Committee) provide oversight of our risk management framework. The Risk Committee also meets at least four times per year and receives quarterly reports on our enterprise risk register, which includes climate change as a key risk. All directors of the Board are members of the Sustainability Committee, which meets at least twice per year and considers our approach to carbon mitigation (including emissions reduction targets), our methods for building climate and community resilience, and emerging climate regulation ([Sustainability Committee Charter](#)).

Every member of our Executive Committee has specific responsibilities relating to our sustainability performance, including targets and objectives related to climate change risks and opportunities.

Our Group Executive and Chief Operating Officer chairs our internal Sustainability Steering Committee, which is composed of senior management from various organisational departments including Strategy and Stakeholder Relations, Project Management and Procurement, Human Resources, Operations, Development and Sustainability. The committee meets at least three times per year and its key responsibilities include:

- informing our sustainability strategy and supporting delivery of sustainability targets, including those related to climate change mitigation and adaptation
- investigating and reporting on environmental, social, and governance risks and opportunities across our current and planned operations, and
- guiding compliance with our environmental and social policies, guidelines, and agreed initiatives, including those related to carbon emissions reduction.

(b) Strategy

For over a decade, Stockland has identified risks and opportunities related to both the physical impacts of climate change and a global transition to lower-carbon energy sources. Our response to these risks and opportunities has been guided by our Climate Change Action Plan (commenced in 2006), our detailed Climate Adaptation Strategy (commenced in 2011), and our business unit sustainability strategies.

We acknowledge that physical risks associated with climate change can result in negative financial impacts, such as through increased maintenance costs or decreased revenues from disrupted operations. In recognition of these potential impacts, we are committed to creating climate resilient assets and communities with a greater ability to endure severe weather impacts and operate with minimal disruption. We use climate and community resilience assessments to understand how to minimise negative impacts and create opportunities from building and maintaining resilient assets in the long term. Opportunities associated with prioritising the development of resilient assets include decreased operational costs (e.g. maintenance, insurance premiums, exposure to litigation) and increased revenues from increasing consumer preferences for climate-resilient products.

A global transition to a low-carbon economy may impact our business through the pricing of energy required to develop and operate our assets, among other impacts from carbon regulation. In recognition of our capacity to contribute to a low-carbon future and to mitigate risks associated with emissions regulations, our business has been guided by emission intensity reduction targets since 2006. Since then, we have prioritised the delivery of energy efficiency enhancements and renewable energy installations across our portfolio. These initiatives involve short term capital investments that result in positive financial impact on the business in the long term. A recent example of such an initiative is our industry leading \$23.5 million rollout of rooftop solar photovoltaic (PV) infrastructure, expected to both reduce our carbon emissions and deliver in excess of a 10 per cent rate of return over the next 10 years.

(c) Risk management

All areas of the business, including the Executive Committee, are responsible for managing risk through the identification, assessment, and treatment of risks. This includes implementation of risk management initiatives, active management of risks, and compliance with appropriate processes, procedures, checklists and other controls. Teams are also responsible for monitoring these controls to ensure they remain effective, and for reporting on risk management achievements or concerns appropriately.

Leaders from across the business convene annually for risk workshops to consolidate their understanding of emerging risks, including climate risks. Business units analyse and evaluate these risks and consolidate findings into a risk profile for each business unit and for the Group as a whole.

Teams assess asset class portfolios annually for risks and opportunities, including climate-related issues. Climate-related risks and opportunities that may impact assets are prioritised for action based on:

- overall potential impact on asset performance
- financial impact to the business in managing the risk or opportunity and
- impact on communities and the environment in which the asset is operating.

Across our portfolio, climate-related risks and opportunities are prioritised for action based on:

- geographical areas of highest risk
- design attributes of the asset which affect climate resilience
- climate change scenarios for the medium- and long-term
- overall impact on business-wide emissions reductions
- impact on local communities and environment (relative to where we operate) and
- overall risk to portfolio value and revenue.

