Stockland

Annual Report

30 June 2020

stockland.com.au

We believe there is a better way to live

Welcome to Stockland's Annual Report (Report).

Stockland acknowledges the Traditional Owners and Custodians of the land on which we work and live within Australia. We would also like to pay our respects to their Elders, past, present and emerging, and acknowledge the ongoing connection that Aboriginal and Torres Strait Islander peoples have with Australia's land and waters.

Stockland's Report is an opportunity for us to demonstrate how we create value for all our stakeholders. It illustrates how we achieve our purpose, 'we believe there is a better way to live', as we help shape communities across Australia.

The Report is a consolidated summary of Stockland Corporation Limited and its controlled entities, including Stockland Trust and its controlled entities (Stockland or Group) for the year ended 30 June 2020 (FY20). The Report adopts the principles of the International Integrated Reporting Council (IIRC) Integrated Reporting (IR) Framework to communicate how our strategy, operational and financial performance, and approach to environmental, social, and governance matters creates value for stakeholders over the short, medium and long term.

In addition to complying with our statutory reporting requirements, the Report includes our response to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Corporate reporting suite

The Report is part of our broader corporate reporting suite, including:

Annual Report: this report features information about Stockland, our strategy, our integrated financial and non-financial performance, risk management, corporate governance, remuneration and our financial statements

Results Presentations: Stockland's strategy, financial results, operational performance for the period, including business unit operational performance, portfolio and development pipeline prepared on a six-monthly basis together with quarterly operational updates

Property Portfolio: details on the assets within the Stockland portfolio

Sustainability Reporting Suite: includes comprehensive Management Approaches, Deep Dives containing our annual performance reports and case studies, and people, environment and community Data Packs across our enduring sustainability themes and material matters

Corporate Governance Statement: features Stockland's application of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition) and

Modern Slavery Statement: Stockland's inaugural statement on our actions to assess and address modern slavery risks in our supply chain.

Throughout the Report are information boxes (see example below) to indicate where more detailed information on specific items can be found.

Our corporate reporting suite documents are available for download on the Stockland Investor Centre **www.stockland.com.au/investor-centre**

Stockland Annual Report

The Directors of Stockland Corporation Limited (ACN 000 181 733) and the Directors of Stockland Trust Management Limited (ACN 001 900 741, AFSL 241190), the Responsible Entity of Stockland Trust (ARSN 092 897 348), present their report together with the Financial Report of Stockland and the Independent Auditor's Report thereon. The Directors' Report for FY20 has been prepared in accordance with the requirements of the Corporations Act 2001 (Cth) including the following information:

- Operating and Financial Review on page 15
- Information on Directors and the Company Secretary on page 52
- Board and Committee meetings and attendance on page 60
- General information required under the Corporations Act on page 65
- Lead Auditor Independence Declaration on page 68
- Remuneration Report on page 69

Our business

A leading creator of residential and retirement communities, retail town centres and workplace and logistics assets valued at **$15.0 billion**.

Our strategy

Our strategy is to maximise returns by developing sustainable communities, owning and managing leading retail town centres and growing our workplace and logistics portfolio.

Our structure

Stockland is a listed company on the Australian Securities Exchange (ASX). To optimise value to our securityholders we are structured as a stapled security. A Stockland stapled security (ASX:SGP) represents one ordinary share in Stockland Corporation Limited and one ordinary unit in Stockland Trust. This allows us to efficiently undertake property investment, property management and property development activities.

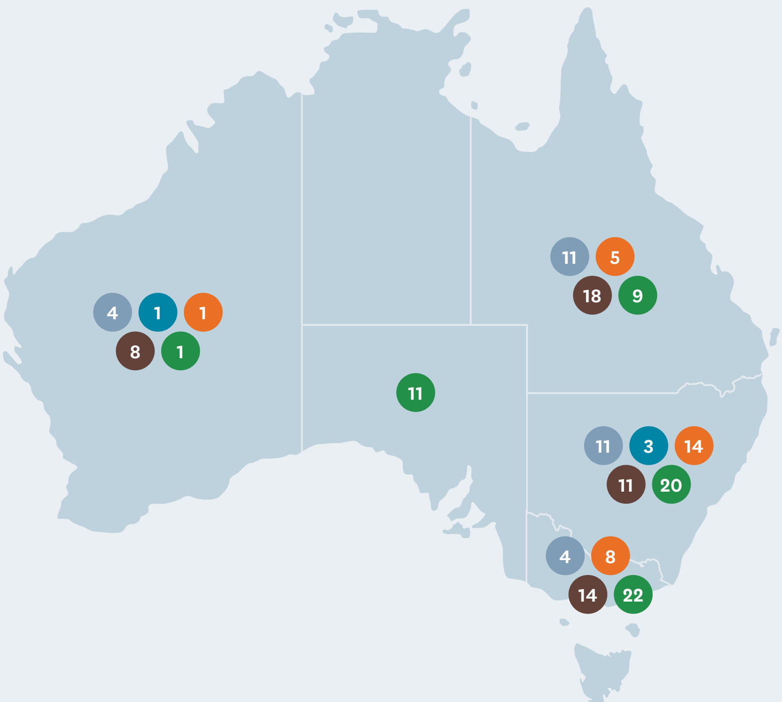
Our vision, purpose and values

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

This approach is underpinned by our purpose – "we believe there is a better way to live" – and is brought to life by over 1,600 employees who are guided by Stockland's values of Community, Accountability, Respect and Excellence (CARE).

Our diverse portfolio

We are one of the largest diversified real estate groups in Australia, creating communities covering whole of life housing solutions across our residential and retirement living communities. We also own, manage and develop leading retail town centres, workplaces and logistics centres.



LOGISTICS	WORKPLACE
PROPERTIES 28	PROPERTIES 4

RETAIL[1]
PROPERTIES 30

RESIDENTIAL COMMUNITIES	RETIREMENT LIVING COMMUNITIES
PROPERTIES 51	PROPERTIES 63

1 Excludes WIP and sundry properties

For over 65 years, Stockland has been building communities across Australia.

Today we are a leading creator of sustainable communities and workplaces that enable a better way to live.

City of Colour - Aura, Queensland

Our Aura masterplanned community on Queensland's Sunshine Coast is an exemplar of our community creation capabilities - designed for every facet of life.

We have drawn inspiration from some of the world's most liveable cities to enhance the unique lifestyle that the Sunshine Coast offers; to create a city that is truly world class.

In partnership with Capital Property Group, we will shape a community that will eventually occupy 24 square kilometres and become home to approximately 50,000 people over the next 30 years.

The project includes a city centre for employment, shopping, business, education, recreation and entertainment. This includes two business parks and up to 20 proposed education and learning facilities.

Aura was recently recertified by the Green Building Council of Australia and received a record high masterplan community rating.

WORLD LEADERSHIP

6 star

Green Star Community

2020 performance

Funds from operations (FFO)
$825m

Down 8.0% on FY19

FFO per security
34.7c

Down 7.2% on FY19

Distribution per security (DPS)
24.1c

70% distribution payout ratio

Statutory loss
$(14)m

Gearing
25.4%

Improved from 26.7% in FY19

Return on equity (ROE)
11.5%

Down 40 bps

Net tangible assets (NTA) per security
$3.77

Down from $4.04 at 30 June 2019

Total real estate assets
$15.0bn

Employee engagement
82%

4 points above Australian National Norm

Commercial Property emissions intensity
20%

Reduction on FY19

Customer satisfaction
>80%

Across Retail Town Centres and Communities

Residential liveability score
74%

Marginally below 75% target

Good progress on strategy

Contracted to acquire over $1 billion of Workplace and Logistics sites

Entered into agreements to acquire the Johnson & Johnson site with potential $1.5 billion consolidated development opportunity with M_Park (NSW). Acquired over $450 million of Sydney office assets and two Brisbane logistics developments.

Read more on page 18

$1.2 billion in joint ventures and $3.0 billion in capital partnerships

Established two logistics joint ventures with Fife Group at Kemps Creek (NSW) and Willawong (Qld) and residential capital partnerships with Capital Property at Aura (Qld) and Supalai Group at Katalia[1] (Vic).

Read more on page 26

Leading portfolio of Green Star rated communities and assets

Recorded the most Green Star rated retail town centres and retirement living developments in Australia and achieved a record high 'World Leadership' rating for our Aura masterplan community (Qld). Delivered the first retirement living projects in Australia to be certified using the Green Star Design & As Built rating tool.

Read more on page 40

Success with non-core retail divestments

Settled $220 million of non-core divestments contracted to sell in FY19 and executed contracts for $418 million post balance date in line with 30 June 2020 independent valuations. The success of our remixing strategy was reflected in sales performance prior to the COVID-19 pandemic.

Read more on page 24

$535 million in strategic restocking and record townhome settlements

Acquired Community projects The Gables (NSW) and Katalia (Vic) and Brunswick (Vic) all on capital efficient terms. Delivered over 600 townhome settlements representing 11 per cent of total residential settlements.

Read more on page 26

$5.5 billion Workplace and Logistics development pipeline

More than doubled development pipeline since 30 June 2019. Heads of Agreement executed with large multinational tenant over whole building at M_Park (NSW) and planning a new headquarters for Johnson & Johnson.

Read more on page 18

2% of FFO from innovation projects

Lab-52 supporting new growth initiatives contributing approximately 2 per cent of FFO. Accelerated innovation across the business leveraging technology and our digital and data capabilities including implementation of CORE our end to end enterprise platform, residential product digitisation and retail omni-channel capabilities.

Read more on page 33

[1] Subject to FIRB approval

Our COVID-19 response

Since early March 2020 the COVID-19 pandemic has presented challenges across our business.

During this challenging time, our purpose of 'we believe there is a better way to live' is more important than ever. Since the COVID-19 pandemic began to unfold in Australia in March 2020 we've continued to monitor the impact across all aspects of our business.

Our response

Our response has been guided by advice from the Australian Federal and State governments and the World Health Organisation.

The key guiding principles of our response are based on assessing and managing:

- the wellbeing and safety of our employees and stakeholders
- the impact of the pandemic on our operations across our assets, projects, customers, residents, community and supply chain
- the financial impacts relating to the pandemic.

Our response to date has included:

- establishing governance protocols including a pandemic working group and activating our Crisis Management team to support and guide our operational and strategic response
- reviewing business continuity plans to address implications associated with COVID-19
- proactively working with industry bodies and government to enact effective containment strategies and the implementation of the Federal Government's Commercial Code of Conduct (**Commercial Code of Conduct**) as implemented under state government legislations
- issuing hygiene kits comprising adequate equipment to our front-line teams and offices
- recommending where possible, that our people work from home across our State head offices
- distributing specific and ongoing communications to our tenants, contractors, suppliers and residents across multiple platforms detailing our response to COVID-19
- delivering bespoke COVID-19 safety training to all head office-based staff
- implementing customer safety initiatives and adopting business unit specific controls across our retirement villages (e.g. closure of communal facilities such as swimming pools, community centres), retail town centres, sales offices, workplace and logistics assets
- increasing our liquidity and implementing initiatives focused on the preservation of cash.

We continue to manage our COVID-19 response in Victoria and across hotspots in other states.

As some government-imposed restrictions have begun to progressively ease since June 2020, we continue to monitor changes and work with our respective businesses and key stakeholders to ensure adequate safety controls are in place and ongoing communication is provided to accommodate these changes.

Our financial position

On 23 March 2020, we withdrew our funds from operations and distribution guidance for the 12 months to 30 June 2020 following heightened uncertainty surrounding the COVID-19 pandemic. All other forward-looking statements made by Stockland were also withdrawn.

We have focused on providing certainty of funding to continue delivering operational activities and Group priorities, and balance sheet capacity to leverage opportunities arising during this period.

Liquidity - we boosted the available liquidity of the Group using short term and long term debt issuances and together with strong second half cashflows improved liquidity from $850 million in February 2020 to $2.0 billion at 30 June 2020.

Operational costs - we have actively reduced or deferred variable and non-critical expenses which is helping to cover COVID-19 specific costs like additional hygiene measures. This includes placing a freeze on remuneration, training and recruitment and other cost saving measures. Our Board and executive team took a 20 per cent voluntary reduction in directors fees and fixed salaries, respectively, for a two month period commencing in May 2020. We also implemented an accelerated leave program for all employees.

We reduced the second half distribution against our original guidance reflecting the impact of COVID-19 on our business during the last quarter of the financial year. The Group has not applied for or received funds from the Federal Government under its JobKeeper scheme.

Our people

We are determined to help our employees stay well and productive during this very difficult time as well as maintain our strong organisational culture. To support them, we have focused on:

Enabling technology – we fast tracked the implementation of Microsoft Teams collaboration technology, rolling it out to all employees in 14 days.

Communication – from March 2020 to the end of June 2020, regular employee virtual live events were held with our Executive Committee providing updates on the current situation and spending time answering employee questions.

Safety and wellbeing – we launched 30 Days of Wellbeing in April 2020 to help support the physical and mental health of our people which included virtual seminars and providing educational resources.

Leadership – we developed a program called Leading the Recovery, including tools, resources and learning experiences for managers, leaders and employees.

Our customers

Keeping our customers safe and supporting the resilience of our tenants are critical to our success. With the onset of the pandemic we have focused on the following:

Leading practice safety management - We have implemented leading practice safety management and hygiene standards across the business. We have made a range of process changes across our assets to deliver this outcome including the implementation of social distancing protocols, appointment-only visits to residential sales centres where appropriate, comprehensive safety and visitor protocols for our retirement living communities and expanded cleaning programs for our Retail Town Centres.

Tenant support - We have increased communication with our tenants to successfully navigate this crisis. This has included detailed discussions with Commercial Property tenants affected by the COVID-19 pandemic following the principles set out in the Commercial Code of Conduct which was issued in April 2020 and progressively implemented through state legislation.

The Commercial Code of Conduct defines qualifying tenants who are eligible for rent relief as small to medium-sized enterprises (**SME**), with an annual turnover of up to $50 million, suffering financial stress or hardship as a result of the COVID-19 pandemic and eligible for the Commonwealth Government's JobKeeper program as a result of estimating that their turnover has, or is likely to, fall by 30 per cent or more.

We are working within the Commercial Code of Conduct on a case by case basis and discussing assistance packages necessary to protect our valuable business relationships into the future.

Customer experience - Our Retail Town Centres remained open during government restrictions, demonstrating our commitment to the safe provision of essential goods and services to Australian communities.

To help ease the impact of restrictions and provide a safe buying experience we expanded our existing digital sales capabilities and omni-channel retail shopping experiences to our customers.

Our communities

We are providing support wherever we can to maintain the benefits of community connection, along with staying safe including providing free space for temporary COVID-19 testing centres in several of our Retail Town Centres.

Our Stockland CARE Foundation and national community partners have helped to deliver community support through mental and physical health and wellbeing programs across Australia.

- Jamie's Ministry of Food has provided online cooking classes to our retirement village residents
- Live Life Get Active has provided access to online fitness training, and virtual coaching, helping our residents stay as healthy as possible
- R U OK? sent over 9,000 connection postcards to our retirement living residents and included tips for wellbeing and reducing loneliness in our national newsletters
- Eat Up distributed 10,000 co-funded emergency foodboxes to disadvantaged families.

Our supply chain

We increased communication with our suppliers continually assessing supply chains for potential disruption. We have also assessed where the pandemic could increase the vulnerability of supply chain workers providing services under difficult working conditions. We continue to reinforce our requirement to comply with Stockland's subcontracting standards and Supplier Code of Conduct throughout the pandemic.

Letter from the Chairman

Dear Securityholders,

These are truly challenging times. In Australia, we have faced the devastating impact of the 2019/2020 bushfires and are currently facing a global pandemic which will have profound long term consequences.

I am particularly proud of our people who continue to demonstrate their remarkable commitment to protecting the wellbeing of our residents, customers and communities in the face of such adversity.

Notwithstanding the challenges brought by these crises, we made good progress on executing our strategy.

Our FY20 result saw funds from operations per security down 7.2 per cent over the year to 34.7 cents. Our statutory loss of $14 million was largely due to net devaluations of $464 million[1] in Commercial Property and a reduction in income reflecting current market conditions impacted by the COVID-19 pandemic as well as net fair value declines of $116 million in Retirement Living.

We are mindful of the importance of distributions to many of our securityholders and have balanced this with our future capital needs to ensure our balance sheet is well positioned for the future recovery phase.

Our full year distribution was 24.1 cents per security, with a distribution payout ratio of 70 per cent which was slightly below our target range but reflective of the impact of COVID-19 on our business and fully covered by operating cashflow.

Our rapid response

In this period of extreme uncertainty, we remained agile in order to respond proactively as the pandemic rapidly evolved.

Very early in the crisis we took decisive action to minimise the impact to our business and our people. Our immediate priority was, and continues to be, the health and safety of our employees, customers, tenants and contractors.

As government restrictions first came into place in March 2020, it was critical for us to support the viability of our tenants and suppliers. We were proactive in our engagement with government and industry regarding the implementation of an approach to support the SME tenants across our Commercial Property portfolio, whom were negatively impacted by COVID-19.

We implemented an employee accelerated leave program and our Board and executive team took a 20 per cent voluntary reduction in directors' fees and fixed salaries respectively, for a two-month period. This reduced or deferred costs in a sustainable way that minimised the impact on jobs while retaining focus on delivering all operational activities and Group priorities.

Our available liquidity has been bolstered to $2 billion to provide certainty of funding and to ensure balance sheet capacity to access and leverage opportunities, positioning us well to navigate the crisis and the recovery phase.

The Board has been proactive in its oversight of the crisis response and the need to balance this with thinking beyond the immediate impacts. Numerous meetings were held between the Board and Executive Committee throughout the period. We continue to manage our COVID-19 response in Victoria and across hotspots in other states, providing the safe delivery of development, services and sales in line with government restrictions.

New ways of working

The pandemic has changed the way we work; for both employees in our head offices and those on the ground at our developments and assets. Stockland has supported a flexible work environment for many years, however the pandemic has accelerated this trend. Pleasingly, employee engagement and wellbeing has remained high and has been regularly assessed by our 'pulse' surveys undertaken across the country.

We have amplified our focus on employee and community wellbeing, leveraging our new Stockland CARE Foundation partners R U OK? and ReachOut, to provide support and communicate the importance of mental health.

We have continued to focus on customer-centric innovation and have accelerated our digital transformation strategy. As the sponsor of the Chairman's Award for Innovation, I continue to be impressed by the value that these initiatives offer Stockland including digital display villages, electronic contracts and repurposing waste into high-performing roads.

[1] Excludes stapling adjustments for owner-occupied space and includes Stockland's share of revaluation gains relating to property held through joint venture entities.

Governance and leadership

In recognition of the importance of the digital and customer-centric transformation of the business, in December 2019, we welcomed Kate McKenzie to the Stockland Board. Kate is a highly respected and experienced executive, with a strong background in the telecommunications and government sectors. Most recently, Kate was the Chief Executive Officer of Chorus, New Zealand's largest provider of telecommunications infrastructure. Prior to this, she held several senior roles at Telstra, including Chief Operating Officer.

Change also extends to the Group's leadership, with Managing Director and Chief Executive Officer, Mark Steinert, recently announcing his decision to retire. The Board has agreed a flexible transition period with Mark, and he will continue to lead the organisation while we undertake a process to identify a successor from a field of internal and external candidates.

The Board is pleased to be continuing its strong relationship with Mark during this transition period. Over the past seven and half years of Mark's tenure, we have made great progress in reshaping our portfolio and creating a customer centric business.

In particular, Mark has overseen the development of Australia's leading residential business, reshaped and expanded our Workplace and Logistics portfolio, repositioned our retail town centre business and reduced costs. Mark has fostered a strong executive team, advanced our building innovation and digital capabilities and solidified Stockland's position as a diverse employer of choice and global leader in sustainability.

Mark is committed to the continued delivery of our strategic priorities and our purpose of creating a better way to live during this transition period.

The Board gives careful thought to how our remuneration framework supports the execution of our business strategy. During the year we undertook a review in light of our refreshed strategic priorities, however with the continuing uncertainty due to COVID-19, we are yet to finalise some aspects of our remuneration structure for FY21. Further details of the changes will be disclosed in the FY21 Remuneration Report.

Full year distribution per security

24.1c

70% distribution payout ratio

Tom Pockett, Chairman

Long term value creation

We seek to proactively address the complex and global nature of sustainability issues and embed our response in our day-to-day operations across climate change, modern slavery and cyber security.

We continue to build the climate resilience of our portfolio and reduce our emissions profile. I'm pleased to report we have achieved our FY25 emission intensity target five years ahead of schedule.

We have released our inaugural Modern Slavery Statement describing our actions to assess and address modern slavery risks so we play our part in improving human rights. To this end, we have worked with our supply chain with a particular focus on those sectors with heightened risk exposure during the pandemic.

In recognition of our proactive approach to sustainability we have retained our leadership rankings on global sustainability investment indices and benchmarks.

Conclusion

Whilst it is difficult to predict the outcome of FY21 with certainty, in the coming months, we are committed to the continuation of our strategy and positioning the business for the future. I am confident in the management and governance structures we have in place to respond to the current challenges and balance our response with the long term interests of our securityholders and the community.

Thank you to my Board colleagues and the executive team for their leadership during these challenging times and to our people for their commitment to Stockland and our purpose, 'we believe there is a better way to live'.

Tom Pockett
Chairman

Letter from the Managing Director and CEO

Dear Securityholders,

I am pleased to announce our full year result which reflects the benefit of our diversified portfolio despite the impact of the COVID-19 pandemic. Overall, our funds from operations were down 8.0 per cent on FY19, to $825 million, and our FFO per security was 34.7 cents, representing a decline of 7.2 per cent.

We continued to successfully execute our Group strategy throughout the year while also focusing on the wellbeing of our residents, customers and team. We have remained focused on creating Australia's most liveable and sustainable communities, accelerating our Logistics development pipeline, future proofing our Retail Town Centres and broadening our capital sources.

Throughout the year, we strategically allocated capital towards our Workplace and Logistics portfolio and reduced our exposure to Retail Town Centres as we target a balanced allocation to Communities, Workplace and Logistics, and Retail Town Centres.

Our performance demonstrates the benefits resulting from the execution of these strategic priorities and the tremendous efforts of our team to ensure the safe operations of our properties.

Resilience in a challenging environment

The COVID-19 pandemic affected our financial performance for the year with the business demonstrating relative resilience. This was largely due to our focus on affordable products, low and non-discretionary retail categories and our geographically diverse exposure.

Our **Communities business** performed well, with our **Residential** portfolio delivering a good profit result of $372 million, up 2.5 per cent on FY19. We achieved over 5,300 residential settlements reflecting an increasing customer preference for masterplanned communities and demand driven by government stimulus.

The COVID-19 pandemic and the associated restrictions materially impacted our sales in April 2020 with the gradual recovery in May 2020 and the market significantly buoyed by the government stimulus HomeBuilder program in June 2020.

To help ease the impact of government restrictions we accelerated the development of our digital platform to drive enquiries and sales conversion, with a significant portion of the customer journey now able to be completed virtually.

We have seen a solid rebound in our sales and enquiries since June 2020 and with close to 4,300 contracts on hand at 31 July 2020 we have reasonable visibility of FY21 settlement volume.

Throughout the year we contracted to acquire $535 million of projects to strategically restock our residential pipeline, including the purchase of The Gables for $415 million in the undersupplied north west Sydney market. All acquisitions were purchased on capital efficient terms and all assets are well positioned to support our built form strategy.

We have seen a solid rebound in our sales and enquiries since June 2020 and with close to 4,300 contracts now on hand we have reasonable visibility of FY21 settlement volume.

Our strong pipeline of active projects and our reputation as Australia's leading community creator means we are well positioned to meet increasing demand, driven by recent state and federal government stimulus programs and the current low interest rate and positive credit environment.

However, residential sales in Melbourne are likely to come under pressure in the first quarter of FY21 due to current Victorian government restrictions, albeit our construction pipeline is still operating within government defined safety parameters.

At the onset of the COVID-19 pandemic, the safety and wellbeing of our **Retirement Living** residents was paramount and we responded quickly with the early and ongoing implementation of Emergency Response Plans.

Our Retirement Living teams continue to work tirelessly to provide safe and connected community living. It is this level of customer service that has seen us achieve our highest level of resident 'happiness' in FY20 compared to the last five years.

The Retirement Living results reflected the increase in customer preferences for community-based living with FFO up 4.8 per cent on FY19, to $58 million. We settled 860 units within the year with a 11.3 per cent improvement in established unit sales.

Looking ahead, we are focused on the disciplined execution of our Retirement Living priorities as we implement new initiatives to enhance the customer experience, realign our development pipeline to our new land lease product and continue to improve the quality of the portfolio.

Within the space of a few months, the COVID-19 pandemic has acted as a major disruptor for our **Commercial Property business** impacting the performance of the portfolio. Commercial Property FFO was down 13.8 per cent to $537 million.

We have collected 70 per cent[2] of rental billings for the fourth quarter of FY20 and recorded a net valuation decline of $464 million[3] reflecting current and anticipated market conditions.

We are making steady progress on tenant rental negotiations and have continued to operate within the Commercial Code of Conduct in our negotiations with relevant tenants impacted by COVID-19. Positively, over 85 per cent of agreements negotiated with non-SME retail retailers include lease extensions and/or new store deals.

Our **Retail Town Centres**, in particular, have been impacted by the pandemic with comparable FFO down 17.0 per cent. However, the improved trading performance from late May 2020 reflects our exposure to convenience based, low discretionary categories in sub-regional and non-metropolitan retail town centres which have been relatively less impacted by the pandemic restrictions.

Prior to the onset of the pandemic, our retail remixing strategy was showing signs of success and this has positioned us well in the current market with over 70 per cent of retail sales from non-discretionary and low discretionary categories.

We have experienced faster than expected sales recovery following the easing of government restrictions with over 94 per cent of stores open and foot traffic 92 per cent of pre-pandemic levels[4].

Workplace and Logistics key operating and financial metrics demonstrate the strength of this portfolio with Workplace comparable FFO growth of 1.7 per cent and Logistics comparable FFO growth also 1.7 per cent.

Occupancy remains high across the portfolio with over 430,000 square metres of new leases executed within the last 12 months. The portfolio is in a good position with a small number of deals required under the Commercial Code of Conduct, low outstanding rent arrears and stable valuations reflecting the quality of the portfolio as it continues to grows.

Our Workplace and Logistics development pipeline more than doubled during the period to $5.5 billion and continues to progress requiring minimal capital in the near term due

Mark Steinert, Managing Director and CEO

to early stages of planning for our major projects including M_Park, Piccadilly and Walker Street in Sydney (NSW). We will continue to carefully assess market conditions before commencing new developments.

We have strengthened the capability of the team and are well positioned to deliver and grow the Workplace and Logistics portfolio into the future.

Financial management

The Group finished the year on a sound financial footing benefiting from the work undertaken over several years to build and maintain the strength of our balance sheet.

Our balance sheet continues to be supported by the retention of our investment grade credit ratings of A-/A3 with stable outlook from S&P and Moody's respectively.

We have improved our gearing to 25.4 per cent and are well within our target range, despite material devaluation in Commercial Property and Retirement Living assets, but also driven by strong second half cashflows. Stronger than expected residential settlements and a deferral of development expenditure during March 2020 and April 2020 in response to the COVID-19 pandemic have contributed to our strong net cashflow. The business has a demonstrated ability to scale production quickly and has started to do so already for FY21 settlements.

A combination of a strong liquidity position, our access to short and long term debt markets and ongoing cash discipline, positions us well to navigate the current market disruption and into the future recovery phase. Our capital and operational strength allows us to scale up rapidly to meet demand as it recovers.

2 Before rental abatement and expected credit loss (ECL) provisions are applied.

3 Excludes stapling adjustments for owner-occupied space and includes Stockland's share of revaluation gains relating to property held through joint venture entities.

4 As at 17 August 2020

Operational excellence

There is no question that the future will look different from our recent past, as digital technology transforms and evolves our everyday lives. In early August 2020, we launched our end-to-end enterprise CORE technology platform. Together with digital customer interfaces and advanced data analytics, CORE will drive greater customer experience, efficiency, collaboration and insights across the whole group.

Our digital transformation is unlocking the value of customer experience by leveraging data-science and virtual technology to optimise sales processes and tenant remixing. We are also actively engaging with PropTech start-ups and have invested in platforms that will support our strategy execution including Yodel and Bricklet

I am immensely proud of how our people have responded in prioritising the safety and wellbeing of our customers, tenants, residents, contractors and importantly, each other while continuing to drive our business forward. This is reflected in our high customer satisfaction, employee engagement scores and importantly in the high quality of our services and developments.

We continue to develop assets and communities for leading sustainability and liveability outcomes. Pleasingly we have developed the most Green Star rated retail town centres and retirement living communities and achieved a record high 'World Leadership' rating for our Aura masterplan community in Queensland.

Looking to the future

This is a period of significant and continuing uncertainty, particularly in light of the government restrictions currently in place in Victoria. The impact of COVID-19 is extensive and at this time we are unable to provide funds from operations and distribution guidance for FY21.

We will continue to monitor the impact of COVID-19 and its implications for our business, remaining agile in our execution of strategic priorities. We will provide further disclosures as and when appropriate.

As Tom mentioned in his letter, in June 2020 I announced my intention to retire. I want to assure you that my continuing focus is leading Stockland through the COVID-19 period and ensuring a seamless leadership transition.

Thank you for your ongoing support.

Mark Steinert
Managing Director
and CEO

Artist's impression, Walker Street, North Sydney (NSW)

Strategy and performance

Minta, Vic

Stockland Wendouree, Vic

Our strategy

Maximise returns by developing sustainable communities and assets

Our strategy is to leverage the benefits of our diversified portfolio and maximise returns by developing sustainable Communities, owning and managing leading Retail Town Centres, and growing our Workplace and Logistics portfolio. We achieve this by focusing on our three enduring pillars; grow asset returns, capital management and operational excellence.

OUR PILLARS

Grow asset returns
Grow returns in our core businesses by creating liveable, affordable and connected communities, future proofing our Retail Town Centres and retirement villages, and up-weighting our Workplace and Logistics portfolio.

Capital management
Actively manage our balance sheet to maintain diverse funding sources and efficient cost of capital.

Operational excellence
Improve the way we operate to drive efficiencies, compliance, sustainability and employee engagement.

Our three sustainability focus areas are integrated with our business strategy to ensure we maintain our competitive advantage and deliver shared value to all our stakeholders. Our sustainability progress and priorities are reviewed in detail in the 'delivering shared value' chapter.

Our strategic priorities

- Improve customer experience, the quality of our portfolio and digitise the business
- Increase Workplace and Logistics weighting and reduce Retail Town Centres weighting
- Accelerate Communities growth opportunities
- Broaden sources of capital

Grow our asset returns

Communities

RESIDENTIAL

Our Residential business delivered a good profit result of $372 million, up 2.5 per cent on FY19. The result reflects the strong pre-pandemic market conditions, our high-quality new community launches and asset sale profits.

Included in the result is the sale of the second tranche of The Grove (Vic) and the capital partnership of Aura (Qld) totalling $79 million and Merrylands Court (NSW). We do not expect further material transactions in FY21 but the business will benefit from underlying margin growth in New South Wales and a full year of settlements from new project releases in Victoria, subject to easing of restrictions.

We achieved over 5,300 residential settlements for the year reflecting the increasing customer preference for masterplanned communities and demand driven by government stimulus. Operating profit margins were stable at 19.9 per cent supported by the strengthening demand and asset sales.

The COVID-19 pandemic and the associated government restrictions materially impacted our sales in April 2020. There was a gradual recovery in May 2020 and the market was significantly buoyed by the government stimulus HomeBuilder program in June 2020. We have seen a solid rebound in our sales and enquiries since June 2020 and with close to 4,300 contracts on hand at 31 July 2020 we have reasonable coverage for FY21 settlement volume.

We have accelerated the development of our end-to-end digital platform, including virtual display villages, to drive enquiries and sales conversion. This is helping ease the impact of government imposed COVID-19 restrictions with the entire customer journey now able to be completed virtually.

EXPECTED COVID-19 SECTOR IMPACT

- Residential fundamentals expected to remain sound with an undersupplied position pre-COVID-19
- Net overseas migration to moderate the pace of recovery over the medium term
- Change in customer preferences expected due to lifestyle changes and affordability focus

Customer preference towards community living, housing affordability, government stimulus, credit availability and continuing low interest rates has strengthened demand in recent months.

We continue to be the market leader with a 13 per cent market share, more than three times the market share of our nearest competitor. Our share has reduced compared to last year due to the temporary impact of project roll-offs in Victoria and Queensland ahead of new product releases in the first half and a surge in completed inventory sales following the introduction of government stimulus in June 2020.

Our leadership reflects the advantages of our activated land bank, mix of affordable land and built form, access to finished product and a balance sheet supportive of opportunistic restocking.

Throughout the year we have contracted to acquire $535 million of projects to strategically restock our pipeline with all assets transacted on capital efficient terms. This included $415 million for The Gables (NSW), $105 million for Katalia (Vic), of which 50 per cent is now in partnership with Thai-based Supalai Group[1], and $15 million for Brunswick (Vic). These projects will contribute to the progression of our built form strategy and provide long-term margins above our hurdle rates.

We are well positioned to respond to shifting customer preferences with a demonstrated ability to scale production quickly and have started to do so for FY21 settlements. However, due to current Victorian government restrictions Melbourne sales have reduced, although our construction is still progressing in Victoria.

[1] Subject to FIRB approval.

Our competitive advantage

Market leader

Strong brand built on the quality of our community creation for over 65 years.

Diverse land bank of over 74,000 lots with strong embedded margins.

Leading market share of 13 per cent, more than three times our nearest competitor.

Customer preferences

COVID-19 has further shifted customer preferences toward: affordable product, house and land packages, lower density living, open spaces, and increased levels of working from home.

Market drivers

Our affordable, new-build products are well placed to benefit from government stimulus.

Key lending drivers of credit availability and low mortgage rates remain supportive.

Key project catchments have lower relative exposure to current net overseas migration and our customers typically have above average employment resilience based on exposure to COVID-19 resilient sectors.[1]

Key priorities

- Product affordability and customer preferences
- Product optionality
- Accelerate digitisation of the customer journey

Residential snapshot

Funds from operations

$372m

Up 2.5% on FY19

Operating profit margin

19.9%

Return on assets

21.1%

Lots settled

5,319

Contracts on hand

~4,300

At 31 July 2020

[1] Based on exposure to COVID-19 resilient sectors such as manufacturing, construction, wholesale trade, transport, health and public administration.

RETIREMENT LIVING

Increasing customer preferences for the safety and support of community based living in a village style environment have driven a strong performance in our Retirement Living business.

FFO for the year was $58 million, up 4.8 per cent on FY19 and we settled 860 units, up 3.6 per cent over the same period. Our established sales increased by 11.3 per cent reflecting our improved service offering and the appeal of village living.

Our Retirement Living teams continue to work tirelessly to provide safe and connected community living. It is this level of customer service that has seen us achieve our highest level of resident 'happiness' in last five years.

We continue to implement initiatives to enhance customer experience and satisfaction including our 'trial stay' and 'rent to buy' products being scaled across the portfolio. We are also leveraging our Salesforce and data analytics capabilities to market and price our units.

Sales are expected to increase over time, supported by customer preferences and the continued growth in our target demographic.

EXPECTED COVID-19 SECTOR IMPACT

- Change in customer preferences expected due to lifestyle changes and affordability focus
- Greater focus on safety and security among customer demographic

Increasing returns through our development pipeline remains a key priority. Our development contracts on hand are lower than FY19 as we phase out of our deferred management fee projects and realign our pipeline towards land lease communities.

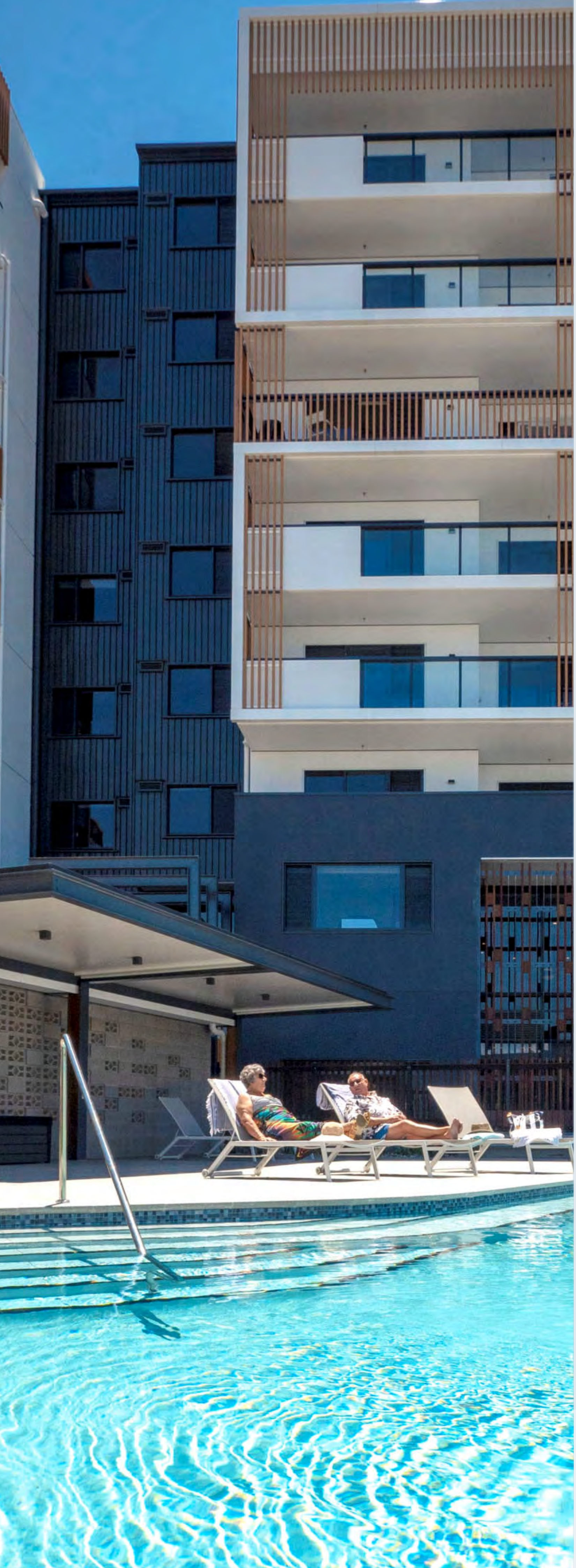
We have commenced construction of a land lease community at Aura (Qld) and are planning our Minta (Vic) development to deliver a total of 420 dwellings.

The disciplined improvement in the quality of our portfolio is ongoing as we continue to upgrade facilities and reshape the portfolio through the disposal of non-core villages.

The net fair value of the portfolio reduced by $116 million driven by reduction in near term growth rates primarily due to COVID-19, softening of discount rates to reflect the age of some villages and reduction in the carrying value of vacant established stock. Residual goodwill was also written off due to changes in development strategy.

Key priorities

- Enhance customer experience and satisfaction
- Increase returns through our land lease development pipeline and capability
- Improve the quality of our portfolio



Retirement Living snapshot

FFO

$58m

Up 4.8% on FY19

Total lots settled

860

Up 3.6% on FY19

Established sales

11.3%

Increase on FY19

Established contracts on hand

22.0%

Increase on FY19

Return on assets

5.1%

Commercial Property

The entire Commercial Property portfolio (excluding sundry properties) was independently valued at 30 June 2020 with a net valuation decline of $464 million[1] for FY20 compared to the estimated book value at 30 June 2020. The reductions were concentrated in Retail Town Centres where the pandemic has had the greatest impact. The difficulty in predicting the future implications of the COVID-19 pandemic on the Australian real estate sector has resulted in independent valuers adopting a range of qualifications, including material uncertainty clauses. We will continue to closely monitor market conditions on asset values, particularly in the context of ongoing restrictions in Victoria and other hotspot locations.

We have continued detailed discussions with our Commercial Property tenants, affected by the COVID-19 pandemic, on a case by case basis, to provide appropriate levels of support following the announcement of the Federal Government's Commercial Code of Conduct. We have finalised approximately 54 per cent of tenant rental negotiations by number of relevant tenants[2], seeking support.

WORKPLACE AND LOGISTICS

Our Workplace and Logistics key operating and financial metrics demonstrate the strength and quality of the portfolio. Comparable FFO growth was 1.7 per cent for Logistics and Workplace each.

Occupancy is high across the portfolio and leasing demand remains strong with our Logistics portfolio renewing leases for over 420,000 square metres within the last 12 months. The portfolio is in a good position with a small number of deals required under the Commercial Code of Conduct, low outstanding rent arrears and stable valuations reflecting the quality of the portfolio as it continues to grow.

Our capital allocation to the Logistics and Workplace portfolio continues to increase and we have acquired or contracted to acquire over $1.0 billion of strategic sites throughout the year. This includes the residual 50 per cent acquisition of Piccadilly, Sydney (NSW), 118 and 122 Walker Street North Sydney (NSW), Carole Park (Qld), Richlands (Qld), and entered into an agreement to acquire Kemps Creek (NSW) land and Johnson & Johnson site, Macquarie Park (NSW).

As a result our development pipeline has more than doubled since 30 June 2019 to $5.5 billion and our capital allocation to Workplace and Logisitics increased by six per cent to 29 per cent[3] of portfolio asset value.

We continue to carefully assess market conditions before commencing new developments with preparatory work underway for most of our major projects which requires minimal capital in the near term.

During the year we completed approximately 58,000 square metres of new logistics developments, with a combined value of $88.3 million and a weighted average lease expiry of 7.8 years

In December 2019 the $123 million M_Park Stage 1 development application at Macquarie Park (NSW) was approved, comprising a net lettable area of 16,000 square metres, and construction is expected to commence in the first half of FY21. Tenant enquiry on the project has been strong, reflecting the quality of the development and tenant demand from technology and health sectors.

We are planning a new 10,000 square metre head office for Johnson & Johnson, and further to this, a Heads of Agreement has been executed with a large multinational tenant over another whole building. We lodged a planning proposal for Piccadilly, Sydney (NSW) Stage 1 in August 2020 and expect to lodge a development application for Walker St, North Sydney (NSW) at the end of 2020.

EXPECTED COVID-19 SECTOR IMPACT

- **Workplace:** tenant demand impacted by economic uncertainty and ways of working in the near term, and long term impact of flexible working and space requirements
- **Logistics:** acceleration of e-commerce supporting sector tailwinds, and leasing activity and effective rent growth with minor short term slow down due to economic uncertainty

Key priorities

- Grow and execute our development pipeline
- Drive capital partnerships and joint venture initiatives

[1] Excludes stapling adjustments for owner-occupied space and includes Stockland's share of revaluation gains relating to property held through joint venture entities.
[2] As at 17 August 2020
[3] Reflects portfolio weightings at 30 June 2020 adjusted for post balance date transactions

Workplace and Logistics snapshot

Logistics FFO

$160m

Comparable growth of 1.7% on FY19

Workplace FFO

$54m

Comparable growth of 1.7% on FY19

Logistics occupancy

96.3%

Workplace occupancy

93.6%

Development pipeline

$5.5bn

at 25 August 2020

RETAIL TOWN CENTRES

Our Retail Town Centres have been materially impacted by the COVID-19 pandemic and associated government restrictions. Comparable FFO was down 17.0 per cent to $343 million[1]. However our relative trading performance was good reflecting our exposure to convenience based, low discretionary categories in sub-regional and non-metropolitan assets.

Prior to the impact of the COVID-19 pandemic on the portfolio, we had begun to see success from our rebasing and remixing strategy. Solid retail comparable sales growth of approximately 3 per cent was achieved for the eight months to February 2020. Comparable sales performance was significantly impacted in the fourth quarter of FY20 with a specialty sales decline of 30.1 per cent, offset by supermarket growth of 8.0 per cent. We saw a faster than expected rebound in sales through May 2020 and June 2020 following the easing of government restrictions. For July 2020 comparable total sales growth was 2.4 per cent and comparable specialty sales growth was 1.4 per cent.

During FY20 the portfolio delivered slightly positive MAT growth, up 0.8 per cent, with the impacts of the pandemic largely offset by supermarket, mini-majors and discount department store sales. Total retail turnover across the portfolio remained flat with the comparable sales rate slightly negative.

Minimal leasing activity was conducted in the last quarter of FY20 with approximately 190 tenants on holdover at 30 June 2020 higher than the long-term average reflecting continued uncertainty around the COVID-19 pandemic.

We have proactively worked with tenants to safely reopen stores following easing in government restrictions in some states. Around 94 per cent of stores by rental income are now trading[2] across the portfolio and July 2020 foot traffic recovered to 92 per cent of pre-COVID levels[3]. Retail assets located in Victoria, which are affected by increased government restrictions implemented in August 2020, currently have approximately 54 per cent of stores trading[2].

EXPECTED COVID-19 SECTOR IMPACT

- Acceleration of e-commerce
- Store consolidation
- Weaker economic outlook in the short to medium term impacting consumer confidence

Rental support negotiations are ongoing and as at 17 August 2020 we have finalised 52 per cent of negotiations, by number of relevant tenants, seeking support. We continue to work closely with our tenants to assess support on a case by case basis acting within the Commercial Code of Conduct. As at 31 July 2020, 61 per cent of billings had been collected for the fourth quarter of FY20 with our metrics remaining stronger than peers post March 2020.

To further support our retailers and the community we launched new omni-channel shopping experiences and continue to draw on our leading edge digital integration platform and customer insights capabilities to enhance the customer experience in our centres.

The portfolio's value decreased by $715 million with a significant portion occurring in the second half reflecting current market conditions impacted by the COVID-19 pandemic. During FY20 we settled $220 million non-core retail asset divestments contracted for sale in FY19 and executed a further $418 million post balance date in line with 30 June 2020 valuations.

We have now executed $923 million of retail disposals over the past 24 months in line with our non-core divestment strategy. Our exposure to retail, on a proforma basis, is now 39 per cent of our total portfolio weighting.

Key priorities

- Rebase and reposition our centres to ensure a quality and resilient portfolio
- Divest non-core centres

1 Includes $27 million of tenant abatement and $36 million of ECL.
2 As at 17 August 2020.
3 Represents comparable portfolio excluding Piccadilly Retail Centre.

Shaping future town centres

Data-led approach

We use data from a range of sources to achieve a deep understanding of customer segmentation proving a competitive advantage for Stockland and our tenants.

This data, which is managed, secured and assessed with a key focus on privacy, includes in-centre customer spending behaviour, demographics, digital and social media consumption and our internal Salesforce enterprise capabilities.

Cross functional use of insights

Our data-led insights are used to customise our leasing and marketing to target customer growth segments and drive foot traffic.

There is also an opportunity to share these insights with our retailers to assist in improving their product offering and online presence.

Diversifying the customer experience

We are already leveraging digital opportunities in our centres. We were the first Australian property company to offer Amazon lockers, and we provide delivery on demand and click and collect at select centres, and we are accelerating our omni-channel capabilities through the COVID-19 pandemic.

Retail town centre snapshot

FFO

$343m

Down 20.5% on FY19

Stores trading

94%

As at 17 August 2020

Comparable specialty sales

(6.7)%

Portfolio total MAT

0.8%

Occupancy

99.0[1]%

[1] Occupancy across the stable portfolio based on signed leases and agreements at 30 June 2020, ~94 per cent of stores by rental income are open and trading as at 17 August 2020.

Capital management

S&P credit rating
A-/Stable

Moody's credit rating
A3/Stable

Gearing
25.4%

Improved from 26.7% in FY19

Weighted average cost of debt (WACD)
4.0%

Expected 3.7% WACD in FY21

Weighted average debt maturity
5.7 years

Distribution payout ratio
70%

Net tangible assets

As at	30 June 2020 $M	30 June 2019 $M	Change %
Cash and cash equivalents	**443**	140	216.1%
Real estate assets			
• Commercial Property	**10,140**	10,323	(1.8%)
• Residential	**3,395**	3,411	(.5%)
• Retirement Living	**1,287**	1,452	(11.3%)
• Other assets	**130**	36	262.5%
Retirement Living gross up	**2,682**	2,585	3.8%
Other financial assets	**749**	534	40.3%
Other assets	**235**	325	(27.6%)
Total tangible assets	**19,061**	18,806	1.4%
Borrowing	**5,022**	4,704	6.8%
Retirement Living resident obligations	**2,695**	2,597	3.8%
Other financial liabilities	**313**	220	42.3%
Other liabilities	**2,051**	1,650	24.2%
Total liabilities	**10,081**	9,171	9.9%
Net tangible assets	**8,980**	9,635	(6.7%)
Number of securities on issue	**2,384,351,503**	2,384,351,503	
NTA per security	**3.77**	4.04	(6.7%)

Stockland finished the year on a sound financial footing benefiting from the work completed over several years to build and maintain the strength of our balance sheet.

This was supported by investment grade credit ratings of A-/A3 with stable outlook from S&P and Moody's respectively which have been maintained during the COVID-19 pandemic.

We continue to actively manage our debt portfolio with a weighted average cost of debt of 4.0 per cent and weighted average debt maturity of 5.7 years.

In response to the COVID-19 pandemic we increased the Group's available liquidity by $790m, through new long and short term facilities (liquidity as at 30 June 2020 was $2.0 billion).

Our gearing has improved to 25.4 per cent and is well within our target range despite devaluations in Commercial Property and Retirement Living but driven by strong second half cashflows.

The combination of our strong liquidity position, access to short term and long term debt markets and ongoing discipline around cashflows, positions us well to navigate the current market disruption and into the recovery phase.

Cash flow management

We ended the year with $1,127 million in net operating cashflow, exceeding our distribution of $658 million. This reflects our strong residential settlements and deferral of development expenditure during March 2020 and April 2020 in response to COVID-19. We also implemented measures to limit expenditure during the pandemic resulting in corporate overhead savings and were able to refocus cash as restrictions eased to increase business activity.

During the year, 88 per cent of the land payments were purchased previously on capital efficient terms.

Capital allocation

We closely manage our capital to ensure we have the optimal allocation across our diversified portfolio. We continue to actively reweight the portfolio with $418 million of non-core retail assets contracted for sale and the increase of our Workplace and Logistics development pipeline to $5.5 billion, to target a balanced strategic allocation to Communities, Workplace and Logistics and Retail Town Centres. Currently, our Retail Town Centres represent 39 per cent of our total portfolio on a proforma basis.

