Appendix 4E

For the year ended 30 June 2021
(previous corresponding period being the year ended 30 June 2020)

Results for announcement to the market

STAPLING ARRANGEMENT

Stockland was established for the purpose of facilitating a joint quotation of Stockland Corporation Limited (ABN 43 000 181 733) and its controlled entities, and Stockland Trust (ARSN 092 897 348) and its controlled entities on the Australian Securities Exchange. Stockland Trust Management Limited (ABN 86 001 900 741) is the Responsible Entity of Stockland Trust.

The Financial Report has been prepared based on a business combination of the parent entity, Stockland Corporation Limited and its controlled entities, and Stockland Trust and its controlled entities, in accordance with AASB 3 *Business Combinations*.

		$M
Revenue from ordinary activities	**Down 2.0% to**	**2,756**
Net profit after tax attributable to securityholders	**Up 5,515.2% to**	**1,105**
Funds from operations attributable to securityholders	**Down 4.6% to**	**788**

Dividends and distributions

	Amount per security	Franked amount per security	Record date	Payment date
Interim dividend/distribution	**11.3 ¢**	**– ¢**	**31 December 2020**	**26 February 2021**
Final dividend/distribution	**13.3 ¢**	**– ¢**	**30 June 2021**	**31 August 2021**

Other information

	2021	2020
Net tangible assets per security	**$3.98**	$3.78

This report is based on the Stockland Financial Report 2021 which has been audited by PwC.

The remainder of information requiring disclosure to comply with listing rule 4.3A is contained in the Stockland Financial Report 2021 that follows.

This announcement is authorised for release to the market by Ms Katherine Grace, Stockland's Company Secretary.

Stockland

Annual Report

30 June 2021

Artist impression, M_Park, Macquarie Park, NSW

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 2021 (FY21). 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) including our approach to governance, strategy, risk management and performance metrics and targets.

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

ESG Reporting Suite: includes (a) ESG Management Approaches, (b) ESG Review (containing the annual performance report and related case studies), and (c) ESG Data Packs.

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 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 FY21 has been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth) including the following information:

- Operating and Financial Review on page 18
- Remuneration Report on page 58
- Information on Directors and the Company Secretary on page 82
- Board and Committee meetings and attendance on page 91
- General information required under the *Corporations Act* on page 96
- Lead Auditor Independence Declaration on page 100

Our business

A leading creator of communities and spaces for people to live, work and play

Our strategy

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 four key pillars: grow asset returns, disciplined capital management, operational excellence and sustainability leadership.
Stockland is undertaking a strategic review and will provide a market update late in the calendar year.

Our structure

Stockland is a listed company on the Australian Securities Exchange (ASX). To optimise value for 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.

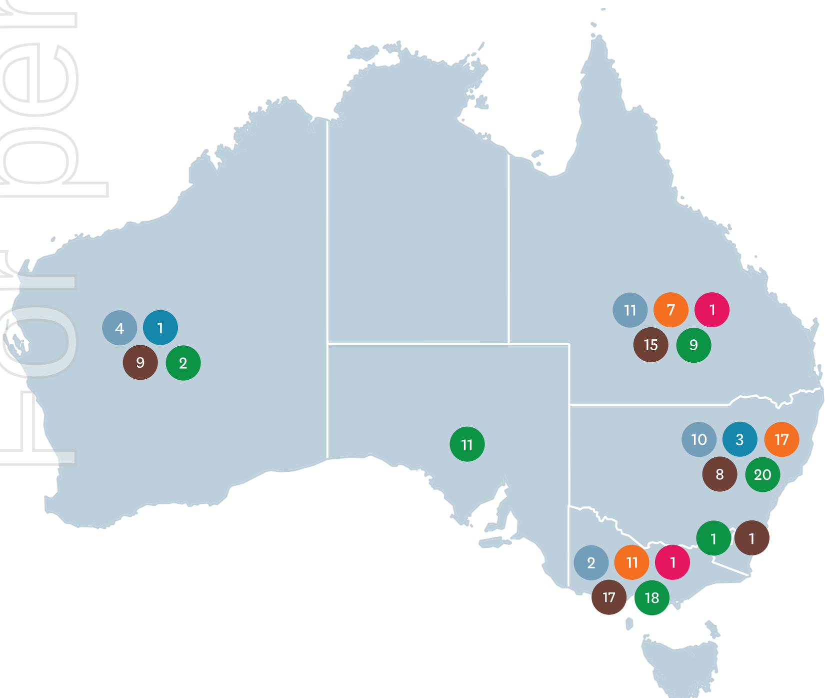
Our purpose, vision and values

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

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

Our diverse portfolio

We are one of the largest diversified real estate groups in Australia, creating communities and 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.



ASSETS VALUED AT
$14.8 billion

LOGISTICS	**WORKPLACE**
PROPERTIES 35	PROPERTIES 4
RETAIL[1]	**RESIDENTIAL COMMUNITIES**
PROPERTIES 27	PROPERTIES 50
RETIREMENT LIVING COMMUNITIES	**LAND LEASE COMMUNITIES**
PROPERTIES 61	PROPERTIES 2

1 Excludes WIP and sundry properties

CASE STUDY

BUILDING THE NEXT GENERATION OF PROPERTY LEADERS

In a year when many companies were scaling back their graduate programs, we continued to invest in the careers of entry-level talent, welcoming our largest ever cohort of twenty two graduates in February 2021.

Echoing the strong foundations of past cohorts and supporting our commitment to gender diversity, nearly 60 per cent of our 2021 graduates were female. The strong female representation extended to male-dominated areas such as development, project management and technology. We were proud to be externally recognised for our program, being in the top 20 at the AFR Top 100 Graduate Employer Awards and winning our sector category as the Most Popular Graduate Employer in the Property, Infrastructure and Logistics sector.

Image: FY19 graduate cohort

In 2021, we have continued to evolve the program:

- We allocated a significantly higher number of graduate roles (82 per cent) to rotate throughout different areas of the business. We believe this will help graduates build a broader commercial understanding of our business, develop diversity of thought, and ultimately instil long-term resilience into their careers through diversity of skills and experience.
- We repositioned the role of the graduate sponsor to provide crucial support to graduates as they navigate their early career decisions, hand-picking leaders who role model enterprise thinking and who would most effectively play the role of "career coach".
- We utilised Stockland's new Capability Masterplan to redefine what we are looking for in a graduate, honing our focus on gender-neutral capabilities over experience and qualifications in a way which helps us mitigate bias from selection decisions.

2021 performance

Funds from operations[1] (FFO)

$788m

Down 4.6% on FY20

FFO[1] per security

33.1c

Down 4.6% on FY20

Distribution per security (DPS)

24.6c

75% distribution payout ratio

Statutory profit

$1.1bn

Gearing

21.4%

Improved from 25.4% in FY20

Return on equity[2] (ROE)

10.3%

Down 120 bps

Net tangible assets (NTA) per security

$3.98

Up from $3.78 at 30 June 2020

Total real estate assets

$14.8bn

At 30 June 2021

Employee engagement

83%

Above target of 80%

Commercial Property emissions intensity reduction

9.5%

On FY20

Customer satisfaction[3]

>80%

Residential liveability score

75%

On target for FY21

1 Funds from operations (FFO) are determined with reference to the PCA guidelines.
2 Return on equity accumulates individual business return on assets and adjusts for cash interest paid and average drawn debt for the 12 month period ended 30 June 2021. Excludes Residential Communities workout projects.
3 Across Retail shoppper satisfaction, Resident, Retirement Living, Workplace, Logistics and Business Parks.

Strong momentum delivering strategic priorities

Increased our capital allocation to Logistics, Life Sciences & Technology

Logistic, Life Sciences & Technology assets now represent 25 per cent of the Group's property portfolio. Stockland having increased its capital allocation to this sector by 60 per cent over the past five years.

Aligning our delivery capabilities and product to meet future capital partnering opportunities

Several key leasing, planning and construction milestones reached over FY21 across key commercial development projects.

Fast-tracked climate action

Accelerated our commitment to achieving net zero carbon by two years with the new date of 2028.
Launched our refreshed 2030 Sustainability Strategy 'Living for the Future'.

Creating a market leading land lease community business

We commenced development of our ~4,000 site land lease communities pipeline, which has grown by 1,000 sites over the last six months through the acquisition of additional projects and unlocking incremental yield from existing projects.
On 19 July 2021, Stockland announced the acquisition of the Halcyon land lease business in Queensland. This transaction adds a further 3,800 sites to the existing portfolio, creating one of the market leaders in the sector with a total of 7,800 sites as well as further development opportunity.

Capitalising on our leading Residential business through increased production and continued strategic early cycle restocking

Added ~12,000 lots to our residential landbank across South East Queensland, Melbourne, Sydney and Perth in FY21.

Continued to drive performance in the core Retail Town Centre business

683 leasing deals executed for FY21. Leasing activity has demonstrated resilience and an ability to return to pre-pandemic levels despite continuing market volatility.

Embedded our integrated systems

Implemented a new integrated core platform across SAP and Salesforce to drive business improvement and scalability which has delivered increased integration and analytics and supported an ongoing compliance focus as well as enhanced processes.

Our COVID-19 response

Since the COVID-19 pandemic emerged in March 2020 we have continued to actively manage its impact across all aspects of our business

Our response to changing conditions

As the impact of the pandemic on the Australian economy and our business eased during this financial year, we assisted retail tenants whose tenancies had been closed by various lockdowns, to reopen. At all times across our diversified business we maintained a focus on the safety of all our stakeholders, providing customers a safe place to carry out their everyday shopping needs, tenants to access their premises in accordance with government restrictions and customers to purchase property and reside safely in our communities. Our deep experience and lessons learned in 2020, has led to procedural changes and the creation of additional contingency plans. This new level of preparedness is allowing us to respond and rapidly manage the impact of sporadic lockdowns that continue to occur as COVID-19 is sought to be brought under control by health authorities. Some of the ongoing initiatives include:

- hygiene kits which are available to and used by our frontline teams and offices
- customer safety initiatives and business unit specific controls across each asset class
- digital online experiences for residential, retirement living and land lease customers to undertake their end-to-end sales journey in a safe and convenient manner.

The Commercial Code of Conduct (Code) was introduced in 2020 by the Federal Government to assist qualifying tenants (small to medium-sized enterprises (SMEs)) with rent relief where they were suffering financial stress or hardship as a result of the COVID-19 pandemic. We worked within the spirit of the Code on a case by case basis to apply assistance packages where required. While the application of the Code expired at the end of March 2021, we continue to engage with our tenants as additional restrictions and measures are imposed from time to time by state governments. On 28 July 2021, the Victorian Government announced the reintroduction of the Commercial Tenancies Relief Scheme intended to facilitate rent relief to retail and commercial tenants that have experienced a loss in turnover of more than 30 per cent during the pandemic. As at the date of this report, the Regulations detailing the eligibility criteria for the Victorian Scheme has not yet been released.

However, Stockland affirms its commitment to work with its tenants, and in compliance with applicable legislation, to provide rent relief and rent deferments to eligible tenants seeking support.

Our people and how we work

For many years, Stockland has proudly supported a flexible work environment, so when the pandemic changed how we worked, we were well equipped. Our "Hub and Home" model allows our teams and people to work from the office for a significant part of the week and balance this with productive work time either from home or a Stockland asset closer to home. This model has been highly effective during the ongoing, variable restrictions. Pleasingly, employee engagement and wellbeing have remained high with employee engagement at 83 per cent, above the average of Australian companies, further evidence that our flexible model is making a difference.

We are proud of the way our people have responded and adapted to the challenges associated with COVID-19. Many of the lessons learnt in adapting our business to trying circumstances have positioned us well for future disruption.

We are in ongoing communication with our suppliers assessing supply chains for potential disruption. So far we have been able to successfully navigate any supply chain impacts with alternative arrangements and increased communication with our suppliers, and no material issues of concern have emerged, particularly because the majority of our supply chains originate from local services. We have also maintained oversight of areas of supply where the pandemic could increase the vulnerability of supply chain workers providing services under difficult working conditions. In this regard, we continue to reinforce our requirement to comply with Stockland's subcontracting standards and Supplier Code of Conduct.

We have also worked with our Stockland CARE Foundation and national community partners to help them continue to deliver community support through mental and physical health and wellbeing programs across Australia throughout this pandemic.

Chairman and CEO letters

Artist impression, Affinity Place, North Sydney, NSW

Letter from the Chairman

Dear Securityholders,

As I write to you this year, twelve months after reporting on a year punctuated by a global pandemic and a deadly bushfire season, intermittent lockdowns are still occurring across the country and Australia has not yet emerged safely from the pandemic or opened its borders. I am very proud of our people who continue to demonstrate their remarkable commitment and resilience every day to protect the wellbeing of our residents, customers and communities in challenging circumstances. They bring the best of themselves to work every day. That is the Stockland way.

Our statutory profit of $1.1 billion is up from $(21) million in FY20, an increase which was largely due to positive net revaluations of $432 million[1] in Commercial Property, particularly in the Logistics portfolio, as well as a recovery in income reflecting better market conditions in the second half of FY21 as the negative impact of COVID-19 on earnings eased.

The operating results reflect the continuing impacts from the pandemic over a full 12 month period, particularly the cost of abatements provided to tenants under the Commercial Code of Conduct and the effect of various state government restrictions on movements during the year. These limited some sales activities in our Residential business, especially in the higher margin states of NSW and Victoria, lowering volumes and reducing our operating margin from 19.9 per cent in FY20 to 18.0 per cent in FY21. In spite of this impact, we settled 19.8 per cent more lots than in FY20, with particularly strong contributions from our Queensland and Western Australian businesses. Further, the previous financial year included superlot sales which, when excluded in comparing the two years, results in underlying FFO increasing 20.5 per cent[2] in FY21.

On a group basis, we have produced a solid result with funds from operations down 4.6 per cent and funds from operations per security down 4.6 per cent over the year to 33.1 cents. In the context of the challenging operating conditions experienced during FY21, this is a very strong result. These positive factors combined to deliver strong growth in our net tangible asset backing from $3.78 per security in FY20 to $3.98 per security, a 5.3 per cent increase, at 30 June 2021.

Full year distribution per security

24.6c

75% distribution payout ratio

Our full year distribution was 24.6 cents per security, with a distribution payout ratio of 75 per cent which was within our target range and fully covered by operating cashflow. In deciding on the level of distribution this year, we balanced our future growth capital requirements with the needs of securityholders for consistent cash returns, so that our balance sheet remains well positioned for the future. Stockland has retained its strong A-/A3 credit ratings with Standard & Poor's and Moody's and has gearing at the lower end of its target range at 21.4 per cent.