We include climate and community resilience assessments in the asset-level risk management process. These assessments focus on the capacity of assets and associated communities to withstand severe weather impacts and minimise any disruption. Where we identify a high exposure to extreme weather events, such as cyclones in North Queensland, we supplement our resilience assessments with a detailed assessment of the roof structure and building envelope's capacity to withstand cyclonic winds. When considering strategies to improve the resilience of an asset, we use an opportunities matrix which looks beyond the traditional risk matrices based on likelihood and

consequence ratings. For example, we use the opportunities matrix to identify the value of discretionary climate resilience initiatives such as shade sails in carparks and cool roof covenants in residential communities.

Management of climate-related risks and opportunities are integrated into annual asset management plans that include risk mitigation actions (for operational assets).

For assets under development, management of climate-related risks and opportunities is integrated into our project development lifecycle, known as D-Life. Each stage of the D-Life process requires the delivery of specific sustainability objectives, including climate-related risk assessments at defined approval gates.

Existing and emerging regulatory requirements related to climate change are incorporated into overall risk management and into our risk register as appropriate. Our Group Risk team is responsible for developing our risk management framework and adapting it to accommodate physical and regulatory changes which may impact our social and environmental performance. Our Government Relations, Risk, Legal and Sustainability teams keep the Executive Committee and Board informed on existing or emerging climate regulation that may impact on the business.

We acknowledge carbon emissions regulation and climate-related land development regulations to be important considerations for our business when managing risks from climate-related regulatory requirements.

Our approach to risk management is guided by Australia/New Zealand Risk Management Standard (AS/NZS ISO 31000:2009), the Australian Securities Exchange Corporate Governance Principles and Recommendations and other applicable regulatory standards. Our Risk Management Framework includes supporting guidelines, procedures, and tools to help manage risk consistently across the business. These include methods for assessing climate and community resilience across our portfolio.

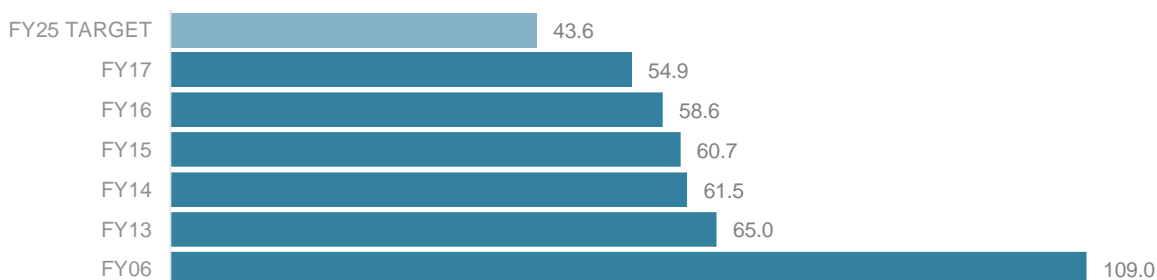
(d) Metrics, Targets, and Results

Metrics provided are for the year ending 30 June 2017.

In 2006, in recognition of our capacity to contribute to a low-carbon future, we began setting targets to reduce the emissions intensity of our portfolio. Emissions intensity is an established metric for evaluating the energy and emissions efficiency of real estate portfolios, and is calculated by dividing absolute emissions (kilograms of carbon dioxide equivalent) by floor area (square metre). Since 2006, we have achieved a reduction of 40 per cent and 55 per cent in emissions intensities across our Retail and Office/Business Parks portfolios, respectively. As a result of emissions reduction initiatives, we have saved over \$78 million in avoided electricity costs over the same timeframe.

Our carbon emissions intensity reductions to date contribute to our target reduction of 60 per cent by 2025 (2006 baseline). The bar chart below shows the reduction in carbon emissions intensity across our Commercial Property (Office, Business Parks, and Retail) portfolio since FY06. All figures are in kgCO₂-e per square metre (kgCO₂-e/sqm).

Commercial Property emissions intensity (kgCO₂-e/sqm)



In 2014, we set a target for the delivery of renewable energy at our commercial property assets, and exceeded this target by delivering 2.26 MW of solar PV capacity across our Commercial Property portfolio by 2017. In recognition of the potential for renewable energy to both mitigate climate risk and provide financial benefit to the business, we have committed to delivering a further 12.30 MW of solar PV capacity by 2020.