Capital allocation

Real estate asset	Capital allocation[1]			
	31 Dec 13[2]	30 Jun 20	30 Jun 20 (proforma)[3]	Target
Communities	29%	32%	32%	~33%
Workplace and Logistics	21%	28%	29%	~33%
Retail Town Centres	49%	40%	39%	~33%

1 WIP and sundry properties.
2 Excludes UK and apartments, representing 1%, at 31 December 2013.
3 Adjusted for assets held for sale.

We are executing on our strategy to bring in capital partners to invest alongside us to deliver projects.

Capital partnering

To drive growth in our business and deliver on our strategic priorities, we are actively progressing joint ventures and capital partnering opportunities across all sectors.

In July 2019, we announced a strategic capital partnership in our residential portfolio, with Capital Property Group investing a 50 per cent interest in our largest masterplanned community, Aura on the Sunshine Coast at around a 30 per cent premium to book value.

Post period end in July 2020, we announced a new capital partnership in our residential portfolio with Thailand-based Supalai Group[1] investing $52.5 million for a 50 per cent interest in our newest masterplanned community, Katalia on Donnybrook Road in Melbourne's north.

Distributions

The distribution for the year ended 30 June 2020, is 24.1 cents per security, down 12.7 per cent on FY19. The distribution payout ratio of 70 per cent is slightly below our target range but reflective of the impact of COVID-19 on our business during the last quarter of the financial year and fully covered by operating cashflow. Reducing the distribution and retaining this capital will help protect our balance sheet and positions us well to navigate the recovery phase.

Expected credit loss

We have been prudent in our consideration of the impact of the ongoing COVID-19 pandemic and Commercial Code of Conduct. Our accounting recognition is in line with the recent Australian Securities and Investments Commission (ASIC) guidelines and reflects $29 million in tenant abatements including deals agreed and estimates for deals yet to be completed at 30 June 2020, and a $38 million expected credit loss (ECL) provision[2] against net lease receivable of $73 million.

The ECL has been determined utilising a framework to assess and address credit risk across our Commercial Property portfolio. The framework evaluates the risk of default on an individual tenant basis, by considering various factors such as tenant type and size, occupancy costs, business vulnerability and historic credit profile.

Key priorities

- Strategic capital partnering
- Maintain high investment grade credit ratings
- 20 - 30 per cent target gearing range

[1] Subject to FIRB approval

CASE STUDY
TOWARD NET ZERO WITH $75 million CEFC FUNDING

We have further diversified our funding as we pursue our 2030 target for net zero carbon emissions across our Logistics centres, Retirement Living operations and corporate head offices, due to a $75 million senior debt facility from the Australian Government's Clean Energy Finance Corporation (**CEFC**).

The finance provided by the CEFC will support a portfolio-wide energy efficiency renewal program, as well as market-leading Green Star design and as-built standards for Retirement Living new-builds which will target a 35 per cent reduction in emissions levels, compared with the requirements of the current building code. Other initiatives will see Stockland:

- accelerate the installation of 11MW of solar across its Logistics business
- develop a market-leading scheme to trade solar energy among Stockland assets, so excess energy generated at its Logistics premises can support other Stockland Group businesses
- support the adoption of solar and battery installation in residential properties
- accelerate renewable energy and energy efficiency programs within retirement living centres.

This agreement with the CEFC is a strong example of how clean energy can be used across the built environment to deliver long term economic and environmental benefits.

Despite the ECL booked in FY20, Stockland reserves the right to collect rent under its lease agreements.

Operational excellence

To deliver on our strategy we need to continually improve the way we operate to drive efficiencies and manage risk and opportunities effectively over the long-term.

CUSTOMER EXPERIENCE

As a customer-centric organisation, we are focused on understanding customer needs, behaviours and feedback, and, in response, we generate innovative ways to optimise customer experience and satisfaction and maximise commercial outcomes.

Our drive for innovation has generated a surge in new ideas. We apply data science-based methodologies to evaluate commerciality and unlock the true value of customer experience.

One of our FY20 initiatives mapped the end-to-end customer journey overlayed with many years of survey results and behavioural insights. We used our key success metric – customer referrals – to determine the main drivers of an excellent experience; to deliver to expectations, generate more customer referrals and increase sales conversion.

By using this methodology we identified the potential to unlock upwards of $12 million of revenue annually by making pain points easier, setting and delivering to expectations (for example, on land registration timelines and amenity delivery) and eliminating delays.

We are also leveraging our data-science capabilities to optimise our retail portfolio and the shopper experience. Throughout the year we rolled out initiatives to support delivery on demand, click and collect and parcel collection. We also accelerated our omni-channel capabilities through the COVID-19 pandemic with over 14 million views on key campaigns. The data used across these projects is managed, secured and assessed with a key focus on privacy.

Customer satisfaction targets

We continue to evolve our proprietary customer research, satisfaction and liveability surveys and use these tools to measure and improve our performance to help shape our communities, town centres and workplaces.

Pleasingly, our FY20 retail tenant satisfaction score has remained high at 80 per cent, exceeding our 77 per cent target, and we have maintained our 80 per cent shopper satisfaction score.

In light of the impact of the COVID-19 pandemic on various sectors, we deferred the annual Workplace and Logistics tenant satisfaction survey to FY21.

We maintained high levels of resident satisfaction across our Communities. In FY20, our Retirement Living resident 'happiness' score was the highest level achieved in five years.

In our Residential business our resident satisfaction remains high at 91 per cent and our prospective resident satisfaction was slightly below our target at 81 per cent largely due to the volume of leads and challenging market conditions.

We have made a number of customer-focused enhancements during FY20, including establishing national guidelines for setting accurate settlement timing expectations and increasing the frequency and personalisation of our customer communications.

Amidst the COVID-19 pandemic and bushfires, when many traditional customer engagement and qualitative research practices ceased, our online research community, Stockland Exchange, allowed the business to continuously gather insights from our customers in a safe manner via online forums and virtual discussion panels.

Customer satisfaction

Residential communities resident satisfaction

91%

Residential prospective resident satisfaction

81%

Target 85%

Retirement living resident happiness

8.6/10

Target 8.25/10

Retail tenant satisfaction

80%

Target 77%

Retail shopper satisfaction

80%

Target 80%

CASE STUDY

OUR VIRTUAL CUSTOMER JOURNEY

The value of community living has never been more apparent. During the COVID-19 pandemic, people have reclaimed surrounding green space and are seeking more comfort and versatility at home.

To capture this demand we accelerated our digital capabilities to deliver safe, efficient and customised experiences for our customers available anytime.

During the year we launched our 360 degree virtual skytours experience for our top residential projects providing customers with an interactive view of our masterplanned communities. Our choose-your-own tours fly above our communities so customers can discover parks, schools, shopping and transport and explore the future plans for the community.

Customers can further immerse themselves in the experience by stepping into virtual display villages and video walk-throughs. The experience is then enhanced by providing detailed house and land pricing and builder availability at the click of a button.

To provide a safe buying experience we offer one-on-one, private sales experiences. Appointments can be made on the website, via our social media channels and enquiries receive quick responses with our LiveChat manned by sales professionals.

Our end to end virtual sales process also includes digital contract signing by appointment and the ability to proceed with a deposit. With a focus on continually improving our customers' experience contracts have been simplified, project process tracking improved and we offer contactless pre-settlement inspections including personalised lot tours.

Explore our **Highlands masterplanned community** in Victoria.

INNOVATION, DIGITAL AND DATA

Innovation

Our internal innovation capability helps select, support and nurture new initiatives across the business. These initiatives are deeply rooted in customer insight, understanding of customer 'jobs to be done' (understanding the customers' motivations and the jobs they want to accomplish) and their known pain points. By addressing these through innovation initiatives, we are able to optimise customer experience and generate value for Stockland.

We have invested in two promising PropTech start-ups: Yodel, a communication and workplace management platform, and Bricklet, a platform that makes property investment more accessible by breaking up a property into smaller units called 'bricklets' which can then be bought individually by investors.

Some of our key achievements during FY20 include the Stockland Accelerator, multiple innovation pilots, a record number of entries in the Chairman's Award for Innovation and embedded innovation across our ways of working.

The Stockland Accelerator culminated with an Investor Showcase in Sydney where 10 start-ups pitched to over 100 potential investors, partners and customers. Three of the PropTech start-ups built during the Stockland Accelerator piloted their solutions at our residential and commercial assets.

Innovation projects generated

~2% FFO

in FY20

Integrated technology backbone

One of the focus areas in our digital transformation is the improvement of our systems and technology to support an agile, efficient and digital workforce.

In August 2020, post financial period end, we released the main stage of our end-to-end CORE technology platform (**CORE**). CORE provides a Group-wide single source data source and is a technology backbone focused on customer centricity, collaboration and policy compliance.

We believe this truly integrated end-to-end digital transformation system is world leading for real estate companies.

Some benefits of the integrated end-to-end processes include:

- single source of truth for customers across Stockland
- integrated customer processes for enhanced customer experiences
- team collaboration using shared project space for managing large projects or complex capital works programs and procurement sourcing where suppliers can log their own data and
- one finance system, with simpler consolidated financial reporting.

As a direct result of the COVID-19 pandemic, we incurred a one-off cost of $18 million due to the delay of CORE go live from May 2020 to August 2020, which has been expensed in FY20.

Cyber security

As we continue to digitalise our business and enable digital services for our customers, protecting our information and the privacy of our customers is critical. We remain focused on data safety measures to protect our business and our people from cyber security related threats.

During FY20, we continued to strengthen our cyber security and rolled out mandatory training for employees. We proactively monitor and investigate data breaches that occur outside our systems, that may have a potential impact to our business.

PEOPLE AND CULTURE

Employee engagement

The ability to maintain employee engagement and productivity during these challenging times is critical to our overall performance.

Every year we conduct an externally-facilitated employee survey called Our Voice to measure employee engagement along with our key strengths and opportunities for improvement. We continued to outperform the Australian National Norm for employee engagement in FY20 with a score of 82 per cent, up from 81 per cent in FY19.

The improvement was driven mostly by an increase in advocacy (likelihood to recommend Stockland as a good place to work) and intent to stay (lower likelihood of leaving Stockland in the near future). We reported improved scores in our major areas of focus which included leadership, strategy communication and execution, and removing obstacles to perform. Our scores across wellbeing, diversity and inclusion, and health and safety remain very strong compared to norms.

Strengthening Stockland

We are proud to be a purpose-driven organisation with a strong culture. It is important we continue to build on this foundation and further strengthen the Stockland culture through an integrated program of work across leadership, structure, capability, processes and systems. During the year, we launched Leader Zone, an online learning resource to support employees to enhance their leadership capability.

Since the onset of the COVID-19 pandemic we have increased the frequency of our employee communications and the visibility of our executives and senior leaders. This is complemented by regular employee 'pulse' surveys so that we can adapt our response to the changing needs of our people.

Health, wellbeing and safety

Our priority is the health, safety and wellbeing of our people. Throughout the year we have responded with strength to the challenges presented by bushfires and the COVID-19 pandemic and have continued to evolve our systems and processes to ensure a safe working environment.

In FY20 we achieved zero fatality and life changing injuries in our business, which was consistent with the previous years. We also maintained a low lost time injury frequency rate (LTIFR)(3.4 in FY20), a reflection of our continuous focus on injury prevention in line with our LTIFR improvement plan.

We equipped our employees, at both head office and at an asset-level, with techniques to address psychosocial hazards such as dealing with difficult conversations. We worked with a specialist psychological consultancy to develop a 'Dealing with Challenging Interactions' training program for our customer and public facing roles.

Our flexibility and wellbeing initiatives were accelerated during the onset of the pandemic. This included fast-tracking flexible and remote working with Microsoft Teams collaboration technology rolled out to all employees and providing support to our people through a multi-faceted wellbeing program working with our CARE Foundation partners.

Diversity and inclusion

Our Employee Advocacy Groups (**EAGs**) play an important role in creating an inclusive workplace and developing initiatives to drive diversity. Led by a diverse group of employees across Australia, our four EAGs cover Gender Equity, Flexibility, LGBTI+, and Wellbeing, Accessibility & Cultural Inclusion.

In acknowledgement of our focus on gender equity, we have:

- Been recognised by WGEA Employer of Choice for Gender Equality for the sixth year in a row
- Ranked sixth on Equileap's Global Top 100 gender-equal companies and
- Achieved Bronze Status in the 2020 Australian Workplace Equality Index (AWEI).

During FY20 we launched our updated Domestic and Family Violence (**DFV**) Policy. We ran a *16 Days of Activism to end Gender-Based Violence* leadership-led campaign to raise awareness of DFV and to promote the support we provide our people and our zero tolerance of perpetrators.

People and culture snapshot

Employee engagement

82%

Target 80%

Women in management

46.7%

Target 45%

Gender pay equity

99%

Target 100%

Equileap's Global Top 100

6th

gender-equal companies

Lost time injury frequency rate

3.4

down from 3.9 in FY19

Delivering shared value

We have both the opportunity and responsibility to create the right balance of social, environmental and economic conditions for our stakeholders, now and in the future.

We are a committed leader in sustainability and believe this approach is fundamental to the way we do business. Our three sustainability focus areas are integrated with our business strategy to ensure we maintain our competitive advantage and deliver shared value to all our stakeholders.

- **Shape thriving communities** - Our focus is on creating robust communities with strong connections and opportunities. This supports our growth as a business by delivering better social, environmental and economic outcomes for all our stakeholders.
- **Optimise and innovate** - Innovation is at the core of everything we do. We continue to find more efficient ways to do business, investing in technologies that support our priorities, while minimising the impact we have on the environment.
- **Enrich our value chain** - By creating stable and deep-rooted relationships, we can support our supply chain, manage risk, and ensure sustainable and transparent practices.

Due to the impacts associated with the COVID-19 pandemic we have delayed the release of our 2030 Sustainability Strategy. We look forward to sharing this with securityholders in FY21.

FY20 SUSTAINABILITY LEADERSHIP

GRESB
Global Sector Leader for Listed, Diversified – Office/Retail

CDP
Climate A List for climate disclosure and performance

DJSI
Ranked 2nd on the Dow Jones Sustainability Index, listed in the top five for 10 consecutive years

MSCI
MSCI AAA ESG rating

Shape thriving communities

As one of Australia's largest diversified property groups, we are well placed to have a positive and lasting impact on the communities in which we operate. Our research clearly indicates that for a community to thrive it needs a focus on health and wellbeing, community connection and education.

In FY20 we continued to support these fundamental elements of our sustainability strategy, contributing over $4.4 million to community development and engagement across Australia. This includes our $500,000 pledge to six charitable organisations in response to the devastating Black Summer Australian bushfires, shared between the Foundation for Rural and Regional Renewal, Foodbank Australia, the Foundation for National Parks and Wildlife, the NSW Farmers Association, the Business Council of Australia and Good360. Our reported FY20 total contribution is lower than prior years largely due to a change in our reporting coverage. This year we have not collected community development spend data by our assets and communities, instead, allowing our teams to focus on supporting customers, residents and tenants during the COVID-19 pandemic.

Stockland Liveability Index

Our annual Liveability Index Survey measures what matters to our residents, so we can incorporate what is important to our customers into our community designs. The Liveability Index Survey invites feedback on all aspects of the community – from quality of built and natural environments, to how its design supports mental and physical wellbeing. Years of listening and responding to feedback from our residents has helped us shape some of Australia's most liveable communities.

In FY20 we received almost 2,000 responses across 18 residential communities that took part in the annual proprietary Liveability Index survey. We scored 74 per cent, marginally below the target of 75 per cent. This result was in part due to the removal of a number of high-performing and well-established communities and the inclusion of newly developed communities (eight out of 18 communities in scope are in the early to mid stages of development). Liveability scores traditionally increase for more established developments with mature amenity.

Our FY20 liveability research identified 'access to amenity' (such as access to retail, recreational or transport services) and 'public spaces' as potential areas for improvement at a community level. For communities where we are in the early stages of development, we are looking at opportunities to provide pop-up amenity and greater promotion of surrounding and existing amenity to alleviate resident concerns.

We continue to achieve high wellbeing scores in our residential and retirement living communities. Our residential communities achieving a Personal Wellbeing Index score of 78 per cent and our retirement living residents achieved a Personal Wellbeing Index score of 83 per cent, both above the national wellbeing average of 74.2–76.7 per cent.

FY20 TARGETS AND PROGRESS

FOCUS AREA	TARGET	STATUS	PROGRESS
Health and wellbeing, community connection, education	All Stockland Communities (residential and retirement living) score above the Australian average national Wellbeing Index.	***Achieved***	Achieved a retirement living resident Personal Wellbeing Index score of 83% and 78% for residential communities, both well above the Australian national average range of 74.2–76.7 per cent.
	Achieve consistent Stockland national Liveability Index scores of 75% across residential communities.	***In progress***	Achieved a 74% Liveability score, marginally below the target of 75%.
	Make a meaningful contribution to community health and wellbeing, community connection and education in partnership with community groups supported directly by the Stockland CARE Foundation.	***Ongoing***	Stockland CARE Foundation launched two new Foundation partners, ReachOut and R U OK?, joining our existing partner Redkite. Invested over $4.4 million through our community development, community investment programs and the Stockland CARE Foundation.

Partnering to strengthen communities

The Stockland CARE Foundation was established to support charity organisations that can help Stockland deliver on our aspiration to improve the health, wellbeing and education of Australian communities.

In October 2019, the Stockland CARE Foundation established a collaborative partnership between our three charity partners ReachOut, Redkite and R U OK?. Through this partnership we will seek to empower our communities to build the essential skills, resources and networks to support each other towards a better way to live. This partnership has seen the four organisations come together to share resources, tools and challenges and build a culture of continuous learning and improvement.

The establishment of this new collaborative partnership has been timely given the outbreak of the COVID-19 pandemic and its impact on wellbeing. Over the next three years, the CARE Foundation will invest more than $1 million as well as ongoing non-financial support in our Foundation partners, to help raise awareness and support for mental health programs that will assist Australian communities as they recover and rebuild into the future.

Impact of our community partnerships

Live Life Get Active

Close to 8,000 residents attended free Stockland community fitness classes with ~8,000kgs in weight loss

Jamie's Ministry of Food

Over 1,200 participants in healthy eating and good nutrition classes for all ages

Australian Business and Community Network

Close to 350 students from 26 ABCN schools mentored by Stockland employees

Elara community, NSW

Enrich our value chain

Responsible supply chain management

We are committed to responsible procurement and sustainable supply chain management. We recognise that having a sustainable supply chain is fundamental to having a sustainable business.

We work closely with our suppliers to develop and communicate our values and expectations, and in FY20 we released our updated 'What Stockland Expects from its Suppliers' policy. The policy includes a greater focus on sustainability, including diversity and inclusion, human rights and Indigenous procurement and employment. It sets out key considerations for our development suppliers such as health and safety, materials and resource use, and local employment.

With a targeted focus on influencing industry practice around safety, during the year we hosted our second annual National Sights on Safety Award. This award offers our suppliers and contractors the opportunity to showcase enhancements to their safety performance. The FY20 awards were well supported by our suppliers and contractors, with over 40 submissions received.

Providing a consistent, quality product and experience to our customers is key to our success. In FY20 we implemented the standardisation of quality inspection checklists across our medium density project sites. This was the result of a collaboration with our contractors, and involved sourcing and sharing best practice to improve standards across our sites and ultimately across the industry.

Human rights

Our commitment to both respect and promote human rights underpins our business activities and stakeholder relationships, and this is appropriately reflected in our human rights policies and procedures. We do not tolerate behaviour that is in breach of the law or our corporate policies.

In FY20 we expanded our human rights approach to consider the Modern Slavery Act and to identify and address modern slavery within our operations and supply chains.

Our approach includes a commitment to continuous improvement as we increase our understanding of modern slavery risks. To date we have made good progress on awareness training for employees in supply chain-facing roles. We have mapped and assessed our supply chain for modern slavery risk potential and built an understanding of the activities of our higher-risk, high-spend suppliers through a modern slavery supplier assessment tool. These steps will allow us to adapt our approach over time and build appropriate remediation and remedy mechanisms if cases of modern slavery are uncovered.

We have continued to conduct specialised due diligence across our cleaning contractors during the COVID-19 pandemic, and remain vigilant to the heightened risk within that sector. Investigations into the supply chains of our development projects have given us insights into potential modern slavery risks in construction materials and labour, and helped us to identify areas on which to focus our engagement going forward.

FY20 TARGETS AND PROGRESS

FOCUS AREA	TARGET	STATUS	PROGRESS
Supply chain management	Identify and address key environmental, social and governance risks in our supply chain.	***Achieved***	Launched our updated 'What Stockland Expects from its Suppliers' policy.
	Collaborate with our partners to raise awareness of sustainability issues and encourage sustainable procurement.	***Achieved***	Developed Modern Slavery Statement and engaged with suppliers to raise awareness of the associated risks. Sights on Safety supplier safety awards expanded to include our operational suppliers.
Human rights	Draft and commence implementation of our next Innovate Reconciliation Action Plan FY20-22.	***Achieved***	Drafted our second Innovate RAP in partnership with Reconciliation Australia to be launched in NAIDOC Week 2020.
	Accessibility - Achieve a minimum LHA Silver standard (design certified) for 20% of our Townhomes in FY20.	***Achieved***	Delivered 29% of our Townhomes product to meet LHA Silver standard.

Employee engagement, diversity and inclusion - read more on in People and culture

Optimise and innovate

We entered the new decade amid Australia's worst ever bushfire season and crippling drought; events aggravated by climate change. We acknowledge that climate change as well as resource constraints present risks and opportunities for our business, and we are committed to identifying, assessing and managing these to support the resilience of our business, assets, communities, customers and people.

We respond to these challenges through robust risk management, smart design, investment in technology, and operational efficiencies as we make the transition to a low-carbon future.

Resilient communities and assets

The unprecedented 2019/20 bushfire season had an impact on several of our assets, triggering our internal crisis management response. Whilst six retirement villages and one shopping centre were temporarily evacuated, no injuries were sustained by Stockland staff or residents and no property damage was sustained.

Bushfires are an inherent risk to Stockland and the community, with over 50 properties located in or adjacent to a bushfire zone. As part of our risk management strategy, annual Bushfire Preparedness Reviews have been undertaken since 2017. In the lead up to the 2019/20 bushfire season we completed Bushfire Preparedness Reviews for all of these assets.

These reviews are done in addition to our Climate Resilience Assessments. As at 30 June 2020, we have completed assessments for 45 per cent of our portfolio, with six assessment undertaken in FY20.

During FY20, we also extended our climate change scenario analysis to better understand the extent of water scarcity across Australia and the adaptive capacity of Australian water utilities, to further develop Stockland's role in contributing to water system resilience.

Green buildings and communities

We are committed to incorporating best practice sustainable design across energy, water and material selection, as well as creating highly connected and accessible communities that enhance liveability.

FY20 TARGETS AND PROGRESS

FOCUS AREA	TARGET	STATUS	PROGRESS
Climate resilience	Improve climate change resilience within our portfolio undertaking new resilience assessments as required, including new developments and high-priority assets as per our national mapping.	***Achieved***	45% of our portfolio assessed for climate resilience 100% of assets located in/adjacent to bushfire zones underwent Bushfire Preparedness Reviews
Carbon and energy	60% reduction in carbon emissions by FY25 in Commercial Property.	***Achieved***	Achieved a carbon emissions intensity reduction of 65% against the FY06 baseline.
	Design all new residential and retirement living communities to exceed minimum energy efficiency compliance standards by 10%.	***Achieved***	Exceeded energy performance design targets, achieving a 46% reduction in our residential communities and a 12% reduction at Newport RL (Qld) and a 31% reduction at Shine RL (Qld).
Biodiversity	All new eligible masterplanned community developments to make an aggregated net positive contribution to biodiversity value in FY20.	***Achieved***	Achieved a positive Biodiversity Index Score for the two projects assessed during FY20 - Paradise Waters and West Dapto 2.
Waste and materials	Divert 90% of Retail Town Centre development waste from landfill.	***Achieved***	90% of waste diverted from landfill from retail development projects between FY18-FY20.
	Divert 60% of Residential development waste from landfill.	***Achieved***	98% of civil contractor waste diverted from landfill.
	Divert 45% of Commercial Property operations from landfill	***Not Achieved***	36% of waste diverted from landfill in our Commercial Property operations - see waste commentary.
Water management and quality	Retail town centres and retirement living villages to reduce water consumption by 5% and all new residential communities designed to exceed minimum water efficiency standards by 5%.	***Achieved***	Achieved 11% reduction in water consumption against the FY17 baseline in our Retail portfolio and 14% reduction in Workplace and Business Parks.

Our portfolio has the most Green Star rated retail town centres and retirement living communities and achieved a record high 'World Leadership' rating for our Aura masterplan community in Queensland. Our Newport and Shine Birtinya (Qld) retirement living villages were the first two retirement living projects in Australia to be certified using the Green Star Design & As Built rating tool.

Net zero carbon future

We continue to improve the emission intensity of our Commercial Property portfolio, achieving our FY25 target five years ahead of target. This is largely due to our $33 million investment in renewable energy over the last three years which has driven a 32 per cent reduction in emissions intensity across Commercial Property since FY17.

In FY20 we partnered with the Clean Energy Finance Corporation (CEFC) on a $75 million debt facility. This supports the delivery of our 2030 Net Zero Commitment for our Retirement Living and Industrial portfolio and Corporate Head Offices, based on the World Green Building Council Net Zero Carbon Buildings Commitment.

One of the key deliverables of this agreement is the installation of additional solar across our Logistics and Retirement Living assets, with the objective of establishing an inter-asset energy trading platform.

By the end of FY20 we had completed a further 2.3MW of solar PV capacity, including our largest logistics installation of 770kW at Yennora Distribution Centre. This brings our total solar operational capacity to 18MW, with the capacity to generate approximately 24GWh in renewable energy annually.

In addition to our formal net zero commitment, we are collaborating with our customers and builder partners to support a low-carbon transition in the residential sector. In partnership with Sustainability Victoria and Creation Homes we delivered a certified Zero Net Carbon Home at our Orion project.

We are also working closely with the Green Building Council of Australia to help create a market for healthy, resilient and net zero energy homes through their new standard ‘Green Star for Homes’.

Improving waste management

Our new national waste and recycling contract signed in FY20 will see greater landfill diversion rates across multiple waste streams in our Commercial Property operations. For the three-year period FY18-20 we diverted 90 per cent of waste from landfill across our four Retail Town Centre developments at Birtinya (Qld) Baringa (Qld), Wendouree (Vic) and Green Hills (NSW).

Our net zero carbon progress

Commercial Property - emissions intensity reduction

65%

FY06 baseline | Target 60% by 2025

Savings from energy efficiency initiatives

>$123m

since FY06

All new residential communities

46%

reduction in emissions against energy compliance standards

Renewable energy capacity

18MW

36% of retail energy consumption

Renewable energy

>$33m

Total investment

Risk management

Somerton Distribution Centre, Somerton, Vic

Our approach to risk management

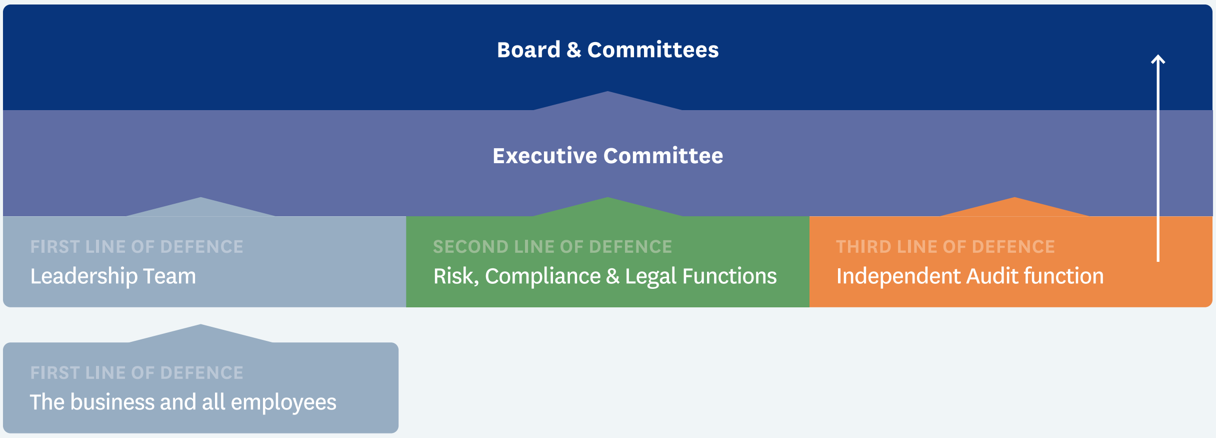
Stockland adopts a rigorous approach to understanding and proactively managing the material risks and opportunities we face in our business. We recognise that making business decisions which involve calculated risks and managing these risks within sensible tolerances is fundamental to creating long-term value for securityholders and meeting the expectations of all Stockland's stakeholders.

Stockland's risk appetite is the degree to which we are prepared to accept risk in pursuit of our strategic priorities. We continuously engage with our stakeholders and use these views, together with research and evidence, to maintain a register of the material risks and opportunities that influence our ability to deliver on our vision and purpose. The Board has determined that Stockland will maintain a balanced risk profile so that we remain a sustainable business and an attractive investment proposition over the long term.

We also recognise the importance of building and fostering a risk aware culture so that every individual takes responsibility for risks and controls in their area of authority. We have a Stockland Code of Conduct that applies to all employees and provides clear guidance on how we expect our people to accept, engage and respond to each other and our stakeholders. The performance scorecard for our employees, including our Managing Director and CEO and the Executive Committee also contains key performance indicators linked to effective risk management.

The Board provides oversight of Stockland's risk management which is underpinned by our **risk management framework** and Three Lines of Defence model. Our governance framework is provided on .

Three lines of defence



FIRST LINE OF DEFENCE	SECOND LINE OF DEFENCE	THIRD LINE OF DEFENCE	EXTERNAL AUDIT
The business & all employees The business, leadership team and every employee take responsibility for managing risks in their business operations and having controls in place to appropriately manage risk within our risk appetite.	**Risk, Compliance & Legal functions** Develops risk management policies, systems and processes to promote a consistent approach to risk management and provides an independent review of first line controls.	**Independent Audit function** This audit function performed by EY, provides independent assurance and regular reporting on the effectiveness and efficiency of our controls.	Provides reasonable assurance about whether the financial report is free from material misstatement and assurance over the sustainability reporting in the Annual Report.

Our materiality process

Stockland has adopted the materiality definition from the International Integrated Reporting Framework (**Integrated Reporting**) to disclose information about matters that may substantively affect the organisation's ability to create value over the short, medium, and long term. Our Executive Committee and Board regularly review these key risks and disclose them on a bi-annual basis.

We identify material matters using the following process:

1. Identify

Each year we conduct an operational and strategic risk assessment and identify draft material matters by capturing internal and external perspectives in line with the principles of Integrated Reporting and the Global Reporting Initiative (**GRI**) Standards.

Stakeholder perspectives included:

- Investor research and engagement
- Customer feedback and insights
- Employee, executive and Board surveys
- Political and regulatory developments
- Industry engagement and advocacy
- Social and mainstream media.

2. Evaluate and prioritise

Members of our leadership team and senior management participated in interviews and reviews to evaluate the material matters, rank them in terms of greatest significance and prioritise them based on their ability to affect and impact on value creation over the short, medium and long term.

3. Review and disclose

The following risks and opportunities are considered the most relevant current material matters which are developed and mapped. These have been reviewed and approved by Stockland's Executive Committee and Board. The process and associated disclosures have been assured by Ernst & Young (**EY**).

Due to the complex nature of these risks and the impact of COVID-19 many of the risks and opportunities detailed below have the potential to impact our business and stakeholders over the short, medium and long term.

Risks and opportunities

Ongoing impact of the COVID-19 pandemic on our business

The impact of the COVID-19 pandemic on the economy since early March 2020 has presented challenges across most areas of our business. We have tackled these COVID-19 challenges proactively and our response to the pandemic to date has included:

- proactive engagement with industry bodies and government to implement effective containment strategies to enable the continued safe operation of our properties within government guidelines
- a focus on the safety and wellbeing of our employees, tenants, customers and suppliers through the implementation of best practice safety management and hygiene standards
- proactive engagement with SME tenants to provide a range of supportive measures, acknowledging the new Commercial Code of Conduct
- enhancing our strong liquidity position and maintaining investment grade credit ratings using short term and long term debt issuances of $790 million
- reducing or deferring variable and non-critical expenses. This includes placing a freeze on remuneration, training, and recruitment and the implementation of other cost saving measures
- implementing a 20 per cent reduction in Directors' fees and fixed salaries of the Executive Committee for a two-month period commencing in May 2020
- accelerating annual leave that resulted in most of our people taking 10 days of leave between April and June 2020
- the deferral of non-essential development expenditure and the reduction of discretionary spend and
- reducing the 2H20 distribution payment by approximately 25 per cent from our original guidance to 10.6 cents.

Our ability to deliver on strategic priorities in challenging market conditions

We remain cautious about the shape and speed of the recovery of the market after the COVID-19 pandemic. We will continue to monitor the impact on COVID-19 and its implications for our strategy and business.

We will continue to carefully assess market conditions in the delivery of our strategic priorities:

- concentrating our exposure across higher quality assets
- broadening our capital partnering initiatives across the whole portfolio
- increasing our weighting in Workplace and Logistics
- reducing our exposure to Retail Town Centres and
- bringing new business initiatives to scale.

Our ability to provide environments that support the health, safety, and wellbeing of our employees, tenants, residents, customers and suppliers.

The health and wellbeing of our people, suppliers and customers has always been and continues to be our priority. Health and safety incidents, including security threats can have long-term impacts on our stakeholders.

We are committed to delivering communities and assets where our employees, tenants, residents, customers and suppliers always feel safe. We will continue to:

- foster a culture where health, safety and wellbeing are core values and continuous improvement of our safety performance is part of our normal business practice
- reinforce safe operations and messages to our employees, tenants, residents, customers and suppliers as we continue to focus on suppressing the transmission of COVID-19
- extend our focus on mental health and wellbeing including through our CARE Foundation collaborative partnership with ReachOut and RUOK?
- evolve our 'Sights on Safety' contractors, consultants and supplier engagement which has assisted in reducing incidents in key focus areas on our projects and
- train our employees and increase their risk awareness including undertaking regular scenario testing.

Climate change may have adverse effects on our business

Physical and transitional climate change risks have the potential to damage our assets, disrupt operations and impact the health and wellbeing of our customers and communities.

We are committed to creating climate resilient assets that operate with minimal disruption in the event of increased climate events, as well as building strong communities that are equipped to adapt to long-term climate change risks and opportunities.

To do this, we will continue to:

- assess our portfolio for climate and community resilience and implement action plans
- embed climate resilience within our standard asset risk assessment
- invest in asset upgrades and adapt community designs
- work with our communities to build awareness of climate risks including cyclone and bushfire risk to provide safe environments for people in and around our assets
- assess and implement wholesale energy strategies and renewable energy installations, to provide alternative sources of energy to mitigate the risk of price shocks
- actively manage our corporate insurance program to provide adequate protection against insurable risks and
- continue to incorporate scenario analysis into our climate risk process to understand how physical and transition climate-related risks and opportunities may evolve over time.

Our ability to dispose of non-core assets

We adopt a disciplined approach to the disposal program for non-core assets. Our Investment Review Group undertakes detailed due diligence, assesses market fundamentals and confirms alignment to Group strategy to ensure disposals are made in the best long-term interests of our securityholders.

Change within the retail sector impacts rental growth

The retail landscape has undergone significant structural change and seen a convergence of technological advances, e-commerce, and changes in underlying consumer behaviour. The COVID-19 pandemic has placed significant pressure on the retail sector with an associated impact on our rental income.

We have been proactive in our retail strategy and will continue to:

- rebase rents to sustainable levels
- evolve our pandemic response plans and operations at our centres to manage and promote social distancing and good hygiene practices
- remix our tenancies with a focus on experiential retail, technology, health, services, and food catering
- apply our placemaking strategy across our assets to create convenient, curated communities that form the social hub and
- leverage deep customer insights and analytics to inform our tenant remixing.

Information and technology system continuity and cyber security breaches impact our business

Our business leverages IT systems, networks, and data to operate efficiently. Managing potential IT system failures and cyber security breaches is a focus area to help us manage the risk of loss of sensitive information, operational disruption, reputation damage, and fines and penalties.

As part of our focus on operational efficiency, we continue to improve our systems and capabilities. We launched our end-to-end CORE system technology platform in August 2020. Together with our existing Salesforce and SAP SuccessFactors systems, this new SAP platform provides a Group-wide single source of truth and is a technology backbone focused on customer centricity, collaboration and policy compliance.

Technology safety is integral to our overall working environment and there are measures in place in order to protect our business and employees from cyber security related threats, including:

- providing employees with a digitally safe working environment
- protecting systems, networks and end-point devices
- putting policies in place on how to safely access and manage data, for both employees and third parties
- mandatory training for all employees to identify and manage potential threats and
- vulnerability testing of key systems and simulated cyber attacks to identify potential gaps and improvement areas.

Regulatory and policy changes impact our business and customers

Failure to anticipate and respond to regulatory and policy change could have an adverse effect on our ability to conduct business.

We will continue to:

- implement forward-looking practices to remain well positioned for regulatory change – in FY20 we have focused on enhancing and updating a number of key policy and governance matters including whistleblowing, modern slavery and privacy and data breach response procedures
- engage with industry and government on policy areas including taxation and planning reform
- focus our development activity in areas where governments support growth and
- carry out mandatory training for all employees in relation to the compliance areas and obligations relevant to our business.

Our ability to adapt to new ways of working and maintain a strong corporate culture

The ability to attract, engage and retain our employees is critical to our ongoing success. Physical and organisational boundaries have become increasingly blurred as new technology enables greater workplace flexibility and new ways of working. We will leverage our strong culture as we navigate these new ways of working and become an even more sustainable business. Our culture will continue to be a strong mitigant for compliance risk.

We had already provided the majority of our employees with technology devices and applications that increased their mobility and flexibility prior to the onset of the COVID-19 pandemic. This was instrumental in the smooth transition to remote working and increased employee engagement during the COVID-19 government restrictions.

We continue to focus on how we support employees by:

- maintaining a focus on fostering a strong and constructive culture to deliver value to all stakeholders
- encouraging ongoing or new flexible work practices supported by our collaboration platforms
- training our senior leaders to be more agile and resilient through Stockland leadership programs
- enhancing our communication approach to our team members across Stockland and
- continuing to invest in adopting new ways of working to drive efficiency and improve our practices to increase accountability and build on core strengths.

To support the smooth transition to the new Managing Director and CEO, we have a strong focus on our executives and senior leaders providing visible leadership, collaboration and regular communication as they steer the business through the COVID-19 recovery period and execute our strategic priorities.

Our ability to anticipate changing customer and community expectations to meet future demand

We will continue to:

- foster a culture of innovation to identify and take advantage of opportunities to leverage movements in stakeholder preferences
- evolve our market-leading product innovation and deepen our customer insights using our proprietary Liveability Index research, Stockland Exchange (our online research community) and other data sources
- create sustainable and liveable communities and assets, resilient to changes in climate and
- enhance our design excellence, providing greater functionality and value for money that meet the demands of Australia's changing socio-demographics, including an ageing population and more socially conscious millennials.

Differences between community and customer expectations or beliefs and our current or planned actions could harm our reputation and business.

Standards for interaction with customers and the community have been under intense scrutiny in Australia for some time. It is important that we engage with our customers in an ethical and considered manner.

At Stockland, we have prioritised our focus on customer engagement including regular customer surveys, extra training for our customer-facing employees, and the implementation of a customer feedback framework with reporting through to our Board and Committees. There are consequences for poor behaviour that does not reflect Stockland's values including potentially remuneration and employment impacts.

Capital market volatility impacts our ability to transact and access suitable capital.

A strong balance sheet is important so that we can drive growth in our business and deliver on our strategic priorities, and access broad sources of capital. Acknowledging the impact COVID-19 has had on financial markets we will continue to:

- allocate capital strategically across our diversified portfolio in response to changing markets
- progress capital partnering opportunities across all sectors
- retain a strong balance sheet at appropriate levels of gearing within our target range of between 20 per cent to 30 per cent
- access diverse funding sources across global capital markets on competitive terms and tenors;
- maintain our disciplined and prudent capital management approach
- retain investment grade ratings across multiple credit agencies to demonstrate our strong credit value proposition and
- engage with existing and potential debt and equity investors to regularly update them about the business.

Housing affordability continues to impact the dynamics of the Australian housing market

To help address affordability we will continue to:

- partner with government and industry to drive solutions including innovative construction processes to lower costs
- Proactively engage with industry bodies and governments in implementing support measures for the housing and construction sector including the HomeBuilder stimulus grant
- provide a broad mix of value for money, quality housing options including house and land packages, completed housing, medium density, and apartments and
- balance the demand from owner occupiers and investors so that our residential communities remain attractive to future buyers.

Retirement living residents have high expectations about value and fairness

In the first half of FY20, we signed up to the Retirement Living Code of Conduct to promote and protect the interests of current and future residents and to improve trust and confidence in the Retirement Living sector.

We will continue to:

- have an open and respectful relationship with our residents, and continue our commitment to being transparent and up-front about costs associated with living in our retirement villages
- proactively engage with residents to maintain high satisfaction levels and standards of care
- focus on health and wellbeing and our approach to care
- demonstrate industry leadership and work with our peers to improve industry standards and
- review product and contract choice to meet changing customer preferences and provide more certainty for our residents.

Climate-related risks

We understand that extreme weather and other physical climate risks impact our assets and communities now and will continue to do so into the future. We also acknowledge 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 2ºC. We manage these climate risks and opportunities by developing and operating energy-efficient, climate resilient assets and communities; and our transition to lower-carbon energy sources at our assets.

This is Stockland's third full-year disclosure of climate change issues management in line with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (**TCFD**).

GOVERNANCE

The Board and Risk Committee provide oversight of our risk management framework. The risk committee meets at least four times per year and receives quarterly reports on our enterprise risk register, which includes climate change as a material 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. More details on our corporate governance is set out in the section of this report entitled 'Governance' on .

The Executive Committee has specific responsibilities relating to our sustainability performance, including targets and objectives related to climate change risks and opportunities. Our Chief Financial Officer chairs our internal sustainability steering committee, which is composed of senior management from various organisational departments including Strategy, Investor Relations, Stakeholder Relations, Project Management, People and Culture, Legal, Risk, Operations, Development and Sustainability. The committee meets at least two times per year and its key responsibilities include:

- informing our sustainability strategy and supporting the 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
- guiding compliance with, and monitoring of, our environmental and social policies, guidelines, and agreed initiatives, including those related to carbon emissions reduction.

STRATEGY

As a global leader in sustainability Stockland has been identifying risks and opportunities related to both the physical impacts of climate change (physical risk) and a global transition to lower-carbon energy sources (transition risk) as part of its public disclosures for nearly 15 years. Our response to these risks and opportunities has been guided by our Sustainability Strategy, our detailed Climate Adaptation Strategy, and our business unit sustainability strategies.

We recognise that climate-related risks will persist for the foreseeable future and, likely, into the long-term. The precise nature of these risks, however, is uncertain as it depends on complex factors such as policy change, technology development, market forces, and the links between these factors and climatic conditions. To accommodate this uncertainty, we incorporate scenario analysis into our climate risk assessment process to understand how climate-related risks and opportunities may evolve and impact the business over time. The outcomes of this scenario analysis highlighted specific climate-related issues that could have a material impact on Stockland, relating to both physical and transition risks.

Physical risks

As a real estate asset owner, manager, and developer, we acknowledge that physical risks associated with climate change can result in negative financial impacts, such as increased maintenance costs or decreased revenues from disrupted operations.

Our scenario analysis identified key physical risks which include:

- **Extreme heat** – impacting the health and wellbeing of residents and the community and resulting in issues such as increased requirements for cooling and areas of respite, increasing demand on HVAC systems, energy and water supplies, and increased heat stress events amongst the community creating a higher demand for refuge indoors

- **Extreme rainfall** – resulting in issues such as increasing local flood events, roof and gutter leakages and inundation of building and carparks creating property damage and business interruptions;
- **Sea level rise** – an increase in saltwater intrusion from storm surge resulting in the inundation and degradation of property structures and accessibility
- **Cyclones and storms** – resulting in issues such as decreased roof structure integrity and security of roof mounted equipment creating property damage and business interruptions, and increase in demand for properties to be used as evacuation shelters during cyclone events and
- **Bushfires** – resulting in issues such as fire damage to property, disruption to business activities, accumulation of ash, and smoke penetration into the building envelope resulting in reduced indoor air quality and respiratory system issues amongst customers, tenants, and residents.

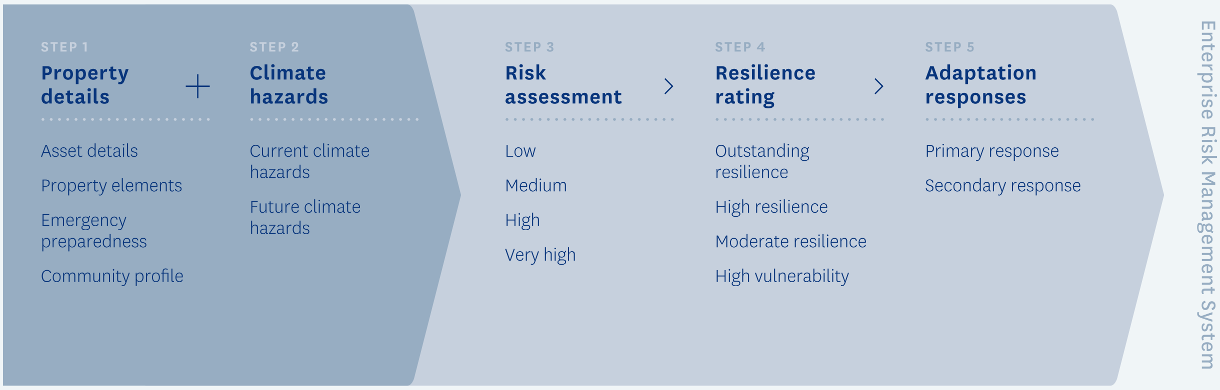
In FY20 we extended our scenario analysis to better understand the extent of water scarcity across Australia and the adaptive capacity of Australian water utilities, including the resilience of water supply and water infrastructure. We will use these insights to further develop Stockland's role in contributing to water system resilience, along with providing greater focus on key climate hazards in the future.

Our strategy response to physical risks

- In recognition of these potential impacts, our strategy focuses on a commitment to creating climate resilient assets and communities with a greater ability to endure severe weather impacts and operate with minimal disruption. Implementing this strategy involves our entire value chain, from our development and supply chain through to operations. We use climate and community resilience assessments to understand how to minimise negative impacts and create opportunities from building and maintaining resilient assets for the long term, including community preparedness.

  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.

Climate resilience assessment tool



Transition risk

Regarding transition risk, we acknowledge that Australia has agreed to the objective of limiting global warming to below two degrees celsius. Pursuing this objective implies a general movement away from fossil fuel energy and increased deployment of low/zero carbon energy sources and energy-efficient technology. Our scenario analysis process informs the business on transition risks and how they may evolve over time, including:

- **Policy changes impacting development and building** – including changes in zoning and density requirements, policies promoting more sustainable land use and changes to the National Construction Code
- **Liability** – including changes to the insurability of assets and commercial liability regarding disclosure of transition and physical risks;
- **Technology** – broad scale changes to the energy and power network including generation, transmission, and distribution in the transition to renewable energy sources
- **Investment** – lending institutions only supporting borrowers who manage their climate risk and create low carbon solution and
- **Reputation** – prioritisation of the transition to a low carbon economy by early adopters.

Our strategy response to transition risk

In recognition of our capacity to contribute to a low-carbon future and to mitigate impacts associated with transition risks, our business has been guided by energy and emissions intensity reduction targets and strategy since 2006. Executing this strategy prioritises the delivery of energy efficiency enhancements and renewable energy installations across our portfolio. It also involves engaging our customers, employees, and industry stakeholders to educate and advocate for a transition to a low carbon future.

Opportunities related with this strategy include:

- potential increased value of existing land holdings resulting from the changing zoning/ density requirements
- increased premium discounts and the introduction of incentives by the insurance industry;
- the transition of the grid to renewable energy sources and the opportunity to partner with energy producers to support technological innovation and
- enhanced brand and reputation by educating consumers, and the ability to attract capital from organisations seeking to invest in companies helping the transition to a low carbon economy.

Stockland's climate scenario analysis informs our climate strategy

The Intergovernmental Panel on Climate Change (**IPCC**) Fifth Assessment report (**AR5**) published in 2014, outlines a range of Representative Concentration Pathways (**RCP**) designed to be 'representative' of possible future emissions and greenhouse gas (**GHG**) concentration scenarios to the year 2100. The pathways are based on global research and existing literature and comprise four scenarios: RCP8.5, RCP6.0, RCP4.5 and RCP2.6. Each RCP reflects a different concentration of global GHG emissions reached by 2100, based on assumptions of different combinations of possible future economic, technological, demographic, policy, and institutional trajectories.

RCP 8.5 Scenario	RCP2.6 Scenario
This scenario is broadly considered the 'business-as-usual' scenario in which emissions remain high and global temperatures rise 3.2 – 5.4°C by the end of the century. RCP 8.5 is characterised by increasing GHG emissions driven by a lack of policy changes to reduce emissions. **Stockland uses RCP 8.5 for physical risks to inform our scenario analysis.**	This scenario is most closely aligned with delivering the Paris Agreement targets. It assumes a drastic reduction of global emissions as result of sweeping policy and technology change that results in a global temperature change of approximately 0.9 – 2.3°C by the end of the century, minimising (but not eliminating) physical risks of climate change. **Stockland uses RCP 2.6 for transition risks to inform our scenario analysis.**

RISK MANAGEMENT

Our risk management approach is detailed on page 43 of this report. Part of this approach includes leaders from across the business participating in annual risk workshops and ongoing risk discussions to assess and consolidate our views on key and emerging risks, including climate risks. Business units analyse, evaluate, and consolidate these risks and findings into a profile for each business unit and these are then incorporated into our assessment for the Group. This process is complemented by climate-related risk and opportunity assessments.