We have made good progress on delivering our key strategic priorities. We continued to rebalance our portfolio to provide future growth and deliver stable long-term margins. We allocated more capital towards Workplace and Logistics through new asset development and acquisitions of income generating assets which collectively increased our weighting to 32 per cent of portfolio asset value. Our Workplace and Logistics, Life Sciences & Technology development pipeline is now $9.4 billion (forecast value on completion) ensuring this increase in weighting to these attractive asset classes will continue. Over the last 24 months our non-core retail asset disposals have totalled $0.7 billion as we down weighted our focus on Retail Town Centres to those predominantly offering everyday needs and non-discretionary retail categories. We maintained a strong balance sheet and improved our digital and data capabilities which underpin an important focus on customer centric innovation and operational excellence.

Over the last three years we have outperformed the ASX 200 A-REIT Index by circa 39 per cent demonstrating the resilience of our business model and the successful long-term delivery of our strategic priorities.

1. Excludes WIP, sundry properties and stapling adjustment for owner-occupied space.
2. FY21 FFO includes $12m balance of transaction profits from the sale of The Grove (VIC), FY20 included transaction profits of $107m from The Grove (VIC), Merrylands Court (NSW) and the capital partnering transaction at Aura (QLD).

Our response to improving conditions and ongoing impacts of COVID-19

Since the start of the COVID-19 pandemic in March 2020, we have been proactive and decisive, responding to these unprecedented events to both protect our business and position us well for the future. Our responses have been measured and focused on optimising outcomes for all our stakeholders including:

- raising long-term and short-term debt to boost available liquidity and maintain capital strength through this period of economic disruption. Available liquidity increased to circa $2.2 billion, $1 billion above pre-pandemic levels and was still at these levels at 30 June 2021. As a result of this decisive move, the Group had no need to raise dilutive equity during FY21;
- continuing to pay a full year distribution of 24.1 cents per security for FY20 representing a payout ratio of 70 per cent of FFO and fully covered by operating cashflows. Today we have announced a payment of a second half distribution of 13.3 cents per security for the FY21 financial year, bringing the total FY21 distribution to 24.6 cents per security, a 2.1 per cent increase year on year;
- the Group did not apply for or receive any funds from the Federal Government's JobKeeper scheme;
- retaining all our employees in full time, paid employment. This included not standing any employee down during the periods of government restrictions; and
- deferring variable remuneration outcomes for the Stockland Leadership Team for a two year period to align with the interests of investors.

As the impact of the pandemic on the Australian economy and on our business changed during the year, we provided assistance to retail tenants whose tenancies had been closed by various lockdowns. At all times we maintained a focus on the safety of all our stakeholders providing customers a safe place to service their everyday needs. Towards the end of June 2021 foot traffic, store openings, rent collection and activity in our retail town centres came close to pre COVID-19 levels, although sadly, renewed restrictions caused by the Delta variant are evident at the time I write this letter and this is likely to affect FY22. Our experience in 2020 has provided us with the ability to act fast to manage the impact of these intermittent lockdowns that will inevitably form part of everyday life until the Australian vaccination program is completed. We remain agile as we respond to changing requirements from government orders, but also remain accessible to our customers during these times to the maximum extent possible.

On behalf of the Board I want to congratulate the entire Stockland team for managing the business over the past 18 months during these challenging conditions and on achieving such positive outcomes for all our stakeholders.

Aura, QLD

I want to also acknowledge all of our customers and thank you for your continuing support of our business. To our tenants in Retail Town Centres, and in Workplace and Logistics assets, residents in Stockland Retirement Living villages and our Residential customers – all of you affected to varying degrees by these challenging times - we appreciate your support, understanding and focus in helping us all deliver mutually beneficial outcomes during the past 18 months.

New ways of working

Stockland has supported a flexible work environment for many years, with the pandemic accelerating this trend. Our 'Hub and Home' model seeks to maintain and improve productivity by ensuring that teams and individuals get regular face time with their colleagues and stakeholders in the office for a significant part of the week and then get productive work time at home or at other Stockland asset locations closer to home. The development of this approach during the ongoing, variable restrictions across Australian jurisdictions is working very well and pleasingly, employee engagement and wellbeing have remained high and has been regularly assessed by our 'pulse' surveys undertaken across the country. Employee engagement remains high at 83 per cent, consistently above the average of other Australian companies and proof that our long and established flexibility model is working effectively for our people.

Governance and leadership

As foreshadowed last year, in June 2021 there was a change to the Group's leadership, with Managing Director and Chief Executive Officer, Mark Steinert, retiring from the company after nine years at the helm. In his role, Mark oversaw the expansion of Australia's leading Residential business, reshaped and expanded our Workplace and Logistics portfolio and significantly repositioned our Retail Town Centre portfolio. Mark has fostered a strong executive team, advanced our development and digital capabilities and solidified Stockland's position as a diverse employer of choice and a global leader in sustainability. His focus on disciplined capital management and capital allocation has also produced a balance sheet which positions the Group for future growth. We thank him for his commitment and his dedicated and passionate service to Stockland.

We are delighted to welcome Tarun Gupta to the Group and to the Board as our new Managing Director and Chief Executive Officer. Tarun previously held a wide range of senior roles during his 26 years at Lendlease including most recently as the Group Chief Financial Officer.
Tarun brings with him a breadth of experience across the property sector including in relation to communities development, retirement living, commercial property and investment management. In addition he has deep commercial experience and a proven track record in leading and managing large property operations. He is highly regarded across the property industry and has a strong reputation among property investors. Tarun's experience will allow him to start his tenure at Stockland quickly by leveraging Stockland's great potential and focus on the future with the confidence that he joins a highly engaged team, a Group with strong underlying earnings fundamentals, a strong balance sheet to support further growth and a market leading governance platform. I am sure you will have an opportunity over coming months to get to know Tarun as he connects with stakeholders of the Group.

As part of our ongoing Board renewal process Stockland welcomed Laurence Brindle and Adam Tindall to the Board in the last nine months.

Laurence was appointed to the Board on 16 November 2020. He has extensive experience in the acquisition, development and management of landmark property assets. His executive career included 21 years with QIC where he served in various senior positions including a long-term member of QIC's Investment Strategy Committee and Head of Global Real Estate where he was responsible for a $9 billion portfolio. Laurence is currently the Chairman of both National Storage REIT and Waypoint REIT. He is a former chairman of the Shopping Centre Council of Australia and has previously been a director of Westfield Retail Trust and Scentre Group.

Adam was appointed to the Board on 1 July 2021. He has over 30 years' experience in investment management and real estate. He was the Chief Executive, AMP Capital from 2015 to 2020 where he led a global leading investment manager overseeing funds and separate accounts for clients across a range of asset classes including real estate, infrastructure, equities, fixed income and multi-asset capabilities. Adam's prior roles at AMP Capital include Director and Chief Investment Officer for Property, leading a team managing a $19 billion portfolio of real estate investments on behalf of domestic and international institutional investors. Prior to 2009 Mr Tindall held senior leadership roles at Macquarie Capital and Lendlease.

The focus on curating a range of property skills on the Board is important as in October 2021 we will farewell our longest serving member of the Board, Mr Barry Neil. Barry joined the Stockland Board in 2007 after an executive career in property development and investment including at Mirvac and Woolworths. His deep industry knowledge and experience has been invaluable as the organisation has continued to grow and evolve across multiple asset classes. We will formally farewell Barry at our Annual General Meetings in October 2021 but on behalf of the whole organisation I would like to thank him for his unwavering focus and commitment to Stockland.

As Chairman, I am pleased to report that these appointments further strengthen our Board with additional property capability ensuring it has the collective skills and diversity of experience necessary to optimise the long-term financial performance of Stockland and deliver long-term sustainable returns to securityholders.

Long-term value creation

We have continued to focus on customer-centric innovation and the benefits that are provided from our digital transformation strategy. Several new initiatives were launched during the year by the sales, marketing and technology team to ensure that the customer journey with Stockland remains at high levels of satisfaction. These included:

- Dreamcatcher – a digital inspirational experience in our Residential business that helps guide customers to discover their preferred housing style; and
- the first 100 per cent virtual launch of new residential communities was successfully completed with first stage sell out results in two projects (Katalia and Haven, both in Victoria).

Innovation improvements like these are a key area of interest for the Board and management as Stockland seeks to maintain its competitive edge and provide each and every customer with a rewarding and productive Stockland experience. As Chairman, I sponsor the annual Chairman's Innovation Awards which showcase the most innovative projects and initiatives across our organisation. In recent years this passion for innovation has contributed around 2 per cent additional income per annum. We remain committed to maintaining and increasing our rate of growth in this way.

For over 10 years, Stockland has demonstrated a commitment to Sustainability – taking a market leading position on all ESG related issues and matters. ESG is deeply embedded in the culture of Stockland. Each year we strive to do better than before, setting realistic achievable goals to deliver even greater ESG outcomes. We recently launched our enhanced 2030 sustainability strategy in which we have set ambitious targets including more carbon reduction and less water and gas usage. We have brought forward our net carbon zero plan from 2030 to 2028 and broadened its scope. But we won't stop there. We are committed to equitable and fair interactions with the people in our communities. This month we have released our second Modern Slavery Statement outlining further actions to assess and address modern slavery risks so that we continue to play our part in improving human rights. To this end, we have again worked with our supply chain with a particular focus on those sectors with heightened risk exposure during the pandemic, and we have a detailed plan to extend our reviews across all suppliers over time.

Tom Pockett, Chairman

Importantly we continue to build the climate resilience of our portfolio and reduce our emissions profile. I'm pleased to report that in recognition of our proactive approach to sustainability we have retained our leadership rankings on global sustainability investment indices and benchmarks.

Conclusion

This has been a busy and productive year for the Group. Whilst it was difficult to predict the outcome of FY21 with certainty at the start of the year, we were committed to the continuation of our strategy and positioning the business for the future. As Australia continues to tackle the impact of the pandemic, we have taken opportunities to improve our business profitability and resilience. I am confident in the management and governance structures we have in place to respond to the ongoing challenges and balance our response with the long-term interests of our securityholders and the community. Thank you to my Board colleagues and the Stockland Leadership Team for their leadership during these 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,

It is a privilege to join such an iconic Australian company as only the fifth Stockland Managing Director and CEO in almost 70 years. I was attracted to the opportunity because of Stockland's vision, purpose and values and its strong legacy of creating vibrant communities across Australia. I was also attracted by the strength of Stockland's platform and the exciting opportunities we have to create lasting value for our investors and the community as a whole.

Stockland's vision is to be a great Australian real estate company that makes a valuable contribution to our communities and our country. More than ever, as the world navigates its way through the ongoing challenges of a global pandemic, this objective remains a vital component in how we make our contribution to our nation by creating affordable, connected, safe and vibrant communities for Australians.

Our purpose at Stockland is that 'we believe there is a better way to live' and this, together with our core values of community, accountability, respect and excellence, drive us to deliver value for the benefit of all of our stakeholders. The commitment to our purpose, vision and values by our people and how they live these values everyday has stood out the most in my first two months at Stockland. I have been incredibly impressed at the quality of our teams, their customer centricity and the desire and ability to do the right thing by all our stakeholders. This passion is reflective in the high level of employee engagement we maintained over the past year with a score of 83 per cent in our employee survey, consistently above average in comparison with other Australian companies.

Across Stockland's Commercial Property, Residential and Retirement portfolios, the Group controls over 60 million square metres of land – equivalent to more than 20 Sydney CBD's. Our focus is on maximising the value of every square metre of our land in line with our purpose and using our end-to-end real estate skills and the most efficient sources of capital to do so.

As the impact of COVID-19 continues to be felt across Australia, we remain focused on the health and wellbeing of our residents, customers and our teams. We are particularly proud of how our asset teams are keeping operations running safely and providing essential everyday needs in the current state government lockdowns as well as the commitment and resilience of our office based employees working under our Hub and Home arrangements.

FY21 Result

Our full year result for FY21 reflects a strong contribution from our diversified portfolio and demonstrates the resilience of our business in the face of COVID-19 lockdowns and varied government responses across Australia.

In this challenging environment, we delivered statutory profit of $1.1 billion compared to $(21) million in FY20. Funds from operations was down 4.6 per cent on FY20, to $788 million, and our FFO per security was 33.1 cents.

Our earnings were impacted by dilution associated with non-core investment property disposals and lower transaction profits from our Residential business. However, the underlying contribution from our Residential business (excluding transaction profits) increased by 20.5 per cent[1] versus the prior period. Our Retirement Living business also delivered a greatly improved underlying performance for the year, with record sales and strong settlement growth. Our Commercial Property portfolio generated solid like-for-like FFO growth of 3.9 per cent. This included a rebound in the performance of our Retail Town Centres, with a solid improvement in leasing activity, rental spreads and rent collection rates over the second half of the year.

Importantly, our operating cash flow was strong at $1.0 billion, and we ended the year with a balance sheet that provides us with ample flexibility to pursue strategic opportunities. Gearing ended the period at 21.4 per cent - toward the bottom end of our 20 per cent to 30 per cent target range.

We remained focused on our key priorities during FY21 which included creating Australia's most liveable and sustainable masterplanned communities, accelerating the delivery of our Logistics development pipeline, future-proofing our Retail Town Centres, growing our Land Lease Communities business and broadening our capital sources.

How well we allocate our capital to take advantage of market trends is an important part of the successful delivery of our strategy. In this financial year, we particularly focused on allocating capital

[1] FY21 FFO includes $12m balance of transaction profits from the sale of The Grove (VIC), FY20 included transaction profits of $107m from The Grove (VIC), Merrylands Court (NSW) and the capital partnering transaction at Aura (QLD).

towards our Workplace and Logistics portfolio as we continued to deliver projects from our $9.4 billion[2] development pipeline.

Resilience of our business

Communities

We are Australia's leading developer of masterplanned communities, and this creates unique opportunities for us across the broader Residential sector. As demonstrated by the acquisition of the Halcyon Group's land lease business announced in July 2021, we are able to leverage our scale, reach and expertise in masterplanned communities to create not just additional revenue streams, but higher quality recurring ones.

Our Residential business delivered a profit result of $331 million, down 10.9 per cent on FY20. However, excluding the effect of one of transaction profits in FY20, our result increased by 20.5 per cent[3]. Over FY21, we achieved 6,374 Residential settlements, equating to growth of 19.8 per cent relative to FY20. The increasing customer preference for masterplanned communities witnessed through FY20 has continued as customers seek larger homes, access to quality community facilities and an environment which promotes health and wellbeing.

Demand was also driven by government stimulus, much of which ended in March 2021 as the Australian economy began its initial recovery from the first wave of the pandemic. Notwithstanding that, our enquiry and sales levels remained very strong in the final quarter of the financial year.

Sales and enquiries throughout this year were very strong and at record levels in some projects. With 5,620 contracts on hand at 31 July 2021 we have considerable visibility of FY22 settlement volumes. With delivery lead times extending due to these high levels of demand, this visibility also extends into FY23. With an active focus on restocking, in the past 12 months we contracted to acquire 11,900 lots. These acquisitions will support our continued strong market share in masterplanned communities across Australia.