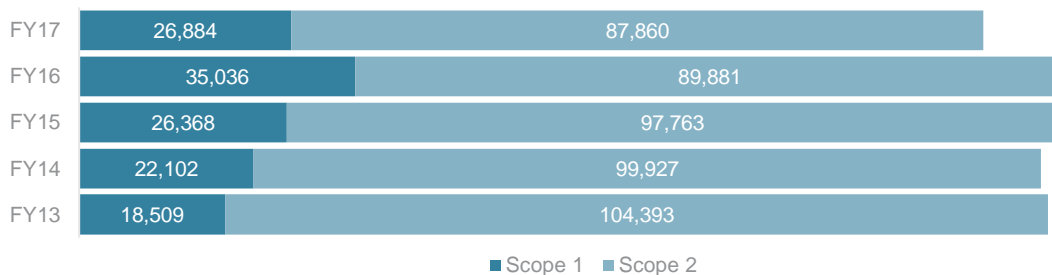
The table below shows the renewable energy generated, as well as the capacity installed, since FY14:

Renewable energy generated

	FY14	FY15	FY16	FY17	FY18-20
Solar power generated	175,374 kWh	292,124 kWh	1,940,689 kWh	2,387,168 kWh	
Solar PV capacity installed (at period end)	50 kW	1,360 kW	1,360 kW	2,260 kW	14,560 kW ¹

The following chart provides absolute Scope 1 and Scope 2 greenhouse gas emissions totals (in kgCO₂-e) since FY13. Our Residential business constitutes the majority of our Scope 1 emissions, the levels of which vary each year in accordance with civil contractor construction activity. Commercial Property constitutes the majority of our Scope 2 emissions, which have been decreasing over time because of our energy efficiency and renewable energy initiatives.

Total Scope 1 and Scope 2 greenhouse gas emissions (kgCO₂-e)



KEEPING IT SIMPLE ...

Scope 1 emissions are direct emissions from fuels that are combusted on site, such as gas consumption in our buildings or natural gas, diesel and petrol from fleet, as well as refrigerant leakage.

Scope 2 emissions result from the consumption of electricity only (indirect emissions from fuels combusted off site).

We report our Scope 1 and Scope 2 emissions according to our operational control boundary under the National Greenhouse and Energy Reporting Act 2007. Tenant electricity usage is not included except where we are the tenant. We voluntarily report select Scope 3 emissions in accordance with the GHG Protocol Corporate Standard. Our annual sustainability reporting contains further information on our Scope 1, Scope 2, and Scope 3 emissions.

We set targets for water intensity reduction (kilolitres per square metre (kL/sqm)) in our Commercial Property business in recognition of the need to both conserve water and enhance the efficiency of our portfolio. We are currently committed to a five per cent reduction in water intensity by FY20, against the FY17 benchmark. Water use by our Residential and Retirement Living businesses is largely the result of construction activity by contractors and varies year to year due to activities

¹ Includes additional 12,300 kW solar PV capacity rollout to be completed by 30 June 2020.

unique to each development (such as the presence of large lakes or landscaping requirements set by local council). The chart below shows the water intensity result for our Commercial Property portfolio (Retail and Office/Business Parks) since FY13.

Commercial Property water intensity (kL/sqm)



We target green certification of our assets as an important mechanism for us to manage climate-related risks and opportunities, and communicate the management of these issues to stakeholders. We obtain NABERS² Energy and NABERS Water ratings on eligible Commercial Property assets as a means of benchmarking energy and water efficiency and setting targets for improvement.

We target a minimum of 4 Star Green Star for all new Retail (Green Star – Design & As Built), Office and Business Parks (Green Star – Design & As Built), and Residential (Green Star – Communities) developments. We have also maintained a Green Star – Performance rating for our Retail portfolio, with targets to improve the performance ratings of the portfolio and extend the rating to other asset classes.

NABERS and Green Star certifications across our portfolio

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

Our targets and metrics are incorporated into annual asset-level business planning and reporting procedures. All staff are required to develop key performance indicators related to sustainability objectives, which include climate-related risks and opportunities where relevant. Performance against these indicators is then used to inform individual staff remuneration.

Our sustainability targets and performance metrics incorporate a broad range of climate-related risks and opportunities, and the entirety of these targets and metrics is provided in our annual sustainability reporting (available at stockland.com.au/about-stockland/sustainability/downloads).

² NABERS is the National Australian Built Environment Rating Scheme – more information is available at nabers.gov.au.