Climate-related risks and opportunities that may impact assets are prioritised for action based on:

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

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

- geographical areas of highest risk
- lessons learned and perceived likelihood of significant loss
- design attributes of the asset which affect climate resilience
- climate change scenarios
- overall impact on business-wide emissions reductions
- impact on local communities and environment (relative to where we operate)
- overall risk to value and revenue.

Managing our physical risks and opportunities

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, while providing support for the local community. 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 car parks and cool roof covenants in residential communities.

Our focus in FY20 has been to continue the development of our Group Resilience Assessment Tool through the integration of our climate resilience assessments with the Stockland Enterprise Risk Framework to ensure that climate related risks are assessed and managed as an integral part of Stockland's risk assessment process. This tool currently contains 10 years' worth of asset level climate risk assessments (over 62 assets across Australia) which will be used to better understand the risks and opportunities associated with climate change.

For assets under development, the management of climate-related risks and opportunities is integrated into our project development life cycle, 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.

Managing our transition risks and opportunities

Our Government Relations, Investor Relations, Group Risk, Group Legal and Sustainability teams keep the Executive Committee and Board informed on existing or emerging climate regulation that may impact on the business.

In response to regulatory and market risks relating to energy supply and demand, Stockland is committed to promoting efficient operation of our assets and increasing our renewable energy capacity. Progress on our energy and emissions commitments are detailed on page 40 of this report.

Managing climate-related transition risks and opportunities also involves participation in industry-wide collaborations such as with the Property Council of Australia and the Green Building Council of Australia, that focus on how the property industry can lead a transition to a low carbon economy.

METRICS AND TARGETS

Our key climate targets and performance outcomes are provided on page 40. Our full set of targets and metrics is provided in our annual sustainability reporting, available online at **stockland.com.au/about-stockland/sustainability/downloads**

Our progress demonstrates our commitment to support the transition to a low carbon economy and ongoing assessment of climate risk across our portfolio.

Our targets and metrics are incorporated into annual asset-level business planning and reporting procedures as well as key performance indicators which include climate-related risks and opportunities where relevant. Performance against these indicators is included in individual employee remuneration evaluations.

Our full set of targets and metrics is provided in our annual sustainability reporting, available online at **stockland.com.au/about-stockland/sustainability/downloads**

Governance

(From left to right) Kate McKenzie, Barry Neil, Christine O'Reilly, Stephen Newton, Mark Steinert, Tom Pockett, Andrew Stevens, Melinda Conrad

Board of Directors

Tom Pockett

Chairman

Tom Pockett was appointed to the Board on 1 September 2014 and became Non-Executive Chairman on 26 October 2016. Mr Pockett has extensive experience in both the property and financial sectors having held a number of senior executive positions including Chief Financial Officer and Executive Director of Woolworths Limited, Deputy Chief Financial Officer at the Commonwealth Bank of Australia and several senior finance roles at Lendlease.

He is the Chairman of Autosports Group Limited and a Director of Insurance Australia Group Limited. In addition to his role as the Chair of the Stockland Board, Mr Pockett is Chair of the Sustainability Committee and a member of the People and Culture Committee. Mr Pockett is also Chairman of the Stockland CARE Foundation Board.

Qualifications and Age

BComm, FCA, 62

Directorships of other listed entities in last three years

Autosports Group Limited (29 August 2016 to present) Insurance Australia Group Limited (1 January 2015 to present)

Mark Steinert

Managing Director and Chief Executive Officer

Mark Steinert was appointed Managing Director and Chief Executive Officer of Stockland on 29 January 2013. Mr Steinert was also appointed to the Board on 29 January 2013. Mr Steinert has over 27 years' experience in property and financial services including eight years in direct property primarily with Jones Lang LaSalle and 10 years in listed real estate with UBS where he held numerous senior roles including Head of Australasian Equities, Global Head of Research (Equities and Fixed Income) and Global Head of Product Development and Management for Global Asset Management, a $559 billion Global Fund Manager.

Mr Steinert is a past President and current Director of the Property Council of Australia and a member of the Property Male Champions of Change and former Director of the Green Building Council of Australia.

Mr Steinert is a member of the Sustainability Committee and a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted property funds. Mr Steinert is also a Director of the Stockland CARE Foundation Board.

Mr Steinert is a key management person for the purposes of the Remuneration Report.

Qualifications and Age

BAppSc, G Dip App Fin & Inv (Sec Inst), F Fin, AAPI, 53

Directorships of other listed entities in last three years

None

Melinda Conrad

Non-Executive Director

Melinda Conrad was appointed to the Board on 18 May 2018. Ms Conrad has more than 25 years of expertise in consumer-related industries, including as a retail entrepreneur and CEO, and roles at Colgate-Palmolive and Harvard Business School.

Ms Conrad is currently a Director of ASX Limited and Ampol Limited (formerly Caltex Australia Limited). She is also a Non-Executive Director of The George Institute for Global Health, The Centre for Independent Studies and is a member of the AICD Corporate Governance Committee.

Ms Conrad is Chair of the People and Culture Committee and a member of the Sustainability Committee.

Qualifications and Age

BA, MBA, FAICD, 51

Directorships of other listed entities in last three years

The Reject Shop Limited (19 August 2011 to 30 June 2017) OFX Group Limited (19 September 2013 to 28 September 2018) ASX Limited (1 March 2017 to present) Ampol Limited (formerly Caltex Australia Limited) (1 March 2017 to present)

Kate McKenzie

Non-Executive Director

Kate McKenzie was appointed to the Board on 2 December 2019.

Ms McKenzie's executive career included over 30 years' experience in the telecommunication and government sectors in Australia, New Zealand and Hong Kong. She was most recently the chief executive officer of Chorus, New Zealand's largest provider of telecommunications infrastructure, a top 50 New Zealand Stock Exchange listed company.

Prior to this, Ms McKenzie held several senior roles at Telstra from 2004 – 2016, including Chief Operating Officer, where she oversaw the group's extensive property portfolio, and seven years in senior roles in NSW Government, including the Department of Commerce and Department of Industrial Relations. Ms McKenzie is currently a Director of NBN Co Limited.

Ms McKenzie is a member of the Audit Committee and Sustainability Committee.

Qualifications and Age

BA, LLB, 59

Directorships of other listed entities in last three years

None

Barry Neil

Non-Executive Director

Barry Neil was appointed to the Board on 23 October 2007. Mr Neil has over 40 years' experience in all aspects of property development, both in Australia and overseas.

Mr Neil's executive career included senior property and investment roles at both Mirvac and Woolworths Limited and has included the acquisition, development and operation of landmark developments in multiple asset classes.

Mr Neil is Chairman of Keneco Pty Limited and Bitumen Importers Australia Pty Limited and a Director of Terrace Tower Group Pty Ltd.

Mr Neil is Chair of Stockland Capital Partners Limited Board, the Responsible Entity for Stockland's unlisted funds and a member of the Audit Committee and Sustainability Committee.

Qualifications and Age
BE (Civil), 72

Directorships of other listed entities in last three years
None

Stephen Newton

Non-Executive Director

Stephen Newton was appointed to the Board on 20 June 2016. Mr Newton has extensive experience across real estate investment, development and management and infrastructure investment and management. Mr Newton is a Principal of Arcadia Funds Management Limited, a real estate investment management and capital advisory business and prior to this, he was the Chief Executive Officer – Asia/Pacific for the real estate investment management arm of Lendlease.

Mr Newton is currently a Director of BAI Communications Group, Waypoint REIT Group (formerly Viva Energy REIT Group) and Sydney Catholic Schools Limited, and Chairman of the Finance Council for the Catholic Archdiocese of Sydney.

Mr Newton is Chair of the Audit Committee and a member of the Risk Committee and Sustainability Committee. He is a Director of Stockland Capital Partners Limited, the Responsible Entity for Stockland's unlisted funds and Chair of the Stockland Capital Partners Limited Audit and Risk Committee.

Qualifications and Age
BA (Ec and Acc), M.Com, MICAA, MAICD, 67

Directorships of other listed entities in last three years
Gateway Lifestyle Group (28 April 2015 to 10 October 2018), Waypoint REIT Group (formerly Viva Energy REIT Group) (10 July 2016 to present)

Christine O'Reilly

Non-Executive Director

Christine O'Reilly was appointed to the Board on 23 August 2018. Ms O'Reilly's executive career included 30 years' experience in both financial and operational entities both domestically and offshore. Following an early career in chartered accounting and investment banking, she has held a number of senior executive roles in diverse industries including CEO and Director of the GasNet Australia Group and Co-Head of Unlisted Infrastructure Investments at Colonial First State Global Asset Management.

Ms O'Reilly is currently a Director of CSL Limited, Transurban Limited, Medibank Private Limited and Baker Heart and Diabetes Institute.

Ms O'Reilly is the Chair of the Risk Committee and a member of the Audit Committee and Sustainability Committee.

Qualifications and Age
Bbus, 59

Directorships of other listed entities in last three years
CSL Limited (16 February 2011 to present), Transurban Limited (12 April 2012 to present), Medibank Private Limited (31 March 2014 to present)

Andrew Stevens

Non-Executive Director

Andrew Stevens was appointed to the Board on 1 July 2017. Mr Stevens' executive career at Price Waterhouse, PricewaterhouseCoopers and IBM, has provided him with experience in change management and in business and ICT programme design and risk evaluation, governance and delivery, and in business transformation and regional/global expansion.

Mr Stevens is Chairman of the Board of Innovation and Science Australia and the Chairman of the Data Standards Body for the Consumer Data Right implementation in Australia. Mr Stevens also serves as a Director of Western Sydney Football Club and is a member of the Male Champions of Change. Mr Stevens is a member of the Risk Committee, People and Culture Committee and the Sustainability Committee.

Qualifications and Age
BComm, MComm, FCA, 60

Directorships of other listed entities in last three years
Thorn Group Limited (1 June 2015 to 4 December 2019), MYOB Group Limited (30 March 2015 to 8 May 2019)

Former Director Carol Schwartz AO

Non-Executive Director

Carol Schwartz was appointed to the Board on 1 July 2010 and retired from the Board on 21 October 2019. Ms Schwartz is a dynamic business leader with a career spanning property, the arts, finance, government and health sectors. A prominent spokesperson on the issues of governance, social enterprise and women's leadership, Ms Schwartz is a Director of the Reserve Bank of Australia and is on the Board of a number of organisations including Qualitas Property Partners. Ms Schwartz is Chair of Women's Leadership Institute Australia and in 2016 was inducted into the Australian Property Hall of Fame.

Ms Schwartz was a member of the Risk Committee, People and Culture Committee and Sustainability Committee.

Qualifications and Age

BA, LLB, MBA, FAICD, 64

Directorships of other listed entities in last three years

Temple and Webster Group (31 July 2015 to 25 October 2016)

Our executive committee

Mark Steinert

Managing Director and Chief Executive Officer

Refer to biography on page 53.

Katherine Grace

General Counsel and Company Secretary

Katherine Grace was appointed General Counsel and Company Secretary on 21 August 2014 and has responsibility for Stockland's legal and risk functions. As the Company Secretary Ms Grace is directly accountable to the Board, through the Chairman for all matters relating to governance and the proper functioning of the Board. Ms Grace has practised as a solicitor for over 20 years with extensive experience in corporate, property, debt and capital markets transactions working with a wide range of stakeholders including listed board directors, equity investors, regulators, media and financiers. Prior to joining Stockland, Ms Grace held roles as General Counsel and Company Secretary for Westfield Retail Trust and Valad Property Group.

Ms Grace is a key management person for the purposes of the Remuneration Report.

Qualifications

BA (Hons), LLB (Hons), MPP, GAICD

Louise Mason

Group Executive & CEO Commercial Property

Louise Mason was appointed Group Executive & CEO Commercial Property on 18 May 2018. Ms Mason has 28 years' experience in real estate and is responsible for all aspects of Stockland's extensive Commercial Property portfolio of retail town centres, workplace and logistics assets with a combined value of $10.188 billion as at 30 June 2019.

Prior to joining Stockland, Ms Mason was Chief Operating Officer of AMP Capital Real Estate. She has also held several senior executive operational and development roles at AMP in retail, office, and industrial, as well as retail management positions at Lendlease.

Ms Mason is the immediate past President of the NSW Division of the Property Council of Australia.

Ms Mason is a key management person for the purposes of the Remuneration Report.

Qualifications

BA, LLB (Hons), GAICD

Tiernan O'Rourke

Chief Financial Officer

Tiernan O'Rourke was appointed Chief Financial Officer on 8 October 2013. Mr O'Rourke has more than 25 years' experience in senior financial, commercial and planning roles across a range of industry sectors and throughout the Asia Pacific Region, predominantly focused on Australia and New Zealand.

He was previously Chief Executive of Transfield Services Middle East and Asia Region. Before that he was the Chief Financial Officer at Transfield Services Limited, with responsibility for financial strategy and policy, financial and management reporting, treasury and taxation. Prior to his role at Transfield, Mr O'Rourke was Chief Financial Officer of Australand Holdings Limited where he played a key role partnering with the business to transform the strategy and structure of the group. He has also held senior finance positions at AGL, Westfield, CSR and Brambles. At Westfield Holdings Limited he held the position of Group Controller – Trusts, responsible for public reporting of Westfield's trust vehicles including Westfield America Trust and Westfield Trust.

Mr O'Rourke is a key management person for the purpose of the Remuneration Report.

Qualifications

BComm (Hons), MBA, FCA, GAICD

Andrew Whitson

Group Executive & CEO Communities

Andrew Whitson was appointed Group Executive & CEO Communities on 1 July 2013. Mr Whitson oversees Stockland's 56 Residential Communities with a portfolio of 76,000 lots and an approximate end value of $21.4 billion, and our 62 Retirement Living villages with a development pipeline of over 3,500 units as at 30 June 2019.

Mr Whitson joined Stockland in early 2008 as Regional Manager for Greater Brisbane and Far North Queensland. He was appointed General Manager Residential, Victoria in July 2009 and in November 2012, his role expanded to include New South Wales. He was Group Executive and CEO of the Residential business in 2013 before his role was expanded to lead both our Residential and Retirement Living businesses as the combined Communities function in August 2018.

Andrew is the Chair of the Residential Development Council of Australia and a Director of the Property Council of Australia and the Green Building Council of Australia.

Mr Whitson is a key management person for the purposes of the Remuneration Report.

Qualifications
BE (Civil)

Karen Lonergan

Group Executive, People and Culture

Karen Lonergan joined Stockland as Group Executive, People and Culture on 11 March 2019. Ms Lonergan has over 25 years' experience working in senior roles in HR strategy development, organisational development and transformation and change leadership in the Transportation, FMCG, and Retail sectors across Australia, Asia, the USA and Europe. She was previously the Chief People Officer at David Jones and Country Road Group, after being a People Director at Woolworths Group Limited. Prior to her role at Woolworths, Ms Lonergan was the Executive Manager, Human Resources for Qantas International, responsible for the organisation's global Human Resources function.

Qualifications
Bbus, MMgt, GAICD, FAHRI

Darren Rehn

Group Executive & Chief Investment Officer

Darren Rehn was appointed Group Executive & Chief Investment Officer on 18 March 2013. Mr Rehn has over 30 years' experience in the property sector. He commenced at JLL undertaking real estate research and valuations, before moving to SGIC working in property funds management and equity investments.

Prior to Stockland, Mr Rehn spent 16 years in investment banking, leading the premier Australasian Real Estate teams at UBS and Merrill Lynch where he was involved in many of the larger Australian real estate initial public offerings, mergers, acquisitions and capital raisings. He has extensive experience advising boards and senior management on business development, acquisitions and divestments, and major transactions.

Qualifications
B.App.Sc. (Val)

Sharmila Tsourdalakis

Chief Innovation, Marketing and Technology Officer

Sharmila Tsourdalakis was appointed Chief Innovation, Marketing and Technology Officer on 27 April 2020. Ms Tsourdalakis leads our Innovation, Marketing, Technology and Customer teams. She has over 20 years' experience working in senior roles in technology, innovation, customer and digital transformation for ASX-listed companies. She was previously the Executive General Manager for Suncorp's Banking and Wealth Technology responsible for the strategic direction and operational leadership of technology. Prior to Suncorp, Ms Tsourdalakis was Chief Information Officer at The GPT Group.

Qualifications
BComm, LLB, GAICD

Former executive

Robyn Elliott

Chief Innovation, Marketing and Technology Officer

Robyn Elliott was Stockland's Chief Innovation, Marketing and Technology Officer from 26 March 2018 to 28 February 2020. Ms Elliott departed Stockland in February 2020.

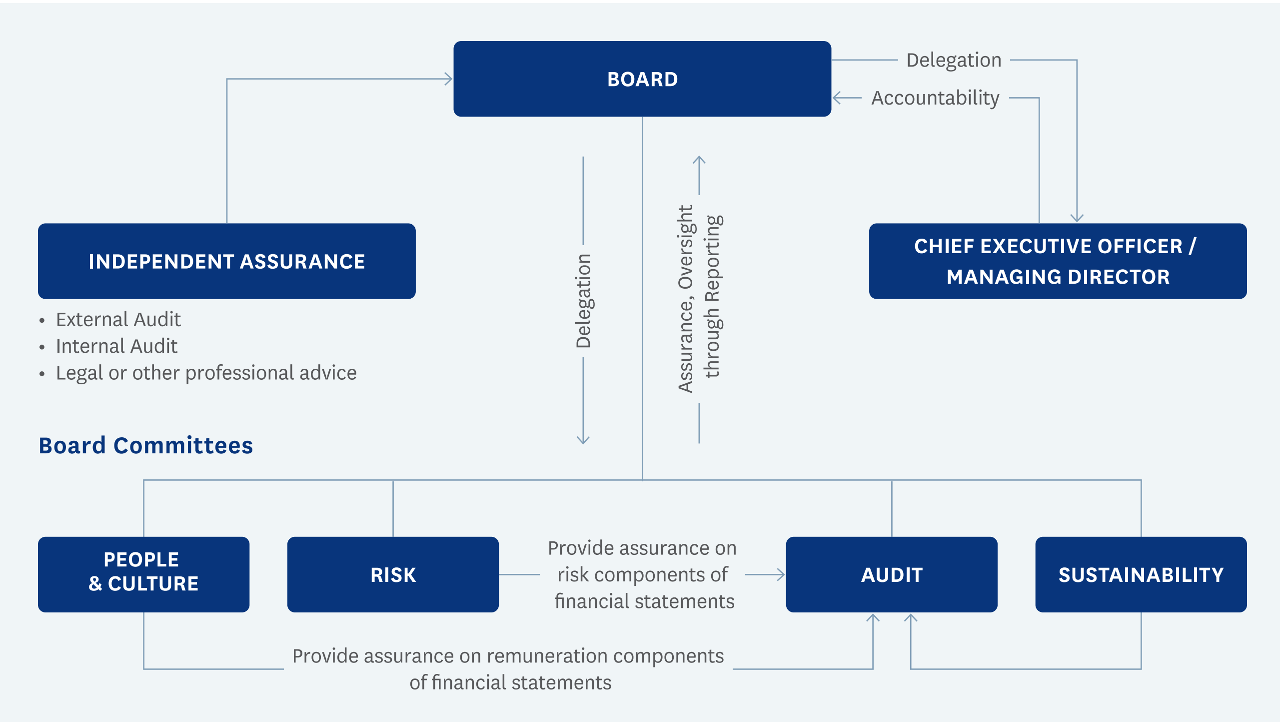
Our approach to corporate governance

The Board places a high importance on its corporate governance responsibilities and in FY20 was in compliance with all of the recommendations in the ASX Corporate Governance Principles and Recommendations.

The Board recognises the importance of building and fostering a risk aware culture, so that every individual takes responsibility for risks and controls in their area of authority. Stockland also has a Code of Conduct that applies to all employees and provides clear guidance on how we expect our people to act, engage and respond to each other and our stakeholders.

CORPORATE GOVERNANCE FRAMEWORK

The roles, responsibilities and accountabilities of the Board, Board Committees and Executive Committee are set out in the Board and Board Committee charters, which have been summarised below.



THE BOARD

As set out in the Board Charter, the Board is responsible for:

- Overseeing 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
- Overseeing the development and implementation of Stockland's overall framework of governance, risk management, internal control and compliance which underpins the integrity of management information systems, financial reporting and fosters high ethical standards throughout Stockland
- Appointing the Directors (subject to Stockland's constitution), appointing the Managing Director, approving the appointment of the Company Secretary and Executive Committee members reporting to the Managing Director and determining the level of authority delegated to the Managing Director
- Setting Executive remuneration policy, monitoring Executive Committee members' performance and approving the performance objectives and remuneration of the Managing Director and his or her direct reports and reviewing Executive and Board succession planning and Board performance
- Approving and monitoring the annual budget, business plans, financial statements, financial policies and financial reporting and major capital expenditure, acquisitions and divestitures
- Determining and adopting dividend and distribution policies
- Overseeing compliance with applicable laws and regulations
- Appointing and monitoring the independence of Stockland's external auditors.

A copy of the Board Charter can be found on our website **www.stockland.com.au/about-stockland/corporate-governance**.

The Board has delegated certain responsibilities to standing Committees which operate in accordance with the Committee Charters approved by the Board.

Day to day management of the business is delegated to the Executive Committee through the Managing Director and Chief Financial Officer subject to approved authority limits and Board reserved matters.

The Board actively engages with management in overseeing the operations of the Group. In addition to Board and Committee meetings held across Stockland offices, the Board meets with employees at operational sites and undertakes asset tours across the portfolio on a regular basis. During COVID-19 a number of asset tours were postponed and will be rescheduled during FY21.

BOARD COMMITTEES

Four permanent Board Committees covering Audit, Risk, People and Culture and Sustainability have been established to assist in the execution of the Board's responsibilities.

The Board's policy is that a majority of the members of each Board Committee are independent Directors. The Audit Committee, People and Culture Committee and Risk Committee comprise only independent Directors and the Sustainability Committee is chaired by an independent Director and has a majority of independent Directors.

The Board reviews the composition of each Board Committee periodically, balancing the benefits of rotation with those of maintaining continuity of experience and knowledge, and to ensure Board Committee members have skills appropriate to their roles. Committee Chairs provide reports to the Board on key matters and Committee memberships provide for overlap of membership between the Audit Committee and Risk Committee as well as between the Risk Committee and People and Culture Committee.

Current members of the Board Committees

Audit Committee Stephen Newton Barry Neil Christine O'Reilly Kate McKenzie	The Audit Committee is responsible for the oversight of the integrity of Stockland's consolidated financial statements and disclosures, and the maintenance of a sound financial control environment. 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 • Compliance with Stockland's Australian Financial Services Licences and Compliance Plans • Compliance with relevant laws and regulations including any prudential supervision procedures.
People & Culture Committee Melinda Conrad Tom Pockett Andrew Stevens	The People & Culture Committee incorporates the functions of two board committees recommended by the ASX Corporate Governance Principles and Recommendations: a Nominations Committee and a Remuneration Committee. The purpose of the People and Culture 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 and remuneration details contained within other statutory reports, including financial statements • Stockland's policies for employment, performance planning and assessment, training and development, promotion and people management.
Risk Committee Christine O'Reilly Stephen Newton Andrew Stevens	The purpose of the Risk Committee is to assist the Board to discharge its responsibilities in relation to: • Assessing the effectiveness of Stockland's overall risk management framework • Supporting a prudent and risk aware approach to business decisions across Stockland. The Risk Committee reviews a wide range of matters relating to non-financial risk including work, health and safety, building quality, cyber security, insurance and business continuity. In FY20 the Risk Committee reviewed a number of risk policies including Stockland's risk management framework, the fraud, bribery and anti-corruption policy, and Stockland's inaugural Modern Slavery Statement. The Group's whistleblower policy was also reviewed and updated following consultation with the Audit Committee.
Sustainability Committee All Directors	The purpose of the Sustainability Committee is to: • Consider the sustainability impacts of Stockland's business activities including social, environmental and ethical impacts • Consider major corporate responsibility and sustainability initiatives and changes in policy • Approve specific external stakeholder communications • Approve external sustainability policies • Approve publicly disclosed targets and policies.

Further information about our Board Committees can be found in the Committee Charters, which are available on our website **www.stockland.com.au/about-stockland/corporate-governance.**

Stockland also operates a funds management platform with a separate Board and Committee structure for Stockland Capital Partners Limited and its unlisted fund. More detail on Stockland Capital Partners Limited is available on our website **www.stockland.com.au/investor-centre/unlisted-property-funds**.

BOARD COMMITTEES MEETINGS

The number of Board and standing Board Committee meetings held during the financial year that each Director was eligible to attend, and the number of meetings attended by each Director is set out in the table below. In addition to the meetings below, since the outbreak of the COVID-19 pandemic the Board has participated in over 13 briefings with the Executive Committee as well as holding several ad hoc Board meetings.

	Scheduled Board		Audit Committee		People and Culture[1] Committee		Sustainability Committee		Risk Committee	
	A	B	A	B	A	B	A	B	A	B
Director										
Ms M Conrad	15	15	–	–	5	5	2	2	–	–
Mr B Neil	15	15	8	8	–	–	2	2	–	–
Ms K McKenzie[2]	9	9	5	5			2	2		
Mr S Newton	15	15	8	8	–	–	2	2	5	5
Ms C O'Reilly	15	15	8	8	–	–	2	2	5	5
Mr T Pockett[3]	15	15	–	–	5	5	2	2	1	1
Mr M Steinert	15	15	–	–	–	–	2	2	–	–
Mr A Stevens	15	15	3	3	2	2	2	2	3	3
Former Director										
Ms C Schwartz[4]	3	4	–	–	1	3	–	–	1	1

A - Meetings attended / B - Meetings eligible to attend

1 The People and Culture Committee was formerly known the Human Resources Committee. Date of change 24 August 2020.
2 Joined the Board on 2 December 2019
3 Mr Pockett was a member of the Risk Committee after the retirement of Ms Schwartz and before the appointment of Mr Stevens to the Risk Committee.
4 Ms Schwartz retired from the Board at the conclusion of the Annual General Meetings on 21 October 2019.

Board effectiveness

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

BOARD COMPOSITION

The Board currently comprises one Executive Director and seven Non-Executive Directors. The membership of the Board is reviewed periodically having regard to the ongoing and evolving needs of Stockland. The Board considers a number of factors when filling a vacancy including:

Qualifications, skills and experience

The right mix of skills and experience to enable it to deal with current and emerging risks and opportunities, and to effectively review and challenge the effectiveness of management.

Independence

The Board will comprise a majority of non-executive independent directors and the Chair of the Board must be an independent director in accordance with the Board Charter.

Tenure

The Board balances longer-serving directors with a deep knowledge of Stockland's business, policies and history, and newer directors with new perspectives and different but complementary experience.

Diversity

The Board recognises the benefits of diversity both across the organisation as well as in relation to Board composition.

INDEPENDENCE CRITERIA

The Board regularly assesses the independence of each director in light of the interests that they have disclosed and such other factors as the Board determines are appropriate and in FY20 each Non-Executive Director satisfied the requirements for independence. The criteria applied to determine whether a director is independent is set out in the Board Charter available on our website **www.stockland.com.au/about-stockland/corporate-governance**.

Female Non-Executive Directors

43%

BOARD SKILLS MATRIX

The Board has identified a range of core skills and experience that will assist the Board collectively to fulfil its oversight role effectively.

These include:

- Experience with property investment and management
- Property and community development
- Construction and project management
- Retailing and consumer marketing
- Technology and digital innovation
- Data analytics and insights
- Industrial supply chain logistics
- Funds management
- Banking and finance
- Government and regulatory relations
- Environmental, social and governance matters
- Strategy development
- Significant senior executive experience.

It is also advantageous for some Directors to have experience in the audit and risk management field, capital management, mergers and acquisitions, people management and executive remuneration. During FY20 the Board received various presentations and briefings on a range of topics tailored for professional development, key thematics for Stockland and the ongoing responsibilities of the Board.

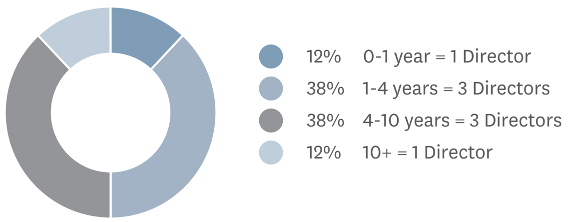
The Board believes that it has the right experience and skills to oversee the high standard of corporate governance, integrity and accountability required of a professional and ethical organisation as shown in the diagram below.

The Board has a process for regularly evaluating its performance. An external consultant was last engaged to review of Board performance in late 2019. As part of this review, each Director and member of the Executive Committee completed an interview with the external consultant relating to the Board's role, composition, procedures, practices and behaviour. Feedback from the review was provided to individual Directors, the Board and Executive Committee, with recommendations to further enhance the effectiveness of the Board including in relation to the format and structure of the Board papers.

TENURE

As at 30 June 2020, the tenure profile of the Board is shown in the below diagram.

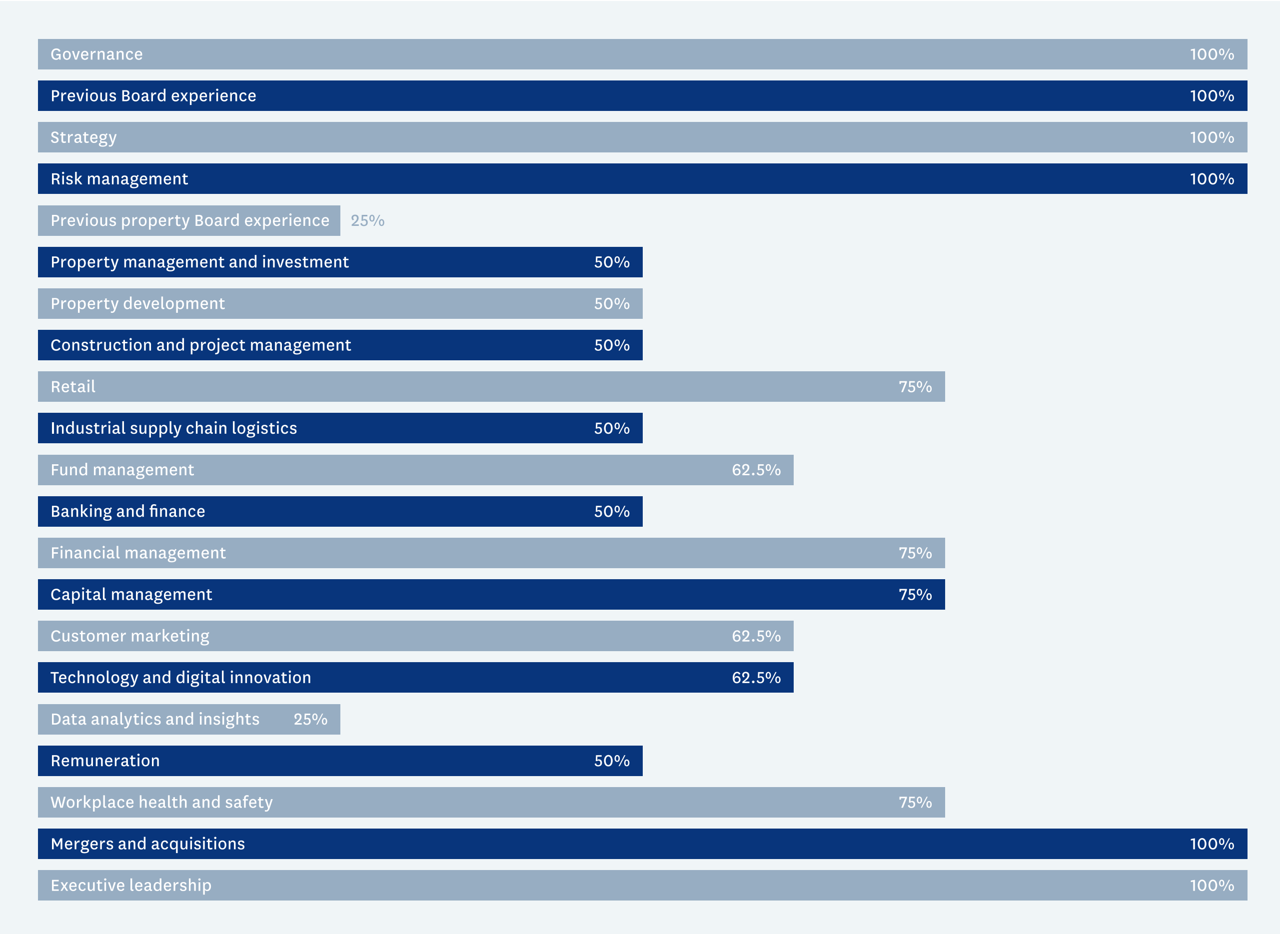
Tenure profile



The Board believes that it is important to maintain a range of director tenures to facilitate orderly Board renewal while maintaining valuable continuity and corporate knowledge among directors. In FY20, Ms Carol Schwartz stepped down from the Board after nine years of service and Ms Kate McKenzie was appointed to the Board on 2 December 2019. The Group has an induction program for new Directors including detailed briefings from management, meetings with external advisers and asset tours.

The People and Culture Committee oversees the Director nomination process, and will from time to time engage external search firms to ensure that a wide range of candidates are considered. Ultimately, the full Board determines who is invited to fill a casual vacancy after extensive one-on-one and collective interviews with candidates and thorough due diligence and reference checking. Written agreements setting out the terms of their engagement are entered into for all Directors and senior executives. Directors coming up for re-election are also reviewed by the People and Culture Committee and, in the Director's 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.

DIVERSITY OF BOARD SKILLS AND EXPERIENCE



Our approach to tax

Stockland's tax strategy is to conduct all its tax affairs in a transparent, equitable and commercially responsible manner, having regard to all relevant tax laws, regulations and tax governance processes, to demonstrate good corporate citizenship.

TAX CONTROL AND GOVERNANCE POLICY FRAMEWORK

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

The TCGF is consistent with the guidelines published by the Australian Taxation Office (ATO) regarding tax risk management and governance processes for large business taxpayers.

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

The key principles of the TCGF are summarised as follows:

- A tax strategy that ensures all tax affairs are conducted in a transparent, equitable and commercially responsible manner, whilst having full regard to all relevant tax laws, regulations and tax governance processes, to demonstrate good corporate citizenship
- A balanced tax risk appetite that is consistent with the Board approved risk appetite, to ensure Stockland remains a sustainable business and a reputable and attractive investment proposition
- A commitment to engage and maintain relationships with tax authorities that are open, transparent and co-operative, consistent with Stockland's Code of Conduct and Ethical Behaviour policy
- An operating and trading business based in Australia, with no strategic intentions of engaging in any tax planning involving the use of offshore entities or low-tax jurisdictions.

VOLUNTARY TAX TRANSPARENCY CODE

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

TAX DISCLOSURES AND INFORMATION

For information and detailed reconciliations of Stockland's tax expense, effective tax rate and deferred tax balances please refer to notes 20 (Income Tax) and 21 (Deferred Tax) in the Financial Report.

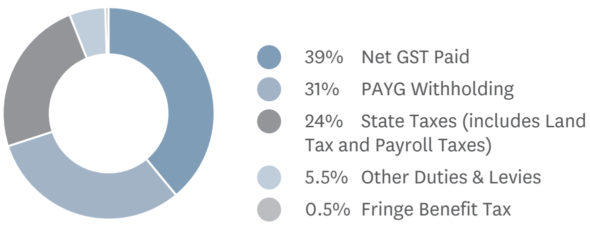
TAX CONTRIBUTION SUMMARY

As one of Australia's largest diversified property groups, which owns, develops and manages commercial property assets, residential and retirement living communities, Stockland contributes to the Australia economy, through the various taxes levied at the federal, state and local government level.

In FY20 these taxes totalled more than $211 million, and were either borne by Stockland as a cost of our business or collected and remitted as part of our broader contribution to the Australian tax system.

The chart below illustrates the types of taxes that contributed to the taxes paid and/or collected and remitted for the 2020 tax year.

Total tax contribution



General information

Directors' securityholdings

Particulars of securities held by Directors are set out in the Remuneration Report that forms part of this report. No options have been granted to Directors during the period.

No proceedings

No application has been made under section 237 of the *Corporations Act 2001* (Cth) in respect of Stockland, and there are no proceedings that a person has brought or intervened in on behalf of Stockland under that section.

Indemnities and insurance of officers and auditor

Since the end of the prior year, the Group has not indemnified or agreed to indemnify any person who is or has been an officer or an auditor of Stockland against any liability.

Since the end of the prior year, the Group has paid insurance premiums in respect of Directors' and Officers' liability insurance contracts, for Directors, Company Secretaries and other Officers. Such insurance contracts insure against certain liabilities (subject to specified exclusions) for persons who are or have been Directors, Company Secretaries or other Officers of Stockland.

Premiums are also paid for fidelity insurance and professional indemnity insurance policies to cover certain risks for a broad range of employees, including Directors and Senior Executives.

Non-audit services

During the financial year the Group's auditor, PwC, provided certain other services to the Group in addition to their statutory duties as auditor.

The Board has considered the non-audit services provided during the financial year by the auditor and is satisfied that the provision of those services is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* (Cth) for the following reasons:

The non-audit services included agreed upon procedures for tenant claims under the Commercial Code of Conduct, economic, land and traffic analysis at masterplanned communities, and an independent review of Stockland's remuneration process.

The Audit Committee resolved that the provision of non-audit services during the financial year by PwC as auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* (Cth).

The Board's own review conducted in conjunction with the Audit Committee, having regard to the Board policy set out in this Report, concluded that it is satisfied the non-audit services did not impact the integrity and objectivity of the auditor; and the declaration of independence provided by PwC, as auditor of Stockland.

Details of the amounts paid to the auditor of the Group, PwC, and its related practices for audit and non-audit services provided during the financial year are set out in note 33 of the accompanying financial statements.

Lead Auditor's Independence Declaration under section 307C of the Corporations Act 2001

The external auditor's independence declaration is set out on page 68 and forms part of the Directors' Report for the year ended 30 June 2020.

Rounding off

Stockland is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, amounts in the Financial Report and Directors' Report have been rounded to the nearest million dollars, unless otherwise stated.

Executive confirmations

The Managing Director and the Chief Financial Officer have provided a written statement to the Board that:

1. With regard to the integrity of the financial statements of Stockland Corporation Limited (the “Company”) and its controlled entities and Stockland Trust (the “Trust”) and its controlled entities for the financial year, being the year ended 30 June 2020, that having made appropriate enquiries, in our opinion:

   a. The financial records of the Company and the Trust and of the entities whose financial statements are required to be included in their respective consolidated financial statements (the consolidated entities) for the financial period, have been properly maintained in accordance with section 286 of the *Corporations Act 2001* (Cth)

   b. The financial reports of the Company, the Trust and the respective consolidated entities, for the financial period, being the financial statements and notes thereto, comply with relevant accounting standards in accordance with section 296 of the *Corporations Act 2001* (Cth) and give a true and fair view of the financial position and performance of the Company, the Trust and the respective consolidated entities, in accordance with section 297 of the *Corporations Act 2001* (Cth).

2. With regard to the risk management and internal compliance and control systems of the Company, the Trust and the respective consolidated entities in operation for the year ended 30 June 2020, that having made appropriate enquiries to the best of our knowledge and belief:

   a. The statements made in (1b) above regarding the integrity of the financial reports are founded on a sound system of risk management and internal compliance and control systems which, in all material respects, implement the policies which have been adopted by the Board of Directors either directly or through delegation to senior executives

   b. The risk management and internal compliance and control systems are operating effectively, in all material respects, based on the risk management model adopted by the Company and Trust

   c. While these statements are comprehensive in nature, they provide a reasonable but not absolute level of assurance about risk management and control systems and do not imply a guarantee against adverse events or more volatile outcomes occurring in the future

   d. Nothing has come to our attention since 30 June 2020 that would indicate any material change to the statements made above.

Associates and joint ventures, which the Company and Trust do not control, are not dealt with for the purposes of this statement, however management confirms that procedures are in place to assess the integrity of the financial information from these associates and joint ventures for the purposes of consolidating information into the financial accounts for the Company and the Trust.

To support the Executive Confirmations a robust framework is in place to verify the integrity of the reporting providing to securityholders. For financial reporting periods this includes a structured series of management questionnaries, sign offs, direct interviews and engagement with auditors. All information released to the market is reviewed for accuracy, supported by a vertification and management approval process and approved by the Continuous Disclosure Committee and, where required, the Board, as set out in the External Communications and Continuous Disclosure Policy avilable on our website **www.stockland.com.au/about-stockland/corporate-goverance**. The Board is promptly provided with a copy of all material market announcements after they have been made.

Corporate governance statement

Stockland is committed to achieving and demonstrating the highest standards of corporate governance. Stockland has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

The 2020 corporate governance statement is dated as at 30 June 2020 and reflects the corporate governance practices in place throughout the 2020 financial year. The 2020 corporate governance statement was approved by the Board on 25 August 2020. Stockland governance and risk management documentation including key polices, charters, and Stockland's Appendix 4G Key to Disclosures under the Corporate Governance Principles and Recommendations for the year ended 30 June 2020 can be viewed at **www.stockland.com.au/about-stockland/corporate-governance**.

Signed in accordance with a resolution of the Directors.

Tom Pockett
Chairman

Mark Steinert
Managing Director

Dated at Sydney, 25 August 2020

Auditor's Independence Declaration

As lead auditor for the audit of Stockland Corporation Limited and Stockland Trust for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Stockland Corporation Limited and the entities it controlled during the year and Stockland Trust and the entities it controlled during the year.

N R McConnell
Partner
PricewaterhouseCoopers

Sydney
25 August 2020

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Remuneration report

Stockland Elara, NSW

Message from the People & Culture Committee

On behalf of the Board, I am pleased to present the Remuneration Report for FY20.

At Stockland, our purpose is that we believe there is a better way to live. The events of the past 12 months have provided a real challenge for our people as we continue to deliver on that purpose. The bushfires during the Australian summer had a devastating impact on many of our communities and like most organisations, we have been affected by the social, health and economic impact of the COVID-19 pandemic.

The Board is immensely proud of how our people have responded to these challenges in prioritising the safety and well-being of our customers, tenants, residents, contractors and their fellow employees; underpinned by our Stockland values and commitment to our purpose.

We also recognise that executive remuneration outcomes need to be sensitive to the experiences and expectations of our many stakeholders, given the impact of COVID-19 on the financial returns of our securityholders and the businesses and lives of many of our customers and communities.

Remuneration outcomes

The Board takes a robust approach to determining executive remuneration outcomes, using judgement and oversight to consider a range of quantitative and qualitative factors. As a first step in determining short-term incentives (**STI**), we conducted a bottom-up assessment of the STI Corporate Scorecard consisting of financial metrics and measures of financial value-drivers that were set at the start of FY20 without the context of COVID-19.

As a second step in determining the overall STI pool and individual STI awards for the Managing Director & CEO and other members of the Executive Committee, the Board has taken care to balance the expectations of our customers, securityholders, employees and the wider community. In doing so, the Board took into consideration the following factors:

Financial returns to our securityholders were impacted by COVID-19:

- despite the headwinds of COVID-19, our key financial measure of Funds From Operations (FFO) moderately decreased on FY19 and Return on Equity (ROE) was within the target range. This was achieved without the support of JobKeeper
- our total securityholder return (**TSR**) for the year was -15.8 per cent compared to the sector index of -21.3 per cent
- we have been prudent in the management of our capital to protect our balance sheet and position us well to navigate the ongoing challenges of COVID-19 and set us up for the future. This was a key consideration in our decision to reduce the estimated distribution for the six months to 30 June 2020 by approximately 25 per cent from our original guidance, driving a full year reduction in distribution per security of 12.7 per cent.

We have prioritised the safety and long-term well-being of our tenants, customers, residents and contractors, working with and following the guidance provided by Federal and State authorities:

- we have been prudent in our consideration of the impact of the ongoing COVID-19 pandemic and Commercial Code of Conduct. We working within the Code and on a case-by-case basis discussing assistance packages necessary to protect our valuable business relationships into the future
- our commitment to the safe provision of essential services to Australian communities meant our Retail Town Centres stayed open throughout the pandemic and we provided space for COVID-19 testing facilities at certain assets as a community contribution
- we quickly introduced measures to ensure the safety of the residents and staff in our Retirement Living communities, including deep cleaning practices and reduced visitation to mitigate transmission risk as well as initiatives and activities to look after resident health and well-being
- we introduced protocols to protect our staff and customers in sales environments by moving to appointment-only engagements, implementing contact tracing practices, and provision of hygiene supplies including hand sanitiser stations and daily cleaning regimes.

We reduced our people-related costs in a sustainable way that minimised impact on jobs and prioritised the well-being of our people while retaining focus on delivering all operational activities and Group priorities:

- our people agreed to a program of accelerated leave which saw the majority take 10 days of annual leave between April and June 2020

- we introduced a salary freeze across the organisation with no increases to fixed salaries to apply in FY21 other than in exceptional circumstances (such as promotion or material increase in role scope) or to meet industrial awards. Similarly, there will be no increase to Board fees for FY21
- the Board and executive team took a voluntary 20 per cent reduction in Board fees and fixed salaries respectively in May and June 2020
- Long-term incentive (**LTI**) awards for which performance hurdles were tested as at 30 June 2020, will not vest
- no employees were stood down or made redundant due to COVID-19
- the strong leadership of the Executive Committee and our focus on supporting our leaders lead through the crisis was valued by our people and saw a further increase in employee engagement.

After careful consideration of these factors and competing expectations, the Board determined there would be a company-wide STI pool of $23.4m for FY20, which is approximately 18 per cent lower than FY19, recognising the overall performance of Stockland. Following the application of downward discretion, the Board approved an STI award to the Managing Director & CEO equal to 51 per cent of his STI opportunity and awards to the other Executive Key Management Personnel (**KMP**) in the range of 53 per cent to 57 per cent. Further details of these awards are included in section 2.2.

To maintain full alignment of the STI award with securityholders and the performance of Stockland through this unprecedented period and to support the retention of an engaged and focused executive team, the Board exercised discretion to deliver 100 per cent of the STI award for the Managing Director & CEO and Executive Committee members in the form of deferred securities with no cash component. In addition, for prudent capital management, deferred securities, other than those made to the Managing Director & CEO, will be issued by the Group rather than purchased on-market.

Changes to the executive remuneration structure for FY21

At last year's Annual General Meeting we announced our intention to conduct a review of our executive remuneration framework to ensure it drives focus on our strategic priorities. Given our diversified business model, it is also critical that our remuneration structure appropriately supports our strategies to attract and retain the best talent in the market.

In recognising securityholder and community views on executive remuneration, the People & Culture Committee followed a process which was thorough and included consultation with an independent remuneration advisor, and internal and external stakeholders. Throughout the year, regular meetings with investors and their representative bodies provided the opportunity to hear their perspectives and this feedback has been invaluable in informing our approach for FY21.

The review found that, on the whole, the existing remuneration framework continues to serve us well but there are opportunities for improvement.

We are in a period of significant and continuing uncertainty due to COVID-19 and setting appropriate long-term financial targets for LTI purposes is challenging. With this, and the transition to a new Managing Director & CEO in FY21, the Board is seeking to align FY21 LTI awards with an emphasis on execution of strategy in a COVID-19 impacted environment to drive superior securityholder returns.

Further details of changes to the remuneration structure for FY21 will be disclosed in the FY21 Remuneration Report.

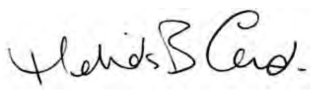
Pending retirement of the Managing Director & CEO

On 22 June 2020, Stockland announced the intention of the Managing Director & CEO, Mark Steinert, to retire following a flexible transition period during which the Board will conduct an extensive search to appoint a new Managing Director & CEO.

On ceasing employment, the Managing Director & CEO will receive his contractual entitlements and those that apply in the normal operation of our incentive plans in the circumstances of retirement. Any such payments will be subject to all relevant laws including the requirements of the Corporations Act 2001 (Cth) and, where applicable, securityholder approval. More details of entitlements to the Managing Director & CEO on retirement are included in section 4.6.

A summary of the key employment terms for the new Managing Director & CEO will be disclosed at the time the appointment is made.

Thank you for your support.



Melinda Conrad
Chair, People & Culture Committee

This report forms part of the Directors' Report and has been audited in accordance with section 308(3C) of the Corporations Act 2001 (Cth). The Remuneration Report covers Stockland and the Trust.

Remuneration Report

Contents

Key Management Personnel

Individuals who were Key Management Personnel (KMP) at any time during the financial year were as follows:

Name	
Non-Executive Directors	
Mr Tom Pockett	
Ms Melinda Conrad	
Ms Kate McKenzie	Joined 2 December 2019
Mr Barry Neil	
Mr Stephen Newton	
Ms Christine O'Reilly	
Ms Carol Schwartz	Retired 21 October 2019
Mr Andrew Stevens	
Executive Director	
Mr Mark Steinert	Managing Director and Chief Executive Officer
Other Executive KMP	
Ms Katherine Grace	Group Executive and General Counsel and Company Secretary
Ms Louise Mason	Group Executive and CEO Commercial Property
Mr Tiernan O'Rourke	Group Executive and Chief Financial Officer
Mr Andrew Whitson	Group Executive and CEO Communities

1. Remuneration framework at a glance

Our remuneration framework is designed to support Stockland's strategy to maximise returns by developing sustainable communities, owning and managing leading retail town centres, and growing our workplace and logistics portfolio.

Our Purpose

We believe there is a better way to live

Our Vision

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

Strategic pillars

- **GROW ASSET RETURNS**
- **OPERATIONAL EXCELLENCE**
- **CAPITAL STRENGTH**

Remuneration principles

- Fair and market competitive
- Linked to our strategic priorities
- Aligned to our stakeholders
- Sustainable
- Simple and transparent

Application of the remuneration framework for FY20

	PURPOSE & LINK TO STRATEGY	PERFORMANCE MEASURES	DELIVERY
Fixed Pay (FP)	To attract and retain the executives capable of leading and delivering the strategy.	Benchmarked against A-REIT and ASX100 peers.	Base salary, statutory superannuation and other benefits.
Short-term incentives (STI)	Rewards the achievement of annual targets aligned to the delivery of sustainable stakeholder outcomes.	A mix of financial outcome measures such as FFO and ROE balanced with measures of financial value drivers consisting of customer, people, strategic and operational objectives.	The normal practice is to deliver STI awards as a mix of cash and deferred securities. For FY20, the Board has applied discretion to make STI awards fully in deferred securities to maintain full alignment of the award with securityholders through the COVID-19 recovery period and to support the retention of an engaged and focused executive team.
Long-term incentives (LTI)	Aligns executive outcomes with long-term securityholder returns building a sense of business ownership.	Growth in FFO and Stockland's Total Shareholder Return versus a composite index of A-REIT 200 peers.	Performance rights to Stockland securities subject to a three-year performance period and continued service conditions over three and four years.