Our Retirement Living teams provide safe and connected community living to over 11,000 residents. Our focus on customer service has seen us achieve ongoing high levels of resident 'happiness' over the last five years. The Retirement Living results reflected the increase in customer preferences for community based living and the strength of the broader residential market. FFO was down 6.9 per cent on FY20, reflecting lower development settlement volumes. However, settlement volumes for established units were up by 22.3 per cent versus FY20, and we achieved a record number of established unit sales over the period.

Orion, VIC

[2] Forecast value upon completion

Our Land Lease Communities business launched its first two projects – at Aura on the Sunshine Coast and at Minta Farm in Melbourne. Our first sales releases from these projects have exceeded our targets with over 82 contracts secured.

In August 2021, Stockland completed the acquisition of the Halcyon Group's land lease communities business for $620 million. This acquisition is in line with our stated strategy to grow our Land Lease Communities business and will increase the size of our portfolio to 7,800 sites, accelerating our determination to be a leading player in the land lease sector.

Commercial Property

Commercial Property FFO was up 3.9 per cent to $587 million as the business stabilised from the impact of COVID-19. By year end, excluding the impact of periodic lockdowns experienced from time to time across various states during the year, many operational metrics having improved on pre-pandemic levels.

Excluding any impact of the recent reintroduction of Commercial Code of Conduct provisions, we concluded close to 100 per cent of tenant negotiations under the now completed FY20 Commercial Code of Conduct. In addition to our ongoing engagement with existing tenants, and despite the challenging environment, during the year we successfully welcomed 119 new tenants into the portfolio. Our business contributed significantly to local communities providing access to essential services like fresh food and beverages, pharmacies and other services. In response to new government restrictions and measures early in FY22, we remain committed to working with tenants and complying with applicable jurisdictions in the provision of rent relief and rent deferments to eligible tenants seeking support.

The Commercial Property portfolio recorded a net valuation increase of $432 million[1], driven in particular by the Logistics portfolio. Importantly, Retail Town Centre valuations stabilised during the year, in line with improved retailer and leasing progress and sentiment. The well-executed rebasing and remixing of Stockland's Retail Town Centre portfolio resulted in FFO of $363 million, up 5.6 per cent on a comparable basis versus FY20. Our retail remixing strategy was delivering sustainable rent levels for tenants and a portfolio containing over 75 per cent of retail sales from non-discretionary everyday needs categories with occupancy remaining high at more than 99 per cent. These categories are well-supported by customers seeking everyday needs in a centre which is well-located, with easy access, convenient parking and well laid out tenancies.

The Workplace and Logistics portfolios both delivered comparable FFO growth of 1.0 per cent for the year. Occupancy remains high across our Logistics portfolio at 98.0 per cent with a weighted average lease expiry of 4.6 years by income. Our $9.4 billion[2] Workplace and Logistics, Life Sciences & Technology development pipeline continues to progress well. The pipeline requires minimal capital outlay in the near term for those projects in the early stages of planning including Piccadilly, Sydney CBD (NSW) and Affinity Place, North Sydney (NSW). The initial stage at M_Park, Macquarie Park (NSW) has now been 60 per cent pre-leased with agreements for lease signed with two international organisations and we have commenced construction work on phase 1 of the project.

Financial management

The Group finished the year in a strong financial position. We retained our investment grade credit ratings of A-/A3 with stable outlook from S&P and Moody's respectively. We have significantly reduced our gearing to 21.4 per cent which is at the low end of our target range. Strong second half cash flows from residential and rental collections contributed to this outcome as well as our demonstrated ability to scale production quickly to meet demand. 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 opportunities we see across the business and to deliver to expected demand levels.

Operational excellence

In early August 2020, we launched our end-to-end enterprise technology platform. Together with digital customer interfaces and advanced data analytics, this platform is driving greater customer experience, efficiency, collaboration and insights across the Group. By leveraging data-science and virtual technology our digital transformation is improving the value of customer experience by optimising sales processes and tenant remixing.

Dealing with market and economic disruption is never easy but the success of our focus is demonstrated through our high customer satisfaction, employee engagement scores and importantly in the high quality of our services and developments.

Stockland has prided itself on doing the right thing from the day it was founded by Ervin Graf in 1952 and we have built a leading track record in delivering superior environmental, social and economic outcomes which I am looking forward to continuing to build on. Sustainability is a key pillar of our strategy and we continue to develop assets and communities for leading sustainability and liveability outcomes with a view to delivering balanced outcomes across the three critical areas of sustainability – the environment (conservation of the natural world we

[3] FY21 FFO includes $12m balance of transaction profits from the sale of The Grove (VIC), FY20 included transaction profits of $107m from The Grove (VIC), Merrylands Court (NSW) and the capital partnering transaction at Aura (QLD).

[1] Excludes WIP, sundry properties and stapling adjustment for owner-occupied space.

[2] Forecast value upon completion

operate in), social (consideration of people we interact with and relationships we build) and governance (the standards we set for running the company). Our 2021 ESG Reporting Suite, published today, demonstrates that we remain a global leader in these areas, with significant measurable achievements reported. Our commitment to evolve and enhance our ESG practices saw us launch our enhanced 2030 Sustainability strategy – Living for the Future and bring forward our 2030 Net Zero Carbon target by two years to 2028 and expand it across the entire organisation. We also took practical steps to identify and address modern slavery within our supply chain and day to day operations, with the release of our second Modern Slavery Statement.

Strong platform for growth

While COVID-19 continues to present uncertainty and challenges, we are in a strong position to respond and adapt.

We have a strong platform for growth: a diversified portfolio that is delivering results, a strong culture and leadership in sustainability. There are numerous opportunities ahead and the leadership team and I will be focusing on progressing them over the year ahead.

We are currently undertaking a strategic review of the Group and will provide a further update to the market prior to the end of 2021.

As an asset creator with leading capabilities in residential, logistics and retail, we will invest in building capabilities across workplace and mixed use to optimise our land bank and create new products. We will continue to re-weight our portfolio by increasing capital allocation in residential, logistics and workplace and decreasing the allocation to retail and retirement living over time and accelerating third party capital partnership is a key focus as we expand our funds management platform and grow recurring earnings.

We will also continue to evolve our ESG approach and maintain our leadership position by continuing to create value for all stakeholders.

Operationally, we have seen the strong Residential sales momentum of FY21 continue into the current financial year, and we expect demand strength and price growth to be sustained over the balance of the period. However, supply bottlenecks are likely to restrict the volume settlements that we can book this financial year, with approximately 600 lots moving into FY23.

The Retail portfolio delivered a strong 2H performance. The current restrictions create a somewhat uncertain trading backdrop for the Retail sector. However, the performance of our portfolio over 2H21 demonstrated that once restrictions ease, high quality Retail assets do rebound fairly rapidly, and we believe that we have made prudent allowances in our guidance.

Tarun Gupta, Managing Director and CEO

FY22 estimated FFO per security is forecast in the range of 34.6 to 35.6 cents.

Workplace and Logistics, Life Sciences & Technology development pipeline

$9.4bn[3]

Distribution per security forecast to be within our target payout ratio of 75 per cent to 85 per cent of FFO.

Current market conditions remain challenging with ongoing lockdowns and community transmission of COVID-19. All forward looking statements including FY22 earnings guidance are provided on the basis that the vaccination roll out continues and COVID-19 restrictions ease towards the end of CY21 and are underpinned by the following business assumptions:

- Residential settlements around 6,400 lots
- Residential operating margin ~18 per cent
- Land lease communities delivering 300 sites in FY22
- Recent average rent collection trends returning towards the end of CY21

I congratulate the Stockland team and our previous Managing Director and CEO, Mark Steinert for delivering this year's impressive result in challenging conditions.

I look forward to leading the Group into the future and continuing to deliver on our purpose of a better way to live and on behalf of the Stockland team, I thank you for your ongoing support.

Tarun Gupta
Managing Director and CEO

[3] Forecast value upon completion

Strategy and performance

Elara, NSW

Our strategy

Maximise returns by developing sustainable communities and assets

Our Purpose

Our purpose, "we believe there is a better way to live", is brought to life by our employees, who are guided by Stockand's values of Community, Accountability, Respect and Excellence (CARE).

↓

Our Vision

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

↓

Our Strategy

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 the following:

↓

Growing customers and asset returns

Creating liveable, affordable and connected communities, future proofing our Retail Town Centres and Retirement Living villages and up-weighting our Workplace and Logistics portfolio

Capital management

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

Operational excellence

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

Sustainability leadership

Focusing on regenerative and circular living (environment), inclusive and accessible living (economic) and healthy and connected living (social)

Grow our asset returns

Communities

RESIDENTIAL

Our Residential business delivered a solid profit result of $331 million. While this headline result reflects a year on year decline of 10.9 per cent, FY20 earnings were boosted by one-off profits from the sale of The Grove (VIC), Merrylands Court (NSW) and the capital partnership of Aura (QLD). Excluding the impact of these transactions like-for-like profits increased by 20.5 per cent[1], in line with incremental settlement volumes.

We achieved 6,374 residential settlements for the year reflecting a 19.8 per cent increase on FY20, and a relatively stable operating profit margin of 18.0 per cent which was impacted by the earlier than expected disposal of non-core superlots and higher volumes from lower margin Western Australia stock.

Net sales of 7,700[2] represented a 54.2 per cent increase on FY20, demonstrating continued strength in market fundamentals and the Stockland brand as customers display an ongoing preference for low density masterplanned community living. This is reflected in customer enquiries remaining elevated over the fourth quarter despite the roll-off of the HomeBuilder stimulus, and we have good earnings visibility with ~4,600 contracts on hand due to settle in FY22.

Throughout the year we strategically acquired 11,900 lots early in the recovery cycle following the outbreak of the pandemic. We have leveraged the strength of the Stockland brand to successfully acquire in undersupplied markets which, going forward, we expect to outperform the established housing market and underpin future margins for the business.

Underlying demand for masterplanned communities remains positive and will continue to be supported by low interest rates, access to credit and customer preferences towards lower density living. Market fundamentals are expected to remain strong across the Eastern Seaboard, supported by limited serviced land availability, which is expected to support price growth.

The development of our end-to-end digital platform – including virtual display villages to drive enquiries and sales conversion – will continue to ease the ongoing impact of government imposed COVID-19 restrictions, with the entire customer journey able to be undertaken virtually.

While market fundamentals remain supportive of strong demand, we will have production capacity constraints due to statutory approvals required on high volume projects and ramp up projects, in addition to delays associated with supply chain pressures and labour shortages.

For FY22 we are targeting around 6,400 settlements and an operating profit margin of approximately 18.0 per cent. We will however continue to assess and monitor additional COVID-19 government restrictions and measures in FY22 and manage any impacts to our residential portfolio.

[1] FY21 FFO includes $12m balance of transaction profits from the sale of The Grove (VIC), FY20 included transaction profits of $107m from The Grove (VIC), Merrylands Court (NSW) and the capital partnering transaction at Aura (QLD).

[2] Excludes 79 sales acquired from the acquisition of Providence (QLD).

Our competitive advantage

Market leader
Stockland brand built on the quality of communities created for the last 70 years. Scale allows for buying power to drive lower development costs and attract and retain the best people. Our 77,000[1] lot landbank is high quality, Eastern Seaboard focused and difficult to replicate.

Customer preferences
The impact of COVID-19 has driven a shift in customer preferences towards affordable, high quality house and land packages.

Market drivers
Our affordable, new housing product continues to benefit from strong credit availability and low mortgage rates. Residential market fundamentals remain strong across the Eastern Seaboard with further growth in volumes and pricing expected due to acute undersupply of available land.

Key priorities

- Increase production and provide more high quality housing to meet customer demand
- Broaden customer reach through incremental medium density development
- Enhance customer experience with further improvement in digitising the customer journey

Residential snapshot

FFO

$331m

Down 10.9% on FY20

Operating profit margin

18.0%

Return on assets

18.9%

Lots settled

6,374

Contracts on hand

4,950

At 30 June 2021

[1] Includes ~2,000 lots still under due dilligence.

LAND LEASE COMMUNITIES

We have made significant progress in accelerating growth plans for our land lease business. Over FY21, we have built a dedicated team which is supported by our existing development and sales teams, and have grown our development pipeline by ~1,000 sites over the last six months to around 4,000 sites. Our competitive strength in masterplanned communities development has resulted in accessing additional land lease home sites from our residential communities at Aura, (QLD), Cloverton (VIC) and Providence (QLD). We have also entered into contracts to acquire standalone land lease development sites at Coffs Harbour (NSW) and Armstrong Creek (VIC).

In July 2021, we further demonstrated our commitment to growing the land lease business with the acquisition of Halcyon. Based in Queensland, Halcyon is Australia's most industry awarded land lease operator and developer with six established communities and seven under development or in planning. The $620 million transaction increases Stockland's land lease portfolio to approximately 7,800 sites combined, including 1,500 occupied sites, 1,600 in development and 4,700 in planning.

Stockland will fully integrate the Halcyon business, including all its employees, into the Group's existing land lease business. We will seek to leverage the Halcyon brand and capability nationally across the Stockland land lease business.

As our land lease business grows we will explore opportunities to introduce third-party capital into the business to increase growth and build further scale and diversity in the portfolio.

Why Land Lease?

- Over 50s is the fastest growing demographic with underserviced housing options
- Land lease services the lifestyle demands of the market
- Strong development returns with high quality long term annuity income
- Leverages our competitive strengths in masterplanned community creation
- Stockland strong starting position with 4,000 land lease sites pre-Halcyon acquisition

RETIREMENT LIVING

Established retirement living sales of 711 reflected a 20.5 per cent increase on FY20.

FFO for the year was $54 million reflecting a decline of 6.9 per cent due to lower development settlement contributions as we continue to shift our development pipeline towards Land Lease Communities.

We continue to enhance our customer value proposition with a number of new initiatives which include:

- leveraging partnerships with aged care service providers to increase continuum of care options; and
- launching a wellbeing pilot that delivers emotional, physical and cognitive support across the entire customer journey.

We expect these initiatives to further improve customer satisfaction and drive future settlements and returns.

With the continued increase in customer preferences for the safety and wellbeing of community based living and a supportive established housing market, we believe there is opportunity to attract third party capital in the sector and reduce our capital weighting to this asset class over time.

Key priorities

- Enhance customer experience and satisfaction
- Improve returns from the established retirement village portfolio
- Opportunity to attract third party capital

Retirement Living snapshot

FFO

$54m

Down 6.9% on FY20

Total established units settled

690

Up 22.3% on FY20

Established sales of 711

20.5%

Increase on FY20

Established reservations on hand of 154

6.9%

Increase on FY20

Return on assets

5.4%

Commercial Property

The Commercial Property business finished a year that was heavily impacted by COVID-19 in a strong position, with comparable FFO growth of 3.9 per cent compared to FY20. Independent valuation of 99 per cent of the portfolio[1] delivered a net valuation uplift for the total portfolio of $432[2] million or 4.4 per cent to 30 June 2021.