Underpinned by our CARE values and prudent risk and capital management

2. Performance and remuneration outcomes

2.1. STI CORPORATE SCORECARD ASSESSMENT

The STI Pool is determined by the Board's assessment of performance against the Corporate Scorecard which is shown below for FY20. The Board then applies discretion to consider other relevant factors on performance not reflected in the scorecard.

Strategic priority	KPI	Commentary	Overall rating
BUSINESS AND FINANCIAL PERFORMANCE (60%)			
Group and business unit performance			
	Group performance		
	• Funds from Operations (FFO) per security guidance of 37.4 cps	• FFO per security was 34.7 cps	Below target
	• Return on Equity[1] (ROE) of 11.3 – 11.8%	• ROE[1] was 11.5%	Within target range
	Operating business financial performance		
	• Operating Business financial performance in line with plan	Business unit financial performance was mixed:	
		• Commercial Property FFO of $537 million was on track to deliver plan as at 31 March 2020 but finished below plan due to COVID-19 impacted operations	Below target range
		• Residential Operating Profit of $372 million was up on FY19	Upper end of target range
		• Retirement Living profit of $58 million was up on FY19	Lower end of target range
	• Maintain conservative debt profile and remain within policy limits for gearing, interest cover, asset mix, credit rating and debt profile • Credit rating maintain A- rating • Debt maturity profile >5 years • Liquidity buffer 10% above committed and undrawn facilities • Gearing within target range 20 – 30%	• Weighted average debt maturity was 5.7 years • Credit Rating and liquidity buffer maintained • Gearing within target range • Interest cover at 6.1x	Within target range
	• Deliver against key business priorities	• Good progress against our key business and strategic priorities with most priorities met • Divestment of Retail and re-weighting into Workplace & Logistics achieved • Partial progress on growth opportunities • Established two logistics joint ventures valued at $1.2bn and two residential capital partnerships valued at $3bn • More than doubled our Workplace and Logistics pipeline to $5.5bn • CORE go live was delayed from May 2020 to August 2020 due to COVID-19	Within target range

Strategic priority	KPI	Commentary	Overall rating
CUSTOMER AND ORGANISATIONAL PERFORMANCE (40%)			
Customer and stakeholder			
	• Achieve independent customer satisfaction ratings goals for each business unit	• In a difficult year for our customers, satisfaction scores were variable with most increasing to be at or above target but some were below target • Commercial Property (Retail) was above target however the Workplace & Logistics surveys were deferred due to COVID-19 • Residential was slightly below target • Retirement Living was above target	Within target range
People management			
	• Achieve employee engagement target – 80%	• Employee engagement score increased to 82 per cent, four points above the Australian High Performing Norm	Above target
	• Increase women participation across all levels of management	• We have maintained gender diversity in senior roles with 50 per cent of the Executive Committee comprising of women and 37.5 per cent of senior leadership teams being women	Within target range
	• Progress longer term diversity and inclusiveness objectives	• Received citation as a WGEA Employer of Choice for Gender Equality • 80 per cent of employees had a flexible work arrangement in place prior to the COVID-19 pandemic • Good progress on our Reconciliation Action Plan to create a future that values, respects and celebrates Australia's First Peoples and contributes to meaningful reconciliation	Within target range
Operational excellence, sustainability & risk management			
	• Continued Process Improvement and enhanced innovation	• Approximately 2% of FFO due to new innovation	Above target range
	• Embed sustainable business practices and make good progress against environment improvement goals	• Recognised for global sustainability leadership, ranked 2nd in real estate on the Dow Jones Sustainability Index (DJSI) as assessed by Sustainable Asset Management (SAM - S&P Global) • Continued strong progress across our Greenhouse gas targets (exceeding our carbon intensity reduction target of 60% for 2025 against the FY06 baseline achieving 64.6 per cent for Commercial Property)	Above target range
	• Ensure strong risk compliance and safety management practices	• Strong safety record with reduced Lost Time Injuries and continued improvement in embedding the risk and compliance framework	Within target

1 Excluding Residential workout projects. ROE was 11.2% including these projects.

2.2. EXECUTIVE KMP STI OUTCOMES

The table below sets out the STI awards for FY20. To maintain full alignment of the STI award with securityholders and the performance of Stockland through this unprecedented period and to support the retention of an engaged and focused executive team, the Board has exercised discretion to make 100% of the FY20 STI award for the Managing Director & CEO and Executive Committee members in the form of deferred securities with no cash component. Half of the deferred STI securities vest 12 months after award with the remaining half vesting 24 months after award, subject to service conditions and clawback provisions.

In determining individual STI awards, the Board took into account the overall performance of the Group as well as performance of the individual in meeting business unit/ functional and personal objectives.

	Target STI (as % of Fixed Pay)	Maximum STI (as % of Fixed Pay)	STI awarded (as % of Target)	STI awarded (as % of Maximum STI)	STI awarded for FY20	STI paid in cash[1]		STI deferred into equity[2]		DSTI securities to be granted[3]
	%	%	%	%	$	$	%	$	%	
Executive Director										
Mark Steinert	100	150	77	51	**1,149,000**	-	-	1,149,000	100	340,274
Other Executive KMP										
Katherine Grace	80	120	83	55	**398,400**	-	-	398,400	100	117,986
Louise Mason	90	135	80	53	**540,000**	-	-	540,000	100	159,920
Tiernan O'Rourke[4]	90	135	81	54	**637,875**	-	-	637,875	100	188,905
Andrew Whitson	90	135	86	57	**580,500**	-	-	580,500	100	171,914

1 The portion of STI awarded for the FY20 performance year which is paid as cash.
2 The portion of STI awarded for FY20 performance that is deferred into Stockland securities which will vest over the next two years.
3 The number of securities granted for deferred STI is based on the Volume Weighted Average Price for the ten business days after 30 June 2020. This price was $3.3767.
4 Following a market benchmarking exercise, the target STI opportunity for Tiernan O'Rourke was increased from 80% to 90% for FY20.

2.3. PERFORMANCE AGAINST LTI MEASURES

The table below shows Stockland's performance against the respective FFO and TSR performance hurdles for the three years to 30 June 2020. As a result of this performance, no LTI awards from FY18 will vest and will therefore lapse.

Hurdle	Target/ benchmark performance	Actual performance	Out/(Under) performance	% vesting	Weight	Vesting outcome
FFO per security for FY18 – FY20						
Compound Average Growth Rate[1]	4.5%	1.3%	(3.2%)	0%	50%	0%
TSR for FY18 – FY20						
Relative TSR FY18 – FY20[2]	11.3%	(6.3%)	(17.6%)	0%	50%	0%
Vesting						0%

1 For LTI awards made in FY18 and future years, the performance benchmark is growth in FFO per security.
2 Benchmark based on ASX AREIT 200 Index excluding Stockland. For LTI awards made in FY18 and future years, the TSR performance benchmark is a tailored AREIT 200 index comprising six large companies forming 80% and a number of smaller companies forming 20%.

2.4. REALISED REMUNERATION TABLE

Executives received a mix of remuneration during FY20 including Fixed Pay, deferred STI securities and LTI awarded as performance rights.

The table below outlines the cash remuneration that was received in relation to FY20 which includes Fixed Pay and the non-deferred portion of any FY20 STI. The table also includes the value of deferred STI awards from FY18 and FY19 which vested during FY20 and LTI awards from FY17 which vested during FY20.

This information differs from that provided in the remuneration for executives set out in section 5.1 which was calculated in accordance with statutory rules and applicable Accounting Standards.

$		Fixed Pay[1]	STI awarded and received as cash[2]	Previous years' DSTI which were realised[3]	Previous years' LTI which were realised[3]	Total Remuneration (received and/or realised)	Awards which lapsed or were forfeited[4]
Executive Director							
Mark Steinert	**2020**	**1,459,016**	**–**	**508,873**	**482,969**	**2,450,858**	**2,324,169**
	2019	1,500,000	600,000	961,640	1,156,550	4,218,190	1,600,521
Other Executive KMP							
Katherine Grace	**2020**	**583,607**	**–**	**123,175**	**106,254**	**813,036**	**557,801**
	2019	600,000	301,333	208,246	243,482	1,353,061	347,436
Louise Mason	**2020**	**729,508**	**–**	**195,115**	**–**	**924,623**	**–**
	2019	750,000	392,000	154,444	–	1,296,444	–
Tiernan O'Rourke	**2020**	**851,093**	**–**	**160,432**	**169,038**	**1,180,563**	**813,459**
	2019	875,000	403,333	293,714	399,315	1,971,362	557,846
Andrew Whitson	**2020**	**729,508**	**–**	**226,801**	**144,892**	**1,101,201**	**697,252**
	2019	750,000	408,667	428,622	346,965	1,934,254	480,163

1 Fixed Pay includes cash salary, superannuation and packaged benefits (and associated taxes). The executive team took a 20% voluntary reduction in fixed salaries in May and June 2020.

2 FY20 STI awards are shown in section 2.2. For FY20, STI awards will be made fully in equity with no cash component. For 2019, the cash / equity split for the Managing Director was 50% / 50% while for Other Executive KMP, the cash / equity splt was two-thirds / one-third.

3 This represents the value of all prior years' deferred STI and LTI which vested during FY20 using the 30 June 2020 closing security price of $3.31.

4 The value shown represents the value of any previous years' equity awards which lapsed or were forfeited during the financial year. The FY20 values are based on the closing 30 June 2020 security price of $3.31 (FY19: $4.17).

2.5. FINANCIAL PERFORMANCE OVER THE PAST FIVE YEARS

The remuneration outcomes for our executives vary with short-term and long-term performance outcomes. The table below summarises Stockland's performance for the past five years and shows the link to incentive outcomes. As can be seen below, incentive outcomes for FY20 are the lowest they have been for the past five years, recognising the overall performance of the company in FY20.

	FY16	FY17	FY18	FY19	FY20
Financial performance					
FFO ($m)[1]	740	802	863	897	**825**
Statutory profit ($m)	889	1,195	1,025	311	**(14)**
FFO per security (cents)	31.1	33.4	35.6	37.4	**34.7**
Statutory EPS (cents)	37.4	49.8	42.3	13.0	**(0.6)**
Returns to securityholders					
Security price as at 30 June ($)	4.71	4.38	3.97	4.17	**3.31**
Distribution per security (cents)	24.5	25.5	26.5	27.6	**24.1**
Stockland TSR – 1 year (%)	16.4	7.1	(7.0)	13.9	**(15.8)**
Tailored index TSR[2]	–	–	7.2	27.0	**(21.3)**
Incentive outcomes					
Cash STI ($m)[3]	28.1	28.4	26.6	22.1	**16.0**
DSTI ($m)	8.9	9.5	6.6	6.6	**7.4**
Company-wide STI pool ($m)[4]	**37.0**	**37.9**	**33.2**	**28.7**	**23.4**
Managing Director & CEO STI (% of target)	122.0%	132.0%	94.0%	80.0%	**76.6%**
LTI vested (% of grant)[5]	50.0%	50.0%	35.1%	47.1%	**0.0%**
Managing Director & CEO total incentive outcome (% of opportunity)	67.4%	65.7%	46.6%	49.8%	**21.9%**

1 FFO is a non-IFRS measure which replaced underlying profit as Stockland's primary reporting measure from FY17. This change recognises the importance of FFO in managing our business and the use of FFO as a comparable performance measurement tool in the Australian property industry. The reconciliation of FFO to statutory profit after tax is presented in note 2B of the Financial Report. Performance against this benchmark is set out in Section 2.1.

2 Tailored AREIT 200 index comprised six large companies forming 80% and a number of smaller companies forming 20% as detailed in Section 4.5. Measured from FY17 as a LTI hurdle.

3 Includes applicable superannuation.

4 In addition, $1.3m has been set aside to fund a $1,000 award of Stockland securities to employees at Manager level and below to recognise their contribution in supporting our customers, tenants, residents and communities during this difficult time.

5 Represents the achievement of performance hurdles tested during the year.

3. Remuneration governance

3.1. GOVERNANCE FRAMEWORK

Stockland has a robust remuneration governance framework overseen by the Board. This ensures that remuneration arrangements are appropriately managed and that the agreed frameworks and policies are applied across Stockland.

BOARD

The Board is responsible for setting executive remuneration policy, monitoring Executive Committee members' performance and approving the performance objectives and remuneration of the Managing Director and CEO and his or her direct reports.

PEOPLE & CULTURE COMMITTEE

Is the main governing body for key people and remuneration items across Stockland.

The roles and responsibilities of the Committee are outlined in the Committee's charter which is summarised below and available on Stockland's website at:

www.stockland.com.au/about-Stockland/corporate-governance

MANAGEMENT

Provide recommendations on remuneration design and outcomes to the People and Culture Committee.

From time to time management may seek its own advice and information on remuneration matters from external advisors.

AUDIT COMMITTEE

Reviews earnings figures that are considered for STI and LTI outcomes.

RISK COMMITTEE

Provides advice to the People and Culture Committee relating to material risk issues, behaviours and/or compliance breaches which are considered when determining remuneration outcomes.

STAKEHOLDERS & SECURITYHOLDERS

Provide input and feedback through consultation and Governance Roadshows.

EXTERNAL ADVISORS

Provide independent information and guidance on remuneration for executives, facilitate discussion, conduct benchmarking and commentary on a number of remuneration issues.

3.2. THE ROLE OF THE PEOPLE & CULTURE COMMITTEE

The People & Culture Committee is responsible for reviewing, monitoring and making recommendations in relation to the appointment, performance and remuneration of the Managing Director & CEO and senior executives. Where decisions are being made on the variable remuneration outcomes of executives, the executives being discussed are not present at the meeting.

The Committee also oversees all employment and remuneration policies to ensure that, at all levels in the organisation, fairness and balance is maintained between reward, cost and value to Stockland, whilst also reflecting risk and compliance performance using input from the Audit Committee and Risk Committee.

The Committee approves the remuneration framework for all employees, including risk and financial control personnel and employees whose total remuneration includes a significant variable component.

From August 2020, the Committee changed its title from the Human Resources Committee to the People & Culture Committee.

3.3. THE USE OF EXTERNAL ADVISORS

Remuneration consultants are engaged from time to time to provide independent information and guidance on remuneration for executives, facilitate discussion, conduct benchmarking and provide commentary on a number of remuneration issues. Any advice provided by external advisors is used as a guide and is not a substitute for the considerations and procedures of the Board and People & Culture Committee.

During the year, the People & Culture Committee appointed KPMG 3dc to act as its remuneration advisor on the executive reward framework review. KPMG 3dc provided market practice, remuneration data, trends and assistance with stakeholder engagement matters. Stockland also subscribes to a number of independent salary and remuneration surveys, including property sector specific surveys run by AON Hewitt, Avdiev and PwC.

During FY20, no recommendations in relation to the remuneration of KMP were provided as part of these engagements.

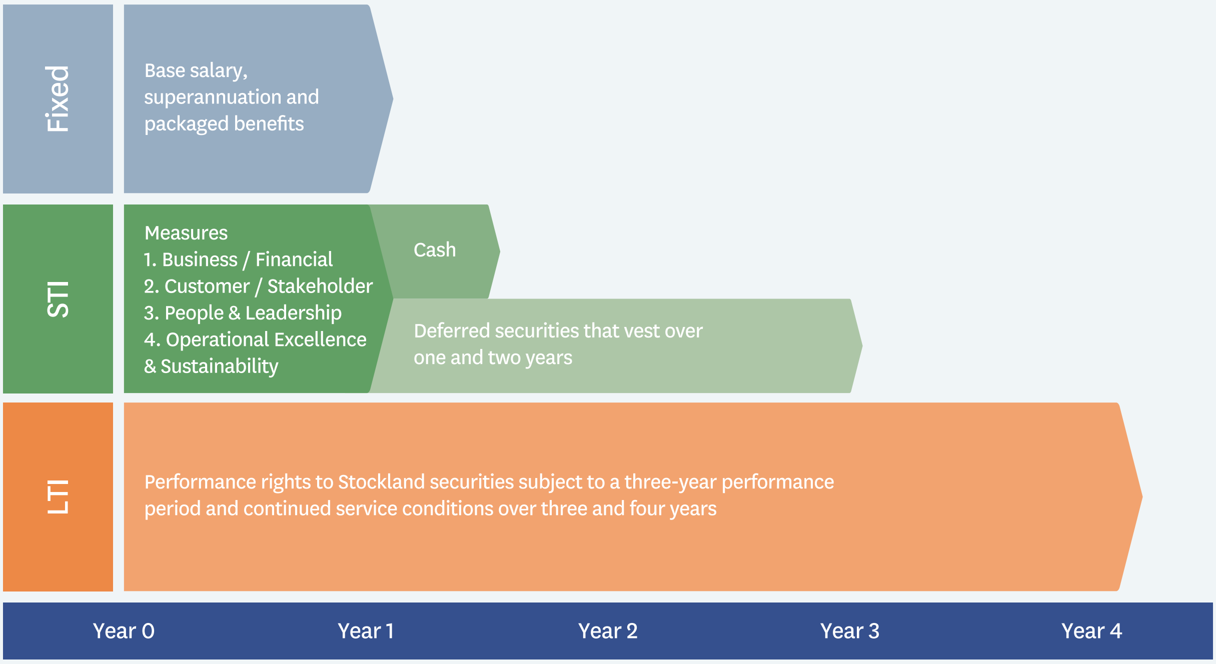
3.4. OTHER GOVERNANCE PRACTICES

Managing risk	Stockland's remuneration structure is underpinned by our CARE values and prudent risk management. The way executives manage risk and conduct themselves are key considerations of the Board in determining incentive outcomes. Specific practices include: • A joint meeting of the People & Culture Committee and Risk Committee is held to discuss input from the Group Risk Officer on material risk issues, behaviours and / or compliance breaches which are considered when determining remuneration outcomes • Incentive plans that balance both short and long-term performance against a range of financial metrics aligned to Stockland's long-term strategic priorities • The deferral of a significant portion of the STI award in Stockland securities which vests over an extended time frame • Plan rules which provide the Board with discretion to take other factors not included in the balanced scorecard into account when determining incentive outcomes • The use of a clawback (malus) provision.
Use of discretion	The Board retains the right to apply discretion over remuneration decisions to ensure outcomes for executives appropriately reflect the performance of the individuals and Stockland, and reflect the expectations and experience of stakeholders. In this regard, Stockland has established an indicative framework for applying discretion to adjust remuneration outcomes upwards or downwards including to zero where appropriate.
Change in control	A change in control is defined in the plan rules governing Stockland's incentive plans as a circumstance where any person together with their associates acquire Stockland securities which when aggregated with securities already held by that person and their associates, comprises more than 50% of the issued securities of Stockland. The Board will not accelerate the vesting of unvested incentives in the event of a change in control, except to the extent that applicable performance conditions (determined as at the date of the change of control) have been satisfied.
Minimum securityholding	The Managing Director & CEO is required to maintain a minimum holding of Stockland securities equivalent to at least two times fixed pay (one times fixed pay for Other Executive KMP) for any securities granted after 1 July 2010. This aligns the interests of executives to those of securityholders and encourages a mindset of business ownership.
Securities Trading Policy	The Stockland Securities Trading Policy prohibits employees from dealing in Stockland securities while in possession of price-sensitive information that is not generally available to the public. The Managing Director & CEO and senior executives may otherwise only deal in Stockland securities during permitted trading windows after first obtaining consent of the Chairman of the Board. The policy also prohibits entering into any derivative or margin lending arrangements over Stockland securities at any time.
Clawback	The Board may in its absolute discretion determine that some or all of an employee's unvested STI and/or LTI awards be forfeited if, in the Board's reasonable opinion, adverse circumstances affecting the performance or reputation of the company have come to the Board's attention which had they known at the time when the incentive award was being made, would have caused the Board to make a different decision. Clawback may apply both while the employee is employed or after termination of employment.

4. Executive remuneration in detail

4.1. REMUNERATION DELIVERY

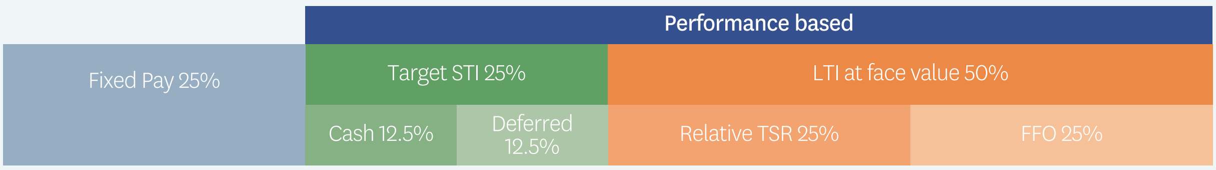
To deliver our strategy, we must ensure our executive remuneration framework reflects Stockland's desire to attract and retain the best people. Stockland's executive remuneration framework is structured so that a substantial portion of remuneration is delivered as Stockland securities through STI and LTI. This section sets out our approach in FY20.



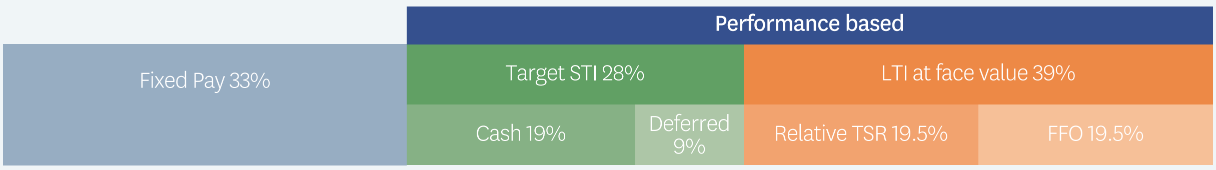
4.2. REMUNERATION MIX

Generally, Stockland's executives have a greater proportion of remuneration at risk than their counterparts in comparable companies. We believe this provides strong alignment between executive outcomes and performance.

Managing Director and CEO



Other Executive KMP



For FY20, the Board has exercised discretion to defer STI awards in full with no cash component.

4.3. FIXED PAY

Fixed Pay comprises cash salary, superannuation contributions and packaged benefits (including associated taxes). Packaged benefits may include novated leases on vehicles and parking. Fixed Pay is delivered in accordance with terms and conditions of employment.

We review Fixed Pay for the Managing Director & CEO and Executive Committee members each year against independently provided external data sources and market benchmarks from a group of ASX100 companies and larger property firms, ensuring that our Fixed Pay remains competitive with companies of comparable size and complexity in our industry. There were no Fixed Pay increases to the Managing Director & CEO or any members of the Executive Committee in FY20.

4.4. SHORT-TERM INCENTIVES

Feature	Description		
Purpose	To reward the achievement of annual targets aligned to the delivery of sustainable stakeholder outcomes		
Value	**% of Fixed Pay**	**Target**	**Maximum**
	Managing Director and CEO	100%	150%
	Other Executive KMP	80% - 90%	120% - 135%
	Individual STI awards are dependent on Group, business unit and individual performance measures based on the STI Corporate Scorecard approach which the Board uses to set Key Performance Indicators (KPIs) that are aligned to overall business strategy and key priorities. The performance measures in the STI Corporate Scorecard in FY20 are shown below:		
	Performance measure		**Reason for choosing this measure**
	Business and financial outcome (60%)	• Funds From Operations per security • Operating business financial performance	• Key measures of progress against our strategy to grow asset returns
		• Return on Equity • Capital management and key business priorities	• Reflects how well Stockland is using capital to generate earnings
	Customer and organisational performance (40%)	• Customer and Stakeholder	• A measure of how well we are meeting the expectations of our customers and external stakeholders
		• People and Leadership	• Recognises that organisations with a diverse, inclusive and engaged workforce deliver superior returns
		• Operational excellence, sustainability and risk management	• Drives focus on the delivery of important initiatives relating to Stockland's operational, risk and sustainability objectives
Performance assessment	The Board takes a robust approach to determining executive remuneration outcomes, using judgement and oversight to consider a range of quantitative and qualitative factors As a first step, a bottom-up assessment of the Corporate Scorecard is conducted to provide an initial view of the potential pool. A discretionary overlay is then applied to allow for other factors affecting performance that were not reflected in the scorecard. Individual awards are proposed by the Managing Director & CEO, endorsed by the People & Culture Committe and approved by the Board. For the Managing Director & CEO, the People & Culture Committee proposes the STI award for Board approval.		
Delivery of awards	To maintain full alignment of the STI award with securityholders and the performance of Stockland through COVID-19 and to support the retention of an engaged and focused executive team, 100% of the FY20 STI award for the Managing Director & CEO and Executive Committee members will be made in the form of deferred securities with no cash component. In previous years, the normal practice has been to deliver awards as follows: • 50% awarded as cash for performance up to target for Managing Director & CEO (two-thirds as cash for Other KMP Executives) • 50% awarded in deferred securities for performance up to target for Managing Director & CEO (one-third for other KMP Executives) and • 100% awarded as deferred securities for any performance above target • Any deferred securities vest equally subject to continued service after one and two years		
Leaver provisions	On voluntary termination or termination for cause or due to poor performance, all awards are forfeited. In the circumstances of death, disability, retirement, redundancy or mutually agreed separation, the Board has discretion to retain deferred awards subject to the original vesting conditions.		

4.5. LONG-TERM INCENTIVES

Feature	Description
Purpose	To align executive outcomes with long-term securityholder returns to build business accountability and ownership.
Instrument	LTI awards are made in the form of performance rights to Stockland securities granted under the Stockland Performance Rights Plan. A performance right is a right to acquire, at no cost to the executive, one fully-paid Stockland security subject to certain performance and service conditions. No distributions are paid on performance rights.
Value	The maximum LTI opportunity for awards made in FY20 were: • 200% of Fixed Pay for the Managing Director & CEO • 120% of Fixed Pay for Other Executive KMP Stockland uses a 'face-value' methodology for allocating performance rights, being the Volume Weighted Average Price of Stockland securities for the 10 trading days post 30 June.
Performance period	The performance period for FY20 awards is 1 July 2019 to 30 June 2022.
Performance conditions	Vesting is subject to two equally weighted performance conditions measured over the performance period.

Performance measure	Description	Reason for choosing this measure
Earnings Per Security Growth (EPS Growth)	The measure used for determining earnings is FFO, with EPS Growth measured as the compound average growth rate ("**CAGR**") for EPS.	Aligns to our strategy in that it underpins value accretion in the asset base over the long-term and is key to managing liquidity and credit objectives.
Total Securityholder Return (TSR)	TSR measures the growth in the price of securities plus cash distributions notionally reinvested in securities. In order for the TSR grant to vest, Stockland's TSR must be greater than the growth in the applicable TSR hurdle. The TSR hurdle is a weighted, composite TSR benchmark for a peer group comprising the 14 companies in the AREIT 200 Index other than Westfield, Iron Mountain and Stockland ("**Peer Benchmark**"). Each of the six largest capitalised companies from the Peer Benchmark has been allocated a 13.3% weighting, while each of the other eight smaller capitalised companies has been allocated a 2.5% weighting.	Aligns to our to strategic objective to deliver sustainable earnings growth and securityholder returns above the AREIT 200 Index.

Vesting conditions

The vesting schedule for FY20 awards is as follows:

TSR		EPS Growth	
TSR of Stockland compared to Index growth	**Proportion of TSR grant vesting**	**CAGR in EPS based on FFO**	**Proportion of EPS Growth grant vesting**
≤ TSR Index	0%	≤ 2.0% CAGR	0%
> TSR Index	>50%	> 2.0% CAGR	50%
Up to 10% greater than TSR Index	Pro-rata 50% - 100%	Up to 3.7% CAGR	Pro-rata 50% - 100%
10% or more greater than TSR Index	100%	≥ 3.7% CAGR	100%

Performance rights that meet the performance conditions at the end of the performance period are converted to Stockland securities and vest in two tranches, subject to service conditions and clawback provisions.

Tranche	Vesting date	Proportion of eligible performance rights to vest
1	30 June 2022	50%
2	30 June 2023	50%

Leaver provisions

Reason for termination	Treatment of unvested performance rights
In the circumstances of death, disability, retirement, redundancy or mutually agreed separation.	At the discretion of the Board, a pro-rata number of performance rights may be retained with vesting determined in accordance with the original performance conditions and clawback provisions.
All other circumstances	Forfeited

4.6. EMPLOYMENT TERMS

The Managing Director & CEO and Other Executive KMP are on rolling contracts until notice of termination is given by either Stockland or the senior executive. The notice period for the Managing Director & CEO and Other Executive KMP is six and three months, respectively. In appropriate circumstances, payment may be made in lieu of notice. Where Stockland initiates termination, including mutually agreed resignation, the executive would receive a termination payment of up to twelve months' Fixed Pay (including applicable notice) and be considered for a cash pro-rata payment in respect of STI in the year of termination, subject to the Board's assessment of performance against KPIs.

Where the termination occurs as a result of misconduct or a serious or persistent breach of contract (termination for cause), Stockland may terminate employment immediately without notice, payment in lieu of notice or any other termination payment.

In cases of termination for cause or resignation, all unvested employee securities or rights lapse. In other circumstances, the Board has the discretion to adjust the vesting conditions. Typically, this discretion is applied as outlined below.

Death or Total and Permanent Disablement	Full vesting of any unvested equity awards.
For termination other than for cause or resignation	For unvested DSTI, full vesting in the year of termination. For LTI, unvested rights are vested prorated based on service to the date of termination. Any applicable prorated hurdled rights remain subject to the applicable performance hurdles over the full performance period. Any applicable restricted rights vest on 30 June in the year of termination. Other unvested LTI awards are forfeited.

Entitlements to the Managing Director & CEO on retirement

On 22 June 2020, Stockland announced the intention of the Managing Director & CEO to retire following a flexible transition period. On retirement, Mr Steinert will receive his contractual entitlements and those that apply in the usual operation of our incentive plans in the circumstances of retirement. These include:

- A cash payment of 12 months' Fixed Pay (inclusive of his notice period served). It is expected that notice for Mr Steinert will commence on the appointment of the new Managing Director & CEO
- A cash pro-rata STI payment for the portion of the year of retirement that was worked, subject to performance against KPIs
- Unvested deferred STI securities held at the time of retirement shall be retained and vest (or not vest) in accordance with the terms of the STI plan and the original vesting schedule
- A pro-rata number of unvested LTI performance rights from awards made in 2018 and 2019 shall be retained with vesting subject to the original performance and vesting conditions in accordance with the terms of the LTI plan
- No LTI award will be made to Mr Steinert for FY21.

Any payments will be subject to all relevant laws including the requirements of the Corporations Act 2001 (Cth) and, where applicable, securityholder approval.

5. Executive KMP remuneration tables

5.1. EXECUTIVE REMUNERATION (STATUTORY PRESENTATION)

		Short-term				Post-employment		Other long-term	Security-based payments[1]			Performance related	
	Year	Salary[2]	Non-monetary benefits[3]	Other payments[4]	Cash STI[5]	Superannuation benefits	Termination benefits	Long service leave[6]	DSTI	LTI	Total	(STI + LTI) Percent of Total %	(DSTI + LTI) Percent of Total %
Executive Director													
Mark Steinert	**2020**	**1,454,911**	**–**	**–**	**–**	**24,596**	**–**	**55,988**	**845,750**	**919,157**	**3,300,402**	**53.5**	**53.5**
	2019	1,553,165	–	–	600,000	25,000	–	34,777	747,500	445,985	3,406,427	52.7	35.0
Other Executive KMP													
Katherine Grace	**2020**	**538,952**	**–**	**943**	**–**	**20,599**	**–**	**6,698**	**256,278**	**203,130**	**1,026,600**	**44.8**	**44.8**
	2019	611,384	–	–	301,333	19,742	–	7,419	173,639	118,945	1,232,462	48.2	23.7
Louise Mason	**2020**	**689,933**	**12,784**	**–**	**–**	**20,599**	**–**	**3,841**	**381,669**	**257,356**	**1,366,182**	**46.8**	**46.8**
	2019	715,233	13,530	–	392,000	22,826	–	2,218	125,000	47,830	1,318,637	42.8	13.1
Tiernan O'Rourke	**2020**	**783,434**	**–**	**–**	**–**	**25,550**	**–**	**17,172**	**384,809**	**302,871**	**1,513,836**	**45.4**	**45.4**
	2019	909,395	–	943	403,333	24,693	–	12,715	234,917	186,892	1,772,888	46.5	23.8
Andrew Whitson	**2020**	**657,605**	**12,784**	**–**	**–**	**20,599**	**–**	**12,901**	**388,681**	**259,604**	**1,352,174**	**47.9**	**47.9**
	2019	734,513	13,849	–	408,667	19,742	–	13,910	320,639	160,832	1,672,152	53.2	28.8
Consolidated remuneration	**2020**	**4,124,835**	**25,568**	**943**	**–**	**111,943**	**–**	**96,600**	**2,257,187**	**1,942,118**	**8,559,194**	**49.1**	**49.1**
	2019[7]	4,523,690	27,379	943	2,105,333	112,003	–	71,039	1,601,695	960,484	9,402,566	49.6	27.2

1 Represents the fair value of securities and performance rights recognised in FY20 for incentive awards made in FY17, FY18, FY19 and FY20.
2 Includes any changes in accruals for annual leave.
3 Comprises salary packaged benefits, including motor vehicles, car parking, other salary sacrificed items and FBT payable on these items.
4 Payment relates to Stockland service award policy.
5 Cash STIs are earned in the financial year to which they relate and are paid in August/September of the following financial year. For 2020, STI awards will be made fully in equity with no cash component.
6 Includes any change in accruals for long service leave.
7 The 2019 totals above are not the same as those disclosed in the 2019 Remuneration Report because of changes in Other Executive KMP.

5.2. PERFORMANCE RIGHTS MOVEMENTS

LTI awards are made in the form of performance rights which are subject to performance conditions as detailed in section 4.5. The number of performance rights held during the year are set out below.

		Granted during year		Vested and exercised				
	Balance at 1 July 2019	Number	Value $[1]	Number	Value $[1]	Exercised into Securities & Remain Unvested[2]	Forfeited / Lapsed	Balance at 30 June 2020
Executive Director								
Mark Steinert	2,062,468	670,721	2,270,391	(145,912)	545,711	(145,912)	(327,755)	2,113,610
Other Executive KMP								
Katherine Grace	482,602	160,973	419,336	(32,101)	129,688	(32,101)	(72,106)	507,267
Louise Mason	222,217	201,217	524,171	-	-	-	-	423,434
Tiernan O'Rourke	721,864	234,753	611,532	(51,070)	206,323	(51,069)	(114,714)	739,764
Andrew Whitson	618,741	201,217	524,171	(43,774)	176,847	(43,774)	(98,326)	634,084

1 The value as at the grant date calculated in accordance with AASB 2 Share-based Payment.
2 Performance rights exercised into Stockland securites on meeting performance hurdles with vesting subject to further service conditions.

5.3. EXECUTIVE SECURITYHOLDINGS

The table below details movements during the year in the number of Stockland securities held by executives, including their personally related parties.

	Balance at 1 July 2019	DSTI Granted[1]	LTI Performance Rights Exercised[2]	Purchased / (Sold)	Balance at 30 June 2020
Executive Director					
Mark Steinert	3,253,568	134,145	291,824	-	3,679,537
Other Executive KMP					
Katherine Grace	249,815	33,686	64,202	(37,000)	310,703
Louise Mason	74,073	43,821	-	-	117,894
Tiernan O'Rourke	436,056	45,088	102,139	-	583,283
Andrew Whitson	393,329	45,684	87,548	(185,992)	340,569

1 Deferred STI securities granted in respect of FY19 STI awards.
2 Includes securities settled from the exercise of performance rights after meeting performance hurdles. The vesting of some securities is subject to further service conditions and clawback provisions.

5.4. UNVESTED EQUITY HOLDINGS

The table below details Stockland securities and performance rights granted to executives as part of their remuneration in the previous, current or future reporting periods.

	Grant	Instrument	Grant Date	Performance Period Start Date	Vesting Date[1]	Unvested Equity at 30 June 2020	Maximum Value of Award to Vest $	Fair Value per Instrument[2] FFO	TSR	DSTI
Executive Director										
Mark Steinert	FY19 LTI Tranche 1	Rights	27-Oct-18	1-Jul-18	30-Jun-21	370,362	766,649	3.03	1.11	
	FY19 LTI Tranche 2	Rights	27-Oct-18	1-Jul-18	30-Jun-22	370,361	766,647	3.03	1.11	
	FY20 LTI Tranche 1	Rights	29-Oct-19	1-Jul-19	30-Jun-22	335,361	1,135,197	4.15	2.62	
	FY20 LTI Tranche 2	Rights	29-Oct-19	1-Jul-19	30-Jun-23	335,360	1,135,194	4.15	2.62	
	DSTI FY19 Tranche 2	Securities	15-Oct-19	1-Jul-18	30-Jun-21	67,072	300,000			4.47
Other Executive KMP										
Katherine Grace	FY19 LTI Tranche 1	Rights	27-Sep-18	1-Jul-18	30-Jun-21	88,887	219,995	3.47	1.48	
	FY19 LTI Tranche 2	Rights	27-Sep-18	1-Jul-18	30-Jun-22	88,887	219,995	3.47	1.48	
	FY20 LTI Tranche 1	Rights	21-Oct-19	1-Jul-19	30-Jun-22	80,487	209,669	3.50	1.71	
	FY20 LTI Tranche 2	Rights	21-Oct-19	1-Jul-19	30-Jun-23	80,486	209,666	3.50	1.71	
	DSTI FY19 Tranche 2	Securities	15-Oct-19	1-Jul-18	30-Jun-21	16,843	75,335			4.47
Louise Mason	FY19 LTI Tranche 1	Rights	27-Sep-18	1-Jul-18	30-Jun-21	111,109	274,995	3.47	1.48	
	FY19 LTI Tranche 2	Rights	27-Sep-18	1-Jul-18	30-Jun-22	111,108	274,992	3.47	1.48	
	FY20 LTI Tranche 1	Rights	21-Oct-19	1-Jul-19	30-Jun-22	100,609	262,086	3.50	1.71	
	FY20 LTI Tranche 2	Rights	21-Oct-19	1-Jul-19	30-Jun-23	100,608	262,084	3.50	1.71	
	DSTI FY19 Tranche 2	Securities	15-Oct-19	1-Jul-18	30-Jun-21	21,910	97,999			4.47
Tiernan O'Rourke	FY19 LTI Tranche 1	Rights	27-Sep-18	1-Jul-18	30-Jun-21	129,627	320,827	3.47	1.48	
	FY19 LTI Tranche 2	Rights	27-Sep-18	1-Jul-18	30-Jun-22	129,626	320,824	3.47	1.48	
	FY20 LTI Tranche 1	Rights	21-Oct-19	1-Jul-19	30-Jun-22	117,377	305,767	3.50	1.71	
	FY20 LTI Tranche 2	Rights	21-Oct-19	1-Jul-19	30-Jun-23	117,376	305,764	3.50	1.71	
	DSTI FY19 Tranche 2	Securities	15-Oct-19	1-Jul-18	30-Jun-21	22,544	100,835			4.47
Andrew Whitson	FY19 LTI Tranche 1	Rights	27-Sep-18	1-Jul-18	30-Jun-21	111,109	274,995	3.47	1.48	
	FY19 LTI Tranche 2	Rights	27-Sep-18	1-Jul-18	30-Jun-22	111,108	274,992	3.47	1.48	
	FY20 LTI Tranche 1	Rights	21-Oct-19	1-Jul-19	30-Jun-22	100,609	262,086	3.50	1.71	
	FY20 LTI Tranche 2	Rights	21-Oct-19	1-Jul-19	30-Jun-23	100,608	262,084	3.50	1.71	
	DSTI FY19 Tranche 2	Securities	15-Oct-19	1-Jul-18	30-Jun-21	22,842	102,168			4.47

1 For LTI grants, vesting date refers to the date at which the performance and service conditions are met. The rights convert to securities subject to the three-year performance period. Any rights that convert to securities then vest at the dates shown. The securities remain under a holding lock until the 10th anniversary of the grant date except at Board discretion. The rights issued have an expiry date that is the later of the date of announcement of the full-year results following the end of the performance period or 31 August of that year.

2 The fair value of performance rights at the grant date is determined using appropriate models including Monte Carlo simulations, depending on the vesting conditions. The value of each performance right is recognised evenly over the service period ending at the vesting date. The fair value of DSTI securities is determined as the Volume Weighted Average Price of Stockland securities over the 10 trading days after 30 June in the year of the award.

6. Non-Executive Director remuneration

6.1. POLICY AND APPROACH

Stockland's remuneration policy for Non-Executive Directors aims to ensure the Group can attract and retain suitably skilled, experienced and committed individuals to serve on the Board and remunerate them appropriately for their time and expertise and for their responsibilities and liabilities as public company directors.

The People & Culture Committee is responsible for reviewing and recommending to the Board any changes to Board and committee remuneration, taking into account the size and scope of Stockland's activities, the responsibilities and liabilities of directors and the demands placed upon them. In developing its recommendations, the People & Culture Committee may take advice from external consultants.

With the exception of the Chairman, Non-Executive Directors receive additional fees for their work on Board committees. Where a special purpose Board committee is established by the Board, committee members may receive a fee in line with those paid for existing Board committees. Non-Executive Directors do not receive performance-related remuneration or termination benefits other than accumulated superannuation.

In FY20, there were no changes in the base fees for the Chairman, Non-Executive Directors or any of the Board committees, other than a 20% voluntary reduction in Board fees for May and June 2020 in response to the COVID-19 pandemic.

In FY21, in line with our considered approach to remuneration, there will be no changes in the base fees for the Chairman and Non-Executive Directors or for Board committee fees.

		FY21	FY20
Stockland Board			
Chairman		$500,000	$500,000
Non-Executive Director		$175,000	$175,000
Stockland Board Committees			
Audit	Chair	$40,000	$40,000
	Member	$20,000	$20,000
Risk	Chair	$35,000	$35,000
	Member	$17,500	$17,500
People & Culture	Chair	$35,000	$35,000
	Member	$17,500	$17,500
SCPL Board			
Chairman		$32,700	$32,700
Non-Executive Director		$32,700	$32,700
Independent Non-Executive Director[1]		$30,000	$30,000
SCPL Board Committees			
Audit and Risk	Chair	$15,260	$15,260
	Member	$8,720	$8,720

1 Independent Non-Executive Directors of SCPL are not on the Stockland Board.

Total remuneration available to Non-Executive Directors is approved by securityholders and is currently $2,500,000 (including superannuation payments) as approved at the 2007 Annual General Meeting. No increase in the total fee pool is proposed for FY21.

Total fees of $1,767,712 (70.7% of the approved limit) were paid to Non-Executive Directors in FY20. This amount was 7% lower than the total fees paid in FY19 primarily due to the voluntary two month 20% reduction applied to fees in response to the COVID-19 pandemic.

6.2. REMUNERATION DETAILS FOR NON-EXECUTIVE DIRECTORS

The nature and amount of each element of remuneration for each Non-Executive Director is detailed below.

		Short-term		Post-employment	
	Year	Board and Committee Fees[1]	Non-monetary benefits	Superannuation contributions	Total[2]
Non-Executive Directors					
Tom Pockett	**2020**	**462,239**	**–**	**21,003**	**483,242**
	2019	479,469	–	20,531	500,000
Melinda Conrad	**2020**	**185,353**	**–**	**17,609**	**202,962**
	2019	202,725	–	19,259	221,984
Kate McKenzie[3]	**2020**	**105,482**	**–**	**1,379**	**106,861**
	2019	–	–	–	–
Barry Neil	**2020**	**200,976**	**–**	**19,093**	**220,069**
	2019	207,945	–	19,755	227,700
Stephen Newton	**2020**	**250,116**	**–**	**21,003**	**271,119**
	2019	260,718	–	20,531	281,249
Christine O'Reilly	**2020**	**203,006**	**–**	**19,286**	**222,292**
	2019	170,110	–	16,160	186,270
Andrew Stevens	**2020**	**179,620**	**–**	**17,064**	**196,684**
	2019	178,082	–	16,918	195,000
Former Non-Executive Directors					
Carol Schwartz[4]	**2020**	**58,889**	**–**	**5,594**	**64,483**
	2019	205,699	–	19,379	225,078
Consolidated remuneration	**2020**	**1,645,681**	**–**	**122,031**	**1,767,712**
	2019[5]	1,704,748	–	132,533	1,837,281

1 The Board took a 20% voluntary reduction in directors fees in May and June 2020.

2 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).

3 Kate McKenzie was appointed on 2 December 2019.

4 Carol Schwartz retired 21 October 2019.

5 The 2019 totals above are not the same as those disclosed in the 2019 Remuneration Report because of changes in Directors.

6.3 NON-EXECUTIVE DIRECTOR SECURITYHOLDINGS

To align the personal financial interests of our Non-Executive Directors with securityholder interests, the Board believes that Non-Executive Directors should hold a meaningful number of Stockland securities. Each Non-Executive Director is required to acquire 40,000 securities within three years of commencing as a Non-Executive Director. The relevant interest of each Non-Executive Director in Stockland securities, at the date of this Report are as follows:

	Balance at 1 July 2019	Purchased / (Sold)	Balance at 30 June 2020
Non-Executive Directors			
Tom Pockett	40,000	10,000	50,000
Melinda Conrad	60,000	-	60,000
Kate McKenzie	-	20,000	20,000
Barry Neil	76,718	-	76,718
Stephen Newton	40,000	-	40,000
Christine O'Reilly	50,000	-	50,000
Andrew Stevens	20,000	20,000	40,000

Financial report for the year ended 30 June 2020

Cloverton, Vic

Consolidated statement of comprehensive income

Year ended 30 June		Stockland		Trust	
$M	Note	2020	2019	2020	2019
Revenue	1	**2,812**	2,768	**766**	790
Cost of property developments sold:					
• land and development		**(1,254)**	(1,252)	**–**	–
• capitalised interest		**(129)**	(93)	**–**	–
• utilisation of provision for impairment of inventories	5	**22**	24	**–**	–
Investment property expenses		**(259)**	(269)	**(253)**	(259)
Share of profits of equity-accounted investments	22	**72**	75	**71**	56
Management, administration, marketing and selling expenses		**(333)**	(332)	**(40)**	(41)
Impairment loss on trade and other receivables	8	**(69)**	(1)	**(66)**	(2)
Net change in fair value of investment properties:					
• Commercial Property	6	**(496)**	(228)	**(509)**	(236)
• Retirement Living	7	**(138)**	(72)	**–**	–
Net change in fair value of Retirement Living resident obligations	7	**22**	19	**–**	–
Impairment of Retirement Living goodwill	11	**(38)**	(38)	**–**	–
Net reversal of impairment of inventories	5	**–**	1	**–**	–
Net loss on other financial assets		**(4)**	–	**(4)**	–
Net gain/(loss) on sale of other non-current assets		**20**	(21)	**21**	(21)
Finance income	13	**2**	4	**230**	284
Finance expense	13	**(88)**	(87)	**(169)**	(189)
Net loss on financial instruments	13	**(109)**	(140)	**(109)**	(140)
Profit/(loss) before tax		**33**	358	**(62)**	242
Income tax expense	20	**(47)**	(47)	**–**	–
Profit/(loss) after tax		**(14)**	311	**(62)**	242
Items that are or may be reclassified to profit or loss, net of tax					
Cash flow hedges – net change in fair value of effective portion		**(75)**	(5)	**(75)**	(5)
Cash flow hedges – reclassified to profit or loss		**(6)**	(1)	**(6)**	(1)
Other comprehensive income/(loss)		**(81)**	(6)	**(81)**	(6)
Total comprehensive income/(loss)		**(95)**	305	**(143)**	236
Basic earnings/(losses) per security (cents)	3	**(0.6)**	13.0	**(2.6)**	10.1
Diluted earnings/(losses) per security (cents)	3	**(0.6)**	13.0	**(2.6)**	10.1

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated balance sheet

As at 30 June		Stockland		Trust	
$M	Note	2020	2019	2020	2019
Cash and cash equivalents	14	**443**	140	**359**	63
Receivables	8	**117**	208	**30**	41
Inventories	5	**690**	1,005	**–**	–
Other financial assets	16	**15**	9	**15**	9
Other assets		**101**	95	**92**	81
		1,366	1,457	**496**	194
Non-current assets held for sale	12	**469**	171	**469**	171
Current assets		**1,835**	1,628	**965**	365
Receivables	8	**117**	94	**3,027**	3,580
Inventories	5	**2,840**	2,500	**–**	–
Investment properties – Commercial Property	6	**8,890**	9,145	**8,978**	9,133
Investment properties – Retirement Living	7	**3,936**	3,990	**–**	–
Equity-accounted investments	22	**354**	612	**361**	620
Other financial assets	16	**734**	525	**724**	515
Property, plant and equipment		**153**	57	**–**	–
Intangible assets	11	**170**	193	**–**	–
Deferred tax assets	21	**–**	40	**–**	–
Other assets		**202**	215	**186**	217
Non-current assets		**17,396**	17,371	**13,276**	14,065
Assets		**19,231**	18,999	**14,241**	14,430
Payables	9	**593**	696	**378**	455
Borrowings	15	**272**	343	**272**	343
Retirement Living resident obligations	7	**2,594**	2,496	**–**	–
Development provisions	5	**290**	343	**–**	–
Other financial liabilities	16	**–**	2	**–**	2
Other liabilities		**97**	68	**54**	29
Current liabilities		**3,846**	3,948	**704**	829
Payables	9	**508**	147	**–**	–
Borrowings	15	**4,750**	4,361	**4,750**	4,361
Retirement Living resident obligations	7	**101**	101	**–**	–
Development provisions	5	**501**	370	**148**	–
Other financial liabilities	16	**313**	218	**313**	218
Deferred tax liabilities	21	**7**	–	**–**	–
Other liabilities		**55**	26	**28**	–
Non-current liabilities		**6,235**	5,223	**5,239**	4,579
Liabilities		**10,081**	9,171	**5,943**	5,408
Net assets		**9,150**	9,828	**8,298**	9,022
Issued capital	19	**8,656**	8,657	**7,358**	7,359
Reserves		**8**	91	**6**	88
Retained earnings/undistributed income		**486**	1,080	**934**	1,575
Securityholders' equity		**9,150**	9,828	**8,298**	9,022

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

Attributable to securityholders of Stockland

			Reserves			
$M	Note	Issued capital	Security based payments	Hedging	Retained earnings	Equity
Balance at 30 June 2018		8,850	41	60	1,425	10,376
Adoption of new accounting standards		–	–	–	3	3
Balance at 1 July 2018		8,850	41	60	1,428	10,379
Profit for the year		–	–	–	311	311
Other comprehensive income, net of tax		–	–	(6)	–	(6)
Total comprehensive income		–	–	(6)	311	305
Dividends and distributions	4	–	–	–	(661)	(661)
Security based payment expense	31	–	12	–	–	12
Acquisition of treasury securities	19	(15)	–	–	–	(15)
Securities vested under Security Plans	19	14	(14)	–	–	–
Securities lapsed under Security Plans		–	(2)	–	2	–
Securities buy-back	19	(192)	–	–	–	(192)
Other movements		(193)	(4)	–	(659)	(856)
Balance at 30 June 2019		8,657	37	54	1,080	9,828
Adoption of new accounting standards	36	**–**	**–**	**–**	**(7)**	**(7)**
Balance at 1 July 2019		8,657	37	54	1,073	9,821
Loss for the year		**–**	**–**	**–**	**(14)**	**(14)**
Other comprehensive income, net of tax		**–**	**–**	**(81)**	**–**	**(81)**
Total comprehensive income		**–**	**–**	**(81)**	**(14)**	**(95)**
Dividends and distributions	4	**–**	**–**	**–**	**(574)**	**(574)**
Security based payment expense	31	**–**	**11**	**–**	**–**	**11**
Acquisition of treasury securities	19	**(13)**	**–**	**–**	**–**	**(13)**
Securities vested under Security Plans	19	**12**	**(12)**	**–**	**–**	**–**
Securities lapsed under Security Plans		**–**	**(1)**	**–**	**1**	**–**
Securities buy-back	19	**–**	**–**	**–**	**–**	**–**
Other movements		**(1)**	**(2)**	**–**	**(573)**	**(576)**
Balance at 30 June 2020		**8,656**	**35**	**(27)**	**486**	**9,150**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

Attributable to securityholders of Trust

$M	Note	Issued capital	Reserves: Security based payments	Reserves: Hedging	Undistributed income	Equity
Balance at 30 June 2018		7,538	38	60	2,000	9,636
Adoption of new accounting standards		–	–	–	(8)	(8)
Balance at 1 July 2018		7,538	38	60	1,992	9,628
Profit for the year		–	–	–	242	242
Other comprehensive income, net of tax		–	–	(6)	–	(6)
Total comprehensive income		–	–	(6)	242	236
Dividends and distributions	4	–	–	–	(661)	(661)
Security based payment expense		–	12	–	–	12
Acquisition of treasury securities	19	(15)	–	–	–	(15)
Securities vested under Security Plans	19	14	(14)	–	–	–
Securities lapsed under Security Plans		–	(2)	–	2	–
Securities buy-back	19	(178)	–	–	–	(178)
Other movements		(179)	(4)	–	(659)	(842)
Balance at 30 June 2019		7,359	34	54	1,575	9,022
Adoption of new accounting standards	36	**–**	**–**	**–**	**(6)**	**(6)**
Balance at 1 July 2019		7,359	34	54	1,569	9,016
Loss for the year		**–**	**–**	**–**	**(62)**	**(62)**
Other comprehensive income, net of tax		**–**	**–**	**(81)**	**–**	**(81)**
Total comprehensive loss		**–**	**–**	**(81)**	**(62)**	**(143)**
Dividends and distributions	4	**–**	**–**	**–**	**(574)**	**(574)**
Security based payment expense		**–**	**11**	**–**	**–**	**11**
Acquisition of treasury securities	19	**(12)**	**–**	**–**	**–**	**(12)**
Securities vested under Security Plans	19	**11**	**(11)**	**–**	**–**	**–**
Securities lapsed under Security Plans		**–**	**(1)**	**–**	**1**	**–**
Securities buy-back	19	**–**	**–**	**–**	**–**	**–**
Other movements		**(1)**	**(1)**	**–**	**(573)**	**(575)**
Balance at 30 June 2020		**7,358**	**33**	**(27)**	**934**	**8,298**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

Year ended 30 June		Stockland		Trust	
$M	Note	2020	2019	2020	2019
Receipts in the course of operations (including GST)		**2,880**	2,797	**795**	906
Payments in the course of operations (including GST)		**(1,462)**	(1,805)	**(389)**	(430)
Payments for land		**(324)**	(576)	**–**	–
Distributions received from equity-accounted investments		**25**	51	**24**	32
Receipts from Retirement Living residents		**332**	295	**–**	–
Payments to Retirement Living residents, net of DMF		**(145)**	(172)	**–**	–
Interest received		**2**	4	**230**	284
Interest paid		**(181)**	(200)	**(180)**	(200)
Net cash flows from operating activities	27	**1,127**	394	**480**	592
Proceeds from sale of investment properties		**369**	329	**342**	260
Payments for and development of investment properties:					
• Commercial Property		**(664)**	(290)	**(664)**	(338)
• Retirement Living		**(47)**	(149)	**–**	–
Payments for plant and equipment and software		**(134)**	(51)	**–**	–
Proceeds from sale of/capital returns from investments		**336**	25	**336**	–
Payments for investments (including equity-accounted)		**(12)**	(2)	**(12)**	(2)
Distributions received from other entities		**4**	1	**4**	1
Loans from/(to) related entities		**–**	–	**485**	(229)
Net cash flows from investing activities		**(148)**	(137)	**491**	(308)
On-market buy-back	19	**–**	(192)	**–**	(178)
Payment for treasury securities under Security Plans	19	**(13)**	(15)	**(12)**	(15)
Proceeds from borrowings	27	**1,430**	2,426	**1,430**	2,426
Repayment of borrowings	27	**(1,412)**	(1,969)	**(1,412)**	(1,969)
Payments for derivatives and financial instruments		**(23)**	(47)	**(23)**	(47)
Dividends and distributions paid	4	**(658)**	(653)	**(658)**	(653)
Net cash flows from financing activities		**(676)**	(450)	**(675)**	(436)
Net movement in cash and cash equivalents		**303**	(193)	**296**	(152)
Cash and cash equivalents at the beginning of the year		**140**	333	**63**	215
Cash and cash equivalents at the end of the year		**443**	140	**359**	63

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial report

Basis of preparation

IN THIS SECTION

This section sets out the basis upon which Stockland's financial report is prepared as a whole. Specific accounting policies are described in the section to which they relate.

A glossary containing acronyms and defined terms is included at the back of this report.

STAPLING ARRANGEMENT

Stockland represents the consolidation of Stockland Corporation Limited (the Corporation) and Stockland Trust (the Trust) and their respective controlled entities. Stockland Corporation Limited and Stockland Trust were both incorporated or formed and are domiciled in Australia.

Stockland is structured as a stapled entity: a combination of a share in Stockland Corporation and a unit in Stockland Trust that are together traded as one security on the Australian Securities Exchange. The constitutions of Stockland Corporation Limited and Stockland Trust provide that, for so long as the two entities remain jointly quoted, the number of shares in Stockland Corporation Limited and the number of units in Stockland Trust shall be equal and that the shareholders and unitholders be identical. Both Stockland Corporation Limited and the Responsible Entity of Stockland Trust must at all times act in the best interest of Stockland. The stapling arrangement will cease upon the earlier of either the winding up of Stockland Corporation Limited or Stockland Trust or either entity terminating the stapling arrangement.

As permitted by Class Order 13/1050, issued by ASIC, this financial report is a combined financial report that presents the financial statements and accompanying notes of both Stockland and the Trust as at and for the year ended 30 June 2020.

STATEMENT OF COMPLIANCE

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Stockland Corporation Limited and Stockland Trust are both for-profit entities for the purpose of preparing the financial statements.

The financial statements are presented in Australian dollars, which is Stockland Corporation Limited's and Stockland Trust's functional currency and the functional currency of Stockland and Stockland Trust's subsidiaries.

HISTORICAL COST CONVENTION

The financial statements have been prepared on a going concern basis using historical cost conventions, except for investment properties (including non-current assets held for sale), derivative financial instruments and certain financial assets and liabilities which are stated at fair value.

COMPLIANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

The financial statements of both Stockland and the Trust also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Comparative figures have been restated where appropriate to ensure consistency of presentation throughout the financial report.

NEW AND AMENDED ACCOUNTING STANDARDS

Stockland adopted AASB 16 *Leases* on 1 July 2019. AASB 16 aligns the treatment of finance and operating leases such that all leases are recognised on the balance sheet. There have been no significant changes to Stockland's financial performance and position as a result of the adoption of the new and amended accounting standard and interpretation.

The impact of the adoption of this standard is disclosed in note 36A.

NET CURRENT ASSET DEFICIENCY POSITION

Stockland and the Trust generated positive cash flows from operations of $1,127 million and $480 million respectively during the year. Undrawn bank facilities of $1,575 million (refer to note 15) are also available should they need to be drawn. In addition, Stockland and the Trust have successfully refinanced external borrowings and raised new external debt when required. Based on the cash flow forecast for the next 12 months and a detailed assessment of the current economic and operating environment, Stockland and the Trust will be able to pay their debts as and when they become due and payable. Stockland also has a robust capital management framework and ample capital headroom, allowing flexibility in foreseeable business environments.

COVID-19 has presented challenges to Stockland's business. Stockland has managed these proactively and taken measures to protect its capital position. Importantly, Stockland has been able to increase its available liquidity through additional unsecured bank debt facilities and the issuance of both short-term and long-term debt since February 2020 totalling $790 million. This has strengthened the liquidity position and will allow the business to continue the acquisition of new opportunities and the delivery of its development pipeline, further demonstrating the strength and discipline of Stockland's capital management strategy. Management has considered several different outcomes using scenario analysis including different speeds of recovery from the COVID-19 crisis and, after applying a range of challenging assumptions, the integrity of Stockland's solvency remains intact under all tested scenarios. Furthermore, Stockland has met all terms of its debt covenants during the year and is expected to maintain sufficient headroom under all of the scenarios tested. Accordingly, the financial statements have been prepared on a going concern basis.

Stockland has a prima facie net current asset deficiency of $2,011 million at 30 June 2020 (2019: $2,320 million). The Trust has a prima facie net current asset surplus of $261 million (2019: $464 million deficit). This prima facie position occurs each year and is unrelated to COVID-19. A detailed explanation is set out below.

Stockland

In relation to Stockland, a number of liabilities are classified as current under Accounting Standards that are not expected to result in actual net cash outflows within the next 12 months (in particular Retirement Living resident obligations). Similarly, some assets held as non-current will generate cash income in the next 12 months (including Retirement Living DMF included within Retirement Living investment properties, residential development work in progress and Retirement Living vacant stock).

Furthermore, current inventories are held on the balance sheet at the lower of cost and net realisable value, whereas most of these are expected to generate cash inflows above the carrying value.

In relation to current Retirement Living resident obligations for existing residents (2020: $2,587 million; 2019: $2,490 million), approximately 8% (2019: 8%) of residents are estimated to depart their dwelling each year and therefore it is not expected that the majority of the obligations to residents will fall due within one year. In the vast majority of transactions involving the turnover of units, the resident obligations will be repaid from receipts from incoming residents. However, resident obligations are classified as current under the definitions in the Accounting Standards as Stockland does not hold an unconditional contractual right to defer settlement for at least 12 months (residents may give notice of their intention to vacate their unit with immediate effect). In contrast, the corresponding Retirement Living assets are classified as non-current under the Accounting Standards as the majority are not expected to be realised within 12 months.

Trust

The net current asset deficiency in the Trust in the prior year primarily arose due to the intergroup loan receivable which is classified as a non-current asset.

ROUNDING

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, amounts in the financial report have been rounded to the nearest million dollars, unless otherwise stated.

SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Stockland makes estimates and assumptions concerning the future. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed in this financial report.

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Assumptions underlying management's estimates of fair value and recoverability are:

- Inventories – assumptions underlying net realisable value, profit margin recognition and Whole of Life (WOL) accounting – Note 5
- Commercial Property – assumptions underlying fair value – Note 6
- Retirement Living – assumptions underlying fair value – Note 7
- Receivables[1] – assumptions underlying expected credit loss – Note 8
- Software – assumptions underlying recoverable value – Note 11
- Derivatives – assumptions underlying fair value – Note 16
- Valuation of security based payments – assumptions underlying fair value – Note 19
- Tax losses – assumptions underlying recognition and recoverability – Note 21

[1] The expected credit loss calculation is considered a significant accounting estimate for the first time in the current year due to the impact of COVID-19 and the resulting increase in lease receivables from tenants at 30 June 2020.

Results for the year

IN THIS SECTION

This section explains the results and performance of Stockland.

It provides additional information about those individual line items in the financial statements that the Directors consider most relevant in the context of the operations of Stockland, including:

- accounting policies that are relevant for understanding the items recognised in the financial report; and
- analysis of the results for the period by reference to key areas, including revenue, results by operating segment and taxation.

1. REVENUE

Year ended $M	Residential	Retirement Living	Communities sub-total	Commercial Property	Other	Stockland	Trust
30 June 2020							
Rental income[1]	–	**2**	**2**	**685**	–	**687**	**690**
Outgoings recoveries[2]	–	–	–	**74**	–	**74**	**74**
Rent from investment properties	–	**2**	**2**	**759**	–	**761**	**764**
Property development sales[3,4]	**1,871**	**46**	**1,917**	–	–	**1,917**	–
DMF revenue[1]	–	**109**	**109**	–	–	**109**	–
Other revenue	**16**	**2**	**18**	**4**	**3**	**25**	**2**
Statutory revenue	**1,887**	**159**	**2,046**	**763**	**3**	**2,812**	**766**
Amortisation of lease incentives	–	–	–	**75**	–	**75**	**75**
Straight-line rent	–	–	–	**(3)**	–	**(3)**	**(3)**
Unrealised DMF revenue[1]	–	**(29)**	**(29)**	–	–	**(29)**	–
Segment revenue	**1,887**	**130**	**2,017**	**835**	**3**	**2,855**	**838**
30 June 2019							
Rental income[1]	–	1	1	703	–	704	704
Outgoings recoveries[2]	–	–	–	80	–	80	80
Rent from investment properties	–	1	1	783	–	784	784
Property development sales[3]	1,819	45	1,864	–	–	1,864	–
DMF revenue[1]	–	99	99	–	–	99	–
Other revenue	10	–	10	10	1	21	6
Statutory revenue	1,829	145	1,974	793	1	2,768	790
Amortisation of lease incentives	–	–	–	71	–	71	71
Straight-line rent	–	–	–	(3)	–	(3)	(3)
Unrealised DMF revenue[1]	–	(26)	(26)	–	–	(26)	–
Segment revenue	1,829	119	1,948	861	1	2,810	858

1 Commercial Property rental income and Retirement Living DMF revenue continue to meet the definition of a lease arrangement. Therefore they fall outside the scope of AASB 15 Revenue from Contracts with Customers and are accounted for in accordance with AASB 16 Leases.
2 Revenue related to outgoings recoveries is recognised under AASB 15 over time in the accounting period in which the performance obligations are met.
3 Property development sales revenue is recognised under AASB 15 at a point in time when control of the asset passes to the customer.
4 Property development sales includes the revenue recognised from the disposal of 50% of Aura, Qld.

RENT FROM INVESTMENT PROPERTIES

Rent from investment properties includes lease revenue and outgoings recoveries associated with general building and tenancy operation from lessees in accordance with specific clauses within lease agreements.

Lease revenue is recognised in accordance with AASB 16 *Leases* on a straight-line basis over the lease term, net of any incentives. See note 10 for the treatment of rent concessions granted in response to COVID-19 and note 8 for the treatment of expected credit losses on lease receivables.

Outgoings recoveries are recognised in accordance with AASB 15 *Revenue from contracts with customers* and are typically invoiced monthly based on an annual estimate. The consideration for the current month is typically due on the first day of the month. Revenue related to outgoings recoveries is recognised over time as the estimated costs are consumed by the tenant. Should any adjustment be required based on actual costs incurred, this is recognised in the balance sheet within the same reporting period and billed annually.

Rent from investment properties includes $3 million (2019: $4 million) contingent rents billed to tenants. Contingent rents are derived from the tenants' revenues and represent 0.4% (2019: 0.5%) of gross lease income.

DEFERRED MANAGEMENT FEE (DMF) REVENUE

The DMF is recognised over the tenancy period and includes both fixed fees recognised on a straight-line basis and contingent fees recognised when earned.

The DMF calculated on the entry price of the unit is recognised each period; however, fees are only realised in cash upon receipt of the next incoming resident's loan.

The DMF calculated on the exit price of the unit is recognised and realised in cash upon receipt of the next incoming resident's loan.

DIVIDENDS AND DISTRIBUTIONS

Revenue from dividends and distributions are recognised in Other Revenue on the date they are declared by the relevant entity but are only recognised in the statement of cash flows upon receipt.

1A. Breakdown of revenue from property development sales

Residential revenue from property development by major product and geographical area is disaggregated as follows:

Year ended $M	NSW	QLD	VIC	WA	Residential
30 June 2020					
Residential communities	**328**	**510**	**563**	**135**	**1,536**
Townhomes	**40**	**66**	**179**	**9**	**294**
Apartments	**41**	**–**	**–**	**–**	**41**
Property development sales	**409**	**576**	**742**	**144**	**1,871**
30 June 2019					
Residential communities	476	468	468	147	1,559
Townhomes	159	30	24	7	220
Apartments	–	40	–	–	40
Property development sales	635	538	492	154	1,819

PROPERTY DEVELOPMENT SALES

Revenue from land and property sales is recognised when control over the property has been transferred to the customer. The properties generally have no alternative use for Stockland due to contractual restrictions. However, an enforceable right to payment does not arise until legal title, and therefore control of the asset, has passed to the customer. Therefore, revenue is recognised at a point in time when legal title, and therefore control of the asset, has passed to the customer.

2. OPERATING SEGMENTS

STOCKLAND

Stockland has four reportable segments, as listed below:

- Commercial Property – invests in, develops and manages Retail town centres, Workplace and Logistics properties;
- Residential – delivers a range of masterplanned and mixed use residential communities in growth areas, and townhomes and apartments in general metropolitan areas;
- Retirement Living – designs, develops and manages communities for over 55s and retirees; and
- Other – dividends/distributions from strategic investments and other items which are not able to be classified within any of the other defined segments.

Together, Residential and Retirement Living represent Stockland's Communities business.

Measurement of segment results

FFO is a non-IFRS measure that is designed to present, in the opinion of the Chief Operating Decision Maker (CODM), the results from ongoing operating activities in a way that appropriately reflects Stockland's underlying performance. FFO is the primary basis on which dividends and distributions are determined, and together with expected capital returns and AFFO impacts, reflects the way the business is managed and how the CODM assesses the performance of Stockland. It excludes costs of a capital nature, and profit or loss made from realised transactions occurring infrequently and those that are outside the course of Stockland's core ongoing business activities. FFO also excludes income tax items that do not result in a cash flow.

A reconciliation from FFO to profit after tax is presented in note 2B.

AFFO is an alternative, secondary, non-IFRS measure used by the CODM to assist in the assessment of the underlying performance of Stockland. AFFO is calculated by deducting maintenance capital expenditure and incentives and leasing costs from FFO.

There is no customer who accounts for more than 10% of the gross revenue of Stockland.

TRUST

The Trust has one reportable segment in which it operates, being Commercial Property. Therefore, no separate segment note has been prepared. The CODM monitors the performance of the Trust in a manner consistent with that of the financial report. Refer to the consolidated statement of comprehensive income for the segment financial performance and the consolidated balance sheet for the assets and liabilities.

There is no customer who accounts for more than 10% of the gross revenue of the Trust.

2A. FFO and AFFO

The contribution of each reportable segment to FFO and AFFO is summarised as follows:

Year ended $M	Residential	Retirement Living	Communities sub-total	Commercial Property	Other	Stockland
30 June 2020						
Segment revenue[1,2]	**1,887**	**130**	**2,017**	**835**	**3**	**2,855**
Segment EBIT[1,2]	**500**	**65**	**565**	**523**	**–**	**1,088**
Amortisation of lease fees	**–**	**–**	**–**	**14**	**–**	**14**
Interest expense in cost of sales	**(128)**	**(7)[3]**	**(135)**	**–**	**–**	**(135)**
Segment FFO[4]	**372**	**58**	**430**	**537**	**–**	**967**
Finance income						**2**
Finance expense						**(88)**
Unallocated corporate and other expenses						**(56)**
FFO						**825**
Maintenance capital expenditure[5]						**(32)**
Incentives and leasing costs[6]						**(57)**
AFFO						**736**
30 June 2019						
Segment revenue[1,2]	1,829	119	1,948	861	1	2,810
Segment EBIT[1,2]	455	62	517	607	–	1,124
Amortisation of lease fees	–	–	–	16	–	16
Interest expense in cost of sales	(93)	(6)[3]	(99)	–	–	(99)
Segment FFO[4]	362	56	418	623	–	1,041
Finance income						4
Finance expense						(87)
Unallocated corporate and other expenses						(61)
FFO						897
Maintenance capital expenditure[5]						(47)
Incentives and leasing costs[6]						(70)
AFFO						780

1 Commercial Property segment revenue and EBIT adds back $75 million (2019: $71 million) of amortisation of lease incentives and excludes $3 million (2019: $3 million) of straight-line rent adjustments.

2 Retirement Living segment revenue and EBIT exclude $29 million (2019: $26 million) of unrealised DMF revenue.

3 $6 million (2019: $6 million) interest expense in Retirement Living is contained in the fair value adjustment of investment properties.

4 Commercial Property segment FFO includes share of profits from equity-accounted investments of $22 million (2019: $30 million).

5 Maintenance capital expenditure includes $6 million (2019: $9 million) of Retirement Living maintenance capital expenditure.

6 Expenditure incurred on incentives and leasing costs during the year excluding centres under construction.

2B. Reconciliation of FFO to profit after tax

FFO excludes adjustments such as unrealised fair value gains/losses, realised transactions occurring infrequently and those that are outside the course of Stockland's core ongoing business activities.

Year ended 30 June ($M)	2020	2019
FFO	**825**	897
Adjust for:		
Amortisation of lease incentives	**(75)**	(71)
Amortisation of lease fees	**(14)**	(16)
Straight–line rent	**3**	3
Net unrealised change in fair value of Commercial Property investment properties[1]	**(452)**	(202)
Net unrealised change in fair value of Retirement Living investment properties	**(152)**	(95)
Net unrealised change in fair value of Retirement Living obligations	**22**	**19**
Unrealised DMF revenue	**29**	26
Net gain/(loss) on financial instruments	**(109)**	(140)
Net gain/(loss) on other financial assets	**(4)**	–
Net gain/(loss) on sale of other non-current assets	**20**	(21)
Net (Impairment)/Reversal of Impairment of Inventories	**–**	1
Impairment of Retirement Living goodwill[2]	**(38)**	(38)
Restructuring cost[3]	**(4)**	(5)
Income tax non–cash	**(47)**	(47)
Other one-off costs[4]	**(18)**	–
Profit/(loss) after tax	**(14)**	311

1 Includes Stockland's share of revaluation relating to properties held through joint ventures (2020: $44 million gain; 2019: $24 million gain) and fair value unwinding of ground leases recognised under AASB 16 (2020: $1 million; 2019: $nil).
2 Write–down of goodwill associated with historic Retirement Living acquisitions.
3 Restructuring cost associated with reorganisation during the period to improve operational efficiencies and position the business for sustainable growth in the future.
4 One-off costs incurred due to the delay of CORE Systems go-live, primarily impacted by COVID-19. To be classified as a one-off, these costs were assessed to have no enduring benefit to Stockland and be highly unlikely to reoccur in future years.

2C. Balance sheet by operating segment

As at $M	Residential	Retirement Living	Communities sub-total	Commercial Property	Unallocated	Stockland
30 June 2020						
Real estate related assets[1,2]	**3,395**	**3,969**	**7,364**	**10,140**	**130**	**17,634**
Other assets	**114**	**11**	**125**	**51**	**1,421**	**1,597**
Assets	**3,509**	**3,980**	**7,489**	**10,191**	**1,551**	**19,231**
Retirement Living resident obligations	**–**	**2,695**	**2,695**	**–**	**–**	**2,695**
Borrowings	**–**	**–**	**–**	**–**	**5,022**	**5,022**
Other liabilities	**1,292**	**10**	**1,302**	**333**	**729**	**2,364**
Liabilities	**1,292**	**2,705**	**3,997**	**333**	**5,751**	**10,081**
Net assets/(liabilities)	**2,217**	**1,275**	**3,492**	**9,858**	**(4,200)**	**9,150**
30 June 2019						
Real estate related assets[1,2]	3,411	4,037	7,448	10,323	36	17,807
Other assets	164	85	249	57	886	1,192
Assets	3,575	4,122	7,697	10,380	922	18,999
Retirement Living resident obligations	–	2,597	2,597	–	–	2,597
Borrowings	–	–	–	–	4,704	4,704
Other liabilities	951	20	971	157	742	1,870
Liabilities	951	2,617	3,568	157	5,446	9,171
Net assets/(liabilities)	2,624	1,505	4,129	10,223	(4,524)	9,828

1 Includes non-current assets held for sale, inventories, investment properties, equity-accounted investments and certain other assets.
2 Includes equity-accounted investments of $354 million (2019: $612 million) in Commercial Property.

3. EPS

KEEPING IT SIMPLE

EPS is the amount of post-tax profit attributable to each security.

Basic EPS is calculated as statutory profit for the period divided by the weighted average number of securities outstanding. This is highly variable as it includes unrealised fair value movements in investment properties and financial instruments.

Diluted EPS adjusts the basic EPS for the dilutive effect of any instruments, such as Security Plan rights, that could be converted into securities.

Basic FFO per security is disclosed in the Directors' report and more directly reflects underlying income performance of the portfolio.

3A. Basic and diluted EPS

Year ended 30 June	Stockland		Trust	
cents	2020	2019	2020	2019
Basic EPS	**(0.6)**	13.0	**(2.6)**	10.1
Diluted EPS	**(0.6)**	13.0	**(2.6)**	10.1

3B. Earnings used in calculating EPS

Year ended 30 June	Stockland		Trust	
$M	2020	2019	2020	2019
Profit/(loss) after tax attributable to securityholders	**(14)**	311	**(62)**	242

3C. Weighted average number of securities used as the denominator

	Stockland and Trust	
As at 30 June	2020	2019
Weighted average number of securities used in calculating basic EPS	**2,378,133,131**	2,400,974,898
Effect of rights and securities granted under Security Plans	**1,945,535**	3,154,024
Weighted average number of securities in calculating diluted EPS	**2,380,078,666**	2,404,128,922

Rights and securities granted under Security Plans are only included in diluted EPS where Stockland is meeting performance hurdles for contingently issuable security based payment rights.

4. DIVIDENDS AND DISTRIBUTIONS

STOCKLAND CORPORATION LIMITED

There were no dividends from Stockland Corporation Limited during the current or previous financial years. The dividend franking account balance as at 30 June 2020 is $14 million based on a 30% tax rate (2019: $14 million).

STOCKLAND TRUST

For the current year, the interim and final distributions are paid solely out of the Trust and therefore the franking percentage is not relevant.

	Date of payment		Cents per security		Total amount ($M)		Non attributable (%)	
	2020	2019	2020	2019	2020	2019	2020	2019
Interim distribution	**28 February**	28 February	**13.5**	13.5	**321**	325	**31.6**	33.7
Final distribution	**31 August**	30 August	**10.6**	14.1	**253**	336	**–**	23.2
Total distribution			**24.1**	27.6	**574**	661	**0.8**	28.4

The non-attributable component represents the amount distributed in excess of Stockland Trust's taxable income (disregarding any Capital Gains Tax discount applied to any capital gains derived by Stockland Trust in the year).

BASIS FOR DISTRIBUTION

Stockland's distribution policy is to pay the higher of 100% of Trust taxable income or 75% to 85% of FFO over time. The payout ratio for the current and comparative periods is summarised as follows:

Year ended 30 June ($M)	Note	2020	2019
FFO[1]	2	**825**	897
Weighted average number of securities used in calculating basic EPS	3	**2,378,133,131**	2,400,974,898
FFO per security		**34.7**	37.4
Distribution per security for the year	4	**24.1**	27.6
Payout ratio		**70%**	74%

1 FFO is a non-IFRS measure. A reconciliation from FFO to statutory profit after tax is presented in note 2B.

Operating assets and liabilities

IN THIS SECTION

This section shows the real estate and other operating assets used to generate Stockland's trading performance and the liabilities incurred as a result.

5. INVENTORIES

KEEPING IT SIMPLE

A Whole of Life (WOL) methodology is applied to calculate the margin percentage over the life of each project. All costs, including those costs spent to date and those forecast in the future, are allocated proportionally in line with net revenue for each lot to achieve a WOL margin percentage. The WOL margin percentage, and therefore allocation of costs, can change as revenue and cost forecasts are updated.

The determination of the WOL margin percentage requires significant judgement in estimating future revenues and costs. The WOL margin percentages are regularly reviewed and updated in project forecasts across the reporting period to ensure these estimates reflect market conditions through the cycle.

As at 30 June	Stockland					
	2020			2019		
$M	Current	Non-current	Total	Current	Non-current	Total
Completed inventory						
Cost of acquisition	**85**	**–**	**85**	95	–	95
Development and other costs	**224**	**–**	**224**	291	–	291
Interest capitalised	**23**	**–**	**23**	37	–	37
Impairment provision	**(5)**	**–**	**(5)**	(12)	–	(12)
Completed inventory[1]	**327**	**–**	**327**	411	–	411
Development work in progress						
Cost of acquisition	**212**	**1,988**	**2,200**	354	1,665	2,019
Development and other costs	**81**	**444**	**525**	137	486	623
Interest capitalised	**30**	**302**	**332**	93	290	383
Impairment provision	**(8)**	**(105)**	**(113)**	(21)	(107)	(128)
Residential communities	**315**	**2,629**	**2,944**	563	2,334	2,897
Cost of acquisition	**–**	**127**	**127**	10	101	111
Development and other costs	**–**	**9**	**9**	6	4	10
Interest capitalised	**–**	**3**	**3**	1	1	2
Apartments	**–**	**139**	**139**	17	106	123
Cost of acquisition	**24**	**71**	**95**	5	54	59
Development and other costs	**3**	**–**	**3**	1	6	7
Interest capitalised	**3**	**–**	**3**	1	1	2
Impairment provision	**–**	**(9)**	**(9)**	–	(9)	(9)
Logistics	**30**	**62**	**92**	7	52	59
Cost of acquisition	**3**	**2**	**5**	2	3	5
Development and other costs	**14**	**8**	**22**	5	5	10
Interest capitalised	**1**	**–**	**1**	–	–	–
Aspire villages	**18**	**10**	**28**	7	8	15
Development work in progress	**363**	**2,840**	**3,203**	594	2,500	3,094
Inventories	**690**	**2,840**	**3,530**	1,005	2,500	3,505

1 Mainly comprises residential communities. Includes Logistics projects of $nil million (2019: $3 million) and Aspire villages of $6 million (2019: $30 million). No apartments are included in completed inventory in the current or prior year.

The following impairment provisions are included in the inventory balance with movements for the period recognised in profit or loss:

$M	Residential communities	Apartments	Logistics	Aspire villages	Total
Balance at 1 July 2019	140	–	9	–	149
Amounts utilised	**(22)**	**–**	**–**	**–**	**(22)**
Reversal of provisions previously recorded	**(14)**	**–**	**–**	**–**	**(14)**
Additional provisions created	**14**	**–**	**–**	**–**	**14**
Balance at 30 June 2020	**118**	**–**	**9**	**–**	**127**

Properties held for development and resale are stated at the lower of cost and net realisable value. Cost includes the costs of acquisition, development and holding costs such as borrowing costs, rates and taxes. Holding costs incurred after completion of development activities are expensed. Inventory is classified as current if it is completed or work in progress expected to be settled within 12 months, otherwise it is classified as non-current.

COST OF ACQUISITION

The cost of acquisition comprises the purchase price of the land, including land under option, along with any direct costs incurred as part of the acquisition including legal, valuation and stamp duty costs.

The payments for land of $324 million (2019: $576 million) reported in the statement of cash flows are in respect of land that will be developed in the short-term as well as long-term.

LAND UNDER OPTION

Stockland has a number of arrangements with third parties primarily relating to the purchase of land on capital efficient terms, through call or put and call option arrangements.

Where the arrangement uses call options only, the decision to proceed with a purchase is controlled by Stockland. A future obligation under a call option is only triggered if Stockland exercises the option. No asset or liability for the land under option is recognised on the balance sheet until the option has been exercised. The call option is not disclosed as a capital commitment as there is no commitment to purchase until the option is exercised.

Where the arrangement includes both put and call options and the put option requires Stockland to purchase the land at the discretion of the seller, it creates a present obligation once the option is exercised by the holder. If Stockland also presently exhibits control over the future economic benefits of the asset such as via a presently exercisable call option or physical control of the asset, the land is recognised in inventories with a corresponding liability recognised in provisions for development costs at the exercise price of the option.

For both put and call options, any costs incurred in relation to the options, including option fees, are included in inventories.

DEVELOPMENT AND OTHER COSTS

Costs include variable and fixed costs directly related to specific contracts, costs related to general contract activity which can be allocated to specific projects on a reasonable basis, and other costs specifically chargeable under the contract including under rectification provisions.

INTEREST CAPITALISED

Financing costs on qualifying assets are also included in the cost of inventories. Finance costs were capitalised at interest rates ranging from 3.5 to 4.6% during the financial year (2019: 4.0 to 5.0%).

ALLOCATION OF INVENTORIES TO COST OF SALES

A Whole of Life (WOL) methodology is applied to calculate the margin percentage for each project. On settlement, all costs, including those spent to date and those forecast in the future, are proportionally allocated to each lot in line with net revenue and released from inventories to cost of sales. The allocation of costs can change throughout the life of the project, as revenue and cost forecasts are updated to reflect market conditions not previously forecast.

IMPAIRMENT PROVISION

The net realisable value of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and costs to sell. Net realisable value is based on the most reliable evidence available at 30 June 2020 of the amount the inventories are expected to be realised at (using estimates such as revenue escalations) and the estimate of total costs (including costs to complete). These estimates take into consideration fluctuations of price or cost directly relating to events occurring after the end of the period to the extent that such events confirm conditions existing at the end of the period. This is an area of accounting estimation and judgement for Stockland.

Each reporting period, key estimates are reviewed including the costs of completion, sales rates and revenue escalations to determine whether an impairment provision is required where cost (including costs to complete) exceeds net realisable value. For the year ended 30 June 2020, there was no net impairment charge as a result of this review. In 2019 there was a net $1 million reversal.

COVID-19 has created uncertainty in residential property markets as at 30 June 2020. Management undertook an extensive impairment review of all development projects. Based on information available at 30 June 2020 and the information arising since that date about conditions at that date, the Directors have determined that the inventory balances reported are held at the lower of cost or net realisable value. To address the uncertainty in net realisable value in the current environment between the date of the impairment assessments and signing of this report, the Directors reviewed market dynamics and project performance on an ongoing basis to ensure that the inventory balance remains recoverable through sale. However, new information regarding the impact of the COVID-19 pandemic and the pace of economic recovery may still come to light after the date of signing of this report.

To illustrate the exposure of inventory to impairment as a result of changes in the economic environment, a sensitivity analysis over the key drivers of recoverability most affected by the current uncertainty has been prepared across all inventory projects. An extended economic slowdown may lower demand for purchases in the near-term, leading to slower sales rates and reduced pricing. However, government stimulus such as the Federal Government's HomeBuilder grant program, has buoyed demand for Stockland's products in most markets in the last quarter of FY20 and the first quarter of FY21. At this stage, the eligibility period for this grant expires in December 2020. Further, Stockland has a range of options available such as altering the product mix, the timing of production and the release of lots for sale, which it can use to preserve margins and mitigate the risk of future impairments. While it is unlikely that these drivers would move in isolation, these sensitivities have been performed independently to illustrate the impact each individual driver has on the reported net realisable value of inventory and they do not represent management's estimate at 30 June 2020.

Stockland	Sales price	Average 3 year price growth[1]	1-year sales rate
$M	5% Decrease	0%	25% reduction
Additional impairment charge on inventories	(46)	(85)	–

1 The average 3 year price growth underpinning the 30 June 2020 impairment assessment is 2.9%.

Key inputs used to assess impairment of inventories are:

Item	Description
Sales rates	Assumptions on the number of lot sales expected to be achieved each month.
Current sales price	Sales prices are generally reviewed semi-annually by the sales and development teams in light of internal benchmarking and market performance and are approved by the General Manager Communities Sales and CEO Communities.
Revenue escalation rates	The annual growth rate a lot is expected to increase in value by until point of sale.
Costs to complete	The cost expected to be incurred to bring remaining lots to practical completion and any rectification provisions specifically chargeable under contracts.
Cost escalation rates	The annual increase in base costs applied up to the period in which the costs are incurred.
Financing costs	Assumptions on the annual interest rates underpinning future finance costs capitalised to the cost of inventories.
Selling costs	The costs expected to be incurred to complete sale of inventories.

DEVELOPMENT COST PROVISIONS

As at 30 June	2020			2019		
$M	Current	Non-current	Total	Current	Non-current	Total
Development cost provisions	**290**	**501**	**791**	343	370	713

	$M
Balance at 1 July 2019	713
Additional provisions	**417**
Amounts utilised	**(339)**
Balance at 30 June 2020	**791**

The development cost provisions reflect obligations as at 30 June 2020 that arose as a result of past events. This balance includes deferred land options, and cost to complete provisions for both active and traded out projects. They are determined by discounting the expected future cash outflows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

6. COMMERCIAL PROPERTY

As at 30 June	Stockland		Trust	
$M	2020	2019	2020	2019
Retail Town Centres	**5,910**	6,726	**5,910**	6,724
Logistics	**2,859**	2,537	**2,859**	2,537
Workplace	**1,084**	891	**1,130**	925
Retirement Living[1]	**33**	20	**–**	–
Capital works in progress and sundry properties	**307**	190	**252**	133
Book value of commercial property	**10,193**	10,364	**10,151**	10,319
Less amounts classified as:				
• cost to complete provision	**(19)**	(42)	**(19)**	(42)
• property, plant and equipment	**(130)**[2]	(43)	**–**	–
• non-current assets held for sale	**(469)**	(171)	**(469)**	(171)
• other assets (including lease incentives and fees)	**(256)**	(273)	**(255)**	(280)
• other assets (including lease incentives and fees) attributable to equity-accounted investments	**(1)**	(5)	**(1)**	(5)
• other receivables (straight-lining of rental income)	**(69)**	(74)	**(70)**	(77)
• other receivables (straight-lining of rental income) attributable to equity-accounted investments	**(7)**	(10)	**(7)**	(10)
Investment properties (including Stockland's share of investment properties held by equity-accounted investments)	**9,242**	9,746	**9,330**	9,734
Less: Stockland's share of investment properties held by equity-accounted investments	**(352)**	(601)	**(352)**	(601)
Investment properties	**8,890**	9,145	**8,978**	9,133
Net carrying value movements				
Balance at 1 July	**9,145**	9,563	**9,133**	9,487
Acquisitions	**613**	17	**613**	10
Expenditure capitalised	**246**	260	**359**	309
Transfers to non-current assets held for sale	**(469)**	(171)	**(469)**	(171)
Movement in ground leases of investment properties	**27**[3]	–	**27**[3]	–
Transfers to inventories	**–**	(29)	**–**	–
Disposals	**(176)**	(267)	**(176)**	(266)
Net change in fair value	**(496)**	(228)	**(509)**	(236)
Balance at 30 June	**8,890**	9,145	**8,978**	9,133

1 The investment property balance at 30 June 2020 includes $33 million of healthcare and childcare centre Commercial Property held by the Retirement Living business (2019: $20 million) to be leased to tenants under commercial leases.

2 Increase in property, plant and equipment is driven by the acquisition of Stockland Piccadilly.

3 $27 million is driven by adoption of AASB 16 Leases.

RETAIL TOWN CENTRES

Stockland	Independent valuation		Independent valuers' capitalisation rate %		Book value	
$M	Date	$M	2020	2019	2020	2019
Directly owned						
Stockland Green Hills, East Maitland NSW	Jun-20	754	**5.75**	5.50	**754**	821
Stockland Wetherill Park, Western Sydney NSW	Jun-20	648	**5.50**	5.25	**648**	722
Stockland Shellharbour, Shellharbour NSW[1]	Jun-20	620	**5.75**	5.50	**620**	727
Stockland Merrylands, Merrylands NSW	Jun-20	513	**5.75**	5.50	**513**	573
Stockland Rockhampton, Rockhampton QLD	Jun-20	351	**6.00**	6.00	**351**	359
Stockland Glendale, Newcastle NSW	Jun-20	290	**6.25**	6.00	**290**	330
Stockland Point Cook, Point Cook VIC	Jun-20	210	**6.75**	6.50	**210**	238
Stockland Baldivis, Baldivis WA	Jun-20	182	**6.50**	6.25	**182**	190
Stockland Burleigh Heads, Burleigh Heads QLD[2]	Jun-20	179	**6.75**	6.50 – 7.00	**179**	191
Stockland Forster, Forster NSW	Jun-20	178	**6.50**	6.25	**178**	177
Stockland Townsville, Townsville QLD (50%)[2,3]	Jun-20	165	**6.00 – 6.75**	5.75 – 6.50	**165**	183
Stockland Hervey Bay, Hervey Bay QLD	Jun-20	165	**7.00**	6.50	**165**	185
Stockland Cairns, Cairns QLD	Jun-20	162	**6.75**	6.50	**162**	183
Stockland Wendouree, Wendouree VIC	Jun-20	158	**6.75**	6.50	**158**	181
Stockland The Pines, Doncaster East VIC[4]	n/a	n/a	**n/a**	6.25	**147**	185
Stockland Balgowlah, Balgowlah NSW	Jun-20	145	**6.00**	6.00	**145**	154
Stockland Baulkham Hills, Baulkham Hills NSW[4]	n/a	n/a	**n/a**	6.50	**140**	151
Stockland Bundaberg, Bundaberg QLD	Jun-20	137	**6.75**	6.50	**137**	146
Stockland Gladstone, Gladstone QLD[2,1]	Jun-20	127	**6.75 – 7.00**	6.75	**127**	130
Stockland Nowra, Nowra NSW	Jun-20	107	**6.75**	6.50	**107**	121
Stockland Caloundra, Caloundra QLD[4]	n/a	n/a	**n/a**	6.25	**93**	110
Stockland Traralgon, Traralgon VIC	Jun-20	83	**7.5**	7.00	**83**	96
Stockland Birtinya, Birtinya QLD[2]	Jun-20	71	**5.75 – 6.25**	6.00 – 6.25	**71**	67
Shellharbour Retail Park, Shellharbour NSW	Jun-20	68	**7.00**	7.00	**68**	65
Stockland Bull Creek, Bull Creek WA	Jun-20	67	**6.75**	6.75	**67**	88
Stockland Harrisdale Complex, Harrisdale WA	Jun-20	57	**6.50**	6.50	**57**	57
Stockland Baringa, Baringa QLD[5]	Jun-20	22	**6.00**	n/a	**22**	–
North Shore Townsville, Townsville QLD[4]	n/a	n/a	**n/a**	7.00	**15**	17
Stockland Townsville Kingsvale Sunvale, Aitkenvale QLD (50%)[3,6]	Dec-18	5	**n/a**	n/a	**2**	2
Stockland Jesmond, Newcastle NSW[7]	n/a	n/a	**n/a**	7.50	**–**	118
Stockland Tooronga, Tooronga VIC[7]	n/a	n/a	**n/a**	6.00	**–**	62
Stockland Cammeray, Cammeray NSW[7]	n/a	n/a	**n/a**	6.75	**–**	38
Owned through equity-accounted investments						
Stockland Riverton, Riverton WA (50%)	Jun-20	54	**6.75**	6.50	**54**	62
Retail Town Centres[8]					**5,910**	6,726

1 Independent valuation excludes the adjacent property owned by Stockland.
2 A range of capitalisation rates are disclosed for a complex comprising of a number of properties.
3 Stockland's share of this property is held through a direct interest in the asset.
4 Asset held for sale at year end.
5 Property was acquired during the year.
6 Independent valuation based on 100% ownership.
7 Property was sold during the year.
8 Totals may not add due to rounding.

LOGISTICS

Stockland	Independent valuation		Independent valuers' capitalisation rate %		Book value	
$M	Date	$M	2020	2019	2020	2019
Directly owned						
Yennora Distribution Centre, Yennora NSW	Jun-20	524	**5.50**	6.00	**524**	475
Triniti Business Park, North Ryde NSW	Jun-20	233	**5.75**	6.00	**233**	212
Ingleburn Logistics Park, Ingleburn NSW	Jun-20	201	**5.25**	6.00	**201**	184
Brooklyn Distribution Centre, Brooklyn VIC	Jun-20	135	**5.75**	6.00	**135**	122
60–66 Waterloo Road, Macquarie Park NSW[1]	Jun-20	130	**5.88 – 6.00**	6.00 – 6.37	**130**	116
Hendra Distribution Centre, Brisbane QLD	Jun-20	114	**6.75**	7.00	**114**	114
Coopers Paddock, Warwick Farm NSW	Jun-20	113	**5.00**	6.00	**113**	99
Mulgrave Corporate Park, Mulgrave VIC	Jun-20	98	**6.75**	7.00	**98**	95
Granville Industrial Estate, Granville NSW[1]	Jun-20	81	**5.75 – 6.00**	6.25 – 6.75	**81**	74
Forrester Distribution Centre, St Marys NSW	Jun-20	78	**6.25**	7.00	**78**	76
Carole Park, Carole Park QLD[2]	Jun-20	75	**5.25 – 6.00**	n/a	**75**	–
Oakleigh Industrial Estate, Oakleigh South VIC	Jun-20	70	**5.75**	6.00	**70**	67
16 Giffnock Avenue, Macquarie Park NSW	Jun-20	69	**6.00**	7.00	**69**	64
Willawong Industrial Estate, QLD	Jun-20	65	**6.00**	7.00	**65**	38
Somerton Distribution Centre, Somerton VIC[1]	Jun-20	64	**6.25 – 6.50**	7.00	**65**	63
Balcatta Distribution Centre, Balcatta WA[3]	n/a	n/a	**n/a**	7.00	**64**	56
Macquarie Technology Business Park, Macquarie Park NSW[1]	Jun-20	61	**n/a**	6.63 – 7.50	**61**	59
23 Wonderland Drive, Eastern Creek NSW	Jun-20	55	**5.00**	6.00	**55**	47
Altona Industrial Estate, Altona VIC	Jun-20	51	**6.00**	6.00	**51**	50
M1 Yatala Enterprise Park, Yatala QLD	Jun-20	48	**6.25**	n/a	**48**	6
KeyWest Distribution Centre, Truganina VIC[2]	Jun-20	46	**5.13**	n/a	**46**	–
Altona Distribution Centre, Altona VIC[1,4]	Jun-20	43	**5.75 – 6.00**	6.00	**43**	59
Wetherill Park Distribution Centre, Wetherill Park NSW	Jun-20	37	**5.75**	6.00	**37**	33
Smeg Distribution Centre, Botany NSW	Jun-20	36	**4.75**	5.00	**36**	32
72–76 Cherry Lane, Laverton North VIC	Jun-20	34	**6.25**	6.00	**34**	33
Erskine Park, Erskine Park NSW	Jun-20	30	**4.75**	5.00	**30**	28
Richlands, Richlands QLD[2]	Jun-20	14	**6.50**	n/a	**14**	–
Port Adelaide Distribution Centre, Port Adelaide SA[5]	n/a	n/a	**n/a**	10.00	–	78
40 Scanlon Drive, Epping VIC[5]	n/a	n/a	**n/a**	6.00	–	13
Export Distribution Centre, Brisbane Airport QLD[6]	n/a	n/a	**n/a**	11.00	–	7
Owned through equity-accounted investments						
Optus Centre, Macquarie Park NSW (51%)[7]	Mar-20	292	**5.00**	6.00	**292**	240
Logistics[8]					**2,859**	2,537

1 A range of capitalisation rates are disclosed for a complex comprising of a number of properties.
2 Property was acquired during the year.
3 Asset held for sale at year end.
4 11-25 Toll Drive was sold during the year.
5 Property was sold during the year.
6 Property was a leasehold property that was sold during the year.
7 The valuation received in March 2020 was reassessed in June 2020 by the same valuer. It was determined that no adjustment to the valuation originally provided was required.
8 Totals may not add due to rounding.

WORKPLACE

Stockland	Independent valuation		Independent valuers' capitalisation rate %		Book value	
$M	Date	$M	2020	2019	2020	2019
Directly owned						
Stockland Piccadilly, 133–145 Castlereagh Street, Sydney NSW[1,2,3,4,5]	Jun-20	697	**5.25 – 5.75**	5.25 – 6.00	**651**	309
601 Pacific Highway, St Leonards NSW	Jun-20	125	**6.00**	6.00	**125**	117
Durack Centre, 263 Adelaide Terrace, Perth WA[1,2]	Jun-20	91	**8.75 – 9.00**	7.75 – 8.25	**118**	108
118 Walker Street, North Sydney NSW[6]	Jun-20	91	**n/a**	n/a	**91**	–
110 Walker Street, North Sydney NSW	Jun-20	62	**n/a**	5.75	**62**	45
122 Walker Street, North Sydney NSW[6]	Jun-20	37	**n/a**	n/a	**37**	–
Owned through equity–accounted investments						
135 King Street, Sydney NSW (50%)[1,7]	–	–	**n/a**	4.00 – 5.00	**–**	313
Workplace[8]					**1,084**	891

1 A range of capitalisation rates are disclosed for a complex comprising of a number of properties.
2 Property is a leasehold property.
3 During the year Stockland acquired the remaining 50% of the property. Stockland now owns 100% of Stockland Piccadilly.
4 Book value includes the retail component of the property.
5 The book value excludes the revaluation relating to the area occupied by Stockland. This owner-occupied area is classified as property, plant and equipment and is recognised at historical cost.
6 Property was acquired during the year.
7 Stockland disposed of its investment in The King Trust during the year.
8 Totals may not add due to rounding.