We have completed negotiations with impacted Commercial Property tenants under the Federal Government's Commercial Code of Conduct and in accordance with state based regulations, with that regime concluding in April 2021. We continue to provide ongoing support to retailers navigating the challenges of COVID-19 including within the framework of recent relief schemes introduced by State governments. Following the application of committed rental support, rent collection over the year sits at 97[3] per cent. This support continues as additional government restrictions and measures emerge in FY22.

WORKPLACE AND LOGISTICS

The quality and resilience of our workplace and logistics portfolio delivered comparable FFO growth of 1.0 per cent, despite the uncertain COVID-19 conditions.

Our capital allocation across the Logistics, Life Sciences & Technology portfolio continues to grow, increasing from 15 per cent to 25 per cent in the last five years. The acceleration and growth of businesses to support the e-commerce sector has resulted in strong logistics demand for quality assets in prime locations. Portfolio occupancy remains high at 98.0 per cent, with 310,652 square meters of leasing completed over the twelve months.

During the year we continued to deliver on the $5.5 billion[4] Logistics, Life Sciences & Technology pipeline, completing 53,700 square metres of new logistics developments with a combined value of $110.5 million. This includes the completion of two warehouses totalling over 25,500 square meters at Willawong (QLD), a $6 million warehouse refurbishment at Brooklyn (VIC) and two warehouses with a combined area of 28,000 square meters at Carole Park (QLD).

Civil and associated servicing works to create individual tradable land lots at our Gregory Hills (NSW) industrial land subdivision project, achieved practical completion in June 2021. Sales contracts have been exchanged on 35 of the 39 lots ranging from 2,000 to 5,500 square meters. Subdivision and civil works are also progressing well at Melbourne Business Park (VIC). Buyer interest is strong, with 75 per cent of Stage one lots[5] under exchanged contracts of sale.

In December 2020, we announced a logistics capital partnership with a special purpose vehicle advised by J.P. Morgan Asset Management. The capital partnership will focus on logistics assets, with the objective to establish and actively manage a portfolio of properties with a target value of $1 billion. The partnership was seeded with two logistics development opportunities in Melbourne, secured off market with a combined end value of approximately $110 million.

Construction on Stage 1 of the $600 million[4] M_Park masterplan development in Macquarie Park (NSW) has commenced with over 60 per cent pre-committed leases including Johnson & Johnson Medical Pty Ltd, Wise Medical and a multinational data centre operator.

Workplace tenant demand has been impacted as tenants continue to review new ways of working and flexible working arrangements. Leasing activity has been focused on introducing demolition clauses into development assets and occupancy has been maintained at 91.7 per cent.

Development planning is progressing well on the $3.9 billion[4] workplace development pipeline. Approval to submit a planning proposal was obtained from the City of Sydney on the 105,000 square meter development of the Piccadilly Complex in Sydney (NSW) and a development application has been lodged for the 60,000 square meter Affinity Place building on Walker Street, North Sydney (NSW).

Key priorities

- Grow and execute our development pipeline
- Increase investment in workplace and logistics assets on the Eastern Seaboard through capital partnerships

[1] By value.
[2] Excludes assets held for disposal/disposed and stapling adjustments for owner-occupied space. Includes Stockland's share of revaluation gains relating to property held through joint venture entities.
[3] Net of abatements, at 31 July 2021.
[4] Estimated value on completion.
[5] By value

CASE STUDY
FUTURE OF WORKPLACE

The pandemic has changed the way we work. The workplace must therefore respond both physically and digitally with a focus on people. Integrating the best of physical space with digital practices, designed flexibly to deliver environments where people and businesses thrive. Stockland is embracing this opportunity head on, delivering this to our workforce of over 1,600 people and through the design and delivery of our workplace pipeline.

We anticipate the vast majority of the workforce will come into the office 60 per cent to 70 per cent of the time and work elsewhere the rest of the time. COVID-19 required the workforce to be untethered from their usual place of work, with people experiencing less time commuting, connecting through technology and rethinking work/life balance. The resultant structural change to how our office buildings will now be used is at the heart of design thinking for our development pipeline and is being reviewed across all office portfolios to ensure relevance going forward.

Stockland is leading by example with its own "Hub and Home" workplace focused on wellbeing, social connection, collaboration and amenity for employees to counter the work from home challenges of isolation and the loss of a sense of belonging. While we encourage staff back into the office, we also respect people's desire to work flexibly in terms of location and time.

The future of work, the worker and the workplace should centre on humanising the environment and the experience, underpinned by a focus on health and wellbeing. The future is a healthy workplace with access to fresh air, contactless movement through the building, outdoor spaces and property manager curated programs to foster a sense of community in a building and a precinct.

In such an environment there is tremendous scope for high quality modern assets to stand above the rest.

Workplace and Logistics snapshot

Logistics FFO
$164m
Comparable growth of 1.0% on FY20

Workplace FFO
$60m
Comparable growth of 1.0% on FY20

Logistics occupancy
98.0%

Workplace occupancy
91.7%

Development pipeline
$9.4bn[1]

[1] Estimated value on completion.

RETAIL TOWN CENTRES

Our Retail Town Centres continue to focus on being the hyperlocal shopping experience with diverse customer experiences, strong community connection and retail offers which best meet local customer fulfilment. The portfolio has performed well through the pandemic recovery period, with comparable FFO growth of 5.6 per cent, as we supported our retailers and customers through the challenges of COVID-19 restrictions on operations and people movement.

We have continued with our pre-pandemic strategy of rebasing and remixing the town centre offer, resulting in solid comparable retail sales growth of 2.3 per cent compared to the pre-pandemic twelve months to February 2020. Specialty sales productivity of $9,799 per square meter for the comparable portfolio is 8.0 per cent above the Urbis benchmark[1]. Essential goods and services retail, accounting for over 75 per cent of sales across our portfolio, has performed particularly strong at 6.8 per cent growth for the year.

683 deals were completed during FY21, with leasing activity returning to pre-pandemic levels. The number of tenants on holdover leases materially reduced over the second half of the year, reflecting increasing retailer confidence. The reconfiguration of the former H&M stores at Stockland Townsville (QLD) and Stockland Rockhampton (QLD), introducing some of the best in category retailer and experience brands such as TK Maxx, Cotton On, Timezone and JD Sports, is expected to improve both rental and sales productivity at these centres.

Stockland is committed to supporting the communities in which we operate. We continue to engage and partner with key community service providers such as Gidget House and Karitane, supporting new and expectant parents, as well as the Illawarra Women's Health Centre for domestic violence and Family Services NSW. Stockland created projects such as the Social Good Initiative with community groups, which is designed to provide partner programs and support services addressing social issues within the regions where we operate.

During the year we curated an online community hub offering community support and digital connectivity with our customers.

In line with our non-core divestment strategy, a total of $635 million[2] of non-core retail assets were contracted for sale in FY21, taking our total retail divestment to in excess of $850 million[2] over the past 24 months. Our exposure to retail, on a proforma basis, is now 38 per cent of our total portfolio weighting. A key priority in FY22 is to continue downweighting our exposure.

We will continue to assess investment in retail opportunities, leveraging our Communities business landbank to help establish the retail town centres of the future. A Stage 1 development application for Aura Town Centre[3] (QLD), a vibrant urban town centre to support a trade area forecast to grow to 68,000 by 2026, is planned for submission in late 2021.

COVID-19 community support

Our commercial property assets have remained open throughout the COVID-19 pandemic, operating in line with State Government Public Health Orders and directions.

While proudly providing this essential community service, Stockland continues to prioritise the health and wellbeing of our customers, tenants and their staff, contractors and our centre management teams at all times. This is supported through enhanced centre cleaning schedules, provision of appropriate personal protective equipment including hand sanitiser and face masks, and communicating regular health updates on exposure venues. All assets continue to promote health messaging such as social distancing, mask wearing and QR code check-ins.

Similarly, our logistics assets house some of the nation's most critical transport companies supplying essential goods such as food, medical and other online fulfilment services.

We continue to work with State health authorities to support the broader community response, facilitating temporary COVID-19 testing clinics at our assets and supporting staff at vaccination clinics in South-West Sydney.

Key priority

- Continue to reposition our centres to ensure a quality and resilient portfolio
- Delivering our digital strategy to support omnichannel retail
- Continue to downweight our exposure to retail

1 Urbis Double DDS Sub-regional Shopping Centre Benchmark.
2 A put and call option has been entered into relating to the sale of Bundaberg with completion estimated to occur in September 2021.
3 Aura Town Centre is under a capital arrangement with Capital Property Corporation Pty Ltd.

Stockland Birtinya, QLD

Retail Town Centre snapshot

FFO

$363m

Comparable growth of 5.6% on FY20

Essential retail[1]

75%

Total MAT growth[2]

7.3%

Occupancy

99.1%

1 By sales.
2 Compared to pre COVID-19, 12 months to February 2020.

Capital management

Stockland finished the year in a strong financial position with a balance sheet well positioned to drive growth, supported by investment grade credit ratings of A-/A3 with stable outlook from S&P and Moody's, respectively, which have been maintained throughout the year. At 30 June 2021, the Group's gearing is 21.4 per cent, at the bottom of our target range of 20 per cent to 30 per cent which reflects the ongoing disciplined approach to capital allocation and our prudent focus on cashflows.

We continue to actively manage our debt portfolio with a weighted average cost of debt of 3.7 per cent and weighted average debt maturity of 5.3 years. We undertook the early replacement of long-term debt maturing in the second half of calendar year 2021 given the strength of the market and attractive rates. We also let much of the short-term bank debt facilities implemented during the COVID-19 pandemic mature, given the strong cash generation from the development business.

Available liquidity at 30 June 2021 is $2.2 billion. We anticipate retaining higher levels of liquidity than our long-term average as Australia evolves its response to the pandemic. The combination of our strong liquidity position, access to global debt capital markets and ongoing discipline around cashflows, has positioned us well to deliver our strategic growth priorities, while continuing to navigate the ongoing short-term disruptions resulting from the pandemic.

S&P credit rating

A-/Stable

Moody's credit rating

A3/Stable

Gearing

21.4%

Improved from 25.4% in FY20

Weighted average cost of debt (WACD)

3.7%

Expected 3.5% WACD in FY22

Weighted average debt maturity

5.3 years

Distribution payout ratio

75%

Within target range of 75-85% of FFO

Liquidity

$2.2bn

Net tangible assets

As at	30 June 2021 $M	30 June 2020 $M	Change %
Cash and cash equivalents	**1,162**	443	162.2
Real estate assets			
• Commercial Property	**10,351**	10,140	2.1
• Residential	**3,216**	3,395	(5.3)
• Land Lease Communities	**47**	-	
• Retirement Living	**1,064**	1,287	(17.3)
• Other assets	**129**	130	(0.8)
Retirement Living gross up	**2,506**	2,682	(6.6)
Other financial assets	**367**	749	(51.1)
Other assets	**386**	257	50.3
Total tangible assets	**19,228**	19,083	0.8
Borrowings	**4,754**	5,022	(5.4)
Retirement Living resident obligations	**2,512**	2,695	(6.8)
Other financial liabilities	**263**	313	(15.8)
Other liabilities	**2,192**	2,044	7.3
Total liabilities	**9,721**	10,074	(3.5)
Net tangible assets	**9,507**	9,009	5.3
Number of securities on issue	**2,387,171,662**	2,384,351,503	
NTA per security	**3.98**	3.78	5.3

Cashflow management

We ended the year with $1.0 billion in net operating cashflow, exceeding our full year distribution of $523 million. This reflects the net impacts of our strong residential settlements at levels above last year, offset by the impact of an active restocking program in our Residential business as we capitalise on current market opportunities. Following the reduction in overhead spending in FY20 as the pandemic took hold, costs have commensurately increased through FY21 to drive growth. During the year, we made logistics and residential land acquisition payments of $477 million, most of which relate to capital efficient transactions which align the payment for land closer to its delivery to the end customer.

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 the sale of $635 million[4] of non-core Retail completed in FY21 and the recycling of this capital to increase our Workplace and Logistics weighting. Our Workplace and Logistics development pipeline is now $6.1 billion, which will help to deliver a more balanced capital allocation across our Communities, Workplace and Logistics and Retail Town Centres portfolios.

Capital allocation

Real estate asset	Capital allocation[1]			
	31 Dec 13[2]	30 Jun 20[3]	30 Jun 21	Target
Communities	29%	32%	30%	33%
Workplace and Logistics	21%	29%	32%	33%
Retail Town Centres	49%	39%	38%	33%

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

4 Includes a put and call option which has been entered into relating to the sale of Bundaberg with completion estimated to occur in September 2021.

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.

Following the successful capital partnership entered into on our residential Aura Project with the Capital Group in 2019 we announced in July 2020, a new capital partnership in our Residential portfolio with Thailand-based Supalai Group for a 50 per cent interest in our masterplanned community, Katalia, in Melbourne's north. In March 2021 Supalai satisfied the capital partnership condition precedent for FIRB approval.

Additionally, in December 2020, a capital partnership was established with a fund managed by J.P. Morgan Asset Management to invest in more than $1 billion of logistics assets on the Eastern Seaboard. Stockland will operate and manage the assets and will receive fees for these services.

Stockland continues to look for opportunities to capitalise on our strong relationships with third party capital providers to develop our future pipeline across our business.

Distributions

The distribution for the year ended 30 June 2021 is 24.6 cents per security, up 2.1 per cent on FY20. The distribution payout ratio of 75 per cent is at the lower end of our target range and fully covered by operating cashflow.This distribution level helps retain capital, supporting growth opportunities across the business.

Key priorities

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

The Gables, NSW

Aura, QLD

CASE STUDY

THINKING CUSTOMER FIRST - LAUNCHING STOCKLAND'S NEW OVER 50's LIFESTYLE COMMUNITIES

In FY21, Stockland launched an exciting new product designed for the ageing population in Australia. Land lease communities are attractive and active gated communities with recreational, social and sporting facilities that are for the exclusive use of residents, their families and friends. They cater to a broad range of lifestyles and are fast becoming the preferred choice for Australia's over 50s.

Guided by Our Customer Promise to make the experience "Great, Easier and Better", we started designing the customer experience by mapping the customer journey, talking to prospective residents and understanding what is most important to them when considering this type of purchase.

We learned that simplifying the sales process was key to ensuring prospective customers had confidence and clarity when securing the right lot and the right house. We also learned the importance of home visualisation, giving would-be residents the ability to digitally envision what their home would look like and how they can personalise it to make it home.

This "Think Customer First" approach has resulted in a clearly defined customer value proposition, distinct from our retirement living proposition. Being customer led has provided us with a competitive advantage, a popular product for this demographic and a differentiated service offering. In less than 14 months, we have launched this new offering in Queensland and Victoria and given our first customers possession of their new homes. Growth of our Land Lease Communities business is an exciting part of Stockland's future.

Operational excellence

In FY21 we continued to invest in operational excellence with a particular focus on customer centricity, technology, innovation, risk and our people

CUSTOMER CENTRICITY

Customer centricity is a central cultural pillar for Stockland. It drives our ability to deeply understand, predict and respond to our customers' changing needs, and our continuous investment in improving the most valuable moments of the customer experience. It is critical to our business results and the ongoing relevance and reputation of our brand, products and services.

Our approach to driving greater customer centricity integrates an advanced platform of deep customer insights, an ongoing program of improving customer experiences and a focus on creating customer centric leaders.

Deeper customer insights and data analytics

Customer centricity starts with empathy and insight. Over several years we have invested in creating a leading edge insights capability that blends traditional customer research, advanced data science and unique decision making tools that are embedded into critical business processes.

Enhancement in our customer insights program this year saw the launch and embedding of a new behavioural based shopper segmentation tool that provides an asset level understanding of the value of different shopper segments with the monthly tracking of movements in spend and shopper behaviour. This tool has provided a granular understanding of spending pattern shifts amongst key customer segments and was invaluable in responding to changing customer behaviours during COVID-19.

We are now able to quantify the value of customer experience improvements to movements in customer spend within individual Retail Town Centres. These deeper insights have enabled the prioritisation of various customer experience improvement projects that optimise both customer and commercial value.

In business-to-business engagement (B2B), we have developed and implemented a new artificial intelligence data driven tenant recommendation engine that can successfully predict the most appropriate retail tenants for any retail vacancy which supports both tenant success and overall commercial impact of the centre.

Also launched in FY21 was a neighbourhood mindset tool. This bespoke tool blends numerous third-party data sets to enable a unique view into the composition of any catchment area. It identifies how residents interact and what they value within a community, including recreational activities and places of interest. These insights are being used extensively in new developments, marketing and our design processes.

Improving customer experiences using digital

With lockdowns and COVID-19 restrictions continuing in FY21, we delivered a suite of new innovative digital customer experiences to empower customers to explore, personalise their home and virtually interact with our product offerings online. In our Communities portfolio, these new or enhanced experiences saw a 350 per cent increase in conversion which has generated 58,000 new leads from website traffic volumes. While the quality of the leads was high, sales conversion was limited due to product availability in certain markets. Each experience was carefully designed to support defined customer goals and included a number of innovative digital customer experiences and new product offerings such as Dreamcatcher, a personalised online experience to design your home (read more on page 35).

Customer centric leadership

This year to further improve enterprise wide customer governance, we formed a Customer Advocacy Group which brings together members of Stockland's Leadership Team and other senior leaders to review key customer trends, data and insights, prioritise and accelerate projects that can demonstrate both improvements in meaningful customer experiences and also deliver good commercial returns. There are also corresponding business unit Customer Championship Groups that help with this prioritisation and initiative delivery.

This year we also expanded the Stockland Listens program into a new virtual format. This program regularly invites various customer groups, including our business tenants customer groups, into a moderated discussion forum where they can share their experiences with a large number of diverse internal Stockland staff. As a result of these programs, several new insights have been identified, new ideas generated and improvements made.

The result of customer centricity is strong customer satisfaction

By staying focused on what matters to customers and dynamically responding to changing needs, we were able to maintain high levels of customer satisfaction across the group against a backdrop of uncertainty and disruption caused by the pandemic.

[1] Customers progressing to a reservation by way of deposit.

Customer satisfaction

Residential communities resident satisfaction[1]

82%

Above target of 80%

Retirement living resident happiness

87%

Above target of 85%

Retail tenant satisfaction

75%

In line with target of 75%

Retail shopper satisfaction

81%

Above target of 80%

Workplace and logistics tenant satisfaction

87%

Above target of 80%

TECHNOLOGY, DIGITAL AND INNOVATION

Technology

Our investments in technology have played a critical role in supporting our people, driving digital transformation and enabling new product offerings. This included our large scale transition to our integrated core platform in August 2020 with SAP and Salesforce.

A key focus in FY21 has been embedding our integrated systems as a platform for business improvement and scalability. The platform has delivered enhanced business processes, automation, analytics and supported our ongoing compliance focus. For example, our integrated scalable platforms enabled approximately 7,000 contracts signed through DocuSign and over $1.5 billion of settlements managed through Stockland PEXA integration.

Digital customer experiences

During the year Stockland launched several new product offerings and digital customer experiences in line with our focus on customer centricity.

We introduced an end-to-end digital customer experience to enable our customers to virtually undertake the home buying journey including through the sales process. This included virtual only launches across our communities including Katalia and Haven.

We also launched an inspirational online digital experience "Dreamcatcher" that guides customers to discover their preferred housing style. Dreamcatcher has proved to be a highly engaging customer experience with over 55 per cent of customers returning (read more on page 35).

For our new land lease communities, our virtual home visualiser enables customers to configure and visualise their new home options from a range of choices and inclusions

Our online retail product visualisation program now has more than 52,000 individual products listed across 130 stores through our local shopping centre websites. The program enables retailers to list their products on the Stockland website and customers to browse online. The outputs of this pilot have helped to inform future omnichannel customer experiences in the digital roadmap.

Innovation

Stockland has embraced an innovative way of working and we have continued to elevate innovation across Stockland through experimentation, new initiatives and ventures. In FY21, despite the disruption and challenges caused by COVID-19, 58 innovation initiatives were entered as part of our annual Chairman's Awards, reflecting the strong focus on creating new value for our customers, and evolving our products and business models. Reflecting how our people have embraced innovation, our annual employee engagement results also showed innovation measures at five points above the Australian national norm.

In addition to the new digital customer experiences, innovation successes included the scaling of recycled asphalt in five communities diverting waste from landfill, pilot of built-form defect management tools and assessing a number of opportunities across disruptive innovation.

We have maintained our focus on strategic ventures through investments in organisations with growth in disruptive services. In FY21 Stockland took a minority stake in data analytics company, smrtr, in alignment with our key strategic priority of enhancing our enterprise data capability and services.

In a single community, our innovative use of the Reconophalt recycled asphalt product has diverted from landfill (read more on page 42):

Plastic bags

2,043,000

Printer cartridges

59,710

For personal use only

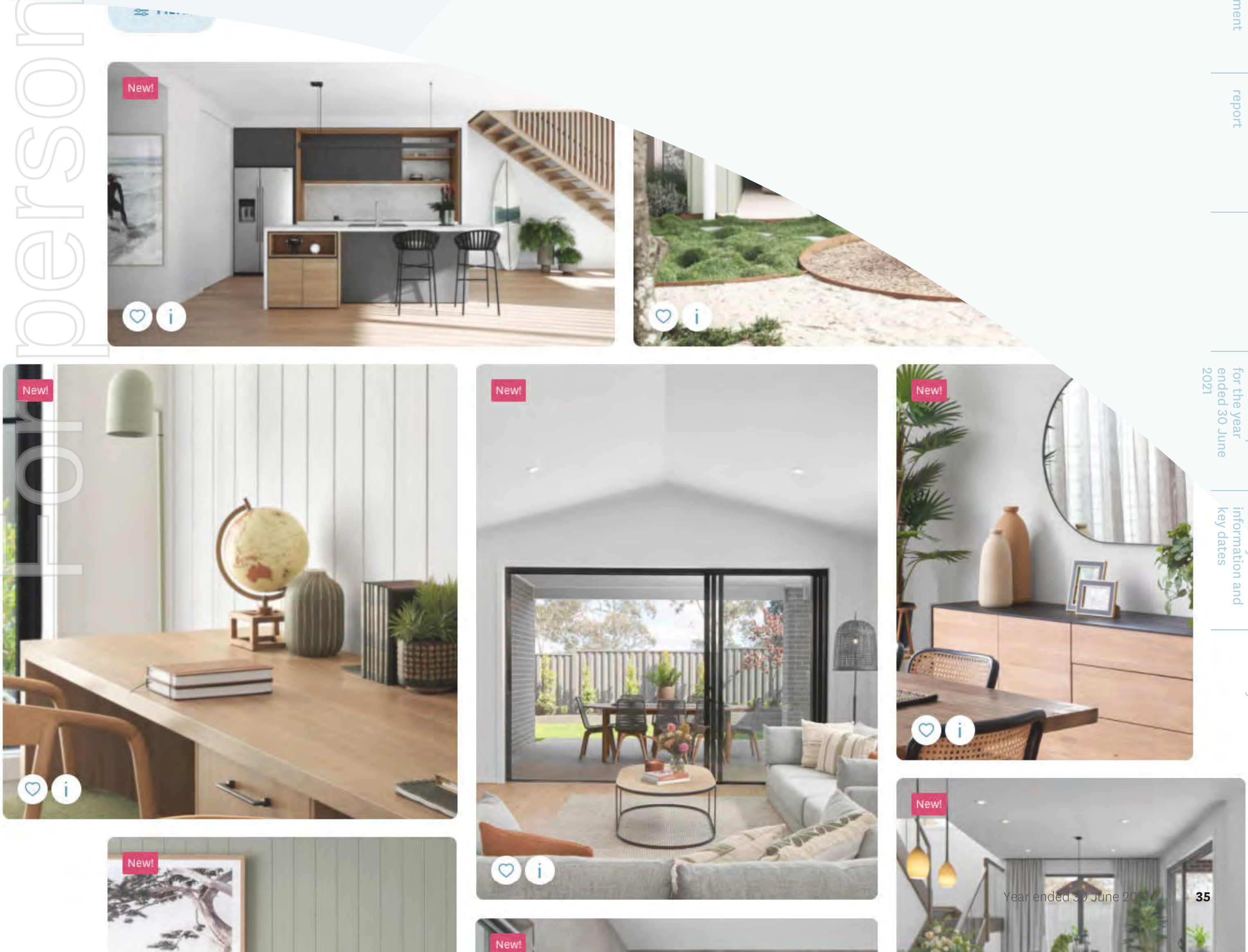
CASE STUDY

HELPING DREAMS COME TRUE - STOCKLAND DREAMCATCHER

The Residential business experienced high volumes of enquiry in FY21. Interestingly, 92 per cent of these enquiries came through digital channels (up from ~87 per cent 12 months ago), including our newly redesigned website as well as social media. In addition, Stockland held its first ever 100 per cent virtual land community launch at Katalia in Victoria, where 20 lots sold out in just six hours. This showed that customers are becoming increasingly comfortable with online, self-service channels. As such, digitising the customer journey is an important strategic priority.

To assist customers in the "Dream" phase of the customer journey, Stockland launched "Dreamcatcher", a home visualisation tool and styleboard creator designed to help early in the buying process. Dreamcatcher allows users to engage with the brand in an emotional and innovative way while enriching the home buying experience through a design-led lens. At every stage of the buyer journey, Dreamcatcher enhances the customer experience by helping people to unpack, collate and visualise their thoughts in one place. By providing inspirational home-based concepts, we are engaging in dialogue with people who may not have previously considered Stockland. And for those who may have been in touch, we are engaging earlier to create that strong, initial connection.

In the six months since the launch of Dreamcatcher, we have had over 51,000 visitors to the site, driven primarily by social media influencers, and almost 120,000 pageviews in total. Pleasingly, thousands of visitors are returning to the site for additional visits, which shows they are seeing value in the platform and engaging regularly with it. Overall, Stockland continues to prioritise and refine the digitisation of end-to-end customer journeys throughout the business to respond to rapidly changing customer expectations and needs.



PEOPLE AND CULTURE

Stockland has a strong, purpose driven culture, which supported our people and business through some significant events in FY21 including COVID-19, our SAP enterprise systems implementation, and our Managing Director and CEO transition. Throughout the year we leveraged our cultural strengths of collaboration, respect and determination to support our customers, employees and stakeholders through incredibly challenging times.

The organisation and our people around the country demonstrated poise and resilience to adapt to the numerous demands experienced throughout the year. After transitioning to a regular pulse employee engagement measure, the organisation maintained an overall score of 83 per cent across the Group, above the Australian National Norm[1], which was an incredible achievement in the circumstances. Furthermore, Stockland's score on Corporate Responsibility and Sustainability, was above the global high performing norm. We introduced additional people measures to provide greater insight into workplace behaviour, and focused on visible and capable leaders who were communicating with their teams throughout the year. This resulted in significant improvement in our pursuit of a more agile, innovative culture.

Building capability

We introduced our Capability Masterplan which provides structure and rigor to the development of our people across job families and asset classes. Leadership capability also remained a focus in FY21, with a rigorous program centered around neuro-leadership skills and techniques helping senior leaders to manage large scale change, and pragmatic skills-based virtual training programs supporting managers at all levels with the day-to-day management of their teams.

New projects and opportunities have been resourced with talent during the year to deliver on strategic priorities. Blended learning and development initiatives have supported our people to 'learn in the flow of work' accelerating personal growth and application of new skills learned. This learning and development strategy placed Stockland in a strong position to pivot towards a fully virtual learning program over the year. It was also a highly inclusive and efficient way to deliver learning across our national business, with employees at multiple sites, and those frequently working from home the key beneficiaries.

The Stockland Graduate program, which was recognised during the year as 19th in the AFR 100 Graduate Employers and most popular in our sector, continues to be a talent incubator, attracting and developing high quality employees to meet the challenges and opportunities of the future. In FY21, a total of 22 gradates joined Stockland, of which almost 60 per cent were female.

Health, wellbeing and safety

The health, wellbeing and safety of our people is our key priority. Throughout the year we have responded with determination to the challenges presented by extreme weather events such as flooding and the ongoing COVID-19 pandemic. We have continued to evolve our systems and processes to ensure a safe working environment and consistent with previous years, in FY21 we once again achieved zero fatality and life changing injuries in our business. We also maintained a low lost time injury frequency rate (LTIFR) (3.4 in FY21), 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 across our assets, with techniques to address psychosocial issues such as dealing with difficult conversations, working with a specialist psychological consultancy to develop an online '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 and continue to be paramount considerations in our new ways of working. We continue to offer a multifaceted wellbeing program with a focus on mental health as well as through our CARE Foundation partnerships with ReachOut and R U OK?.

[1] Based on the Willis Towers Watson survey

Diversity and inclusion

Stockland's commitment to diversity, inclusion and flexibility emerged as a significant strength for the company. Stockland maintained the WGEA citation for gender equality, for the seventh consecutive year. In the Equileap index of Top 100 gender equal companies, Stockland was awarded 11th place globally, we achieved bronze status in the Australian Workplace Equality Index and our improved Domestic and Family Violence policy is considered best practice.