INVESTMENT PROPERTIES

Commercial Property comprises investment interests in land and buildings including integral plant and equipment held for the purpose of producing rental income, capital appreciation or both.

Commercial Property is initially recognised at cost including any acquisition costs and subsequently stated at fair value at each balance date. Fair value is based on the latest independent valuation adjusted for capital expenditure and capitalisation and amortisation of lease incentives since the date of the independent valuation report. Any gain or loss arising from a change in fair value is recognised in profit or loss in the period. The valuation of Commercial Property is a key area of accounting estimation and judgement for Stockland.

Commercial Property under development is classified as investment property and stated at fair value at each balance date. Fair value is assessed with reference to reliable estimates of future cash flows, status of the development and the associated risk profile. Finance costs incurred on properties undergoing development or redevelopment are included in the cost of the development.

A property interest under an operating lease is classified and accounted for as an investment property on a property-by-property basis when Stockland holds it to earn rentals or for capital appreciation or both. Any such property interest under a financing lease classified as an investment property is carried at fair value.

SUBSEQUENT COSTS

Stockland recognises in the carrying amount of an investment property the cost of replacing part of that investment property if it is probable that the future economic benefits embodied within the item will flow to Stockland and the cost can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

LEASE INCENTIVES

Lease incentives provided by Stockland to lessees, and rental guarantees which may be received by Stockland from third parties (arising from the acquisition of investment properties), are included in the measurement of fair value of investment property and are treated as separate assets. Such assets are amortised over the respective periods to which the lease incentives and rental guarantees apply using a straight-line basis.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment and its fair value at the date of reclassification becomes its cost for accounting purposes.

DISPOSAL OF REVALUED ASSETS

The gain or loss on disposal of revalued assets is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal and is recognised in profit or loss in the year of disposal.

6A. Fair value measurement, valuation techniques and inputs

The adopted valuations (both internal and external) for investment properties in the Retail Town Centres, Logistics and Workplace portfolios are a combination of the valuations determined using the Discounted Cash Flow (DCF) method, the income capitalisation method and the direct comparison method.

In ordinary years, the adopted value of properties in the properties under development portfolio is based on an internal tolerance check performed by the Directors at each reporting date. The tolerance check takes into account the expected cost of completion, the stage of completion, the risk associated with the project, expected underlying income and applying the income capitalisation method.

COVID-19 has created a level of uncertainty in investment property markets as at 30 June 2020. As a result, the Directors engaged external valuation experts to value 100% of Stockland's Commercial Property assets (excluding sundry properties) at that date, in addition to the usual internal and external processes undertaken to ensure that assets are carried at fair value. Across the portfolio, valuers adopted a range of adjustments to reflect the short-term impact of the current situation. These adjustments, which were made based on property-specific factors and considered each property's tenancy mix, included increases in vacancy periods, increases in operating costs for common area cleaning, reductions in revenues for lease abatements, reductions in renewal assumptions on expiry, and reductions in rental growth rates. Generally, the external experts applied these adjustments over a forward-looking period of six months to two years, with an assumed return to long-term averages after that point. The greatest negative valuation impact at 30 June 2020 is seen in Retail, with Workplace and Logistics less impacted.

Whilst the above short-term impacts have been factored into valuations, the external valuers have indicated that their valuations are subject to material uncertainty on a forward-looking basis. They have certified that their valuations were appropriate on the valuation date of 30 June 2020, but do state that due to the current market uncertainty the valuations may change materially after that date as new information comes to light.

Based on available information at 30 June 2020 and information arising since that date about conditions at that date, the Directors have determined that all relevant information has been incorporated into the reported valuations. To address the material uncertainty raised by the external valuation experts between the date of valuation and the date of authorisation of this report, the Directors have reviewed relevant market information on an ongoing basis, ensuring that the Commercial Property balances reported represent the fair value of the properties at 30 June 2020.

To illustrate the exposure of the carrying value of Commercial Property at 30 June 2020 to further fair value movements as a result of changes in the economic environment, a sensitivity analysis of fair value has been prepared over the key drivers most affected by the current uncertainty. Commercial Property valuations remain subject to market-based assumptions on discount rates and capitalisation rates. Given the reduced volume of transactions during COVID-19, the volatility in markets and the lack of certainty around economic recovery, it is possible that there will be movements in these key inputs after 30 June 2020. Further, the future operating income of each asset will be affected by the speed of economic recovery and changes in how businesses and individuals interact with our Commercial Property assets. While it is unlikely that these reported drivers would move in isolation, these sensitivities have been performed independently to illustrate the impact each individual driver has on the reported fair value and they do not represent management's estimate at 30 June 2020.

Stockland	**Capitalisation rate**		**Discount rate**		**Net operating income**	
$M	**0.25% Decrease**	**0.25% Increase**	**0.25% Decrease**	**0.25% Increase**	**5% Decrease**	**5% Increase**
Fair value gain/(loss) on						
• Retail Town Centres	**255**	**(235)**	**104**	**(105)**	**(303)**	**303**
• Logistics	**137**	**(124)**	**53**	**(52)**	**(147)**	**147**
• Workplace	**39**	**(37)**	**17**	**(17)**	**(47)**	**47**
Commercial Property	**431**	**(396)**	**174**	**(174)**	**(497)**	**497**

The following table shows the valuation techniques used in measuring the fair value of Commercial Property excluding assets held for sale, as well as significant unobservable inputs used.

Class of property	Fair value hierarchy	Valuation technique	Inputs used to measure	2020	2019
Retail Town Centres	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	$185 – 714	$193 – 736
			10 year average specialty market rental growth	2.17 – 2.85%	2.3 – 3.8%
			Adopted capitalisation rate	5.5 – 7.5%	4.0 – 7.5%
			Adopted terminal yield	5.75 – 7.75%	4.3 – 7.8%
			Adopted discount rate	6.5 – 8.0%	6.3 – 8.0%
Workplace	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	$399 – 922	$389 – 947
			10 year average market rental growth	2.78 – 3.82%	3.0 – 3.9%
			Adopted capitalisation rate	5.25 – 8.91%	5.0 – 8.1%
			Adopted terminal yield	5.63 – 10.16%	5.4 – 8.3%
			Adopted discount rate	6.25 – 7.41%	6.6 – 8.4%
Logistics	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	$69 – 484	$54 – 465
			10 year average market rental growth	1.77 – 3.71%	2.4 – 4.0%
			Adopted capitalisation rate	4.75 – 6.75%	5.0 – 10.3%
			Adopted terminal yield	5.0 – 7.25%	5.25 – 13.1%
			Adopted discount rate	6.75 – 7.75%	6.75 – 9.5%
Properties under development	Level 3	Income capitalisation method	Net market rent (per sqm p.a.)	$105 – 280	$78 – 429
			Adopted capitalisation rate	5.25 – 6.0%	6.25 – 6.5%

Key inputs used to measure fair value for Commercial Property are:

Item	Description
DCF method	Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. The DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the real property.
Income capitalisation method	This method involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value, with allowances for capital expenditure reversions.
Net market rent	A net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In a net rent, the owner recovers outgoings from the tenant on a pro rata basis (where applicable).
10 year average market rental growth	The expected annual rate of change in market rent over a 10 year forecast period in alignment with expected market movements.
10 year average specialty market rental growth	An average of a 10 year period of forecast annual percentage growth rates in Retail specialty tenancy rents. Specialty tenants are those tenancies with a gross lettable area of less than 400 square metres (excludes ATMs and kiosks).
Adopted capitalisation rate	The rate at which net market income is capitalised to determine the value of a property. The rate is determined with regards to market evidence and the prior external valuation.
Adopted terminal yield	The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of the holding period when carrying out the DCF method. The rate is determined with regards to market evidence and the prior external valuation.
Adopted discount rate	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined with regards to market evidence and the prior external valuation.

VALUATION PROCESS

The Commercial Property valuation team is responsible for managing the valuation process across Stockland's Commercial Property investment portfolio. The aim of the valuation process is to ensure that assets are held at fair value in Stockland's accounts and facilitate compliance with applicable regulations (for example the *Corporations Act 2001* and ASIC regulations) and the STML Responsible Entity Constitution and Compliance Plan.

Stockland's external valuations are performed by independent professionally qualified valuers who hold a recognised relevant professional qualification and have specialised expertise in the investment properties valued. Internal tolerance checks have been performed by Stockland's internal valuers who hold recognised relevant professional qualifications.

INTERNAL TOLERANCE CHECK

An internal tolerance check is performed every six months with the exception of those properties being independently valued during the current reporting period. Stockland's internal valuers perform tolerance checks by utilising the information from a combination of asset plans and forecasting tools prepared by the asset management teams. For the Retail Town Centres, Workplace and Logistics classes, appropriate capitalisation rates, terminal yields and discount rates based on comparable market evidence and recent external valuation parameters are used to produce an income capitalisation and DCF valuation. The internal tolerance check gives consideration to both the income capitalisation and DCF valuations.

The current book value, which is the value per the asset's most recent external valuation plus any capital expenditure since the valuation date, is compared to the internal tolerance check.

- If the internal tolerance check is within 5% of the current book value (higher or lower), then the current book value is retained, and judgement is taken that this remains the fair value of the property.
- If the internal tolerance check varies by more than 5% to the current book value (higher or lower), then an external independent valuation will be undertaken and adopted after assessment by the Commercial Property valuation team to provide an appropriate level of evidence to support fair value.

The internal tolerance checks are reviewed by Commercial Property senior management who recommend the adopted valuation to the Audit Committee and Board in accordance with Stockland's internal valuation protocol above.

A development feasibility is prepared for each Commercial Property under development. The feasibility includes an estimated valuation upon project completion based on the income capitalisation method. During the development period, fair value is assessed by reference to the value of the property when complete, less deductions for costs required to complete the project and appropriate adjustments for profit and risk. The fair value is compared to the current book value. In ordinary years:

- If the internal tolerance check is within 5% of the current book value (higher or lower), then the current book value is retained, and judgement is taken that this remains the fair value of the property under development
- If the internal tolerance check varies by more than 5% to the current book value (higher or lower), then an internal valuation will be adopted with an external valuation obtained on completion of the development.

EXTERNAL VALUATIONS

The STML Responsible Entity Compliance Plan requires that each asset in the portfolio must be valued by an independent external valuer at least once every three years.

In practice, assets are generally independently valued more than once every three years primarily as a result of:

- A variation between book value and internal tolerance check. Refer to the internal tolerance check section above.
- The asset undergoing major development or significant capital expenditure.
- An opportunity to undertake a valuation in line with a joint owners' valuation.
- Ensuring an appropriate cross-section of assets are externally assessed at each reporting period.

In the current year, all properties were valued externally.

SENSITIVITY INFORMATION

Significant input	Impact on fair value of an increase in input	Impact on fair value of a decrease in input
Net market rent	Increase	Decrease
10 year average market rental growth	Increase	Decrease
10 year specialty market rental growth	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase
Adopted terminal yield	Decrease	Increase
Adopted discount rate	Decrease	Increase

Generally, a change in the assumption made for the adopted capitalisation rate is accompanied by a directionally similar change in the adopted terminal yield. The adopted capitalisation rate forms part of the income capitalisation approach and the adopted terminal yield forms part of the DCF method.

When calculating the income capitalisation approach, the net market rent has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the net market rent and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the net market rent and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the net market rent and the adopted capitalisation rate could potentially magnify the impact to the fair value.

When assessing a DCF valuation, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving a fair value given the discount rate will determine the rate at which the terminal value is discounted to the present value.

In theory, an increase (softening) in the adopted discount rate and a decrease (tightening) in the adopted terminal yield could potentially offset the impact to the fair value. The same can be said for a decrease (tightening) in the discount rate and an increase (softening) in the adopted terminal yield. A directionally similar change in the adopted discount rate and the adopted terminal yield could potentially magnify the impact to the fair value.

7. RETIREMENT LIVING

KEEPING IT SIMPLE

Stockland offers a range of independent living retirement products to meet the needs of its customers. Customers have a choice of dwelling type and contractual arrangement, depending on their individual preferences, personal circumstances, and the services and support that they require.

DEFERRED MANAGEMENT FEE (DMF) CONTRACTS

The DMF model contracts allow residents to access the full lifestyle offering of a village today and pay for this when they leave the village. Each state has extensive laws and regulations which are designed to protect resident interests which Stockland complies with. DMF contracts are generally affordable as they sell at a lower price than the non-retirement freehold properties in the area.

Retirement Living residents lend Stockland an amount equivalent to the value of the dwelling in exchange for a lease to reside in the village and to access community facilities, which are Stockland owned and maintained, for as long as the resident wants. Stockland records this loan as a resident obligation liability.

During the resident's tenure, Stockland earns DMF revenue which is calculated based on the individual resident contract and depends on the dwelling type, location and specific terms within the agreement. The contract will specify the DMF rate charged each year, and the maximum DMF that will be charged across the life of the contract. The DMF provides customers with the ability to free up equity (usually from the sale of their previous home), giving them extra capital that they can access to fund their retirement lifestyle.

The DMF for an individual resident contract covers the right to reside in the dwelling and the resident's share of up-front capital costs of building the common infrastructure of the village, which typically includes amenities such as a pool, bowling green and community hall, and allows the resident to pay for these at the end of their tenancy, instead of the start. DMF revenue is included in Retirement Living FFO when Stockland receives the accumulated DMF in cash after a resident leaves and either a new resident enters the dwelling, or when it is withheld under an approved investment proposal for development. The accrued portion of DMF forms part of statutory profit only.

The contracts determine how Stockland and the resident will share any net capital gain or loss when the dwelling is re-leased to the next resident. This can range from 0 to 100%; for the majority of existing contracts, the capital gain or loss and refurbishment costs are shared equally.

The Retirement Living segment result also includes the settled development margin associated with new villages and village expansions or redevelopments. This margin represents the unit price realised on first lease less the cost of development and is recognised in FFO on settlement of a newly developed unit.

Unrealised fair value gains or losses from revaluations of investment property and resident obligations are excluded from FFO.

Contract choices under DMF

Stockland continues to improve its customer offerings with Benefits Plus home care partnerships and up-front contract choices, 'Capital Share' and 'Peace of Mind'.

The Capital Share contract offers the resident the opportunity to offset DMF by receiving 50% of any capital gain earned after deducting 50% of any capital expenditures, when the home is resold or after a maximum of 18 months from when the resident leaves the village. In the event of a capital loss, the resident pays 50% of the loss arising to Stockland through a reduction in the exit repayment. DMF is calculated at 5% per annum, capped at 35%.

The Peace of Mind contract offers certainty by ensuring the residents know what the exit repayment will be when they leave the village. It also guarantees that they will be repaid after a maximum of six months from their departure even if their unit has not yet been sold. DMF is calculated at 5% per annum, capped at 25%, and there is no capital expenditure obligation or share in capital gains or losses.

ASPIRE VILLAGES

Aspire villages grant freehold title. Under the agreements, residents purchase their dwelling outright. There is no DMF associated with these sales as the dwelling is no longer owned or maintained by Stockland. Common areas and facilities are owned under a community title managed by a body corporate which is funded by resident contributions. Stockland recognises profit based on property development sales revenue net of associated cost of property developments sold.

LAND LEASE COMMUNITIES (LLC)

Stockland is developing a pipeline of LLC to further broaden its product offering. LLC, commonly referred to as manufactured, mobile or relocatable homes, are typically built on site and are engineered to be relocated. Residents pay an initial purchase price for the home and also ongoing site rental costs (without departure costs), and are entitled to the total capital gain or loss upon sale of the relocatable home. Stockland will operate and retain ownership of the land and common amenity at each community. LLC broadens the customer reach of Stockland's existing communities offering an affordable product to a growing demographic. It provides a potential for improved sales revenue and attractive rental yield while maintaining ownership of the underlying land.

NET CARRYING VALUE

As at 30 June	Stockland	
$M	2020	2019
Operating villages	**3,717**	3,623
Villages under development	**219**	367
Retirement Living investment properties	**3,936**	3,990
Existing resident obligations	**(2,682)**	(2,585)
Net carrying value of Retirement Living villages	**1,254**	1,405
Net carrying value movement during the year		
Balance at 1 July	**1,405**	1,396
Expenditure capitalised	**58**	143
Cash received on first sales	**(131)**	(114)
Realised investment properties fair value movements	**14**	23
Unrealised investment properties fair value movements[1]	**(152)**	(95)
Unrealised Retirement Living Resident Obligations fair value movements	**22**	19
Other movements	**38**	33
Balance at 30 June	**1,254**	1,405

1 Includes a $24m fair value loss due to discounting of vacant stock not expected to settle within the next 12 months (2019: $nil)

7A. Investment properties

Retirement Living investment properties comprise retirement villages (both operating villages and villages under development) held to earn revenue and capital appreciation over the long-term. Retirement villages comprise ILUs, SAs, community facilities and integral plant and equipment.

DISPOSALS

No villages were disposed of during the current year. During the prior year, Stockland disposed of three villages in Victoria for $59 million.

FAIR VALUE MEASUREMENT, VALUATION TECHNIQUES AND INPUTS

The fair value of Retirement Living investment properties (including villages under development) is the value of the Retirement Living assets and the future cash flows associated with the contracts. Changes in fair value of investment properties are recognised in profit or loss.

The fair value is determined by the Directors using a DCF methodology. The valuation of Retirement Living investment properties and resident obligations is a key area of accounting estimation and judgement for Stockland.

Both the investment properties and resident obligations are considered to be level 3 in the fair value hierarchy.

COVID-19 has created a level of uncertainty in relation to the inputs underpinning the Retirement Living investment property valuation. For the year ended 30 June 2020, there was a reduction in the near term growth rates primarily due to COVID-19 and the weighted average discount rate adopted across the Retirement Living properties increased by 0.2% to reflect the ageing of some villages. Demand for the Retirement Living offering may fluctuate in the short-term depending on the wider macroeconomic environment, however Stockland expects demand to be strong in the long-term given the growth in Australia's aged population.

The Directors have determined, based on the available information at 30 June 2020 and the information arising since that date about conditions at that date, that all relevant information has been incorporated into the reported valuations.

Retirement Living valuations are subject to key market-based assumptions including discount rates, the market value of residential units and the growth in those values over time. Given the volatility in markets and the lack of certainty around economic recovery, it is possible there will be movements in these key inputs after 30 June 2020. A protracted economic recovery may result in a slowdown in the wider housing market. As a large proportion of incoming residents must sell their existing homes to fund entry to a village, this may result in a reduction in current market values. Demand may also be positively or negatively impacted by potential residents' perceptions of the advantages and disadvantages of living in a retirement community at this time.

To illustrate the exposure of the carrying value of Retirement Living investment properties at 30 June 2020 to further fair value movements as a result of changes in the economic environment, a sensitivity analysis of fair value has been prepared across all Retirement Living assets over the key drivers most affected by the current uncertainty. While it is unlikely that these drivers would move in isolation, these sensitivities have been performed independently to illustrate the impact each individual driver has on the fair value and they do not represent management's estimate at 30 June 2020.

Stockland	Current market value		Discount rate		Average 3 year price growth[1]
$M	5% Decrease	5% Increase	0.25% Decrease	0.25% Increase	0%
Fair value gain/(loss) on Retirement Living investment property	(57)	57	25	(24)	(76)

1 The average 3 year price growth rate underpinning the 30 June 2020 valuation is 2.5%.

The following significant unobservable inputs are used to measure the fair value of the investment properties:

Inputs used to measure fair value	2020	2019
Discount rate[1]	**12.5 – 15.75% (average: 13.2%)**	12.5 – 14.75% (average: 13.0%)
Average 20 year growth rate[2]	**3.20%**	3.30%
Average length of stay of existing and future residents	**11 years**	11 years
Current market value of unit	**$0.1 – 2.2 million**	$0.1 – 2.2 million
Renovation/reinstatement cost	**$4 – 88 thousand**	$3 – 75 thousand
Renovation recoupment	**0 – 100%**	0 – 100%

1 Discount rate includes a premium to allow for future village-wide capital expenditure.
2 This is the average of the 20 year growth rates adopted across the portfolio. The maximum growth rate adopted is capped at 4%.

The DCF methodology uses unobservable inputs and these are further explained below:

Item	Description
DCF method	Under the DCF method, an asset or liability's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. The DCF method involves the projection of a series of cash flows the property asset will generate. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the real property.
Discount rate	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined with regards to market evidence and the external valuations performed.
20 year growth rate	This represents the rate that the unit is expected to increase in value by over 20 years. It is determined on the basis of the historical performance of the property, available sector and industry benchmarks, available CPI forecasts and the external valuations performed.
Average length of stay of existing and future residents	Assumptions on future resident gender and entry age based upon analysis of historical entrant profiles are used to estimate average length of stay.
Current market value	Market values are generally reviewed semi-annually by the sales and operational teams in light of external valuations performed and the market, and are approved by the General Manager Communities Sales and CEO Communities.
Renovation/ Reinstatement cost	The cost that is required to maintain the independent living units and serviced apartments to the appropriate condition.
Renovation recoupment	The percentage of renovation costs that will be recouped from the residents based on contractual terms.

VALUATION PROCESS

The Retirement Living finance team are responsible for managing the bi-annual DMF valuation process across Stockland's Retirement Living portfolio. The aim of the DMF valuation process is to confirm that assets are held at fair value on Stockland's balance sheet.

ESTABLISHED VILLAGES

Internal valuations are completed every six months using valuation models with reference to external market data. An independent professionally qualified valuer who holds a recognised relevant professional qualification and has specialised expertise in the investment properties valued provides assurance on the key assumptions used. The most recent independent assessment, which was obtained at 31 March 2020, incorporated COVID-19 considerations. Further, through ongoing conversations from April to August 2020 with the independent valuer, which considered actual performance and transactions at a unit level, it was determined that no changes to the assessment were required. Independent investment property valuations are also obtained from time to time. The Directors have considered the changes in market and village specific conditions since the independent assessment in their estimate of fair value at reporting date.

VILLAGES UNDER CONSTRUCTION

Villages under construction are carried at fair value. There are two elements to the value of villages under construction: the value of land and other development expenditure, and the value of discounted future DMF revenue. The land and other development expenditure is made up of costs incurred to date plus a development margin. Development margin is recognised on a percentage of completion basis and is based on an internally certified level of completion of the stage. The DMF asset is also recognised on a percentage of completion basis.

Units are transferred from villages under construction to established villages once they have been leased for the first time. This transfer is at the cost of the unit plus development profit recognised during construction.

SENSITIVITY INFORMATION

Significant input	Impact on fair value of an increase in input	Impact on fair value of a decrease in input
Discount rate	Decrease	Increase
20 year growth rate	Increase	Decrease
Average length of stay of existing and future residents[1]	Decrease	Increase
Current market value of unit	Increase	Decrease
Renovation cost	Decrease	Increase
Renovation recoupment	Increase	Decrease

1 The impact of this is dependent on the length of stay as the majority of contracts have maximum DMF periods.

7B. Resident obligations

Resident obligations represent the net amount owed by Stockland to existing and former residents. Resident obligations are non-interest bearing and net movements are recognised at fair value through profit or loss as the Retirement Living portfolio is measured and assessed by Stockland on a net basis.

CURRENT RESIDENT OBLIGATIONS

Based on actuarial turnover calculations, approximately 8% (2019: 8%) of residents are estimated to depart their dwelling each year and therefore it is not expected that the full obligation to residents will fall due within one year. In the vast majority of cases, the resident obligations are able to be repaid from receipts from incoming residents.

However, resident obligations are classified as current under the Accounting Standards as Stockland does not hold an unconditional contractual right to defer settlement for at least 12 months (residents may give notice of their intention to vacate their unit with immediate effect).

NON-CURRENT RESIDENT OBLIGATIONS

The non-current obligations relate to certain legacy contracts that give Stockland a right to defer settlement of the obligation for up to eight years.

	Stockland					
As at 30 June	**2020**			**2019**		
$M	**Current**	**Non-current**	**Total**	**Current**	**Non-current**	**Total**
Existing resident obligations	**2,587**	**95**	**2,682**	2,490	95	2,585
Former resident obligations	**7**	**6**	**13**	6	6	12
Resident obligations	**2,594**	**101**	**2,695**	2,496	101	2,597

FAIR VALUE MEASUREMENT, VALUATION TECHNIQUES AND INPUTS

The fair value of the resident obligations is the amount payable on demand to residents and comprises the initial loan amount plus the resident's share of any net capital gains or losses in accordance with their contracts, less DMF earned to date. Changes in fair value of resident obligations are recognised in profit or loss.

Inputs used in relation to the resident obligations are identical to those used for investment properties. Refer above for a detailed description of the inputs used. Both the investment properties and resident obligations inputs are considered to be Level 3 in the fair value hierarchy.

The following table shows a reconciliation from the opening to the closing Retirement Living resident obligation balances:

	Stockland	
$M	2020	2019
Opening balance	(2,597)	(2,741)
Realised movement recognised in profit or loss	67	248
Unrealised movement recognised in profit or loss	22	19
Cash receipts from incoming residents on turnover	(332)	(295)
Cash payments to outgoing residents on turnover, net of DMF	145	172
Closing balance	**(2,695)**	**(2,597)**

VALUATION PROCESS

It is impractical to have the resident obligations valued externally, therefore these are valued every six months by the Directors as described above. For the majority of existing contracts, the resident shares net capital gains or losses with Stockland upon exit; therefore, current market value is the only input that significantly impacts the fair value of the resident obligation. The market values are externally reviewed and assessed for reasonableness each reporting period as part of the Retirement Living investment property valuations.

SENSITIVITY INFORMATION

As the resident obligations are a financial liability, a quantitative sensitivity analysis has been disclosed. Sensitivity of the resident obligations to changes in the assumptions are shown below:

		Increase/(decrease) in resident obligations ($M)			
As at 30 June		Increase in input		Decrease in input	
Significant input	Change in assumption	2020	2019	2020	2019
Current market value	10%	170	163	(170)	(163)

8. RECEIVABLES

As at 30 June	Stockland		Trust	
$M	2020	2019	2020	2019
Trade receivables[1]	125	157[2]	32	9
Allowance for expected credit loss	(27)	(2)	(25)	(2)
Net current trade receivables	98	155	7	7
Straight-lining of rental income	8	7	9	7
Other receivables	11	46[2]	14	27
Current receivables	**117**	208	**30**	41
Trade receivables[1]	27	–	27	–
Allowance for expected credit loss	(13)	–	(13)	–
Net non-current trade receivables	14	–	14	–
Straight-lining of rental income	61	67	61	70
Other receivables	42	27	11	–
Receivables due from related companies	–	–	2,948	3,518
Allowance for expected credit loss	–	–	(7)	(8)
Non-current receivables	**117**	94	**3,027**	3,580

1 Lease receivables from tenants total $73 million, of which $27 million is classified as non-current.
2 $53 million which was classified in other receivables in 2019 has been reclassified to trade receivables to align with current year classification.

The loss allowances for trade receivables, tenant receivables, contract assets and the intergroup loan as at 30 June 2020 reconcile to the opening loss allowances as follows:

	Stockland		Trust	
$M	**2020**	**2019**	**2020**	**2019**
Opening ECL balance	**2**	1	**10**	1
Adoption of AASB 9 *Financial Instruments*	**–**	–	**–**	8[1]
Provision raised during the year relating to				
• rent abatements	**29**	–	**29**	–
• credit risk	**40**	1	**38**	2
Provision release during the year	**–**	–	**(1)**	–
Bad debts written off in the year	**(31)**	–	**(31)**	(1)
Closing ECL balance	**40**	2	**45**	10

1 On adoption of AASB 9 Financial Instruments, the Trust was required to recognised an ECL on the cross-stapled loan.

Expected Credit Losses

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance under the Expected Credit Loss (ECL) model. Stockland applies the simplified approach to the ECL calculation used for trade receivables, lease receivables and contract assets, and measures the ECL allowance at an amount equal to lifetime ECL. The lifetime ECL calculation is based on an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Given the possible extended timeframe over which receivables will be collected, the receivables balance has been split between current and non-current based on the expected timing of cash receipts, with cash receipts expected beyond 12 months booked as non-current. This will ensure adequate emphasis is placed on the risk of default as the debt ages and the time value of money.

TRADE RECEIVABLES FROM TENANTS

Prior to the outbreak of COVID-19, Stockland did not have a material tenant receivable balance as most tenants paid rent monthly in advance within a short timeframe from billing date. In response to the operational and liquidity pressures faced by tenants as a result of COVID-19, the Federal Government's Commercial Code of Conduct[2] as implemented under State legislation (the Code) was introduced in April 2020 and requires, among other things, that businesses share the economic impacts arising from COVID-19. As a result, Stockland has deferred rent payments from some tenants for a period of up to two years. Terms are negotiated on a lease-by-lease basis for tenants that come under the Code. In addition, Stockland has entered negotiations with tenants who are not covered by the Code but are experiencing significant financial hardship.

In assessing credit risk, management has applied a matrix approach to categorise tenants as high, medium and low risk of default. In arriving at these categorisations, consideration has been given to a range of risk factors, including:

- whether the tenant's payments were up-to-date leading into COVID-19;
- tenant type and size;
- a qualitative assessment of the tenant's circumstances as part of the negotiation process;
- performance of the tenant's business before and during COVID-19;
- management's forward-looking tenant risk assessment; and
- whether the tenant's occupancy cost ratio is in line with the industry sustainable ratio.

Using all these relevant inputs, an ECL percentage has been booked against each risk category, reflecting management's best estimate of expected losses on balances owed at 30 June 2020 based on the historical, current and future-looking information available at that date. Depending on the speed of economic recovery and the business performance of affected tenants after 30 June 2020, the actual losses may be higher or lower and will be assessed on an ongoing basis. Further, for individual tenants identified as likely to default on their debts, the full value of their debts have been provided for. Despite the ECL booked in 2020, Stockland intends to collect as much of the closing receivables balance as reasonably possible.

For abatements expected to be granted in the future over lease receivables under negotiation at 30 June 2020, a separate ECL provision was both raised and written off during the year. These negotiations are expected to be finalised within a number of months. Rent abatements relating to future periods that change the scope of a lease are accounted for in accordance with the disclosure in Note 10.

2 National Cabinet Mandatory Code of Conduct - SME Commercial Leasing Principles During COVID-19

The loss allowance as at 30 June 2020 is as follows for lease receivables:

	Stockland and Trust				
$M	**Low**	**Medium**	**High**	**Specific**	**Total**
Lease receivables at 30 June 2020	**21**	**24**	**25**	**3**	**73**
ECL provision on lease receivables					**(38)**
Lease receivables net of provisions					**35**

RECEIVABLES DUE FROM RELATED COMPANIES

The Trust has applied the ECL model under AASB 9 to its unsecured intergroup loan receivable from Stockland, repayable in 2023. While there has been no history of defaults, and the loan is considered to be low credit risk, an impairment provision determined as the 12 month ECL has been recorded at balance date. Despite the current economic environment, management has determined that there has not been a significant increase in credit risk on the intercompany loan since its inception as the Corporation maintains a strong capital position and forecasts sufficient cash flows to repay the loan to the Trust on expiry. There is no impact on Stockland as this loan eliminates on consolidation.

9. PAYABLES

As at 30 June		Stockland		Trust	
$M	**Note**	**2020**	**2019**	**2020**	**2019**
Trade payables and accruals		**262**	281	**91**	120
Land purchases		**70**	69	**35**	–
Distributions payable	4	**253**	336	**253**	336
GST payable/(receivable)		**8**	10	**(1)**	(1)
Current payables		**593**	696	**378**	455
Other payables		**1**	–	**–**	–
Land purchases		**507**	147	**–**	–
Non-current payables		**508**	147	**–**	–

Trade and other payables are initially recognised at fair value less transaction costs and subsequently carried at amortised cost.

The carrying values of payables at balance date represent a reasonable approximation of their fair value.

10. LEASES

This note provides information about Stockland's accounting for leases. Stockland adopted AASB 16 *Leases* on 1 July 2019 – see note 36A for the impact on adoption.

Stockland as a lessee

AMOUNTS RECOGNISED IN THE CONSOLIDATED BALANCE SHEET

The consolidated balance sheet contains the following amounts relating to leases:

As at 30 June	Stockland		Trust	
$M	2020	2019[1,2]	2020	2019[1,3]
Right-of-use assets				
Investment properties (non-current)[4]	**27**	36	**27**	36
Other assets (non-current)[5]	**14**	5	**–**	–
Total right-of-use assets	**41**	41	**27**	36
Lease liabilities				
Other liabilities (current)	**2**	1	**–**	–
Other liabilities (non-current)	**41**	47	**28**	42
Total lease liabilities	**43**	48	**28**	42

1 On adoption of AASB 16 Leases as at 1 July 2019.
2 In the previous year, Stockland only recognised lease assets and lease liabilities relating to leases that were classified as finance leases under AASB 117 Leases . Refer to note 36A for adjustments recognised on adoption of AASB 16.
3 In the previous year, the Trust only recognised lease assets and lease liabilities relating to leases that were classified as finance leases under AASB 117 Leases . Refer to note 36A for adjustments recognised on adoption of AASB 16.
4 Right-of-use assets capitalised to investment properties include ground leases for Durack Centre, WA.
5 Right-of-use assets capitalised to other assets includes the lease for Stockland's Brisbane office, Stockland's Melbourne office and a number of other individually immaterial operating leases.

Additions to the right-of-use assets during the year were $10 million.

AMOUNTS RECOGNISED IN THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The consolidated statement of comprehensive income contains the following amounts relating to leases:

Year ended 30 June	Stockland		Trust	
$M	2020	2019	2020	2019
Depreciation charge of right-of-use assets				
Investment properties	**1**	–	**1**	–
Other assets	**1**	–	**–**	–
Total depreciation charge of right-of-use assets	**2**	–	**1**	–
Other expenses relating to leases				
Interest expense (included in finance expense)	**2**	–	**2**	–
Expense relating to short-term leases (included in management, administration, marketing and selling expenses)	**2**	–	**–**	–
Total other expenses relating to leases	**4**	–	**2**	–

The total cash outflow for leases in the year was $7 million.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

RIGHT-OF-USE ASSETS

Right–of–use assets are measured at cost less depreciation and impairment and adjusted for any remeasurement of the lease liability. The cost of the asset includes the amount of the initial measurement of lease liability and any lease payments made at or before the commencement date, less any lease incentives received, any initial direct costs, and restoration cost.

Right–of–use assets are depreciated on a straight–line basis from the commencement date of the lease to the earlier of the end of the useful life of the right–of–use asset or the end of the lease term, unless they meet the definition of an investment property. Right–of–use assets which meet the definition of an investment property form part of the investment property balance and are measured at fair value in accordance with AASB 140 *Investment Property* (refer to note 6 and below section on ground leases).

The lease term is the non–cancellable period of a lease together with the lease period under reasonably certain extension options and periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Management considers all the facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. This assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. No lease terms were revised during the period.

Stockland tests right–of–use assets for impairment where there is an indicator that the asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Stockland's right–of–use assets are all property leases.

Payments associated with lease terms of 12 months or less and leases of low value assets are recognised in profit or loss.

LEASE LIABILITIES

Lease liabilities are initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease. If that rate cannot be determined, Stockland's incremental borrowing rate is used. Lease payments used in calculating the lease liability include:

- fixed payments less incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate at commencement date;
- payments of penalties for terminating the lease if the lease term reflects Stockland exercising that option; and
- lease payments to be made under options for extension which are reasonably certain to be exercised.

Lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect the lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications. Interest on the lease liability and any variable lease payments not included in the measurement of the lease liability are recognised in profit or loss in the period in which they relate.

Stockland is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

INCREMENTAL BORROWING RATE

The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. To determine the incremental borrowing rate, Stockland:

- where possible, uses recent third-party financing as a starting point, adjusted to reflect changes in financing conditions since the financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by Stockland, which does not have recent third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

INVESTMENT PROPERTIES WITH GROUND LEASES

A lease liability reflecting the leasehold arrangements of investment properties is disclosed in other liabilities in the balance sheet and the carrying value of the investment properties are adjusted (i.e. grossed up) so that the net of these two amounts equals the fair value of the investment properties. The lease liabilities are calculated as the net present value of the future lease payments discounted at the incremental borrowing rate.

Stockland as a lessor

Information relating to Stockland's accounting for revenue from operating leases is contained in note 1. Information relating to Stockland's accounting for lease incentives is contained in note 6.

MATURITY ANALYSIS OF FUTURE LEASE RECEIPTS

The following table shows a maturity analysis of undiscounted, contracted lease payments to be received under operating leases:

	Stockland		Trust	
$M	**2020**	**2019**	**2020**	**2019**
Undiscounted lease payments due to Stockland or the Trust in the years ending 30 June:				
2020	**n/a**	650	**n/a**	652
2021	**638**	562	**646**	565
2022	**552**	471	**562**	475
2023	**440**	365	**450**	370
2024	**337**	267	**341**	267
2025	**232**	n/a	**232**	n/a
Beyond 2025 (2019: Beyond 2024)	**808**	912	**806**	912
Total undiscounted lease payments due:	**3,007**	3,227	**3,037**	3,241

LEASE MODIFICATIONS

Lease modifications arise when there is a change in the scope of a lease or a change in the consideration for a lease that was not part of its original terms and conditions. Stockland accounts for lease modifications from the effective date of the modification. Existing unamortised lease incentives capitalised to investment property will continue to be amortised over the remaining lease term. Any amounts prepaid or owing relating to the original lease are treated as payments for the new lease.

During the year, Stockland granted a combination of rent abatements and deferrals to tenants, under the Code and in line with the Australian Government's request for businesses to work together to protect the economy.

Rent deferrals

Rent deferrals alone do not constitute a lease modification as they do not change the scope of a lease. During the year, Stockland granted rent deferrals to be repaid in instalments over a period of up to two years starting from the date of the agreement. This amount is recorded as revenue and in trade receivables as at 30 June 2020. Refer to note 8 for details on the receivable and the associated expected credit loss.

Rent abatements

Where an abatement is granted retrospectively on uncollected past due rent, the abatement is expensed as an impairment of trade receivables. Where an agreement on past due receivables has not been reached by 30 June 2020, an estimate of the expected abatement on the outstanding balance is made and incorporated into the expected credit loss calculation - see note 8.

Where an abatement has been agreed between Stockland and the tenant and is considered under the lease agreement, there is no lease modification. Instead, the abatement is treated as a variable lease payment whereby Stockland recognises a reduction in rental revenue in the current year.

For abatements or other lease modifications accompanied by extensions of lease terms or other changes in lease scope, Stockland has accounted for these as a lease modification. The abated portion will be capitalised as a lease incentive and amortised on a straight-line basis over the remaining life of the lease.

11. INTANGIBLE ASSETS

As at 30 June	Stockland							
	2020				2019			
$M	Goodwill	Software	Under development	Total	Goodwill	Software	Under development	Total
Cost								
Opening balance	**117**	**53**	**121**	**291**	117	113	90	320
Additions	**–**	**–**	**25**	**25**	–	–	54	54
Retirements/disposals[1]	**–**	**–**	**–**	**–**	–	(79)	–	(79)
Transfer	**–**	**7**	**(8)**	**(1)**	–	19	(23)	(4)
Closing balance	**117**	**60**	**138**	**315**	117	53	121	291
Accumulated amortisation and impairment								
Opening balance	**(79)**	**(19)**	**–**	**(98)**	(41)	(85)	–	(126)
Retirements/disposals[1]	**–**	**–**	**–**	**–**	–	79	–	79
Amortisation	**–**	**(9)**	**–**	**(9)**	–	(13)	–	(13)
Impairment	**(38)**	**–**	**–**	**(38)**	(38)	–	–	(38)
Closing balance	**(117)**	**(28)**	**–**	**(145)**	(79)	(19)	–	(98)
Intangible assets	**–**	**32**	**138**	**170**	38	34	121	193

1 The net impact of these retirements and disposals on the intangible assets carrying value is $nil in the current and prior year as these assets were fully depreciated.

GOODWILL

Goodwill represents the excess of the cost of an acquisition over the fair value of Stockland's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

Goodwill that has an indefinite useful life is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The determination of the recoverability of goodwill is an area of accounting estimation and judgement for Stockland.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which goodwill is monitored for internal management purposes and allocated to cash-generating units (CGU). The allocation is made to each CGU or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments.

Goodwill arose on the acquisition of the Retirement Living division of Australian Retirement Communities on 28 February 2007 and the acquisition of Aevum Limited on 31 October 2010.

Impairment test

An impairment of goodwill of $38 million was recognised in the current year (2019: $38 million), reducing the goodwill balance to zero. This was primarily driven by a reduction in the future development pipeline and projects under construction as Stockland shifts its strategic focus towards Land Lease Communities and Aspire projects.

SOFTWARE

Software is stated at cost less accumulated amortisation and impairment losses. Amounts incurred in design and testing of software are capitalised, including employee costs and an appropriate part of directly attributable overhead costs, where the software will generate probable future economic benefits. This is a key area of accounting estimation and judgement for Stockland.

Costs associated with maintaining software are recognised as an expense as incurred.

All software is amortised using the straight-line method at rates between 10 to 100% (2019: 10 to 100%) from the point at which the asset is ready for use. Amortisation is recognised in profit or loss.

The residual value, the useful life and the amortisation method applied to an asset are reviewed at least annually.

12. NON-CURRENT ASSETS HELD FOR SALE

As at 30 June	Stockland		Trust	
$M	2020	2019	2020	2019
Investment properties transferred from Commercial Property	**469**	171	**469**	171
Non-current assets held for sale	**469**	171	**469**	171

The following investment properties were held for sale at 30 June 2020:

- Stockland Baulkham Hills, Baulkham Hills NSW
- North Shore Townsville, Townsville QLD
- Stockland Caloundra, Caloundra QLD and associated sundry properties
- Stockland The Pines, Doncaster East VIC
- Balcatta Distribution Centre, Balcatta WA

Contracts for the sale of the properties have been exchanged after reporting date.

During the current year, Stockland completed the sale of the following properties which were classified as non-current assets held for sale at 30 June 2019:

- Stockland Tooronga, Tooronga Vic
- 40 Scanlon Drive, Epping Vic
- 11-25 Toll Drive, Altona Vic
- Port Adelaide Distribution Centre, Port Adelaide SA

Investment properties are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Investment properties held for sale remain measured at fair value in accordance with the policy presented in note 6.

Capital structure and financing costs

IN THIS SECTION

This section outlines how Stockland manages its capital structure and related financing costs, including its liquidity and access to capital markets.

The Board determines the appropriate capital structure of Stockland, specifically, how much is raised from securityholders (equity) and how much is borrowed from financial institutions and capital markets (debt), in order to finance Stockland's activities both now and in the future.

The Board considers Stockland's capital structure and its dividend and distribution policy at least twice a year ahead of announcing results, in the context of its ability to continue as a going concern, to execute the strategy and to deliver its business plan. The Board continues to monitor Stockland's capital structure through its gearing ratio and maintains a capital structure to minimise the cost of capital. Stockland has a stated target gearing ratio range of 20% to 30% and credit ratings of A-/stable and A3/stable from S&P and Moody's respectively.

In addition, Stockland is exposed to changes in interest rates on its net borrowings and to changes in foreign exchange rates on its transactions, assets and liabilities denominated in foreign currencies. In accordance with risk management policies, Stockland uses derivatives to appropriately hedge these underlying exposures.

In respect of COVID-19, we have assessed the potential impact of the pandemic on our financing agreements and we continue to meet both the general and financial undertakings required under the documentation. We do not foresee that any COVID-19 related amendments will be required to our financing documentation. Furthermore, there has been no change in the Group's hedging policy as a result of COVID-19, with the resulting derivative portfolios operating as expected and in line with market movements.

13. NET FINANCING COSTS

KEEPING IT SIMPLE

This note details the interest income generated on Stockland's cash and other financial assets and the interest expense incurred on borrowings and other financial assets and liabilities. The presentation of the net financing costs in this note reflects income and expenses according to the classification of the financial instruments.

Fair value movements reflect the change in fair value of Stockland's derivative instruments between the later of inception or 1 July 2019 and 30 June 2020. The fair value at year end is not necessarily the same as the settlement value at maturity.

Net financing costs can be analysed as follows:

Year ended 30 June	Stockland		Trust	
$M	2020	2019	2020	2019
Interest income from related parties	–	–	229	282
Interest income from other parties	2	4	1	2
Finance income	2	4	230	284
Interest expense relating to borrowings	(174)	(192)	(173)	(192)
Interest paid or payable on other financial liabilities at amortised cost	(33)	(40)	–	–
Finance expense on lease liabilities	(2)	–	(2)	–
Less: interest capitalised to inventories	114	136	–	–
Less: interest capitalised to investment properties	7	9	6	3
Finance expense	(88)	(87)	(169)	(189)
Designated hedge accounting relationships				
Fair value hedges – gain on change in fair value of derivatives	177	233	177	233
Fair value hedges – loss on change in fair value of borrowings	(200)	(240)	(200)	(240)
Net gain/(loss) on designated hedge accounting relationships	(23)	(7)	(23)	(7)
Non-designated hedge accounting relationships				
Loss on foreign exchange movements	(3)	(12)	(3)	(12)
Loss on fair value movements	(83)	(121)	(83)	(121)
Net gain/(loss) on non-designated hedge accounting relationships	(86)	(133)	(86)	(133)
Net gain/(loss) on financial instruments	(109)	(140)	(109)	(140)

Interest income is recognised in profit or loss as it accrues using the effective interest method.

The interest expense relating to borrowings includes $47 million (2019: $62 million) relating to interest on financial liabilities carried at amortised cost, and not designated in a fair value hedge relationship.

Finance expense includes interest payable on short-term and long-term borrowings calculated using the effective interest method and payments of interest on derivatives.

Borrowing costs are expensed as incurred except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset such as investment properties or inventories. Qualifying assets are assets that necessarily take a substantial period of time to reach the stage of their intended use or sale.

In these circumstances, borrowing costs are capitalised to the cost of the assets while in active development until the assets are ready for their intended use or sale. Total interest capitalised does not exceed the net interest expense in any period. Project carrying values, including all capitalised interest attributable to projects, continue to be recoverable based on the latest project feasibilities. In the event that development is suspended for an extended period of time or the decision is taken to dispose of the asset, the capitalisation of borrowing costs is also suspended.

The rate at which interest has been capitalised to qualifying assets is disclosed in note 5.

Where funds are borrowed by the Group as a whole, borrowing costs are capitalised using a weighted average capitalisation rate applied to the expenditures on the asset excluding specific borrowings.

The accounting policy and fair value of derivatives are discussed in note 16 and 17.

RECONCILIATION OF HEDGE RESERVE

Year ended 30 June	Stockland		Trust	
$M	2020	2019	2020	2019
Opening hedge reserve	54	60	54	60
Net change in fair value of cash flow hedges	(75)	(5)	(75)	(5)
Reclassified to profit or loss	(6)	(1)	(6)	(1)
Closing hedge reserve	(27)	54	(27)	54

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and at call deposits. Bank overdrafts that are repayable on demand and form an integral part of Stockland's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows. As at 30 June 2020, Stockland does not have any bank overdrafts.

Included in the cash and cash equivalents balance of $443 million is $59 million (2019: $55 million) in cash that is relating to joint operations and/or held to satisfy real estate and financial services licensing requirements, and is not immediately available for use by Stockland.

15. BORROWINGS

KEEPING IT SIMPLE

The Trust borrows money from financial institutions and debt investors in the form of bonds, bank debt and other financial instruments. The Trust's bonds typically have fixed interest rates and are for a fixed term.

The interest expense on these instruments is shown in note 13.

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs and are subsequently stated at amortised cost. Any difference between amortised cost and redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. However, where a qualifying fair value hedge is in place, borrowings are stated at the carrying amount adjusted for changes in fair value of the hedged risk. The changes are recognised in profit or loss.

The table below shows the fair value of each of these instruments measured at Level 2 in the fair value hierarchy. Fair value reflects the principal amount and remaining duration of these notes based on current market interest rates and conditions at balance date. Stockland has complied with all covenants throughout the year ended 30 June 2020 and up to the date of authorisation of these accounts.

The weighted average cost of debt for the year was 4.0% (2019: 4.4%).

		Stockland and Trust							
As at 30 June		2020				2019			
$M	Note	Current	Non-current	Carrying value	Fair value	Current	Non-current	Carrying value	Fair value
Offshore medium term notes	15A	**102**	**4,227**	**4,329**	**4,715**	78	3,694	3,772	4,215
Domestic medium term notes and commercial paper	15B	**170**	**448**	**618**	**641**	150	607	757	801
Bank facilities	15C	**–**	**75**	**75**	**75**	115	60	175	175
Borrowings		**272**	**4,750**	**5,022**	**5,431**	343	4,361	4,704	5,191

The difference of $409 million (2019: $487 million) between the carrying amount and fair value of the offshore medium term notes, commercial paper and domestic medium term notes is due to notes being carried at amortised cost under AASB 9.

15A. Offshore medium term notes

US PRIVATE PLACEMENTS

The Trust has issued fixed coupon notes in the US private placement market. Generally, notes are issued in United States dollars (USD) and converted back to Australian dollars (AUD or $) principal and AUD floating coupons through CCIRS.

The Trust repaid USD 55 million ($71 million) of notes in July 2019.

The fair value of the US private placements as at 30 June 2020 is $2,953 million (2019: $2,816 million). Details of the offshore medium term notes on issue in the US private placement market are set out below:

As at 30 June ($M)	Stockland and Trust			
	Face value[1]		Carrying amount	
Maturing in the financial year ending 30 June	2020	2019	2020	2019
2020	–	71	–	78
2021	**90**	90	**102**	100
2022	**204**	204	**316**	308
2023	**105**	105	**117**	101
2025	**50**	50	**77**	50
2026	**257**	257	**297**	281
2027	**220**	220	**252**	249
2028	**178**	178	**231**	209
2029	**442**	442	**577**	517
2030	**106**	106	**127**	117
2031	**234**	234	**297**	259
2032	**59**	59	**72**	61
2033	**133**	133	**146**	139
2034	**28**	28	**36**	31
Total	**2,106**	2,177	**2,647**	2,500
Less: attributable transaction costs			**(10)**	(11)
US private placement			**2,637**	2,489

1 Face value of the notes in AUD after the effect of the CCIRS. Thus also representing 100% of the notional amount of the CCIRS.