Our committed leaders combined with highly active internal employee action groups delivered significant progress in Gender Equity, Flexibility, LGBTI+, Wellbeing, Accessibility & Cultural Inclusion. Our focus on diversity, inclusion and flexibility enabled the rapid development of our hybrid 'Hub and Home' work model which supported high levels of productivity and connectedness across our employee base during the year. In the year ahead we will be trialling a 'Touchdown' bookable work space for employees as part of our broader workplace ecosystem.

People and culture snapshot

Employee engagement

83%

Above target of 80%

Women in management

47.4%

Above target of 40%

Gender pay equity

99%

Target 100%

Equileap's Global Top 100

11th

Gender-equal companies

Lost time injury frequency rate

3.4%

Unchanged from FY20

Living for the future

We believe there is a better way to live and sustainability is a fundamental part of delivering on our vision and strategy

Stockland is a global sustainability leader, recognised for its holistic approach to sustainability issues both current and emerging. We have a long, proud history of creating some of Australia's most liveable communities, delivered under world leading environmental, social and governance standards. Our goal to become more sustainable is understood and actioned across the business, playing an important role in helping to deliver our Group Strategy and associated strategic priorities.

FY21 represented a transition year for our sustainability strategy as we closely assessed the impact of COVID-19 and its associated disruption to our operations, customer behaviour and broader stakeholder engagement. Therefore, we maintained our focus on delivering environmental and social outcomes consistent with the previous year and enhanced those targets during FY21 by releasing our 2030 Sustainability Strategy when the worst of the initial COVID-19 restrictions had passed.

In May 2021, we launched our enhanced 2030 Sustainability Strategy – Living for the future. The strategy is purpose-led and responds to the global and industry megatrends that are impacting our business and stakeholders today and into the future. These trends include climate change, resource scarcity, growing inequality, changing demographics, market disruptors and incremental recovery from COVID-19.

Recognising there are challenges ahead, we have developed a strategy that takes meaningful steps forward to realise a better, more sustainable, way to live.

Our 2030 Sustainability Strategy has been developed with clear 2030 goals supported by medium-term targets (FY22-24) and clear implementation plans that are measurable. This allows us to reset periodically, adapting to changing environments and incorporating key lessons, as we pursue world leading environmental, social and economic outcomes. Refer to our FY21 ESG Review for more detail on our strategy and targets.

2030 SUSTAINABILITY STRATEGY
LIVING FOR THE FUTURE

OUR 2030 VISION

Regenerate the environment, ignite inclusive prosperity and inspire people to thrive.

Regenerative and circular living	Enable circular systems that minimise environmental impact, advance climate action, and embrace new pathways to a regenerative future
Inclusive and accessible living	Create environments that allow responsible economic opportunities to flourish, and that improve equitable access to those opportunities to deliver a future of inclusive prosperity for all
Healthy and connected living	Enhance community health and wellbeing, while strengthening connections with others, so that we are creating liveable communities of thriving people now, and in the future

DELIVERING OUR PURPOSE WITH WORLD LEADING ENVIRONMENTAL, SOCIAL AND ECONOMIC OUTCOMES.

Amberton Beach, WA

EVOLVING LEADERSHIP

Launched refreshed Sustainability Strategy to

2030

Advanced our net zero carbon target to

2028

GLOBAL CREDENTIALS

World Dow Jones Sustainability Index (DJSI) - real estate ranking

3rd

Top five for ten years

GRESB (Global Real Estate Sustainability Benchmark)

Green Star

Top quintile for seven years

MSCI ESG rating

AAA rating

'Leader' rating for over 10 years

Climate action

Towards net zero carbon

Getting to net zero carbon emissions does more than contribute to global climate objectives. It also enhances our operational efficiency, aligns with the ambitions of our customers, and futureproofs our communities.

In February 2021, we brought forward our commitment to achieving net zero carbon by two years, with the new date of 2028. We also expanded the reach of our commitment which now covers scope 1 and 2 emissions across all of our business activities, extending to all of our workplace, logistics, retail and community assets and projects across Australia. We will achieve this target by relying on three emissions reduction strategies:

1. increasing our investment in on- and off-site renewable energy;
2. continuing our focus on energy efficient design and operations and the electrification of the portfolio; and
3. pioneering a number of innovations and technology to reduce our overall carbon footprint.

Renewable energy

In FY21 we built on our commitment to powering our assets with renewable energy sources. In our Commercial Property portfolio, we installed further solar PV capacity and completed detailed designs for four additional assets, equating to a potential capacity of 2 megawatts. This takes our total operational solar PV capacity to 18.7 megawatts, with an annual estimated generation of 24 gigawatt hours, which represents an investment of over $32 million.

In our Communities business we are also rolling out solar-powered lighting throughout the public space within our developments such as sporting fields and parks. Our Land Lease Communities offer energy packages to our future residents and we are piloting solar and battery packages in Residential. The introduction of mandatory design requirements and other uptake schemes means that our Communities customers will play an important role in the real estate sector's transition to net zero.

Energy efficiency

Since the beginning of our focus on climate change and energy efficiency in 2006, we have reduced the emissions intensity of our Commercial Property portfolio by 69 per cent. This has resulted in $138 million of savings, with more than half passed on to tenants, demonstrating that we can grow our business while simultaneously reducing energy and emissions and delivering positive financial outcomes.

We continued to obtain NABERS Energy ratings in FY21 to benchmark the performance of our assets and measure the effectiveness of our energy efficiency initiatives. The area weighted portfolio average for NABERS Energy for our Retail Town Centres and Workplace portfolios improved to 4.8 stars and 4.9 stars respectively. Our Business Parks portfolio decreased marginally to 4.7 stars.

To further advance our performance, we participated in trial NABERS ratings at two retirement living villages as an advisory panel member of NABERS Accelerate. This program was established to help new sectors speed up the development and adoption of energy and water ratings. This is an important step forward for the retirement living sector, as improved efficiency delivers a sustainable lifestyle for our residents.

Resilient communities and assets

Asset level climate resilience plans have been established for 48 per cent of our portfolio detailing the future local impacts of climate change and the most appropriate responses to improve resilience to physical risks over time.

In FY21, we also focused on building resilience across our communities including the development of 'shadeways' linking key areas of the community, enabling residents to more easily exercise and commute during heat events and implementing cool roof covenants to mitigate urban heat around residences and public spaces.

As part of Green Star developments certification we conduct Climate Change Adaptation Design Workshops which allows us to 'design out' inherent vulnerabilities to future climate impacts.

Water management

In order to transition to a more climate resilient portfolio we also focus on water management across the portfolio. We have continued to extend our comprehensive sub-metering network which has contributed to reductions in our average water intensities across our Commercial Property portfolio and our average NABERS ratings.

In our Communities business, we focused mainly on the performance of our medium density and retirement living products in FY21 delivering a 12 per cent improvement on water benchmarks; an annual saving of 7 megalitres when compared to homes built to regulations.

CASE STUDY

Designing the homes of the future

We have designed a range of new housing products to demonstrate the viability and affordability of these products so that Australia's residential builders are encouraged to build high quality, comfortable and low emission homes in a cost-effective manner.

Our first Zero Net Carbon Home was released in our masterplanned, medium density community, Orion in Braybrook, Melbourne in September 2020. The home was developed in collaboration with Sustainability Victoria under the Victorian Government's Zero Net Carbon Homes pilot program. The home achieved a 7-star Nationwide House Energy Rating Scheme (NatHERS) rating by combining a solar PV system with an energy efficient building design and fixed appliances.

Modelling indicates the design will reduce energy bills by approximately 50 per cent (approximately a $1,000 per year saving), produce no net emissions from energy use, and reduces gas emissions by 4.7 tonnes per year.

The home will also provide residents with greater indoor comfort by optimising orientation and using draught-proofing, insulation and an automatic ventilation system.

Our next generation home at our Waterlea community in Victoria will be one of the first Green Star Homes to receive a rating in Australia. The tool aims to drive delivery of homes that are:

- Climate positive (i.e. fully electric, draught sealed, efficient and powered by renewables)
- Healthy (i.e. ventilated, comfortable with eco-friendly building materials and fixtures)
- Resilient (i.e. water efficient and climate change ready)

As part of our 2030 Sustainability Strategy – Living for the Future - we have committed to building our capabilities and working with our partners, such as the Clean Energy Finance Corporation, the Green Building Council and Sustainability Victoria to help transition the housing industry to net zero.

Artist impression, Zero Net Carbon Home, Orion, VIC

Circular systems

Green Star rated portfolio

We use Green Star ratings, a rating system for buildings and communities, administered by the Green Building Council of Australia (GBCA), to assess the attributes of our project by focusing on a broad mix of sustainability impact categories, such as waste, indoor environment quality, materials and land use.

This year also saw the continuation of important asset-level initiatives. We continued our work on delivering Stockland's first net zero carbon emissions building at M_Park (NSW). This is targeting a 6 Star Green Star rating, representing world leadership in sustainable design. In order to achieve this, the building will have to utilise highly energy efficient services, be fully electric and 100 per cent powered by renewables. The learnings from this project will inform the design process of the later stages of this development. Willawong Distribution Centre Stage 2 (QLD), is also under development and targeting a 5 Star Green Star Design & As Built rating. Our Communities business has continued working with the GBCA as a development partner of its Green Star Homes pilot initiative.

Biodiversity

We are very focused on ensuring that we consider carefully how our developments interact with local bushland habitat, ecological communities and protected or significant species. We have a unique opportunity to provide people with green space, amenity and connection to nature. We therefore seek to balance developable land with retention and activation of biodiversity to enhance the long-term success of our communities.

In FY21, all four of our new masterplanned communities for FY21 achieved net positive results using our industry leading biodiversity calculator.

Waste and materials

We are committed to enabling more circular systems by closing material loops and recognising that waste has value. In FY21, our national contract with Waste Options was fully embedded across our Commercial Property portfolio and a number of Retirement Living communities to improve our waste diversion rates. This year also marked the first time we completed NABERS Waste ratings for our Workplace and Business Parks portfolio.

In FY21 the use of recycled materials in construction had a significant impact on waste rates and the overall environmental impact of our developments. This also reduced the need for large quantities of materials to be transported off-site and disposed in landfill, which helps reduce our carbon footprint and transport and disposal costs.

Rolling out 'Reconophalt'

After last year's successful innovation trial of 'Reconophalt', a recycled asphalt pavement that uses recycled plastics, toners, glass and reclaimed road surfaces, we are rolling out the product nationally with a target to have 30 per cent of all residential projects using the product by 2024. Our Minta community (VIC), became home to Australia's longest recycled road. At our Katalia development (VIC), we will roll out over 25,000m^2 of Reconophalt.

Healthy and connected communities

Our research clearly indicates that for a community to thrive it needs a focus on health and wellbeing, community connection and education.

Liveability and resident wellbeing

Our annual Liveability Index Survey measures what matters to our residents, so we can include 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 FY21, we achieved our Liveability target by scoring 75 per cent. This year's performance was driven by a range of improvements across several communities, namely those in NSW following the delivery of new amenities, infrastructure and transport links. Additionally, we have seen an improvement in the proportion of residents who agreed that Stockland has delivered or exceeded expectations in terms of customer satisfaction.

Our Liveability Index will play an increasingly important role at Stockland over the next few years as our residents continue to navigate the challenges presented by the COVID-19 pandemic.

HEALTHY AND CONNECTED OUTCOMES

- **Liveability Index** – 75 per cent Liveability score across our residential communities
- **Personal wellbeing index** – Retirement Living and Residential resident Personal Wellbeing Index score of 79.4 per cent and 84.4 per cent, well above the Australian national average
- **Stockland CARE Grants** – 285 grass roots community groups received grants totalling $285,000 focused on wellbeing, education and community connection

Partnering to strengthen communities

Despite the challenges of the past year, Stockland remains committed to generating a positive and lasting impact on the communities in which we operate. The contributions we make to these communities are coordinated through community partnerships and programs, giving and volunteering, asset based projects and initiatives, and our Stockland CARE Foundation.

In FY21 we continued to support activities spanning our three key priorities – health and wellbeing, education, and community connection, contributing over $5.7 million to programs across Australia.

We have worked with our partners to deliver on these priorities and navigate the balance between physical and online activations as COVID-19 continues to disrupt community activities. Some of the partnership outcomes from FY21 are listed below. Read more in our **FY21 ESG Review**.

- **Live Life Get Active** provides free community fitness classes to local Stockland residents. Residential communities reported close to 38,000 on-demand videos accessed during the year in addition to the in-person community classes.
- **R U OK?** provides public education to support suicide prevention. In FY21 it launched the 'Your Natter Matters' campaign in Stockland Retirement Living Villages urging residents to 'give the gift of conversation' and use their life experience to support each other.
- **National Theatre for Children** provide a student sustainability education program and as part of their 2021 Big Battery Rescue National Schools Challenge 18 public schools participated with over 785 kilograms of batteries diverted from landfill, the equivalent of over 35,000 AAA batteries.

The Stockland CARE Foundation is a collaborative partnership between our three charity partners ReachOut, Redkite and R U OK?. This partnership has been timely to raise awareness for mental health programs to assist communities navigate the impact of the COVID-19 pandemic.

Supply chain management and human rights

Responsible supply chain management

We recognise that having a sustainable supply chain is fundamental to having a sustainable business. Our commitment to continuously improving our supply chain management resulted in the implementation of our policy 'What Stockland Expects from its Suppliers'. This policy details key considerations for our suppliers – such as health and safety, materials and resource use, human rights and local employment – organised according to the core themes of our supply chain framework.

We reinforced the communication of this policy in FY21 through various mediums including webinars with suppliers, embedding the policy requirements in our contracting precedents, and supplier on-boarding practices.

Where potential issues are identified, we engage with the supplier to learn more about the issue and implement mitigation and monitoring strategies through corrective action plans. We provide the necessary support and encouragement to those suppliers who have a plan and a commitment to demonstrate continuous improvement. There were no supplier agreements terminated in FY21 due to actual and potential negative environmental, social, or labour practice-related impacts.

We continue to engage on initiatives such as our Sights on Safety initiative, aimed at reducing safety incidents on site, as well as modern slavery risk. In FY21, we commenced our internal due diligence process to map our practices against ISO 20400 – Sustainable Procurement.

Modern slavery

Forced, bonded and compulsory labour are serious human rights violations. It is incumbent upon us, as one of Australia's largest listed real estate groups, to use our leverage to prevent these forms of abuse.

In FY21, we made good progress increasing the modern slavery awareness of all Stockland employees by mandating training. We also introduced a Modern Slavery clause in all new contracts regarding compliance with the Modern Slavery Act and engagement in modern slavery. The precedent clause also includes audit rights with suppliers and the right to audit a supplier's direct subcontractors.