EUROPEAN MEDIUM TERM NOTES

The Trust has issued medium term notes in the Asian and European capital markets. During the year, the Trust issued HKD 800 million ($150 million) in February 2020 and HKD 805 million ($180 million) of notes in March 2020.

All notes are issued at a fixed coupon payable in either HKD or EUR and converted back to AUD floating coupons through CCIRS.

The fair value of the European medium term notes on issue as at 30 June 2020 is $1,762 million (2019: $1,399 million). Details of the offshore medium term notes on issue in the Asian and European capital markets are set out below:

As at 30 June ($M)	Stockland and Trust			
	Face value[1]		Carrying amount	
Maturing in the financial year ending 30 June	2020	2019	2020	2019
2022	**433**	433	**501**	446
2025	**62**	62	**92**	86
2026	**633**	633	**713**	698
2028	**51**	51	**65**	60
2030	**330**	0	**325**	0
Total	**1,509**	1,179	**1,696**	1,290
Less: attributable transaction costs			**(4)**	(7)
European medium term notes			**1,692**	1,283

1 Face value of the notes in Australian dollars after the effect of the CCIRS. Thus also representing 100% of the notional amount of the CCIRS.

15B. Commercial Paper and Domestic medium term notes

Commercial paper (CP) and domestic medium term notes have been issued at either face value or at a discount to face value and are carried at amortised cost. The discount or premium is amortised to finance costs over the term of the notes. The medium term notes are issued on either fixed or floating interest rate terms.

During the year, the Trust repaid medium term notes with a face value of $150 million. The fair value of all CP and domestic medium term notes on issue as at 30 June 2020 is $641 million (2019: $801 million). Details of the CP and domestic medium term notes on issue are set out below:

As at 30 June ($M)	Stockland and Trust	
	Carrying amount[1]	
Maturing in the financial year ending 30 June	2020	2019
2020	–	150
2021	**170**	160
2023	**250**	250
2024	**200**	200
Total	**620**	760
Less: attributable transaction costs	**(2)**	(3)
Domestic medium term notes and commercial paper	**618**	757

1 Carrying amount excluding transaction costs is equal to Face Value.

15C. Bank facilities

The bank facilities are multi-use facilities which may be used partially for bank guarantees. Bank facilities are unsecured and held at amortised cost. Details of maturity dates are set out below:

	Stockland and Trust			
As at 30 June ($M)	2020		2019	
Maturing in the financial year ending 30 June	Utilised	Facility Limit	Utilised	Facility Limit
2020	**–**	**–**	115	320
2021	**–**	**525**	–	250
2022	**–**	**650**	60	350
2023	**–**	**300**	–	–
2024	**–**	**100**	–	–
2027	**75**	**75**	–	–
Bank facilities	**75**	**1,650**	175	920

16. OTHER FINANCIAL ASSETS AND LIABILITIES

KEEPING IT SIMPLE

Investments in other financial assets are managed in accordance with Stockland's documented risk policy. Based on the nature of the asset and its purpose, movements in the fair value of other financial assets are recognised either through profit or loss or other comprehensive income.

	Stockland				Trust			
As at 30 June	**Other financial assets**		**Other financial liabilities**		**Other financial assets**		**Other financial liabilities**	
$M	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Instruments held at fair value through profit or loss								
CCIRS	**11**	8	**–**	–	**11**	8	**–**	–
IRS	**4**	1	**–**	(2)	**4**	1	**–**	(2)
Current	**15**	9	**–**	(2)	**15**	9	**–**	(2)
Instruments in a designated fair value hedge								
CCIRS	**551**	350	**(23)**	–	**551**	350	**(23)**	–
IRS	**5**	5	**–**	–	**5**	5	**–**	–
Instruments in a designated cash flow hedge								
CCIRS	**105**	81	**(16)**	(14)	**105**	81	**(16)**	(14)
IRS	**–**	–	**–**	–	**–**	–	**–**	–
Instruments held at fair value through profit or loss								
CCIRS	**34**	43	**–**	–	**34**	43	**–**	–
IRS	**29**	28	**(274)**	(204)	**29**	28	**(274)**	(204)
Other	**10**	18	**–**	–	**–**	8	**–**	–
Non-current	**734**	525	**(313)**	(218)	**724**	515	**(313)**	(218)

DERIVATIVE FINANCIAL INSTRUMENTS

KEEPING IT SIMPLE

A derivative is a type of financial instrument typically used to manage an underlying risk. A derivative's value changes over time in response to underlying variables such as exchange rates or interest rates and is entered into for a fixed period. A hedge is where a derivative is used to manage underlying exposures. Stockland uses derivatives to manage exposure to foreign exchange and interest rate risk.

Stockland manages its exposure to financial market risks as part of its operations through the use of derivatives.

Stockland's treasury policy requires:

- all contractual or committed foreign exchange payments or receipts to be fully hedged back to the Australian dollar unless the exposure is immaterial; and
- interest rate risk exposures to be within a fixed hedge ratio of:
  - 45 to 55% on debt maturing within five years; and
  - 30 to 40% on debt maturing in more than five years.

Deviation from these benchmarks at any point in time requires approval from the CFO and/or Audit Committee.

Stockland assesses whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and Stockland's own credit risk on the fair value of the swaps, which is not reflected in the fair value of the hedged item; and
- changes in interest rates will impact the fair value of the Australian dollar margin and implied foreign currency margin respectively.

In order to qualify for hedge accounting, prospective hedge effectiveness testing must meet all of the following criteria:

- an economic relationship exists between the hedged item and hedging instrument;
- the effect of credit risk does not dominate the value changes resulting from the economic relationship; and
- the hedge ratio is the same as that resulting from actual amounts of hedged items and hedging instruments for risk management.

Stockland holds a number of derivative instruments including interest rate swaps, forward exchange contracts and CCIRS.

Derivative financial instruments are recognised initially at fair value and re-measured at each balance date. The valuation of derivatives is an area of accounting estimation and judgement for Stockland.

Third party valuations are used to determine the fair value of Stockland's derivatives. The valuation techniques use inputs such as interest rate yield curves and currency prices/yields, volatilities of underlying instruments and correlations between inputs.

The fair value of interest rate swaps is the estimated amount that Stockland would receive or pay to transfer or realise the swap at the reporting date, taking into account current interest rates and the current creditworthiness of each counterparty.

The fair value of forward exchange contracts is determined by using the difference between the contract exchange rate and the quoted forward exchange rate at the reporting date.

The gain or loss on re-measurement to fair value is recognised in profit or loss. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Stockland enters into ISDA Master Agreements with its derivative counterparties. Under the terms of these arrangements, where certain credit events occur, the net position owing/receivable to a single counterparty in relation to all outstanding derivatives with that counterparty, will be taken as owing/receivable and all the relevant arrangements terminated. As Stockland does not presently have a legally enforceable right of set-off, these amounts have not been offset in the balance sheet. If a credit event had occurred, the ISDA Master Agreement would have the effect of netting, allowing a reduction to derivative assets and derivative liabilities of the same amount of $258 million (2019: $195 million).

DERIVATIVES THAT QUALIFY FOR HEDGE ACCOUNTING

Stockland uses derivatives to hedge its exposure to fluctuations in interest and foreign exchange rates. At the inception of the transaction, Stockland designates and documents these derivative instruments into a hedging relationship with the hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

Stockland documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives used in hedging transactions have been and will continue to be effective in offsetting changes in fair value or cash flows of hedged items.

FAIR VALUE HEDGE

A fair value hedge is a hedge of the exposure to changes in fair value of an asset or liability that is attributable to a particular risk.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued when the hedging instrument matures or is sold, terminated or exercised, or until such time where the hedging relationship ceases to meet the qualifying criteria. Any adjustment between the carrying amount and the face value of a hedged financial instrument is amortised to profit or loss using the effective interest method. Amortisation begins when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

CASH FLOW HEDGE

A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk associated with an asset, liability or highly probable forecast transaction that could affect profit or loss.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the cash flow hedge reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within finance income or expense.

Amounts in the cash flow hedge reserve are recognised in profit or loss in the periods when the hedged item is recognised in profit or loss.

Hedge accounting is discontinued when the hedging instrument matures or is sold, terminated or exercised, no longer qualifies for hedge accounting, or when Stockland revokes designation. Any cumulative gain or loss recognised in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was recognised in equity is recognised immediately in profit or loss.

Additionally, there are a number of derivatives that are not designated as fair value and/or cash flow hedges. These are used to hedge economic exposures and the gains or losses on re-measurement to fair value of these instruments are recognised immediately in profit or loss.

	Stockland and Trust											
	Borrowings					Derivatives						
	Carrying amount					Mark to market						
As at 30 June $M	2020	2019	Move-ments	(Repaid) Drawn	Gain/ (loss) on FV of debt	2020	2019	Move-ments	Termi-nated Paid	Cash flow hedge reserve impact	Gain/ (loss) on FV of derivatives	Net gain/ (loss) recognised in profit or loss
US Dollar	**2,647**	2,500	**147**	**(71)**	**(218)**	**529**	337	**192**	**–**	**(19)**	**211**	**(7)**
• *Effective*	***2,176***	*1,953*	***223***	**–**	***(223)***	***483***	*286*	***197***	**–**	***(19)***	***216***	***(7)***
• *Other*[1]	***471***	*547*	***(76)***	***(71)***	***5***	***46***	*51*	***(5)***	**–**	**–**	***(5)***	**–**
Euro[2]	**1,028**	965	**63**	**–**	**(63)**	**95**	92	**3**	**–**	**(54)**	**57**	**(6)**
HK Dollar[2]	**669**	325	**344**	**330**	**(14)**	**42**	44	**(2)**	**–**	**(7)**	**5**	**(9)**
Foreign exposure	**4,344**	3,790	**554**	**259**	**(295)**	**666**	473	**193**	**–**	**(80)**	**273**	**(22)**
AUD Bank Debt	**75**	175	**(100)**	**(100)**	**–**	**–**	–	**–**	**–**	**–**	–	**–**
AUD MTNs and Commercial paper	**620**	760	**(140)**	**(140)**	**–**	**–**	–	**–**	**–**	**–**	–	**–**
AUD IRS	**–**	–	**–**	**–**	**–**	**(241)**	(177)	**(64)**	**(23)**	**–**	**(87)**	**(87)**
Borrowing costs	**(16)**	(21)	**5**									
Total[3]	**5,022**	4,704	**318**	**19**	**(295)**	**426**	296	**129**	**(23)**	**(81)**	**186**	**(109)**

1 Relates to instruments which are in economic hedge relationships but do not qualify for hedge accounting or have not been designated in hedge accounting relationships.
2 These hedge relationships were deemed effective accounting hedges in the current and prior years.
3 Totals may not add due to rounding.

17. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

KEEPING IT SIMPLE

The financial instruments included on the balance sheet are measured at either fair value or amortised cost. The measurement of fair value may in some cases be subjective and may depend on the inputs used in the calculations. Stockland generally uses external valuations based on market inputs or market values (e.g. external share prices). The different valuation methods are called hierarchies and are described below:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

There were no transfers between levels during the year.

DETERMINATION OF FAIR VALUE

The fair value of financial instruments, including offshore medium term notes, interest rate derivatives and CCIRS, is determined in accordance with generally accepted pricing models by discounting the expected future cash flows using assumptions supported by observable market rates. While certain derivatives are not quoted in an active market, Stockland has determined the fair value of these derivatives using quoted market inputs (e.g. interest rates, volatility, and exchange rates) adjusted for specific features of the instruments and debit or credit value adjustments based on the current creditworthiness of Stockland or the derivative counterparty.

The fair value of foreign exchange contracts is the quoted market price of the derivative at balance date, being the present value of the quoted forward price. The following table sets out the financial instruments included on the balance sheet at fair value:

	Stockland							
As at 30 June	**2020**				**2019**			
$M	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative assets	–	739	–	739	–	516	–	516
Securities in unlisted entities	–	–	–	–	–	–	8	8
Other investments	10	–	–	10	10	–	–	10
Financial assets carried at fair value	10	739	–	749	10	516	8	534
Offshore MTNs[1]	–	(3,873)	–	(3,873)	–	(3,243)	–	(3,243)
Derivative liabilities	–	(313)	–	(313)	–	(220)	–	(220)
Retirement Living resident obligations	–	–	(2,695)	(2,695)	–	–	(2,597)	(2,597)
Financial liabilities carried at fair value	–	(4,186)	(2,695)	(6,881)	–	(3,463)	(2,597)	(6,060)
Net position	10	(3,447)	(2,695)	(6,132)	10	(2,947)	(2,589)	(5,526)

1 Offshore MTNs not in an accounting hedge relationship are carried at amortised cost. This table only reflects offshore MTNs carried at fair value according to its hedge designation.

	Trust							
As at 30 June	**2020**				**2019**			
$M	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative assets	–	739	–	739	–	516	–	516
Securities in unlisted entities	–	–	–	–	–	–	8	8
Financial assets carried at fair value	–	739	–	739	–	516	8	524
Offshore MTNs[1]	–	(3,873)	–	(3,873)	–	(3,243)	–	(3,243)
Derivative liabilities	–	(313)	–	(313)	–	(220)	–	(220)
Financial liabilities carried at fair value	–	(4,186)	–	(4,186)	–	(3,463)	–	(3,463)
Net position	–	(3,447)	–	(3,447)	–	(2,947)	8	(2,939)

1 Offshore MTNs not in an accounting hedge relationship are carried at amortised cost. This table only reflects offshore MTNs carried at fair value according to its hedge designation.

Derivative financial assets and liabilities are not offset in the balance sheet as under agreements held with derivative counterparties, Stockland does not have a legally enforceable right to set off the position payable/receivable to a single counterparty.

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy.

$M	Stockland 2020 Securities in unlisted entities	Derivatives	Retirement Living resident obligations	Total	2019 Securities in unlisted entities	Derivatives	Retirement Living resident obligations	Total
Balance at 1 July	**8**	**–**	**(2,597)**	**(2,589)**	8	–	(2,741)	(2,733)
Gains/losses recognised in								
• Profit or loss[1]	**–**	**–**	**89**	**89**	–	–	267	267
• Other comprehensive income	**–**	**–**	**–**	**–**	–	–	–	–
Cash receipts from incoming residents on turnover	**–**	**–**	**(332)**	**(332)**	–	–	(295)	(295)
Cash payments to outgoing residents on turnover, net of DMF	**–**	**–**	**145**	**145**	–	–	172	172
Capital distribution	**(8)**	**–**	**–**	**(8)**	–	–	–	–
Balance at 30 June	**–**	**–**	**(2,695)**	**(2,695)**	8	–	(2,597)	(2,589)

1 In 2019 this includes impact of derecognition of obligations related to village disposals of $187 million.

$M	Trust 2020 Securities in unlisted entities	Derivatives	Retirement Living resident obligations	Total	2019 Securities in unlisted entities	Derivatives	Retirement Living resident obligations	Total
Balance at 1 July	**8**	**–**	**–**	**8**	8	–	–	8
Loss recognised in profit or loss	**–**	**–**	**–**	**–**	–	–	–	–
Capital distribution	**(8)**	**–**	**–**	**(8)**	–	–	–	–
Balance at 30 June	**–**	**–**	**–**	**–**	8	–	–	8

18. FINANCIAL RISK FACTORS

KEEPING IT SIMPLE

Stockland's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. Stockland's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

Stockland uses derivatives within its policies described below as hedges to manage certain risk exposures.

Financial risk and capital management is carried out by a central treasury department. The Board reviews and approves written principles of overall risk management, as well as written policies covering specific areas such as managing capital, mitigating interest rates, liquidity, foreign exchange and credit risks, use of derivatives and investing excess liquidity. The Audit Committee assists the Board in monitoring the implementation of these treasury policies.

The sensitivity analysis included in this note shows the impact that a shift in the financial risks would have on the financial statements at year-end, but is not a forecast or prediction. In addition, it does not include any management action that might take place to mitigate these risks, were they to occur.

18A. Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect Stockland's financial performance or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising returns.

Currency risk

Currency risk arises when anticipated transactions or recognised assets and liabilities are denominated in a currency that is not Stockland's functional currency, being Australian dollars (AUD). Stockland has currency exposures to the Euro (EUR), Hong Kong dollar (HKD) and US dollar (USD).

Stockland manages its currency risk by using CCIRS and forward exchange contracts.

Stockland's offshore medium term notes create both an interest rate and a currency risk exposure. Stockland's policy is to minimise its exposure to both interest rate and exchange rate movements. Accordingly, Stockland has entered into a series of CCIRS which cover 100% of the principals outstanding and are timed to expire when each note matures. These CCIRS also swap the obligation to pay fixed interest to floating interest. When these swaps held are no longer effective in hedging the interest rate and currency risk exposure, management will reassess the value in continuing to hold the swap.

These CCIRS have been designated as fair value and cash flow hedges and are accounted for in line with the accounting principles highlighted in note 16. The hedge ratio for CCIRS is 1:1 (2019: 1:1).

The following table provides a summary of the face values of Stockland's currency risk exposures together with the derivatives which have been entered into to manage these exposures:

	Stockland and Trust					
As at 30 June	**2020**			**2019**		
$M	**EUR[1]**	**HKD[1]**	**USD[1]**	**EUR[1]**	**HKD[1]**	**USD[1]**
Offshore MTNs	**(600)**	**(3,315)**	**(1,413)**	(600)	(1,710)	(1,468)
CCIRS	**600**	**3,315**	**1,413**	600	1,710	1,468
Exposure	**–**	**–**	**–**	–	–	–
Weighted average hedge rate	**1:0.66**	**1:5.54**	**1:0.81**	1:0.66	1:6.38	1:0.81

1 All amounts are denominated in their natural currency.

SENSITIVITY ANALYSIS – CURRENCY RISK

The following sensitivity analysis shows the impact on the profit or loss and equity if there was an increase/decrease in AUD exchange rates of 10% at balance date with all other variables held constant, being the movement Stockland determines is reasonably possible (2019: 10%). In determining what constitutes a reasonably possible movement, management gives consideration to their best estimate at balance date of the range of possible future exchange rate movements.

	Stockland and Trust							
	2020				**2019**			
As at 30 June	**Profit or loss**		**Equity**		**Profit or loss**		**Equity**	
$M	**Increase**	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**	**Increase**	**Decrease**
EUR	**–**	**–**	**(4)**	**4**	–	–	(55)	55
HKD	**–**	**–**	**(6)**	**7**	–	–	(11)	14
USD	**(1)**	**2**	**(11)**	**14**	(1)	2	(24)	30
Impact	**(1)**	**2**	**(21)**	**25**	(1)	2	(90)	99

Interest rate risk

Interest rate risk is the risk that the fair value or cash flows of financial instruments will fluctuate due to changes in interest rates.

The Trust's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Trust to cash flow interest rate risk. Borrowings issued at fixed rates expose the Trust to fair value interest rate risk. Stockland's treasury policy allows it to enter into approved derivative instruments to manage the risk profile of the total debt portfolio to achieve an appropriate mix of fixed and floating interest rate exposures. Stockland manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. Such interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. The Trust manages its interest rate risk through CCIRS and fixed-to-floating interest rate swaps. The hedge ratio for interest rate swaps at 30 June 2020 is 62% (2019: 89%), and the weighted average hedged rate is 3.2% (2019: 3.5%).

The table below provides a summary of Stockland's interest rate risk exposure on interest-bearing loans and borrowings after the effect of the interest rate derivatives.

As at 30 June	Stockland and Trust	
$M	2020	2019
Fixed rate interest-bearing loans and borrowings[1]	**2,656**	3,837
Floating rate interest-bearing loans and borrowings[1]	**1,653**	453
Interest-bearing loans and borrowings	**4,309**	4,290

1 Notional principal amounts.

SENSITIVITY ANALYSIS – INTEREST RATE RISK

The following sensitivity analysis shows the impact on profit or loss and equity if there was an increase/decrease in market interest rates of 100 basis points (bps) at balance date with all other variables held constant, being the movement Stockland determines is reasonably possible (2019: 100bps). In determining what constitutes a reasonably possible movement, management gives consideration to their best estimate at balance date of the range of possible future interest rate movements.

	Stockland				Trust			
As at 30 June	2020		2019		2020		2019	
$M	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Impact on interest income/(expense)	**5**	**(5)**	1	(1)	**33**	**(33)**	36	(36)
Impact on net gain/(loss) on derivatives – through profit or loss	**133**	**(143)**	107	(113)	**133**	**(143)**	107	(113)
Impact on profit or loss	**138**	**(148)**	108	(114)	**166**	**(176)**	143	(149)
Impact on equity	**11**	**(11)**	15	(16)	**11**	**(11)**	15	(16)

Equity price risk

Equity price risk is the risk that the fair value of investments in listed/unlisted entities fluctuates due to changes in the underlying security price. Stockland's equity price risk arises from investments in listed securities and units in unlisted funds. These investments are classified as financial assets carried at fair value, with any resultant gain or loss recognised in profit or loss or other comprehensive income.

Decisions required for the purchase or divestment of material equity investments are made by the Board.

SENSITIVITY ANALYSIS – EQUITY PRICE RISK

The following sensitivity analysis shows the impact on profit or loss and equity if the market price of the underlying equity securities/units at balance date had been 10% higher/lower with all other variables held constant.

	Stockland				Trust			
As at 30 June	2020		2019		2020		2019	
$M	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Impact on profit or loss	**1**	**(1)**	2	(2)	**1**	**(1)**	–	–
Impact on equity	**–**	**–**	–	–	**–**	**–**	–	–

18B. Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument fails to meet its contractual obligations resulting in a financial loss to Stockland.

RISK MANAGEMENT

Stockland has no significant concentrations of credit risk to any single counterparty and has policies to review the aggregate exposure of tenancies across its portfolio. Stockland also has policies to ensure that sales of properties with deferred payment terms and development services are made to customers with an appropriate credit history.

Derivative counterparties and cash deposits are currently limited to financial institutions approved by the Audit Committee. There are also policies that limit the amount of credit risk exposure to any one of the approved financial institutions based on their credit rating and country of origin.

The maximum exposure to credit risk at the end of the reporting period is the gross carrying amount of each class of financial assets mentioned in this report.

As at 30 June 2020, these financial institutions had an Investment Grade rating (greater than BBB-) provided by S&P.

Bank guarantees and mortgages over land are held as security over certain receivables balances.

IMPAIRMENT OF FINANCIAL ASSETS

As at 30 June 2020 and 30 June 2019, there were no significant financial assets that were past due. Financial assets are subject to the expected credit loss model as per AASB 9. Refer to note 8 for details of the loss allowances recognised on trade receivables and the intercompany loan.

18C. Liquidity risk

Liquidity risk is the risk that Stockland will not be able to meet its financial obligations as they fall due. Due to the dynamic nature of the underlying businesses, Stockland aims to maintain flexibility in liquidity and funding sources by keeping sufficient cash and cash equivalents and/or undrawn committed credit lines available while maintaining a low cost of holding these facilities. Management prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow.

Stockland manages liquidity risk through monitoring the maturity profile of its debt portfolio. The current weighted average debt maturity is 5.7 years (2019: 5.8 years).

KEEPING IT SIMPLE

The following table analyses Stockland's financial liabilities including derivatives into relevant maturity groupings based on the period remaining until the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows (including interest), and therefore may not reconcile with the amounts disclosed on the balance sheet.

As derivative assets have been excluded from these tables, refer to note 17 for the fair value of the derivative assets to provide a meaningful analysis of Stockland and Trust total derivatives.

As at 30 June 2020			Stockland			
$M	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	Over 5 years
As at 30 June 2020						
Non-derivative						
Payables (excl. GST)	**(839)**	**(839)**	**(332)**	**(94)**	**(177)**	**(236)**
Lease liabilities	**(43)**	**(43)**	**(2)**	**(2)**	**(6)**	**(33)**
Dividends and distributions payable	**(253)**	**(253)**	**(253)**	**–**	**–**	**–**
Borrowings	**(5,022)**	**(5,684)**	**(440)**	**(944)**	**(1,066)**	**(3,234)**
Retirement Living resident obligations[1]	**(2,695)**	**(2,695)**	**(2,599)**	**(1)**	**(4)**	**(91)**
Derivative						
Interest rate derivatives	**(273)**	**(287)**	**(40)**	**(37)**	**(129)**	**(81)**
CCIRS	**(40)**					
• Inflows		**577**	**14**	**14**	**43**	**506**
• Outflows		**(626)**	**(16)**	**(16)**	**(50)**	**(544)**
Financial liabilities	**(9,165)**	**(9,850)**	**(3,668)**	**(1,080)**	**(1,389)**	**(3,713)**
As at 30 June 2019						
Non-derivative						
Payables (excl. GST)	(497)	(522)	(350)	(34)	(53)	(85)
Dividends and distributions payable	(336)	(336)	(336)	–	–	–
Borrowings	(4,704)	(5,711)	(514)	(409)	(1,763)	(3,025)
Retirement Living resident obligations[1]	(2,597)	(2,597)	(2,496)	–	(1)	(100)
Derivative						
Interest rate derivatives	(205)	(199)	(41)	(46)	(86)	(26)
CCIRS	(15)					
• Inflows		389	10	10	30	339
• Outflows		(396)	(14)	(13)	(41)	(328)
Financial liabilities	(8,354)	(9,372)	(3,741)	(492)	(1,914)	(3,225)

1 Refer to the net current asset deficiency position section under the Basis of preparation note for further explanation of the impact of Retirement Living resident obligations on liquidity risk.

As at 30 June 2020		Trust				
$M	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	Over 5 years
As at 30 June 2020						
Non-derivative						
Payables (excl. GST)	**(126)**	**(126)**	**(126)**	**–**	**–**	**–**
Lease liabilities	**(28)**	**(28)**	**–**	**(1)**	**(1)**	**(26)**
Dividends and distributions payable	**(253)**	**(253)**	**(253)**	**–**	**–**	**–**
Borrowings	**(5,022)**	**(5,684)**	**(440)**	**(944)**	**(1,066)**	**(3,234)**
Derivative		**–**				
Interest rate derivatives	**(273)**	**(287)**	**(40)**	**(37)**	**(129)**	**(81)**
CCIRS	**(40)**	**–**				
• Inflows		**577**	**14**	**14**	**43**	**506**
• Outflows		**(626)**	**(16)**	**(16)**	**(50)**	**(544)**
Financial liabilities	**(5,742)**	**(6,427)**	**(861)**	**(984)**	**(1,203)**	**(3,379)**
As at 30 June 2019						
Non-derivative						
Payables (excl. GST)	(120)	(120)	(120)	–	–	–
Dividends and distributions payable	(336)	(336)	(336)	–	–	–
Borrowings	(4,704)	(5,711)	(514)	(409)	(1,763)	(3,025)
Derivative						
Interest rate derivatives	(205)	(199)	(41)	(46)	(86)	(26)
CCIRS	(15)	–				
• Inflows		389	10	10	30	339
• Outflows		(396)	(14)	(13)	(41)	(328)
Financial liabilities	(5,380)	(6,373)	(1,015)	(458)	(1,860)	(3,040)

19. ISSUED CAPITAL

KEEPING IT SIMPLE

This note explains material movements recorded in issued capital that are not explained elsewhere in the financial statements. The movements in equity of Stockland and the balances are presented in the consolidated statement of changes in equity.

Issued capital represents the amount of consideration received for securities issued by Stockland. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

For so long as Stockland remains jointly quoted, the number of shares in Stockland Corporation Limited and the number of units in Stockland Trust shall be equal and the securityholders and unitholders shall be identical.

Holders of stapled securities are entitled to receive dividends and distributions as declared from time to time and are entitled to one vote per stapled security at securityholder meetings. The liability of a member is limited to the amount, if any, remaining unpaid in relation to a member's subscription for securities. A member is entitled to receive a distribution following termination of the stapling arrangement (for whatever reason). The net proceeds of realisation must be distributed to members, after making an allowance for payment of all liabilities (actual and anticipated) and meeting any actual or anticipated expenses of termination.

The following table provides details of securities issued by Stockland:

As at 30 June	Stockland and Trust Number of securities 2020	Stockland and Trust Number of securities 2019	Stockland $M 2020	Stockland $M 2019	Trust $M 2020	Trust $M 2019
Ordinary securities on issue						
Issued and fully paid	**2,384,351,503**	2,384,351,503	**8,692**	8,692	**7,393**	7,393
Other equity securities						
Treasury securities	**(5,147,539)**	(6,691,865)	**(36)**	(35)	**(35)**	(34)
Issued capital	**2,379,203,964**	2,377,659,638	**8,656**	8,657	**7,358**	7,359

19A. Movements in ordinary securities

As at 30 June	Stockland and Trust Number of securities 2020	Stockland and Trust Number of securities 2019	Stockland $M 2020	Stockland $M 2019	Trust $M 2020	Trust $M 2019
Opening balance	**2,384,351,503**	2,434,469,276	**8,692**	8,884	**7,393**	7,571
Securities buy-back	**–**	(50,117,773)	**–**	(192)	**–**	(178)
Issued capital	**2,384,351,503**	2,384,351,503	**8,692**	8,692	**7,393**	7,393

SECURITIES BUY-BACK

On 6 September 2018, Stockland announced the intention to initiate an on-market buy-back for up to $350 million of Stockland securities on issue as part of its active approach to capital management, over a period of up to 24 months. A total of 50,117,773 stapled securities were bought back on market and cancelled following the commencement of the buy-back on 24 September 2018.

On 14 November 2019, Stockland announced the termination of the on-market buy-back programme due to the prevailing price of Stockland securities and the related inactivity in the buy-back of securities since May 2019.

19B. Other equity securities

TREASURY SECURITIES

Treasury securities are securities in Stockland that are held by the Stockland Employee Securities Plan Trust. Securities are held until the end of the vesting period affixed to the securities. As the securities are held on behalf of eligible employees, the employees are entitled to the dividends and distributions.

MOVEMENT OF OTHER EQUITY SECURITIES

	Stockland and Trust Number of securities 2020	Stockland and Trust Number of securities 2019	Stockland $M 2020	Stockland $M 2019	Trust $M 2020	Trust $M 2019
Opening balance	**6,691,865**	7,786,666	**(35)**	(34)	**(34)**	(33)
Securities acquired[1]	**2,910,142**	3,605,889	**(13)**	(15)	**(12)**	(15)
Securities transferred to employees on vesting	**(4,454,468)**	(4,700,690)	**12**	14	**11**	14
Treasury securities	**5,147,539**	6,691,865	**(36)**	(35)	**(35)**	(34)

1 Average price:$4.37 per security (2019: $4.20).

19C. Security based payments

KEEPING IT SIMPLE

Stockland operates three Security Plans at its discretion for eligible employees which are described below:

Long term incentives (LTI)

Under the LTI, employees have the right to acquire Stockland securities at nil consideration when certain performance conditions are met. Each grant will comprise two equal tranches, each of which vest based on separate performance hurdles (being underlying EPS growth and/or relative TSR) and has a three year vesting period. Eligibility is by invitation of the Board and is reviewed annually.

Deferred short term incentives (DSTI)

For Executives and Senior Management there is a compulsory deferral of at least one third of STI incentives into Stockland securities to further align remuneration outcomes with securityholders. Half of the awarded DSTI securities will vest 12 months after award with the remaining half vesting 24 months after award, provided employment continues to the applicable vesting date.

$1,000 Plan

Under this plan, eligible employees receive up to $1,000 worth of Stockland securities.

The security options granted under the three Security Plans are held at fair value. The valuation of security options is a key area of accounting estimation and judgement for Stockland.

The number and weighted average fair value of LTI rights and DSTI securities under the Security Plans are as follows:

	Weighted average price per right/security		Number of rights/securities	
Details	**2020**	**2019**	**2020**	**2019**
Opening balance	**$2.79**	$2.97	**9,195,117**	11,022,675
Adjustment to prior year[1]	–	–	**(393,593)**	–
Granted during the year	**$3.65**	$2.93	**4,816,864**	4,923,260
Forfeited and lapsed during the year	**$3.31**	$2.72	**(685,391)**	(3,218,341)
Rights converted to vested Stockland stapled securities	**$4.18**	$3.56	**(1,871,549)**	(3,532,477)
Outstanding at the end of the year	**$3.33**	$2.79	**11,061,448**	9,195,117

1 Presentation in the current year is in line with the number of LTI rights and DSTI securities formally granted and vested under the offer terms. Comparatives figures were presented in line with the expense accrual.

LTI

The fair value of LTI rights is measured at grant date using the Black-Scholes and Monte Carlo Simulation option pricing models taking into account the terms and conditions upon which the rights were granted. The fair value is expensed on a straight-line basis over the vesting period, the period over which the rights are subject to performance and service conditions, with a corresponding increase in reserves.

Where the individual forfeits the rights due to failure to meet a service or performance condition, the cumulative expense is reversed through profit or loss in the current year. The cumulative expenditure for rights forfeited due to market conditions are not reversed.

Where amendments are made to the terms and conditions subsequent to the grant, the value of the grant immediately prior to and following the modification is determined. This occurs upon resignation or termination where the amendment relates to rights becoming vested in terms of beneficial ownership, which would otherwise have been forfeited due to the failure to meet future service conditions. In this situation, the value that would have been recognised in future periods in respect of the rights not forfeited is recognised in the period that the rights vest.

The number of rights granted to employees under the plan for the year ended 30 June 2020 was 3,490,356 (2019: 3,564,400). The number of LTI rights awarded is based on the Volume Weighted Average Price of Stockland securities for the ten working days post 30 June (face value methodology). This is consistent with the approach for determining the number of DSTI awards.

Assumptions made in determining the fair value of rights granted under the security plans are:

Details	2020	2019
Grant date	**1 July 2019**	1 October 2018
Fair value of rights granted under plan	**$2.61**	$2.48
Securities spot price at grant date	**$4.21**	$4.11
Exercise price	**–**	–
Distribution yield	**6.38%**	6.34%
Risk-free rate at grant date	**0.98%**	2.05%
Expected remaining life at grant date	**3 years**	2.8 years
Volatility of Stockland	**17%**	17%
Volatility of Index price	**14%**	14%

The LTI rights outstanding as at 30 June 2020 of 9,115,913 (2019: 7,073,951), have a fair value ranging from $1.11 to $4.47 (2019:$1.11 to $4.80) per right and a weighted average restricted period remaining of 1.5 years (2019: 1.5 years).

During the year, 129,560 rights (2019: 1,627,781) vested and will convert to securities with a weighted average fair value of $4.13 per security (2019: $2.82).

DSTI

The fair value of securities granted under the DSTI plan has been calculated based on the 10 day Volume Weighted Average Price post 30 June 2019 of $4.47 (2019: $4.44).

The DSTI outstanding as at 30 June 2020, included in the table above, are 1,945,535 (2019: 2,121,166). The DSTI outstanding have a fair value ranging from $4.05 to $4.47 (2019: $4.05 to $4.33) per security.

EMPLOYEE SECURITY PLAN

Stockland securities issued to eligible employees under the Tax Exempt Employee Security Plan ($1,000 Plan) are recognised as an expense with a corresponding increase in issued capital. The value recognised is the market price of the securities granted at grant date.

Taxation

IN THIS SECTION

This section sets out Stockland's tax accounting policies and provides an analysis of the income tax expense/benefit and deferred tax balances, including a reconciliation of tax expense to accounting profit. Accounting income is not always the same as taxable income, creating temporary differences. These differences usually reverse over time. Until they reverse, a deferred asset or liability must be recognised on the balance sheet, to the extent that it is probable that a reversal will take place. This is known as the balance sheet liability method.

20. INCOME TAX

20A. Income tax recognised in profit or loss

Year ended 30 June	Stockland	
$M	**2020**	**2019**
Current tax	–	–
Adjustments for prior years	**(4)**	–
Current tax	**(4)**	–
Tax losses recognised during the year[1]	–	–
Tax losses utilised during the year[2]	**(22)**	(19)
Capital losses utilised during the year	–	(4)
Origination and reversal of temporary differences	**(21)**	(24)
Deferred tax	**(43)**	(47)
Income tax in profit or loss	**(47)**	(47)

1 Tax losses and capital losses are fully recoverable based on the profitability of Stockland Corporation Group during the year and the latest available profit forecasts.
2 There is no current tax expense because tax and capital losses totalling $77.8 million (2019: $23 million) have been utilised to offset the Stockland Corporation Group's taxable income.

20B. Reconciliation of profit before tax to income tax recognised in profit or loss

Year ended 30 June	Stockland	
$M	**2020**	**2019**
Profit before tax	**33**	358
Less: Trust loss/(profit) before tax	**62**	(242)
Adjust for: intergroup eliminations	**8**	13
Profit before tax of Stockland Corporation Group	**103**	129
Prima facie income tax calculated at 30%	**(31)**	(39)
Impact on income tax recognised in profit or loss due to:		
Non-deductible expenses for the year	**(11)**	(12)
Other deductible expense for the current period	–	4
Other assessable income for the year	**(1)**	–
Under-provided in prior years	**(4)**	–
Income tax in profit or loss	**(47)**	(47)
Effective tax rate	**46%**	36%
Effective tax rate (excluding tax losses recognised)	**46%**	36%

STOCKLAND

Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income (OCI) or directly in equity. Income tax expense is calculated at the applicable corporate tax rate of 30%, and is comprised of current and deferred tax expense.

Current tax expense represents the expense relating to the expected taxable income at the applicable tax rate for the financial year. Deferred tax expense represents the tax expense in respect of the future tax consequences of recovering or settling the carrying amount of an asset or liability.

TAX CONSOLIDATION

Stockland Corporation Limited is head of the tax consolidated group which includes its wholly-owned Australian resident subsidiaries. As a consequence, all members of the tax consolidated group are taxed as a single entity.

Members of the tax consolidated group have entered into a tax sharing agreement and a tax funding arrangement. The arrangement requires that Stockland Corporation Limited assumes the current tax liabilities and deferred tax assets arising from unused tax losses, with payments to or from subsidiaries settled via intergroup loans. Any subsequent period adjustments are recognised by Stockland Corporation Limited only and do not result in further amounts being payable or receivable under the tax funding arrangement. The tax liabilities of the entities included in the tax consolidated group will be governed by the tax sharing agreement should Stockland Corporation Limited default on its tax obligations.

TRUST

Under current Australian income tax legislation, Stockland Trust and its sub-trusts are not liable for income tax on their taxable income (including any assessable component of capital gains) provided that the unitholders are attributed the taxable income of the Trust. Securityholders are liable to pay tax at their effective tax rate on the amounts attributed.

21. DEFERRED TAX

As at 30 June	Assets		Liabilities		Net	
$M	2020	2019	2020	2019	2020	2019
Inventories	**46**	52	**(163)**	(151)	**(117)**	(99)
Investment properties	**6**	7	**(440)**	(433)	**(434)**	(426)
Property, plant and equipment	**3**	3	**–**	–	**3**	3
Payables	**6**	13	**–**	–	**6**	13
Retirement Living resident obligations	**92**	14	**(81)**	–	**11**	14
Provisions	**23**	7	**–**	–	**23**	7
Leases	**4**	–	**(4)**	–	**–**	–
Reserves	**7**	7	**–**	–	**7**	7
Tax losses carried forward	**494**	521	**–**	–	**494**	521
Tax assets/(liabilities)	**681**	624	**(688)**	(584)	**(7)**	40

MOVEMENT IN TEMPORARY DIFFERENCES

As at 30 June		Recognised in			Recognised in		
$M	2018	Retained earnings[1]	Profit or loss	2019	Retained earnings[2]	Profit or loss	2020
Inventories	(79)	–	(20)	(99)	**–**	**(18)**	**(117)**
Investment properties	(427)	–	1	(426)	**(1)**	**(7)**	**(434)**
Property, plant and equipment	4	–	(1)	3	**(1)**	**1**	**3**
Payables	13	(1)	1	13	**(1)**	**(6)**	**6**
Retirement Living resident obligations	19	–	(5)	14	**–**	**(3)**	**11**
Provisions	5	–	2	7	**–**	**16**	**23**
Reserves	9	–	(2)	7	**–**	**–**	**7**
Tax losses carried forward	544	–	(23)	521	**(1)**	**(26)**	**494**
Tax assets/(liabilities)	88	(1)	(47)	40	**(4)**	**(43)**	**(7)**

1 Impact of adoption of new accounting standards recorded in retained earning on 1 July 2018.
2 Impact of adoption of new accounting standards recorded in retained earning on 1 July 2019. Refer to note 36 for further details.

STOCKLAND

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed for recoverability at each balance date and the recognised amount is adjusted as required. This is a key area of accounting estimation and judgement for Stockland.

Deferred tax is based upon the expected manner of realisation or settlement of the carrying amount of assets and liabilities using the applicable tax rates.

Deferred tax arises due to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences:

- initial recognition of goodwill;
- the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (for example acquisition of customer lists); and
- differences relating to investments in subsidiaries to the extent that they are unlikely to reverse in the foreseeable future.

TRUST

There are no deferred tax assets or liabilities in the Trust. As the Trust limits its activities to deriving income from renting Commercial Property and interest on the cross stapled loan with Stockland, all of the Trust's taxable income each year is attributed to its investors and the Trust is not subject to tax. All of the annual taxable income is subject to tax in the hands of Stockland’s investors. The Trustee of Stockland Trust should be liable to pay tax to the extent that Stockland Trust does not distribute all of its ‘net income’, as determined under Stockland Trust’s trust deed. It is not anticipated that Stockland Trust will distribute less than its net income for the current year.

Group structure

IN THIS SECTION

This section provides information which will help users understand how Stockland's structure affects the financial position and performance of Stockland as a whole. Stockland includes entities that are classified as joint ventures, joint operations, associates and structured entities.

Joint ventures and associates are accounted for using the equity method, while joint operations are proportionately consolidated and structured entities are recorded as investments at cost.

In this section of the notes there is information about:

1. Interests in joint arrangements;
2. Transactions with non-controlling interests; and
3. Changes to the structure that occurred during the year as a result of business combinations or the disposal of a discontinued operation.

22. EQUITY–ACCOUNTED INVESTMENTS

Stockland has interests in a number of individually immaterial joint ventures that are accounted for using the equity method. Stockland did not have investments in associates at 30 June 2020 or 30 June 2019.

A joint arrangement is either a venture or operation over whose activities Stockland has joint control, established by contractual agreement. Investments in joint ventures are accounted for on an equity-accounted basis. Investments in joint ventures are assessed for impairment when indicators of impairment are present and if required, written down to the recoverable amount. Joint operations are discussed in note 23.

Stockland's share of the joint venture's profit or loss and other comprehensive income is from the date joint control commences until the date joint control ceases.

If Stockland's share of losses exceeds its interest in a joint venture, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that Stockland has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Transactions with the joint venture are eliminated to the extent of Stockland's interest in the joint venture until such time as they are realised by the joint venture on consumption or sale.

The following table analyses, in aggregate, the carrying amount and share of profit or loss and other comprehensive income of these joint ventures.

As at 30 June	Stockland		Trust	
$M	2020	2019	2020	2019
Aggregate carrying amount of individually immaterial joint ventures[1]	**354**	612	**361**	620
Aggregate share of:				
• profit from continuing operations	**72**	75	**71**	56
• other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**72**	75	**71**	56

1 The decrease in carrying amount is due to the disposal of The King Trust.

The ownership interest in each of these immaterial entities is presented below:

As at 30 June %	Stockland 2020	Stockland 2019	Trust 2020	Trust 2019
Brisbane Casino Towers[1]	**50**	50	**–**	–
Compam Property Management Pty Limited[2]	**100**	50	**100**	50
Eagle Street Pier Pty Limited[3]	**50**	50	**–**	–
Fife Kemps Creek Trust	**50**	–	**50**	–
Stockland Fife Willawong Trust	**50**	–	**50**	–
Macquarie Park Trust	**51**	51	**51**	51
Riverton Forum Pty Limited	**50**	50	**50**	50
The King Trust[4]	**–**	50	**–**	50
Willeri Drive Trust[5]	**50**	50	**50**	50

1 The remaining units in the Brisbane Casino Towers development were settled during the period.
2 Compam Property Management Pty Limited was the manager for The King Trust. Under the contract of sale for The King Trust, Stockland took full ownership of this entity. The entity is now dormant and in the process of being wound up.
3 This entity is in the process of being wound up. An application to deregister this entity was lodged with ASIC in June 2020.
4 Owner of 135 King Street, Sydney NSW. Stockland disposed of the investment in The King Trust during the year.
5 Owner of Stockland Riverton, Riverton WA.

CHANGES TO JOINT VENTURES

During the year:

- Stockland entered into a Joint Venture with the Fife Group to develop Workplace and Logistics properties at Kemps Creek, NSW;
- Stockland entered into a Joint Venture with the Fife Group to develop Workplace and Logistics properties Willawong, QLD; and
- Stockland sold its interest in The King Trust, which held 135 King Street, Sydney NSW. As part of this arrangement Stockland took full ownership of Compam Property Management Pty Limited, the previous managing entity of the King Trust.

There were no other changes to the above listed investments in joint ventures during the year.

23. OTHER ARRANGEMENTS

23A. Investments in unconsolidated structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity.

Stockland holds an interest in a closed-end, unlisted property fund that invests in real estate assets in Australia for the purpose of generating investment income and for capital appreciation. The fund finances its operations through unitholder contributions and also through external banking facilities. The fund has been determined to meet the definition of a structured entity.

SDRT No.1

As at 30 June 2020, Stockland held a 19.9% interest (2019: 19.9%) in SDRT No. 1 (the Fund), valued at $0.4 million (2019: $8 million). Stockland's interest in this fund is included in the 'Other Financial Assets' line item on the balance sheet.

The maximum exposure to risk is the carrying value of Stockland's investment in the Fund. At a unitholder meeting in March 2019, the unitholders passed a resolution to wind-up the Fund and sell all of the properties. All properties in the Fund were sold during the year and it is now in the process of being wound up.

23B. Joint operations

Interests in unincorporated joint operations are consolidated by recognising Stockland's proportionate share of the joint operations' assets, liabilities, revenues and expenses on a line-by-line basis, from the date joint control commences to the date joint control ceases and are not included in the above table.

24. CONTROLLED ENTITIES

The following entities were 100% controlled during the current and prior years:

CONTROLLED ENTITIES OF STOCKLAND CORPORATION LIMITED

Albert & Co Pty Ltd[1]	Stockland Eurofinance Pty Limited[1]
ARC Joint Ventures Pty. Ltd.[1]	Stockland Farrington Grove Retirement Village Pty Limited
AW Bidco 1 Pty Limited[2]	Stockland Financial Services Pty Limited[1]
AW Bidco 2 Pty Limited[2]	Stockland Golden Ponds Forster Pty Limited
AW Bidco 4 Pty Limited[2]	Stockland Greenleaves Management Services Pty Limited
AW Bidco 5 Pty Limited[2]	Stockland Greenleaves Village Pty Limited
AW Bidco 6 Pty Limited[2]	Stockland Hibernian Investment Company Pty Limited[1]
Bayview Road Property Trust	Stockland Highett Pty Limited
Bellevue Gardens Trust	Stockland Highlands Pty Limited[1]
Eisha Pty Ltd[2]	Stockland Highlands Retirement Village Pty Limited
Enaard Pty Ltd[2]	Stockland Holding Trust No. 3
Endeavour (No. 2) Unit Trust	Stockland Holding Trust No. 4
IOR Friendly Society Pty Limited[1]	Stockland Holding Trust No. 5
Jimboomba Trust	Stockland Holding Trust No. 6
JT Bid Co No. 1 Pty Limited	Stockland IOR Group Pty Limited[1]
JT Bid Co No. 2 Pty Limited	Stockland Kawana Waters Pty Limited[1]
Knowles Property Management Unit Trust	Stockland Knox Village Pty Limited[1]
Knox Unit Trust	Stockland Lake Doonella Pty Limited[1]
LAB-52 Bricklet Pty Limited[2]	Stockland Land Lease Communities Holdings Pty Limited[2]
LAB-52 Holdings Pty Limited[2]	Stockland Land Lease Landlord Pty Limited[2]
LAB-52 Yodel Pty Limited[2]	Stockland Land Lease Management Pty Limited[2]
Mayflower Investments Pty Ltd	Stockland Lensworth Glenmore Park Limited[1]
Merrylands Court Pty Limited	Stockland Lincoln Gardens Pty Limited
Northpoint No. 1 Trust	Stockland Long Island Village Pty Limited[1]
Northpoint No. 2 Trust	Stockland Management Limited
Northpoint No. 3 Trust	Stockland Maybrook Manor Pty Limited
Northpoint No. 4 Trust	Stockland Mernda Retirement Village Pty Limited
Northpoint No. 5 Trust	Stockland Miami (Fund) Unit Trust
Northpoint No. 6 Trust	Stockland Miami (Non-Fund) Unit Trust
Nowra Property Unit Trust	Stockland Miami (QLD) Pty Limited[1]
Patterson Lakes Unit Trust	Stockland Midlands Terrace Adult Community Pty Limited[1]
Retirement Living Acquisition Trust	Stockland Newport Retirement Village Pty Limited
Retirement Living Holding Trust No. 1	Stockland North Lakes Development Pty Limited[1]
Retirement Living Holding Trust No. 2	Stockland North Lakes Pty Limited[1]
Retirement Living Holding Trust No. 3	Stockland Oak Grange Pty Limited[1]
Retirement Living Holding Trust No. 4	Stockland Ormeau Trust
Retirement Living Holding Trust No. 5	Stockland Patterson Village Pty Limited[1]
Retirement Living Holding Trust No. 6	Stockland Pine Lake Management Services Pty Limited
Retirement Living Unit Trust No. 1	Stockland Pine Lake Village Pty Limited
Retirement Living Unit Trust No. 2	Stockland PR1 Trust
Rogan's Hill Retirement Village Trust	Stockland PR2 Trust
SDRT 2 Property 1 Trust	Stockland PR3 Trust
SDRT 2 Property 2 Trust	Stockland PR4 Trust
SDRT 2 Property 3 Trust	Stockland Property Management Pty Ltd[1]

SDRT 2 Property 4 Trust	Stockland Property Services Pty Limited[1]
Stockland (Boardwalk Sub 2) Pty Limited	Stockland Queenslake Village Pty Limited
Stockland (Queensland) Pty. Limited[1]	Stockland Retail Services Pty Limited[1]
Stockland (Russell Street) Pty Limited[1]	Stockland Retirement Pty Limited[1]
Stockland A.C.N 116 788 713 Pty Limited[1]	Stockland Richmond Retirement Village Pty Limited
Stockland Aevum Limited[1]	Stockland Ridgecrest Village Management Services Pty Limited
Stockland Aevum SPV Finance No. 1 Pty Limited	Stockland Ridgecrest Village Pty Limited
Stockland Affinity Retirement Village Pty Limited	Stockland RRV Pty Limited[1]
Stockland Bellevue Gardens Pty Limited	Stockland RVG (Queensland) Pty Limited
Stockland Bells Creek Pty Limited[1]	Stockland Salford Living Pty Limited[1]
Stockland Birtinya Retirement Village Pty Limited[1]	Stockland Scrip Holdings Pty Limited
Stockland Buddina Pty Limited[1]	Stockland Selandra Rise Retirement Village Pty Limited
Stockland Caboolture Waters Pty Limited[1]	Stockland Services Pty Limited[1]
Stockland Caloundra Downs Pty Limited[1]	Stockland Singapore Pte Ltd
Stockland Capital Partners Limited	Stockland South Beach Pty Limited[1]
Stockland Care Foundation Pty Limited	Stockland Syndicate No. 1 Trust
Stockland Care Foundation Trust	Stockland Templestowe Retirement Village Pty Limited[1]
Stockland Castlehaven Pty Limited	Stockland The Grove Retirement Village Pty Limited
Stockland Castleridge Pty Limited	Stockland The Hastings Valley Parklands Village Pty Limited
Stockland Catering Pty Limited	Stockland The Pines Retirement Village Pty Limited[1]
Stockland CH Finance Pty Limited[2]	Stockland Trust Management Limited
Stockland Development (Holdings) Pty Limited[1]	Stockland Vermont Retirement Village Pty Limited[1]
Stockland Development (NAPA NSW) Pty Limited[1]	Stockland WA (Estates) Pty Limited[1]
Stockland Development (NAPA QLD) Pty Limited[1]	Stockland WA Development (Realty) Pty Limited[1]
Stockland Development (NAPA VIC) Pty Limited[1]	Stockland WA Development (Vertu Sub 1) Pty Limited
Stockland Development (PHH) Pty Limited[1]	Stockland WA Development Pty Limited[1]
Stockland Development (PR1) Pty Limited	Stockland Wallarah Peninsula Management Pty Limited[1]
Stockland Development (PR2) Pty Limited	Stockland Wallarah Peninsula Pty Limited[1]
Stockland Development (PR3) Pty Limited	Stockland Wantirna Village Pty Limited[1]
Stockland Development (PR4) Pty Limited	Stockland Willowdale Retirement Village Pty Limited
Stockland Development (Sub3) Pty Limited	Stockland Willows Retirement Village Services Pty Limited
Stockland Development (Sub4) Pty Limited	Templestowe Unit Trust
Stockland Development (Sub5) Pty Limited	The Mount Gravatt Retirement Village Unit Trust
Stockland Development (Sub7) Pty Limited[1]	The Pine Lake Management Services Unit Trust
Stockland Development Pty Limited[1]	Toowong Place Pty Limited
Stockland Direct Retail Trust No. 2	Vermont Unit Trust
Stockland Epping Retirement Village Pty Limited	

1 These entities are parties to the Deed of Cross Guarantee and members of the Closed Group as at 30 June 2020.
2 These entities were formed/incorporated or acquired in the current financial year.