We continued to work in partnership with our suppliers to increase transparency across areas such as sub-contracting and building material traceability.

In FY21, we assessed all of our Category A (high risk, high spend) suppliers using the Property Council of Australia self-assessment tool. Pleasingly, these higher risk suppliers improved their awareness and action across all key question areas. We also extended our assessment to our Category B suppliers (high risk, low spend). Within this group we found that while our Category B suppliers have a relatively high understanding of the Modern Slavery Act and the modern slavery issues there is an opportunity to engage with these suppliers to encourage risk assessments, improve awareness of subcontracting practices, and assist them with access to training and resources.

The commercial cleaning and security industries continue to be recognised as high-risk for modern slavery in Australia. We continue to adapt our procurement and specialised due diligence with a third party assessor to understand if contractors are meeting our expectations around the fair treatment of their employees.

We undertook follow-up assessments on a select number of contractors, conducted a nation-wide assessment of additional cleaning contractors, and extended our program to security contractors across our Retail Town Centre, Workplace and Logistics portfolio. This enhanced level of due diligence plays an important role in our commitment to deliver safe and fair workplaces. For more information please read our **FY21 Modern Slavery Statement**.

Reconciliation

At Stockland, we are committed to working with employees, customers, partners and tenants to enhance the understanding and appreciation of the value that First Nations people bring to our business and the unique cultural contribution they make to Australia. This commitment includes strengthening our relationships with Aboriginal and Torres Strait Islander peoples and requires us to continually reflect on learnings and nurture these connections to ensure shared and cooperative success over the long term.

In FY21, we developed the Stockland First Nations Engagement Framework which articulates our model for engagement with First Nations communities. The Framework builds on our existing practices and provides our employees with guidance and tools for project-level activities in the areas of community consultation, cultural heritage, procurement and employment.

Third Reconcilation Action Plan (RAP)

Launched in February 2021, our 'Innovate' RAP builds on the momentum from our prior achievements and focuses on three key pillars – Relationships, Respect and Opportunities. It will continue to set the foundation for the delivery of new strategies and actions that will create opportunities for First Nations people and communities across our projects.

Our Innovate Reconciliation Action Plan – December 2020 to November 2022 – is available on **our website**.

Sustainability priorities and progress overview

FY21 PRIORITIES AND PROGRESS			
FOCUS AREA	**PRIORITY**	**STATUS**	**PROGRESS**
Climate resilience	Conduct a climate resilience assessment on all new Retail Town Centres, Workplace and Logistics assets, Masterplanned Residential ommunities and Retirement Living developments, including acquisitions.	***Achieved***	48% of our portfolio has now been assessed at an asset level for climate resilience.
Carbon and energy	Launch Stockland Net Zero Commitment for entire business.	***Achieved***	Accelerated our net zero carbon commitment by two years, with the new date of 2028, and extended the commitment across all our business activities.
	Continue to work towards further improving carbon reduction intensity target for Retail Town Centre, Workplace and Business Parks assets by FY25 against the FY06 baseline.	***Achieved***	69% carbon emissions intensity reduction of Commercial Property portfolio, FY06 baseline.
	Exceed relevant minimum energy related compliance standards by 15% within our medium density Residential communities.	***Achieved***	Modelling was completed for 10 medium density developments during FY21 with 50% reduction in energy-related standards compared to minimum building code compliance.
Biodiversity	All new eligible masterplanned community developments to make an aggregated net positive contribution to biodiversity value.	***Achieved***	Net positive Biodiversity Index Score across four new residential projects.
Waste management	Divert 90% of Residential development waste from landfill.	***Achieved***	Average of 98% achieved across our masterplanned communities.
	Achieve a minimum of 45% waste diversion for Retail Town Centres and Workplace and Business Parks.	***Partially achieved***	Achieved a waste diversion rate of 80% for Workplace and Business Parks and 37% for Retail Town Centres.
Water management and quality	Retail Town Centres, Workplace and Business Parks to maintain water intensity reduction.	***Achieved***	9% reduction in Retail Town Centre portfolio; 31% reduction in Workplace and Business Parks water intensity.
Liveability	Stockland Communities (Residential and Retirement Living) to score above the Australian average national Wellbeing Index average range of 74.2–76.7%.	***Achieved***	Retirement living resident Personal Wellbeing Index score of 84.7% and 79.4% for residential communities.
	Achieve consistent Stockland national Liveability Index score of 75% across Residential communities.	***Achieved***	75% Liveability Index score.
Community engagement	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.	***Achieved***	Invested $5.7 million through our community development and investment programs and the Stockland CARE Foundation.
Supply chain management	Collaborate with our partners to raise awareness of sustainability issues and encourage sustainable procurement.		Launched our procurement management system that includes an increase in sustainability objectives for suppliers (part of our integrated core platform). Indigenous spend of $10 million in FY21, outperforming target of $4 million by FY22.
Human rights	Release Third Reconciliation Action Plan.	***Achieved***	Launched our third RAP in February 2021.
	Improve accessibility across our portfolio.	***Achieved***	We continued the rollout of wayfinding apps for the vision impaired in our Retail Town Centres. We delivered three new inclusive playspaces at our Retail Town Centres.

ESG Reporting Suite

We provide comprehensive annual environmental, social and governance (ESG) reporting on our **website**

ESG Management Approaches - how we respond to, manage and evaluate our material ESG matters

ESG Review - our annual ESG performance report on our material ESG matters including achievements, targets, progress, future priorities and case studies

ESG Data Pack - comprehensive ESG data sets and GRI, SASB and UN Sustainable Development Goals references

Risk management

Yennora Distribution Centre, NSW

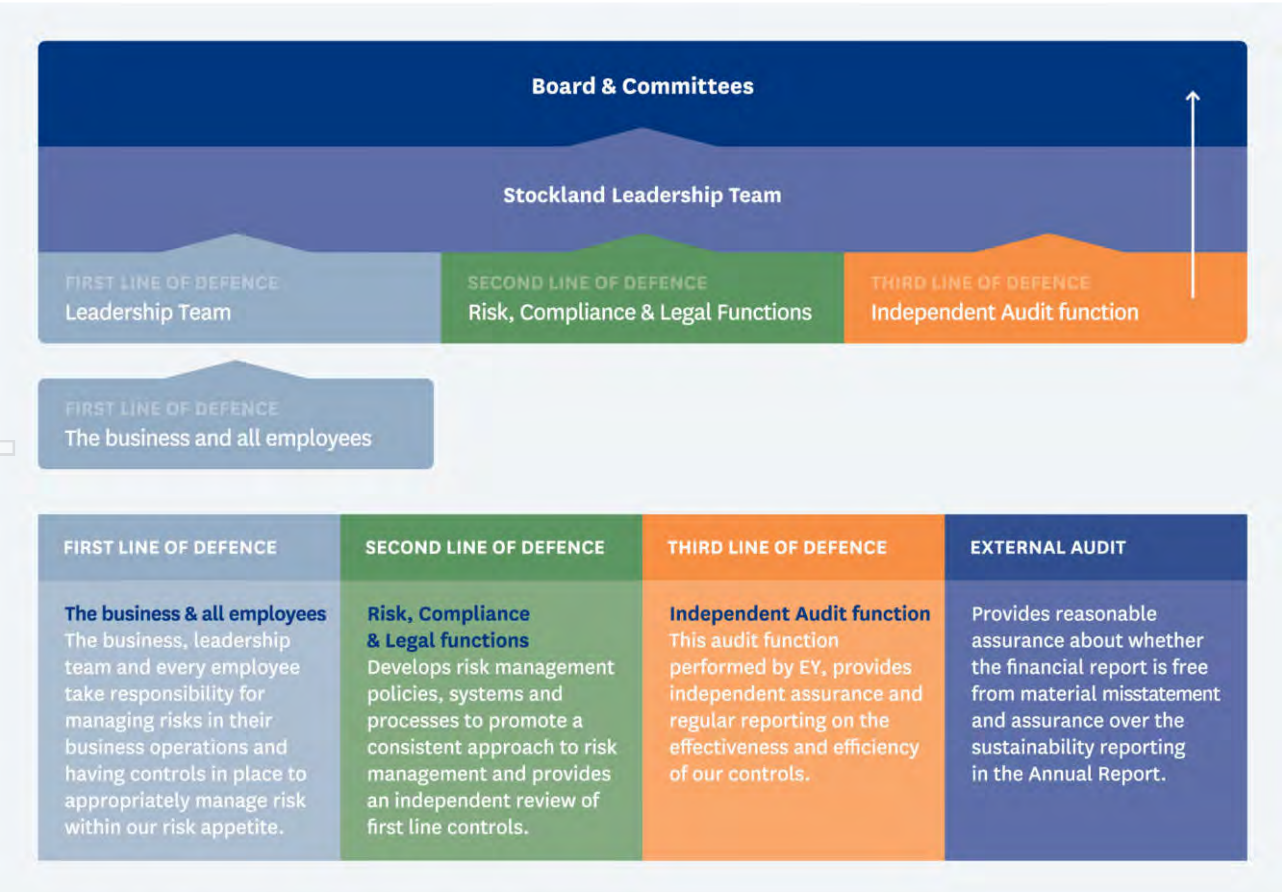
Our approach to risk management

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 as well as 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 adopts a balanced risk profile to maintain a sustainable business and ensure we remain 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 Stockland Leadership Team 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 page 88.

Three lines of defence



Our materiality process

Stockland has adopted the materiality definition from the International Integrated Reporting Framework to disclose information about matters (risks) that may substantively affect the organisation's ability to create value over the short, medium, and long term. The Stockland Leadership Team 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 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 structured workshops to evaluate the material matters, assess 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 over time; **(S)** short, **(M)** medium, and **(L)** long term. There are a number of material matters which have an enduring impact across the time horizon which may require a phased response.

These have been reviewed and approved by Stockland's Leadership Team and Board. The process and associated disclosures have been assured by Ernst & Young (**EY**).

Due to the complex nature of these risks and the ongoing 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

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

S M

The ability to attract, engage and retain our employees is critical to our ongoing success. The COVID-19 pandemic has readjusted business and personal priorities and changed how we work and accelerated the adoption of new technology enabling greater workplace flexibility and new ways of working.

We believe we have a strong culture, and we will use this to mitigate compliance risk and the challenges posed by the new ways of working. Our culture will continue to be a strong mitigant for compliance risk.

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;
- adopting a 'Hub and Home' model, a mix of working in a hub (asset, office or local workplace) as well as at home (or remote location). This allows all employees to work flexibly, be productive, collaborative and supports their wellbeing;
- training our senior leaders to be more agile and resilient through Stockland leadership programs;
- enhancing our communication approach to all our people across Stockland;
- continuing to invest in new ways of working to drive efficiency and improve our practices to increase accountability and build on core strengths; and
- supporting Employee Advocacy Groups focused on enhancing diversity, inclusion, flexibility and wellbeing.

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

For personal use only

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

S M

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, including best practice safety management, hygiene standards and COVIDSafe Plans, and messages to our employees, tenants, residents, customers and suppliers as we continue to focus on suppressing the transmission of COVID-19;
- trial 'future of work' initiatives such as our Wellness Studio in our Sydney Head Office to support employees in achieving and maintaining their wellbeing;
- extend our focus on mental health and wellbeing including through our CARE Foundation collaborative partnerships with ReachOut and R U OK?;
- evolve our 'Sights on Safety' engagement with contractors, consultants and suppliers which has assisted in reducing incidents in key focus areas on our projects;
- train our employees and increase their risk awareness including undertaking regular scenario testing relevant to our business and operations; and
- deliver liveable communities for our residents, customers, and tenants, with a focus on embedding health safety and wellbeing into the design and operation of our assets.

Our ability to respond to global political conditions that lead to economic uncertainty or volatility

S M

Global political conditions that impact the global economy have led to and may continue to result in extended periods of increased political and economic uncertainty and volatility in the global financial markets, which could adversely affect our business. This includes uncertainty surrounding policy decisions regarding the COVID-19 pandemic (including cross-border people movement, migration and export controls), trade tensions, climate change and technology and data.

We will continue to closely monitor political and economic risks and opportunities and continue enhancing our enterprise resilience.

We adopt a Group-wide strategic approach to managing our procurement and supply chain activities. Our Supply Chain Framework continues to support us in managing our suppliers and addressing supply chain risks as they arise.

Climate change may have adverse effects on our business

S M L

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 revised 2030 Sustainability Strategy features our goal to advance climate actions that continue to address our impact on the climate and develops resilience to a changing environment. To do this we have prioritised achieving net zero carbon by 2028, embedding asset and community scale resilience of our portfolio and working toward a net zero water future. We have brought forward our net zero carbon commitment by two years to 2028 and expanded its coverage to include our whole portfolio (including residential development emissions).

Information and technology system continuity and cybersecurity breaches impact our business

S M L

Our business leverages IT systems, networks, and data to operate efficiently. Managing potential IT system failures and cybersecurity breaches is a focus area to ensure we manage the risk of loss of sensitive information, operational disruption, reputational damage, fines and penalties. We also use technology and data to create a leading edge and differentiated customer offering through innovation and partnerships.

Technology and data security are 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 in the office and remotely;
- protecting systems, networks and end-point devices;
- embedding policies to safely control, access and manage data and privacy, 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.

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;
- 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.

S M L

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. We have developed a framework to guide our people in making ethical decisions.

At Stockland, we have prioritised our focus on customer engagement including regular customer surveys, extra training for our customer-facing employees, and introduction of the 'Stockland Listens' initiative which connects our people to our customers to listen and learn from their experience. In addition, we have implemented a customer feedback framework with reporting through to our Board and Committees. There are consequences for behaviours that do not reflect Stockland's values including potential remuneration and employment impacts.

S M L

Our ability to anticipate and respond to changing consumer preferences for our products and services

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;
- 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; and
- continue to optimise our portfolio to meet changing conditions and customer and stakeholder preferences.

S M L

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. During COVID-19, we continue to see rapid and widespread regulatory changes that we have navigated.

We will continue to:

- proactively engage with industry bodies and government to implement effective COVID-19 management strategies to enable the continued safe operation of our properties within government guidelines;
- implement forward-looking practices to remain well positioned for regulatory change – In FY21 we have focused on enhancing and updating a number of key policy and governance matters including our compliance framework, conflict of interest policy, fraud, bribery and corruption prevention policy, and delegation of authority framework;
- 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.

S M L

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 of 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. In addition, we will:

- maintain the appropriate strategic asset weighting to drive resilience and enduring growth;
- increase access to capital via partnerships to improve growth;
- reposition our core Retail Town Centre portfolio and execute Workplace developments to create the workspaces of the future;
- leverage our strong foundations in Communities and accelerate Land Lease;
- accelerate and scale innovative digital and data customer offerings to drive growth; and
- invest in and deepen our peoples' capabilities.