CONTROLLED ENTITIES OF STOCKLAND TRUST

9 Castlereagh Street Unit Trust	Stockland Harrisdale Trust
ADP Trust	Stockland Industrial No. 1 Property 1 Trust
Advance Property Fund	Stockland Industrial No. 1 Property 4 Trust
Advance Property Fund No. 2[1]	Stockland Industrial No. 1 Property 5 Trust
Capricornia Property Trust	Stockland Industrial No. 1 Property 6 Trust
Endeavour (No. 1) Unit Trust	Stockland Industrial No. 1 Property 7 Trust
Flinders Industrial Property Trust	Stockland Industrial No. 1 Property 8 Trust
Flinders Industrial Property Subtrust (No. 1)	Stockland Industrial No. 1 Property 9 Trust
Hervey Bay Holding Trust	Stockland Industrial No. 1 Property 11 Trust
Hervey Bay Sub Trust	Stockland Kemps Creek Industrial Trust
Industrial Property Trust	Stockland Marrickville Unit Trust
Jimboomba Village Shopping Centre and Tavern Trust	Stockland Mornington Unit Trust
SDOT 4 Property # 1 Trust	Stockland Mulgrave Unit Trust
SDOT 4 Property # 2 Trust	Stockland North Ryde Unit Trust
SDOT 4 Property # 3 Trust	Stockland Padstow Unit Trust
SDRT1 Property # 3 Trust	Stockland Parkinson Unit Trust
SDRT3 Property # 1 Trust	Stockland Quarry Road Trust
SDRT3 Property # 2 Trust	Stockland Retail Holding Sub-Trust No. 1
SDRT3 Property # 3 Trust	Stockland Retail Holding Trust No. 1
Shellharbour Property Trust	Sugarland Shopping Centre Trust
Stockland Baringa Shopping Centre Trust	Stockland Wholesale Office Trust No. 1
Stockland Bayswater Unit Trust	Stockland Wholesale Office Trust No. 2
Stockland Birtinya Shopping Centre Trust	Stockland Richlands Unit Trust
Stockland Bundaberg Trust	Stockland St Marys Unit Trust
Stockland Brooklyn Industrial Trust	Stockland Tingalpa Unit Trust
Stockland Castlereagh Street Trust	Stockland Truganina Industrial Trust
Stockland CP Acquisition Trust[1]	Stockland Willawong Industrial Trust
Stockland CPR Industrial Trust[1]	Stockland Willawong Industrial Trust No. 2[1]
Stockland Direct Diversified Fund	Stockland Wonderland Drive Property Trust
Stockland Direct Office Trust No. 4	SWOT2 Sub Trust No. 1
Stockland Direct Retail Trust No. 3	SWOT2 Sub Trust No. 2
Stockland Eastern Creek Trust	SWOT2 Sub Trust No. 3
Stockland Finance Holdings Pty Limited[2]	The M_Park Trust[1]
Stockland Finance Pty Limited[2]	

1 These entities were formed/incorporated or acquired in the current financial year.
2 These entities are parties to the Deed of Cross Guarantee (Finance) as at 30 June 2020.

25. DEED OF CROSS GUARANTEE

Stockland Corporation Limited and certain wholly-owned companies (the Closed Group, also the Extended Closed Group) are parties to a Deed of Cross Guarantee (the Deed). The effect of the Deed is that the members of the Closed Group guarantee to each creditor, payment in full of any debt, in the event of winding up of any of the members under certain provisions of the *Corporations Act 2001*.

ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 provides relief to parties to the Deed from the *Corporations Act 2001* requirements for preparation, audit and lodgement of Financial Reports and Directors' reports, subject to certain conditions as set out therein.

Pursuant to the requirements of this instrument, a summarised consolidated balance sheet as at 30 June 2020 and consolidated statement of comprehensive income for the year ended 30 June 2020, comprising the members of the Closed Group after eliminating all transactions between members, are set out on the following pages.

Summarised consolidated balance sheet

As at 30 June	Closed Group	
$M	2020	2019
Cash and cash equivalents	**31**	50
Receivables	**63**	101
Inventories	**364**	1,007
Other assets	**9**	15
	467	1,173
Non-current assets held for sale	**–**	–
Current assets	**467**	1,173
Receivables	**19**	16
Inventories	**2,840**	2,500
Investment properties	**2,329**	2,349
Equity-accounted investments	**–**	–
Other financial assets	**39**	38
Property, plant and equipment	**32**	31
Intangible assets	**170**	156
Deferred tax assets	**–**	40
Other assets	**16**	3
Non-current assets	**5,445**	5,133
Assets	**5,912**	6,306
Payables	**546**	571
Retirement Living resident obligations	**1,462**	1,322
Provisions	**311**	357
Other liabilities	**12**	20
Current liabilities	**2,331**	2,270
Payables	**204**	147
Borrowings	**2,394**	2,972
Retirement Living resident obligations	**38**	38
Provisions	**367**	396
Deferred tax liabilities	**7**	–
Other liabilities	**14**	–
Non-current liabilities	**3,024**	3,553
Liabilities	**5,355**	5,823
Net assets	**557**	483
Issued capital	**1,298**	1,298
Reserves	**2**	2
Accumulated losses	**(743)**	(817)
Securityholders' equity	**557**	483

Summarised consolidated statement of comprehensive income

Year ended 30 June	Closed Group	
$M	2020	2019
Profit before tax	**121**	129
Income tax	**(47)**	(29)
Profit after tax	**74**	100
Other comprehensive income	**–**	–
Total comprehensive income	**74**	100

Summarised movement in consolidated accumulated losses

Year ended 30 June	Closed Group	
$M	2020	2019
Accumulated losses at 1 July	**(817)**	(917)
Adjustment for entities added/removed	**–**	–
Profit after tax	**74**	100
Accumulated losses at 30 June	**(743)**	(817)

26. PARENT ENTITY DISCLOSURES

	Stockland Corporation Limited		Stockland Trust	
$M	2020	2019	2020	2019
Results for the year ended 30 June				
Profit/(Loss) for the year	**57**	85	**(62)**	242
Other comprehensive income	**–**	(6)	**(81)**	(6)
Total comprehensive income	**57**	79	**(143)**	236
Financial position as at 30 June				
Current assets	**4,659**	4,555	**1,648**	466
Assets[1]	**4,751**	4,688	**24,427**	22,678
Current liabilities	**–**	–	**11,467**	9,597
Liabilities	**3,838**	3,831	**16,210**	13,739
Net assets	**913**	857	**8,217**	8,939
Issued capital	**1,298**	1,299	**7,356**	7,358
Reserves	**2**	2	**8**	86
(Accumulated losses)/retained earnings	**(387)**	(444)	**853**	1,495
Equity	**913**	857	**8,217**	8,939

1 There were no intangible assets as at 30 June 2020 (2019: $nil).

PARENT ENTITY CONTINGENCIES

There are no contingencies within either parent entity as at 30 June 2020 (2019: $nil).

PARENT ENTITY CAPITAL COMMITMENTS

Neither parent entity has entered into any capital commitments as at 30 June 2020 (2019: $nil).

ASIC DEED OF CROSS GUARANTEE

Stockland Corporation Limited has entered into a Deed of Cross Guarantee with the effect that it has guaranteed debts in respect of its subsidiaries. Further details of the Deed of Cross Guarantee and the subsidiaries subject to the deed are disclosed in note 25.

Other items

IN THIS SECTION

This section includes information about the financial performance and position of Stockland that must be disclosed to comply with the Accounting Standards, the *Corporations Act 2001* or the *Corporations Regulations 2001*.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

27A. Reconciliation of profit after tax to net cash flows from operating activities

	Stockland		Trust	
$M	**2020**	**2019**	**2020**	**2019**
Profit after tax	**(14)**	311	**(62)**	242
Adjustments for:				
Net impact on fair value hedges	**23**	7	**23**	6
Net impact on derivatives	**86**	133	**86**	134
Interest capitalised to investment properties	**(7)**	(9)	**(6)**	(3)
Net impact on sale of non-current assets	**(20)**	21	**(21)**	21
Net (gain)/loss on other financial assets	**4**	–	**4**	–
DMF base fee earned, unrealised	**(29)**	(26)	**–**	–
Net write-back of inventories impairment provision	**–**	1	**–**	–
Depreciation	**17**	16	**–**	–
Straight-line rent adjustments	**(3)**	(3)	**(3)**	(3)
Impairment of Retirement Living goodwill	**38**	38	**–**	–
Net unrealised change in fair value of investment properties (including equity-accounted investments)	**604**	297	**466**	210
Equity-settled security based payments	**11**	12	**–**	–
Provisions	**9**	–	**–**	–
Other items	**(1)**	(3)	**(6)**	7
Adjustments for movements in:				
• Receivables	**38**	(69)	**(6)**	(11)
• Other assets	**9**	(4)	**10**	(10)
• Inventories	**(25)**	(40)	**–**	–
• Deferred tax assets	**47**	48	**–**	–
• Payables and other liabilities	**334**	(169)	**(5)**	(1)
• Resident obligations (net of impact of village disposals)	**77**	43	**–**	–
• Other provisions	**(71)**	(210)	**–**	–
Net cash flows from operating activities	**1,127**	394	**480**	592

27B. Reconciliation of movement in financial liabilities arising from financing activities

As at 30 June	Stockland and Trust				
			Non cash movements		
$M	Opening balance	Net cash flow	Foreign exchange movements	Fair value changes[1]	Closing balance
Offshore medium term notes	**3,772**	**259**	**105**	**193**	**4,329**
Domestic medium term notes and commercial paper	**757**	**(140)**	**–**	**1**	**618**
Bank facilities	**175**	**(100)**	**–**	**–**	**75**
2020	**4,704**	**19**	**105**	**194**	**5,022**
Offshore medium term notes	3,381	82	10	299	3,772
Domestic medium term notes and commercial paper	557	200	–	–	757
Bank facilities	–	175	–	–	175
2019	3,938	457	10	299	4,704

1 Includes amortisation of capitalised transaction cost.

28. COMMITMENTS

CAPITAL EXPENDITURE COMMITMENTS

Commitments for acquisition of land and future development costs not recognised on balance sheet at reporting date are as follows:

As at 30 June	Stockland		Trust	
$M	2020	2019	2020	2019
Inventories	**374**	395	**–**	–
Investment properties	**109**	106	**65**	30
Capital expenditure commitments	**483**	501	**65**	30

29. CONTINGENT LIABILITIES

KEEPING IT SIMPLE

A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision where uncertainty may exist regarding the outcome of future events.

Contingent liabilities at 30 June 2020 comprise bank guarantees, letters of credit, property indemnities and insurance bonds:

As at 30 June	Stockland and Trust	
$M	2020	2019
Bank guarantees, letters of credit, property indemnities and insurance bonds issued to local government and other authorities against performance contracts, maximum facility $680 million (2019: $750 million)	**419**	443

30. RELATED PARTY DISCLOSURES

Year ended 30 June	Stockland		Trust	
$'000s	2020	2019	2020	2019
Responsible Entity fees	**315**	564	**–**	–
Management and service fee	**239**	77	**–**	–
Property management, tenancy design and leasing fees	**2,039**	2,423	**–**	–
Rental income	**–**	–	**9,370**	4,774
Finance income	**–**	–	**229,101**	282,166
Revenue from related parties	**2,593**	3,064	**238,471**	286,940
Responsible Entity fees	**–**	–	**36,914**	37,700
Property management, tenancy design and leasing fees	**–**	–	**27,836**	28,304
Recoupment of expenses	**–**	–	**59,914**	63,156
Development management fee capitalised to investment property	**–**	–	**3,787**	6,183
Expenses to related parties	**–**	–	**128,451**	135,343

RESPONSIBLE ENTITY AND OTHER MANAGEMENT FEES

Stockland received Responsible Entity and other management fees from the unlisted property funds managed by Stockland during the financial year.

The Trust pays responsible entity fees to Stockland Trust Management Limited, calculated at 0.3 to 0.35% of gross assets of the Trust less intergroup loans (2019: 0.3 to 0.35%).

Property management expenses and tenancy design fees were paid by the Trust to Stockland Trust Management Limited (the Responsible Entity) or its related parties provided in the normal course of business and on normal terms and conditions.

RENTAL INCOME

Rent was paid by Stockland Corporation Limited, a related party of the Responsible Entity, to Stockland Trust in the normal course of business and on normal terms and conditions.

FINANCE INCOME

The Trust has an unsecured loan to Stockland Corporation Limited of $2,955 million (2019: $3,534 million) repayable in 2023. Interest on the loan is payable monthly in arrears at interest rates within the range of 6.2 to 7.3% during the year ended 30 June 2020 (2019: 7.5 to 8.2%).

Interest was paid by Stockland Corporation Limited to Stockland Trust, a related party of the Responsible Entity, provided in the normal course of business and on normal terms and conditions.

DEVELOPMENT MANAGEMENT FEE

A development management deed was executed between Stockland Trust and Stockland Development Pty Limited (a controlled entity of Stockland Corporation Limited) effective 1 July 2012 in relation to a management fee in respect of Retail developments. The fee represents remuneration for the Corporation's property development expertise and for developments which commenced after 1 July 2016. It is calculated based on a fixed 4% of total development costs in line with recent changes to benchmark methodologies (for developments which commenced prior to 1 July 2016, the fee is calculated as 50% of the total valuation gain or loss on the completion of a development). Fees are paid by Stockland Trust to Stockland Development Pty Limited.

Stockland has trade receivables of $516,548 (2019: $382,800) due from the unlisted property funds.

As at 30 June 2020, the carrying amount of Stockland's investment in unlisted property funds was $373,022 (2019: $8,323,291).

31. PERSONNEL EXPENSES

Year ended 30 June	Stockland		Trust	
$M	2020	2019	2020	2019
Wages and salaries (including on-costs)	**197**	210	**–**	–
Equity-settled security based payment transactions	**11**	12	**–**	–
Contributions to defined contribution plans	**12**	14	**–**	–
Movement in annual and long service leave provisions	**(1)**	3	**–**	–
Redundancy provision	**1**	6	**–**	–
Personnel expenses	**220**	245	**–**	–

PERSONNEL EXPENSES

The total personnel expenses for the year was $220 million (2019: $245 million), which includes $11,453,466 of equity-settled security based payment transactions (2019: $12,407,197).

ANNUAL LEAVE

Accrued annual leave of $10 million (2019: $13 million) is presented in current liabilities, since Stockland does not have an unconditional right to defer settlement for any of these obligations. Based on past experience, Stockland expects all employees to take the full amount of accrued leave within the next 12 months.

LONG SERVICE LEAVE

The current portion of long service leave includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro rata payments in certain circumstances.

The liability for long service leave expected to be settled more than 12 months from the balance date is recognised in the provision for employee benefits and measured as the present value of expected payments to be made in respect of services provided by employees up to the balance date.

Consideration is given to expected future wage and salary levels, past experience of employee departures and periods of service. Expected future payments are discounted using market yields at the balance date on corporate bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

BONUS ENTITLEMENTS

A liability is recognised in current trade and other payables for employee benefits in the form of employee bonus entitlements where there is a contractual obligation or where there is a past practice that has created a constructive obligation. Liabilities for employee bonus entitlements are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

SUPERANNUATION PLAN

Stockland contributes to several defined contribution superannuation plans. Contributions are recognised as a personnel expense as they are incurred. The annual expense was $12.4 million (2019: $14.3 million).

32. KEY MANAGEMENT PERSONNEL DISCLOSURES

Year ended 30 June	Stockland		Trust	
$000's	2020	2019	2020	2019
Short term employee benefits	**5,797**	8,631	**–**	–
Post-employment benefits	**234**	255	**–**	–
Other long term benefits	**97**	68	**–**	–
Termination benefits	**–**	817	**–**	–
Security based payments	**4,199**	2,872	**–**	–
Key management personnel compensation	**10,327**	12,643	**–**	–

Information regarding individual Directors' and Executives' remuneration is provided in the remuneration report on pages 69 to 90 of the Directors' report.

OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

There are transactions between Stockland and entities with which key management personnel have an association. These transactions do not meet the definition of related parties since the key management personnel as individuals are not considered to have control or significant influence over the financial or operating activities of the respective non-Stockland entities. Furthermore, the terms and conditions of those transactions were no more favourable than those available, or might reasonably be available, on similar transactions to non-key management personnel related entities on an arm's length basis.

From time to time, key management personnel acquire Residential land lots from Stockland. These purchases are at market rates and on an arm's length basis. There was no purchase of Residential land lots during the current year. During the prior year, this amounted to $518 thousand, net of deposits received in 2018 of $58 thousand.

33. AUDITOR'S REMUNERATION

Year ended 30 June	Stockland		Trust	
$000's	2020	2019	2020	2019
PricewaterhouseCoopers Australia				
Audit and review of financial report	**1,812**	1,942	**570**	561
Audit of unlisted property fund financial reports	**104**	112	**–**	–
Regulatory audit and assurance services	**687**	647	**410**	393
Remuneration for audit services	**2,603**	2,701	**980**	954
Other non-audit services[1]	**530**	199	**–**	–
Remuneration for non-audit services	**530**	199	**–**	–
Auditor remuneration	**3,133**	2,900	**980**	954

1 Other non-audit services include agreed upon procedures for tenant claims under the Commercial Code of Conduct, economic, land and traffic analysis at masterplanned communities, and an independent review of Stockland's remuneration process.

Auditor's fees are paid by Stockland Development Pty Limited on behalf of Stockland.

34. EVENTS SUBSEQUENT TO THE END OF THE YEAR

STOCKLAND AND TRUST

The COVID-19 pandemic has resulted in a level of uncertainty in the real estate sector, both as at 30 June 2020 and in the period between 30 June 2020 and the date of this report. The estimated short-term impacts of this uncertainty have been factored into investment property valuations and into the assessment of potential impairments of inventories and trade receivables at balance date. However, at the date of this report, the duration of the impact of the pandemic, the pace of the subsequent economic recovery and the future effects on the Group cannot be estimated with any degree of accuracy.

On 2 August 2020, the Victorian Government imposed Stage 4 restrictions for metropolitan Melbourne. Similarly, Stage 3 restrictions have been in place in regional Victoria since 5 August 2020. As at 30 June 2020, 18% of Stockland's assets are located in Victoria (8% Commercial Property, 7% Residential and 3% Retirement Living). Only two of Stockland's Retail Town Centres are in the metropolitan Melbourne area, one of which, The Pines in Doncaster, was contracted for sale[1] in the period since 30 June 2020. Although the independent valuers had not specifically considered this level of lockdown in Victoria as likely prior to providing final valuations to the Group as at 30 June 2020, they had adopted a range of adjustments across the entire portfolio to reflect an ongoing short term impact from COVID-19. These adjustments were applied over a forward looking period of between six months to two years with an assumed return to long-term averages from that point on. As a result, at the date of this report the valuers do not expect the Victorian restrictions to have a material impact on overall valuations of Commercial Property.

Advice from the independent external valuers of our investment property portfolio in the period from 30 June 2020 up to the signing of this report has confirmed that there has been insufficient transactional evidence to indicate material movements in the market since the valuation date of 30 June 2020.

Given the above, the Directors have concluded that allowances made at 30 June 2020 in the investment property portfolio are reasonable and there has been no subsequent changes to the valuations stated at balance date.

Negotiations are continuing between Stockland and its tenants under the terms of the Commercial Code of Conduct for small to medium enterprises (SME) as well as those non-SME tenants seeking support. As at the date of this report, 52% of all relevant retail tenants by number have formally agreed and signed, or agreed in principle, for the receipt of rental abatements. Workplace and Logistics tenants (who are much less impacted than Retail tenants) are significantly further advanced in negotiating their agreements at approximately 64%

1 Subject to finance and FIRB approval

and 98% by number respectively. In addition, rent collections across the portfolio continued to improve throughout July 2020 with over 70% of billed rent for the fourth quarter of FY20 and over 80% of billed rent for the second half of FY20 collected by 31 July 2020.

On 12 August 2020, Stockland announced it was renegotiating an existing arrangement to acquire land in Marsden Park, Sydney (Angliss). As previously disclosed to the market on 20 December 2017, Stockland had entered into an agreement to acquire approximately 184 hectares of land for future residential development in Marsden Park for $398 million on deferred terms over five years. The acquisition was conditional on land rezoning and additional terms. As these conditions remained outstanding, the parties have by mutual agreement ended Stockland's obligations under the original agreement on 12 August 2020 and entered into a new, exclusive arrangement to negotiate terms in relation to the proposed acquisition. The associated land asset and liability continue to be reflected in the financial statements for the year ended 30 June 2020.

Subsequent to the end of the year, contracts of sale were also exchanged for the following assets:

- Stockland The Pines, Doncaster East Vic for a gross consideration[2,3] of $155 million
- Stockland Baulkham Hills, Baulkham Hills NSW for a gross consideration[3] of $141 million
- Stockland Caloundra, Caloundra Qld for a gross consideration[3] of $105 million
- North Shore Townsville, Townsville Qld for a gross consideration[3] of $17 million
- Balcatta Distribution Centre, Balcatta WA for a gross consideration[3] of $64 million

Other than disclosed in this note or elsewhere in this report, there has not arisen in the interval between the end of the current financial year and the date of this report any item, transaction or event of a material or unusual nature, likely, in the opinion of the Directors, to affect significantly the operations, the results of operations, or the state of affairs in future years of Stockland and the Trust.

35. ACCOUNTING POLICIES

KEEPING IT SIMPLE

Accounting policies that apply to a specific category in the profit or loss or balance sheet have been included within the relevant notes.

The accounting policies listed below are those that apply across a number of Stockland's profit or loss and balance sheet categories and are not specific to a single category.

35A. Principles of consolidation

CONTROLLED ENTITIES

The consolidated financial statements of Stockland incorporates the assets, liabilities and results of all controlled entities.

Controlled entities are all entities over which the parent entities, Stockland or the Trust, are exposed to, or have a right to, variable returns from their involvement with the entity and have the ability to affect those returns through their power to direct the relevant activities of the entity.

Intergroup transactions, balances and unrealised gains on transactions between controlled entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred.

FOREIGN CURRENCY

Transactions

Foreign currency transactions are translated into the entity's functional currency at the exchange rate on the transaction date.

Assets and liabilities denominated in foreign currencies are translated to Australian dollars at balance date using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Monetary assets and liabilities	Balance date
Non-monetary assets and liabilities measured at historical cost	Date of transaction
Non-monetary assets and liabilities measured at fair value	Date fair value is determined

Foreign exchange differences arising on translation are recognised in the profit or loss.

[2] Subject to finance and FIRB approval
[3] Gross consideration is consideration before completion adjustments such as committed capital expenditures, incentives, rental guarantees and/or net working capital

35B. Reserves

SECURITY BASED PAYMENTS RESERVE

The security based payments reserve arises due to the rights and deferred securities awarded under the LTI and DSTI plans being accounted for as security based payments. The fair value of the rights and deferred securities is recognised as an employee expense in profit or loss with a corresponding increase in the reserve over the vesting period. On vesting, the LTI and DSTI awards are settled by allocating treasury securities to the rights holder and the cost to acquire the treasury securities is recognised in the security based payments reserve by a transfer from treasury securities. Where rights are forfeited due to failure to satisfy a service or performance condition, the cumulative expense is reversed through profit or loss in the current year. The cumulative expenditure for rights which lapse due to failure to satisfy a market condition are transferred to retained earnings on expiry.

HEDGING RESERVE

The hedging reserve captures both cash flow hedges and fair value hedges.

Cash flow hedging

The hedging reserve is used to record the effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges, refer to note 16.

Fair value hedging

The hedging reserve comprises the cumulative net change in the fair value of available for sale financial assets until the assets are derecognised or impaired.

36. ADOPTION OF NEW ACCOUNTING STANDARDS

36A. AASB 16 Leases

See note 10 for Stockland's accounting policy for leases. Stockland has adopted AASB 16 retrospectively from 1 July 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 July 2019. Lessor accounting remains largely unchanged and hence there is no material impact on accounting for income from Stockland's Retirement Living and Commercial Property businesses.

GROUND LEASES

On adoption of AASB 16 on 1 July 2019, a lease liability reflecting the leasehold arrangements of investment properties is separately disclosed in the balance sheet and the carrying value of the investment properties adjusted (i.e. grossed up) so that the net of these two amounts equals the fair value of the investment properties. The lease liabilities are calculated as the net present value of the future lease payments discounted at the incremental borrowing rate. The weighted average incremental borrowing rate as of 1 July 2019 was 4.9% per annum.

At 1 July 2019, $42 million of lease liabilities for ground leases at Durack Centre, 263 Adelaide Terrace, Perth WA and Export Distribution Centre, Brisbane Airport Qld were recognised in the balance sheet.

ADJUSTMENTS RECOGNISED ON ADOPTION OF AASB 16

On adoption of AASB 16, Stockland recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 *Leases*. These liabilities were measured at the present value of the remaining lease payments, discounted using Stockland's incremental borrowing rate as of 1 July 2019. Stockland's weighted average incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.9% per annum.

The difference between the operating lease commitments disclosed at 30 June 2019 discounted using the incremental borrowing rate at 1 July 2019 and the balance of the lease liabilities recognised at 1 July 2019 reflects:

- the exclusion of leases committed to but for which the term had not yet commenced; and
- adjustments as a result of different treatment of extension and termination options.

The impact of the adoption of AASB 16 on the financial report as at 1 July 2019 is summarised as follows:

$M	Trust Ground leases	Corporation Other leases	Stockland
Right-of-use assets			
Investment properties (non-current)	**36**	**–**	**36**
Other assets (non-current)	**–**	**5**	**5**
Lease liabilities			
Other liabilities (current lease liabilities)	**–**	**(1)**	**(1)**
Other liabilities (non-current lease liabilities)	**(42)**	**(5)**	**(47)**
Net assets	**(6)**	**(1)**	**(7)**
Retained earnings (equity)	**6**	**1**	**7**

A reconciliation of operating lease commitments previously disclosed under AASB 117 to the lease liabilities recognised under AASB 16 is summarised as follows:

$M	Stockland
Operating lease commitments disclosed as at 30 June 2019	**39**
Add: finance lease liabilities recognised as at 30 June 2019	**86**
Discounted using Stockland's weighted average incremental borrowing rate of 4.9%	**(45)**
Less: lease commitments derecognised upon acquisition of 100% of Stockland Piccadilly	**(27)**
Less: short-term leases recognised on a straight-line basis as expense	**(1)**
Less: other adjustments on adoption of AASB 16	**(4)**
Lease liability recognised as at 1 July 2019	**48**

PRACTICAL EXPEDIENTS APPLIED

In applying AASB 16 for the first time, Stockland used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- for leases previously classified as an operating lease under AASB 117, the right-of-use asset was measured as if the standard has been applied since the commencement date, but was discounted using Stockland's incremental borrowing rate at the date of initial application.

Stockland also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date, Stockland relied on its assessment made in applying AASB 117 and Interpretation 4 *Determining whether an Arrangement contains a Lease.*

36B. Accounting standards issued but not yet in effect

Certain new accounting standards and interpretations have been published that are not mandatory for the year ended 30 June 2020. Stockland's assessment of the impact of these new standards and interpretations is set out below. Stockland has not elected to early adopt any accounting standards during the period.

AASB 2019-1 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – REFERENCES TO THE CONCEPTUAL FRAMEWORK

AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework* is an update to the Conceptual Framework. Changes are applicable to annual reporting periods beginning on or after 1 January 2020. Key changes include revising the definitions of an asset and a liability.

Stockland has assessed the revised definitions and has determined that there will be no material impact from the changes in the definitions. Stockland has also assessed the other changes to the Conceptual Framework and determined there will be no material impact upon adoption.

Directors' declaration

1. In the opinion of the Directors of Stockland Corporation Limited, and the Directors of the Responsible Entity of Stockland Trust, Stockland Trust Management Limited (collectively referred to as the Directors):

   - the financial report and notes of the consolidated stapled entity, comprising Stockland Corporation Limited and its controlled entities, including Stockland Trust and its controlled entities, (Stockland) and Stockland Trust and its controlled entities (the Trust), set out on pages 91 to 167, are in accordance with the *Corporations Act 2001*, including:
     - giving a true and fair view of Stockland's and the Trust's financial position as at 30 June 2020 and of their performance, for the financial year ended on that date; and
     - complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
   - there are reasonable grounds to believe that both Stockland and the Trust will be able to pay their debts as and when they become due and payable.
2. There are reasonable grounds to believe that Stockland Corporation Limited and the Stockland entities identified in note 24 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between those Group entities pursuant to ASIC Corporations (Wholly-owned Companies) Instrument 2016/785.
3. Stockland Trust has operated during the year ended 30 June 2020 in accordance with the provisions of the Trust Constitution of 29 October 2013, as amended from time to time.
4. The Register of Unitholders has, during the year ended 30 June 2020, been properly drawn up and maintained so as to give a true account of the unitholders of Stockland Trust.
5. The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the Managing Director and Chief Financial Officer for the year ended 30 June 2020.
6. The Directors draw attention to the basis of preparation section to the financial statements, which includes a Statement of Compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the Directors:

Tom Pockett
Chairman

Mark Steinert
Managing Director

Dated at Sydney, 25 August 2020

Independent auditor's report

To the stapled securityholders of Stockland and the unitholders of Stockland Trust Group

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial reports of Stockland, being the consolidated stapled entity, which comprises Stockland Corporation Limited and its controlled entities, and Stockland Trust and its controlled entities (together the "Stockland Trust Group" or the "Trust") are in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the financial positions of Stockland and the Stockland Trust Group as at 30 June 2020 and of their financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial reports of Stockland and the Stockland Trust Group (the financial report) comprise:

- the consolidated balance sheet as at 30 June 2020
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial report, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Stockland and the Stockland Trust Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of Stockland and the Stockland Trust Group, their accounting processes and controls and the industry in which they operate.

Materiality

- For the purpose of our audit of Stockland and the Stockland Trust Group, we used overall materiality of $41.3 million and $29 million, respectively, which represents approximately 5% of Funds from Operations. The metric is defined in note 2 of the financial report.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- We chose Funds from Operations because, in our view, it is the primary metric against which the performance of Stockland and the Stockland Trust Group are most commonly measured in the industry.
- We chose 5% based on our professional judgement, noting that it is within the common range relative to profit-based benchmarks.

Audit scope

- Our audit focused on where Stockland and the Stockland Trust Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- The audit team consisted of individuals with the appropriate skills and competencies needed for the audit, and this included industry expertise in real estate, as well as IT specialists, valuation, tax and treasury experts.

Key audit matters

- Amongst other relevant topics, we communicated the following key audit matters to the Audit Committee:
  - Valuation of Investment properties – Commercial Property
  - Valuation of Investment properties - Retirement Living
  - Carrying value of inventory and cost of property developments sold
  - Recoverability of lease receivables
- These are further described in the *Key audit matters* section of our report.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period and were determined separately for Stockland and the Stockland Trust Group. Relevant amounts listed for each part of the stapled group represent balances as they are presented in the financial report and should not be aggregated. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	***How our audit addressed the key audit matter***
Valuation of Investment properties – Commercial Property *(Refer to note 6)* *Stockland - $8,890 million* *Stockland Trust Group - $8,978 million*	
Stockland's and the Trust's Commercial Property portfolio ("Commercial Property") consisted primarily of retail town centres, logistics, and workplace investment properties, as well as properties under development at 30 June 2020. Commercial Properties were valued at fair value as at reporting date using a combination of the income capitalisation, discounted cash flow and the direct comparison methods. The value of Commercial Properties was dependent on the valuation methodology adopted and the inputs into the valuation model. Factors such as prevailing market conditions, the individual nature, condition and location of each property and the expected future income for each property, directly impact fair values. Amongst others, the following assumptions were key in establishing fair value: • net market rent • average market rental growth • capitalisation rate • discount rate • terminal yield. At the end of each reporting period the directors determine the fair value of the Commercial Properties in accordance with their valuation policy as described in note 6.	Our procedures included, amongst others: • Obtaining an understanding of Stockland's process for determining the valuation of Commercial Property; • Engaging PwC's real estate valuation experts where relevant; • Assessing the scope, competence and objectivity of the external valuation firms engaged by Stockland to provide external valuations at reporting date. We met with a sample of the external valuation experts across each of the asset classes to assess the reasonableness of the significant assumptions including COVID-19 specific adjustments; • Assessing the appropriateness of the valuation methodologies utilised, and reconciling the fair value recorded in the accounting records to the external valuation reports for all the properties externally valued; • Selecting a risk-based sample of properties to assess the reasonableness of significant assumptions with reference to market data where possible. We agreed the underlying lease terms to the tenancy schedule and traced the rental income used in the external valuation to the tenancy schedule. We assessed the reasonableness of income related assumptions including adjustments made in response to the impacts of COVID-19, and tested the mathematical accuracy of a sample of the valuations;

Key audit matter	*How our audit addressed the key audit matter*
This was a key audit matter because of the: • relative size of the Commercial Property portfolio to net assets and related valuation movements, and • inherent subjectivity of the key assumptions that underpin the valuations and the general market uncertainty arising from the outbreak of COVID-19.	• Considering the adequacy of the disclosures made in relation to the significant assumptions, including the sources of estimation uncertainty in note 6A in light of the requirements of Australian Accounting Standards.
Valuation of Investment properties - Retirement Living *(Refer to note 7)* *Stockland - $3,936 million* *Stockland Trust Group – this KAM is not applicable as the Trust does not invest in Retirement Living assets.*	
Stockland's Retirement Living portfolio ("Retirement Living") comprises retirement village investment properties, as well as properties under development. Retirement Living investment properties are valued at fair value at the reporting date using a discounted cash flow analysis. The value of investment properties in this segment is dependent on the terms of the residents' contracts and the inputs to the valuation model. Factors such as prevailing market conditions, the individual nature, condition and location of each property and the expected future income for each property directly impact fair values. Amongst others, the following assumptions are key in establishing fair value: • discount rates • growth rates • average length of stay of existing and future residents • current market value of units • renovation / reinstatement costs • renovation recoupment. The Stockland valuation policy provides for that all key valuation assumptions be	Our procedures included, amongst others: • Obtaining an understanding of Stockland's process for determining the valuation of Retirement Living investment properties; • Engaging PwC's valuation experts where relevant; • Assessing the scope, competence and objectivity of the external valuer engaged by Stockland to provide assurance on the key assumptions used in the valuation model. We met with the external valuer to assess the reasonableness of the significant assumptions and COVID-19 specific considerations; • Assessing the appropriateness of the valuation methodology utilised; • For a risk-based sample of retirement living villages, we assessed the reasonableness of significant assumptions. We also agreed the underlying resident information and terms to resident contracts for a sample and traced those to the inputs used in the valuation model and tested the mathematical accuracy of the valuations. • Considering the adequacy of the disclosures made in relation to the significant assumptions, including sources of estimation uncertainty in note 7A in light of the requirements of Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*
externally appraised by an external valuer each reporting period as explained in note 7. This was a key audit matter because of the: • relative size of the Retirement Living portfolio to net assets and related valuation movements, and • inherent subjectivity of the key assumptions that underpin the valuations and the general market uncertainty arising from the outbreak of COVID-19.	
Carrying value of inventory and cost of property developments sold *(Refer to note 5)* *Stockland - $3,530 million* *Stockland Trust Group – this KAM is not applicable as the Trust does not hold inventory assets.* ***Carrying value of inventory*** Stockland has a portfolio of development projects that it develops for future sale, which are classified as inventory. Stockland's inventory is accounted for at the lower of the cost and net realisable value for each inventory project, as assessed at each reporting date as outlined in note 5. The cost of the inventory is calculated using actual land acquisition costs, construction costs, development related costs and interest capitalised for eligible projects. Net realisable value is calculated based on the estimated selling price of the inventory, less the estimated costs of completion, including forecast capitalised interest, and associated selling costs. Each of these factors is impacted by expected future market and economic conditions which include sales prices, sales rates and development costs. Where an inventory project's net realisable value is lower than its cost, the inventory project is written down to its net realisable value under Australian Accounting Standards.	Our procedures included, amongst others: • Obtaining an understanding of Stockland's process for determining the net realisable value (NRV) of inventory and related considerations in response to the impacts of COVID-19; • Reconciling the carrying value of each of the projects to the accounting records and comparing the carrying value to each project's NRV; • Selecting a risk-based sample of NRV assessments to assess the reasonableness of significant assumptions; • Tracing a sample of additions included in the cost of the project (e.g. project development costs) to the relevant invoice to check the nature and amount of the costs capitalised. We also checked that interest was appropriately capitalised to inventory in accordance with AASB 123: *Borrowing Costs*; • Tested a sample of sales recorded to the underlying sale documents and recalculated the related profit margin recognised; and • Considering the adequacy of the disclosures made in relation to the significant assumptions, including the sources of estimation uncertainty in note 5 in light of the

Key audit matter	*How our audit addressed the key audit matter*
Cost of property developments sold When inventory is sold by Stockland the carrying amount of the relevant inventory is recognised as an expense in the same period that the sale is recognised. The cost of property developments sold recognised is based directly upon the forecast profit margin for the relevant project as a whole, and results in the recognition of a profit margin in the period the inventory is sold. These were key audit matters because of the: • relative size of the inventory balance to net assets, and • inherent subjectivity of the key assumptions that underpin the net realisable value, and the profit margin recognised.	requirements of Australian Accounting Standards.
Recoverability of lease receivables *(Refer to note 8, page 124)* Stockland and Stockland Trust Group – $73 million ($102m gross of expected abatements of $29m - refer note 8, page 125) The impact of COVID-19 has resulted in an increased level of lease receivables at 30 June 2020. The introduction of the National Mandatory Code of Conduct - SME Commercial Leasing Principles During COVID-19 (the Code) also requires Stockland and its tenants share economic impacts arising from COVID-19 as outlined in note 8. As a result, judgement was required to estimate the expected amount of receivables which will be forgiven/abated through negotiation and for amounts deferred or in arrears the level of loss provisioning required. This was a key audit matter due to the: • relative increase and amount of tenant receivables at 30 June 2020,	Our procedures included amongst others: • Obtaining an understanding of Stockland's process for determining the Expected Credit Loss (ECL) allowance for lease receivables; • Meeting with management to discuss the Code and the risk indicators developed and identified to categorise the tenants by high, medium or low risk of default and to determine the expected loss ratio for each category; • Assessing the reasonableness of Stockland's methodology and calculation of the ECL allowance at year-end against the requirements of AASB 9: *Financial Instruments*; • Agreeing a sample of tenant specific inputs included in the ECL assessment, and a sample of rent abatements provided to tenants under the Code, to relevant supporting information;

Key audit matter	How our audit addressed the key audit matter
• the judgement required in assessing the expected level of abatements and loss provisioning required, and • inherent subjectivity of the key assumptions that underpin the recoverability assessment arising from the outbreak of COVID-19.	• Recalculating the mathematical accuracy of the calculation of the ECL allowance at 30 June 2020; and • Considering the adequacy of the disclosures made in relation to the significant assumptions in note 8 in light of the requirements of Australian Accounting Standards.

Other information

The directors of Stockland Corporation Limited and the directors of Stockland Trust Management Limited, the Responsible Entity for Stockland Trust (collectively referred to as the "directors") are responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of Stockland and the Stockland Trust Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate Stockland and the Stockland Trust Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 69 to 90 of the directors' report for the year ended 30 June 2020.

In our opinion, the remuneration report of Stockland and the Stockland Trust Group for the year ended 30 June 2020 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

N R McConnell
Partner

Sydney
25 August 2020

Securityholder information and key dates

Amberton, WA

Our business
2020 performance
Our COVID-19 response
Chairman and CEO Letters
Strategy and performance
Risk management
Governance
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Securityholders

As at 31 July 2020, there were **2,384,351,503** securities on issue and the top 20 securityholders as at 31 July 2020 is as set out in the table below. In September 2018, Stockland announced an intention to buy-back up to $350 million of Securities over 24 months. As at 14 November 2019, a total of 50,117,773 securities have been bought-back on-market and cancelled since the commencement of the on-market buy-back programme. On 14 November 2019 Stockland announced the termination of the on market buy-back program.

Securityholders	Number of securities held	Percentage (%) of total securities
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	879,995,917	36.91
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	509,810,065	21.38
CITICORP NOMINEES PTY LIMITED	332,874,168	13.96
NATIONAL NOMINEES LIMITED	113,880,351	4.78
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	74,325,894	3.12
BNP PARIBAS NOMS PTY LTD <DRP>	28,316,880	1.19
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	26,458,610	1.11
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	12,993,865	0.54
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS SUPER A/C>	6,777,232	0.28
E G HOLDINGS PTY LIMITED	6,411,632	0.27
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	5,500,901	0.23
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	5,176,003	0.22
AMP LIFE LIMITED	4,036,314	0.17
ARGO INVESTMENTS LIMITED	4,017,934	0.17
BNP PARIBAS NOMS (NZ) LTD <DRP>	3,920,711	0.16
CHARTER HALL WHOLESALE MANAGEMENT LIMITED <CHARTER HALL DP VALUE AREIT>	3,850,000	0.16
MILTON CORPORATION LIMITED	3,844,940	0.16
CPU SHARE PLANS PTY LTD <SGP STI CONTROL ACCOUNT>	3,416,387	0.14
BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	3,161,260	0.13
DIVERSIFIED UNITED INVESTMENT LIMITED	3,000,000	0.13

Distribution of securityholders as at 31 July 2020	Number of securityholders	Number of securities	Percentage (%) of total securityholders
1 – 1,000	15,122	6,736,641	0.28
1,001 – 5,000	23,200	62,915,530	2.64
5,001 – 10,000	9,311	67,763,314	2.84
10,001 – 100,000	6,921	146,576,378	6.15
100,001 – over	187	2,100,359,640	88.09

There were 2,777 securityholders holding less than a marketable parcel (157) at close of trading on 31 July 2020.

Substantial securityholders as at 31 July 2019	Number of securities held
Vanguard Investments Australia Limited/Vanguard Group Inc.	265,602,513
BlackRock Group (BlackRock Inc and Subsidiaries)	209,276,672
State Street Corporate and subsidiaries	136,943,104
Franklin Resources, Inc.	135,720,520

General securityholder information

Attribution managed investment trust member annual statement

After the announcement of Stockland's full year results each year, you will receive a comprehensive attribution managed investment trust member annual statement (AMMA statement). This statement summarises the distributions and dividends paid to you during the year, and includes information required to complete your tax return.

Annual Report

Securityholders have a choice of whether they receive:

- An electronic version of the Annual Report
- A printed copy of the Annual Report

Registry

Computershare Investor Services Pty Limited operates a freecall number on behalf of Stockland.
Contact Computershare on 1800 804 985 for:

- Change of address details
- Request to receive communications online
- Request to have payments made directly to a bank account
- Provision of tax file numbers
- General queries about your securityholding.

Dividend/distribution periods

- 1 July – 31 December
- 1 January – 30 June

Key dates

20 October 2020

Annual General Meeting
To be held virtually

31 December 2020

Record date

23 February 2021

Half-year results announcement

30 June 2021

Record date

20 August 2021

Full-year results announcement

Head office

Level 25, 133 Castlereagh Street
Sydney NSW 2000

Toll free: 1800 251 813
Telephone: (61 2) 9035 2000

Stockland entities

Stockland Corporation Limited
ACN 000 181 733

Stockland Trust Management Limited
ACN 001 900 741
AFSL 241190

As responsible entity for Stockland Trust
ARSN 092 897 348

Custodian

The Trust Company Limited
ACN 004 027 749

Level 13, 123 Pitt Street
Sydney NSW 2000

Directors

Directors non-executive

- Tom Pockett – Chairman
- Melinda Conrad
- Kate McKenzie
- Barry Neil
- Stephen Newton
- Christine O'Reilly
- Andrew Stevens

Executive

- Mark Steinert – Managing Director

Company Secretary

- Katherine Grace

Auditor

PricewaterhouseCoopers

Share/unit registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street Sydney NSW 2000
Freecall: 1800 804 985
Telephone: (61 3) 9415 4000
Email: stockland@computershare.com.au

Your securityholding

To update your personal details or change the way you receive communications from Stockland, please contact Computershare on the detail provided. Computershare will also be able to provide you with information on your holding.

Further information

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

Glossary

AASBs or Accounting Standards	Australian Accounting Standards as issued by the Australian Accounting Standards Board
AFFO	Adjusted FFO
A-REIT	Australian Real Estate Investment Trust
ASIC	Australian Securities and Investments Commission
Aspire villages	Non-DMF product and a purpose-built neighbourhood exclusively for people aged over 55 years
ASX	Australian Securities Exchange
CCIRS	Cross currency interest rate swaps
CODM	Chief Operating Decision Maker as defined by AASB 8 *Operating Segments*
DCF	Discounted cash flow
D-Life	Project development lifecycle
DMF	Deferred management fee earned from residents within the Retirement Living business
DRP	Dividend/distribution reinvestment plan
DSTI	Deferred STI
EBIT	Earnings before interest and tax
EPS	Earnings per security
Executive Director	Mark Steinert, the Managing Director and Chief Executive Officer of Stockland
FFO	Funds from operations
Green Star	Green Star is a national, rating system for buildings and fitouts from the Green Building Council of Australia
GST	Goods and services tax
IFRS	International Financial Reporting Standards as issued by the International Financial Reporting Standards Board
ILU	Independent living unit
IRR	Internal rate of return
IRS	Interest Rate Swap
KPI	Key performance indicators
LTI	Long term incentives
MAT	Moving annual turnover
NRV	Net realisable value
Report	This Stockland Annual Report 2020
ROA	Return on assets
ROE	Return on equity
SA	Serviced apartment
SCPL	Stockland Capital Partners Limited
SDRT No. 1	Stockland Direct Retail Trust No. 1
Security	An ordinary stapled security in Stockland, comprising of one share in Stockland Corporation and one unit in Stockland Trust
Securities Plans	Employee securities plans which comprise the LTI, DSTI and $1,000 employee plans
Statutory profit	Profit as defined by Accounting Standards
STI	Short term incentives
STML	Stockland Trust Management Limited (ACN 001 900 741, AFSL 241190), the Responsible Entity of Stockland Trust
Stockland or Group	The consolidation of Stockland Corporation Group and Stockland Trust Group
Stockland Corporation or Company	Stockland Corporation Limited (ACN 000 181 733)
Stockland Corporation Group	Stockland Corporation and its controlled entities

Stockland Trust	Stockland Trust (ARSN 092 897 348)
Stockland Trust Group or Trust	Stockland Trust and its controlled entities
TSR	Total securityholder return
WALE	Weighted average lease expiry

Stockland Corporation Limited
ACN 000 181 733

Stockland Trust
Management Limited
ACN 001 900 741; AFSL 241190

As responsible entity
for Stockland Trust
ARSN 092 897 348

Head Office
Level 25, 133 Castlereagh Street
SYDNEY NSW 2000