M

Change within the retail sector impacts portfolio allocation

The retail landscape continues to experience significant structural change as seen in the 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.

M L

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 controls such as social distancing and good hygiene practices;
- remix our tenancies with a focus on non-discretionary and service based offerings;
- apply our placemaking strategy across our assets to create convenient, curated communities that form the social hub;
- leverage deep customer insights and analytics to inform our tenant remixing; and
- dispose non-core retail assets and reinvest capital into our Workplace and Logistics development pipeline.

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

We will continue to drive growth in our business and deliver on our strategic priorities by:

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- allocating capital strategically across our diversified portfolio in response to changing markets;
- progressing capital partnering opportunities across all sectors;
- acquiring new assets on capital efficient terms;
- 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.

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 2°C. 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 fourth 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 page 81.

The Stockland Leadership Team 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 managers from various 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; and
- 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 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 highlight specific climate-related issues that could have a material impact on Stockland, relating to both physical and transition risks.

STOCKLAND'S 2030 SUSTAINABILITY STRATEGY 'LIVING FOR THE FUTURE'

Our enhanced Sustainability Strategy features our goal to advance climate actions that continue to address our impact on the climate and develops resilience to a changing environment. To do this we have prioritised achieving net zero carbon by 2028, embedding asset and community scale resilience of our portfolio and working toward a net zero water future.

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	RCP 2.6 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.**

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, erosion of playing fields and grounds, roof and gutter leakages and inundation of building and carparks creating property damage and business interruption;
- **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.

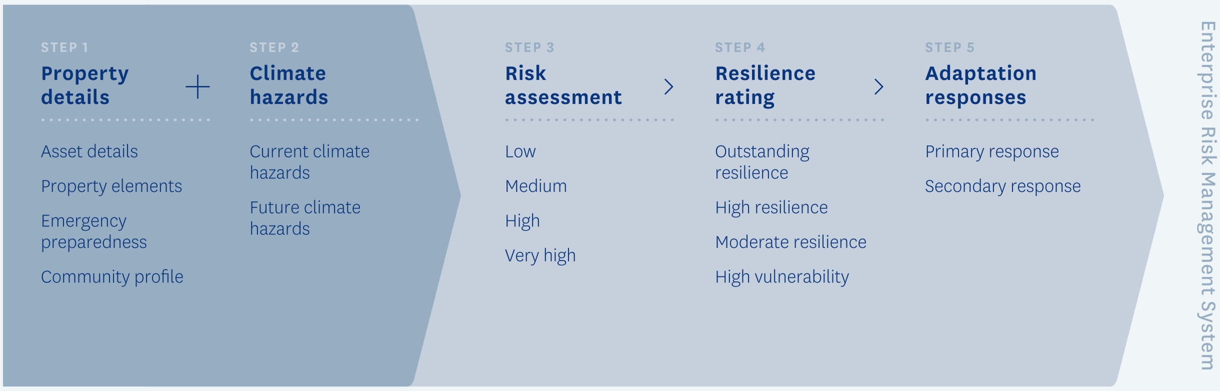
We have also assessed water scarcity across Australia and the adaptive capacity of Australian water utilities, including the resilience of water supply and water infrastructure.

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, 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 emission 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. Examples of our strategy response to transition risk include our industry leading investment in renewables across our commercial office portfolio since 2015, the development of our Natural Solar Customer Offer providing residents with the opportunity to purchase solar and batteries at a discounted rate, and our active long-term participation in industry forums including the Property Council of Australia (PCA) and the GBCA.

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.

NET ZERO CARBON BY 2028

In February 2021, we advanced our climate action, bringing forward our target to achieve net zero carbon emissions to 2028 – two years earlier than previously committed - and extending the commitment across all business activities. The target covers close to 170 active assets and projects across Australia, including residential development emissions. The target will be achieved through continuing the successful rollout of renewable energy, portfolio electrification and pioneering innovative technologies that support carbon reduction.

The Net Zero Carbon program is also supported by a partnership with the Clean Energy Finance Corporation (CEFC), which in 2020 provided a $75 million debt facility which funds key initiatives including Net Zero Carbon for our Retirement Living and Industrial portfolios and for our Corporate Head Offices.

RISK MANAGEMENT

Our risk management approach is detailed on page 47 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; and
- 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); and
- 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 carparks and cool roof covenants in residential communities.

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

Managing our transition risks and opportunities

Our Government Relations, Group Legal and Risk, and Sustainability teams keep the Stockland Leadership Team 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.

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

METRICS AND TARGETS

FY21 marked the end of our sustainability targets cycle. We have achieved our climate commitments delivering the following outcomes;

Transition to net zero	
69% emission intensity reduction across Commercial Property portfolio since 2006; $136 million in savings with over 50% passed on to tenants	18.7MW solar capacity across Commercial Property portfolio; generating close to 40% of retail portfolio electricity consumption
4.8 star average NABERS Energy Retail Town Centre rating	4.7 Star average NABERS Energy Workplace and Business Park rating
Net zero homes delivered in three communities and national solar and battery offer for residential community customers	Medium density product at 10 communities exceeded relevant minimum energy related residential performance design compliance standards by 50%
Climate resilience	
Entire portfolio mapped for physical climate risk	48% portfolio assessed for climate resilience at asset level including all 'higher climate risk' assets

Our climate metrics and target are provided on Page 46 (with sustainability update in this Report) and in detail within our ESG Performance and Data Pack. These metrics demonstrate our progress and 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.

We commence FY22 with the launch of our 2030 Sustainability Strategy – Living for the future – and an enduring focus on advancing climate action detailed on page 40 (with sustainability update in this Report).

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

Remuneration report

Artist impression, Piccadilly Complex, NSW

Message from the Chair of the People & Culture Committee

On behalf of the Board, I am pleased to present the Remuneration Report for FY21

For Stockland, FY21 has been a year of transition, punctuated by ongoing COVID-19 disruptions and a change of Managing Director and CEO. The Board continues to be immensely proud of our people who have demonstrated great resilience in focusing on the task at hand and delivering on our strategic priorities while protecting the wellbeing of our residents, customers, the broader community and each other. We appreciate their exceptional effort and commitment to our purpose and values during another challenging year.

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. The remuneration outcomes for FY21 reflect:

- Stockland's performance against a range of measures of financial performance and financial value-drivers in our Short Term Incentive (STI) Corporate Scorecard;
- the quality of Stockland's performance in the context of the operating environment, peer performance and feedback from our stakeholders;
- the importance of retaining our people and the talent required to deliver our strategy and purpose; and
- how well we have managed risk, compliance and issues that impact our reputation.

In determining the overall STI pool and individual STI awards for the former Managing Director and CEO and other members of the Stockland Leadership Team (SLT), the Board has taken care to balance the expectations of our stakeholders and the wider community. In doing so, the Board applied discretion to take into consideration the following factors:

Our financial result and returns to securityholders reflects a strong contribution across our diversified businesses and demonstrates resilience in the face of COVID-19:

- despite headwinds from COVID-19, our key financial measure of Funds From Operations (FFO) finished only moderately down on FY20 performance and at the top end of our guidance range. Stockland did not apply for any relief under the JobKeeper scheme;
- our total securityholder return (TSR) for the year was more than 15 per cent higher than the S&P/ASX200 A-REIT Accumulation Index;
- we increased our full year distribution per security from 24.1 cents to 24.6 cents fully covered by operating cash flows;
- our balance sheet is well-positioned to drive growth, supported by investment grade credit ratings; and
- our net tangible assets per security increased from $3.78 to $3.98.

We have remained focused on our key priorities during a year of transition:

- creating Australia's most liveable and sustainable master planned communities and capitalising on more favourable trading conditions, driven in part by government stimulus, by increasing production, restocking our residential landbank and developing a digital sales channel;
- creating a market leading Land Lease Communities business, strengthened by the recent acquisition of the Halcyon Group, a leading Queensland based land lease operator;
- accelerating the delivery of our Logistics development pipeline with our Workplace development pipeline progressing well; and
- future-proofing our Retail Town Centres through a proactive remixing and rebasing strategy.

We have continued to prioritise the safety and long-term wellbeing of our tenants, customers, residents and contractors:

- concluded tenant negotiations within the spirit of the Commercial Code of Conduct on a case-by-case basis to apply assistance packages where required;
- at all times across our diversified portfolios, we maintained a focus on the safety of all of our stakeholders, providing customers with a safe place to shop, tenants with access to their premises in accordance with government restrictions and enabling customers to purchase property and reside safely in our communities; and
- with the pandemic escalating across the country, we have undertaken a number of initiatives with government authorities, including partnering with Western Sydney Local Health District to establish a temporary COVID-19 testing clinic at Stockland Wetherill Park dedicated to the testing of centre employees, retailers and ancillary service provider staff.

Following a review across Stockland's workforce, we identified potential historical wage and salary underpayments for a cohort of employees whose roles result in frequent variations in weekly hours worked and rates earned, including intermittent overtime. We have notified the Fair Work Ombudsman and are working to address the issues with the assistance of a major accounting firm and a priority around engaging with impacted employees to address these matters. To date, the amounts of potential underpayments are not material to the financial statements and will be reported following the completion of the review.

After careful consideration of all other relevant factors and competing expectations, the Board determined that there would be a Group wide STI pool of $29.6 million for FY21, an increase from $23.4 million last year. The STI award approved for the former Managing Director and CEO was 67 per cent of his STI opportunity, pro-rated for the portion of the year in service and awards to Other Executive Key Management Personnel (KMP) in the range of 67 per cent to 73 per cent.

With the exception of the STI award to the former Managing Director and CEO which will be made in cash in accordance with his employment contract in the circumstance of retirement, two-thirds of the STI award made to each KMP will be in cash, with the remaining one-third in deferred equity as per the normal operation of the STI plan. Further details of these awards are included in section 2.2.

Our people and culture

Our people are one of our most valuable assets and the Board is proud of the way in which they embody our purpose and vision and live our values each day. Throughout the year, we leveraged our cultural strengths and values to support our customers, tenants, residents, partners and each other through another challenging year.

In particular, we are proud of the following achievements:

- we introduced a 'Hub and Home' working model which has been highly effective in maintaining productivity, collaboration and personal wellbeing during the ongoing COVID-19 restrictions. The model allows our people to balance their work from the office with quality work time either from home or at a Stockland asset closer to home;
- our employee engagement score remains high at 83% placing us above the average of other Australian companies. We have also placed a significant focus on the wellbeing of our people and have regularly monitored this during the pandemic;
- we introduced our Capability Masterplan to map out key skills and experiences our people require for different roles and stages of their career;
- Stockland maintained WGEA citation for gender equality for the seventh consecutive year; and
- planning is underway for our FY22 graduate intake which will be our biggest ever with 43 positions to be offered.

More details on how our people and culture supports Stockland strategy and performance is included in the People and Culture update on page 36 of the Annual Report.

Maintaining an engaged and focused executive team during a year of transition

In June 2020, we announced the intention of our Managing Director and CEO, Mark Steinert, to retire after nine years at the helm and welcomed Tarun Gupta as our new Managing Director and CEO on 1 June 2021. During this year of transition, Mark continued to lead the organisation through COVID-19 disruptions with a strong focus on our strategic priorities. We thank Mark for his sustained energy and focus during the year. Mark's entitlements on retirement are set out in section 4.6 of this Remuneration Report and are in accordance with his contractual entitlements and the normal operation of our incentive plan rules in the circumstances of retirement.

In recognising the importance of retaining an engaged and focused executive team during a year of transition, the Board took a number of actions for members of the SLT:

- following a benchmarking exercise against market peers, targeted increases to Fixed Pay were made to some SLT members, being the first Fixed Pay increase in more than three years or since commencement for these executives;
- as part of the consideration for these Fixed Pay increases, the contractual notice period was increased from three months to six months;
- a one-off retention benefit in Stockland securities was made to Andrew Whitson, CEO Communities, in January 2021 to the value of $800,000 subject to a three year vesting period; and
- a one-off retention benefit in Stockland securities was made to Louise Mason, CEO Commercial Property, in July 2021 to the value of $600,000 subject to a two year vesting period.

We wish to acknowledge the contribution of Tiernan O'Rourke, Chief Financial Officer, who will step down in late 2021. A search to fill this position is well advanced.

We also welcomed two new Board members, Laurence Brindle who was appointed in November 2020 and Adam Tindall who was appointed on 1 July 2021 with both new directors complementing and strengthening the Board's existing experience and expertise.

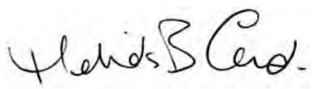
Looking ahead

The Board continues to give careful thought to how our remuneration framework supports the execution of our business strategy. Given the challenges in setting long-term financial targets in a COVID-19 impacted environment, we made the decision to remove growth in FFO as a performance measure for FY21 long-term incentives (LTI) awards, with relative TSR being the single measure.

The ongoing lockdown in Greater Sydney, as well as rolling short-term lockdowns in regional areas and cities in other states, means setting long-term financial targets remain challenging and we will therefore retain relative TSR as the single performance measure for FY22 LTI grants. The Managing Director and CEO is currently undertaking a strategic review of the business with the SLT and the findings from this review will help inform any changes to the remuneration framework for FY23, noting that our key principles of simplicity and securityholder alignment will continue to guide our design.

While not directly applicable to Stockland, we have given consideration to the APRA draft Prudential Standard CPS 511 *Remuneration*, designed to promote the effective management of both financial and non-financial risks, sustainable performance and long-term soundness. We recognise that best practice in this area continues to evolve and will continue to monitor this as we review and evolve our design.

Thank you for your support. We look forward to your feedback.



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. The Remuneration Report covers Stockland and the Trust.

Remuneration Report

Contents

Key Management Personnel

Individuals who were KMP at any time during the financial year were as follows:

Name	
Non-Executive Directors[1]	
Mr Tom Pockett	
Mr Laurence Brindle	Joined 16 November 2020
Ms Melinda Conrad	
Ms Kate McKenzie	
Mr Barry Neil	
Mr Stephen Newton	
Ms Christine O'Reilly	
Mr Andrew Stevens	
Executive Director	
Mr Tarun Gupta	Managing Director and Chief Executive Officer (Joined 1 June 2021)
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
Former Executive Director	
Mr Mark Steinert	Managing Director and Chief Executive Officer (Retired 28 May 2021)

1 Mr Adam Tindall was appointed to the Board on 1 July 2021 and is therefore not a KMP for FY21.

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

- GROWING CUSTOMERS AND ASSET RETURNS
- CAPITAL MANAGEMENT
- OPERATIONAL EXCELLENCE
- SUSTAINABILITY LEADERSHIP

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 FY21

	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 and our key business priorities	For FY20, the Board 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 For FY21, we will revert to our normal practice to deliver STI awards as a mix of cash and deferred securities
Long-term incentives (LTI)	Aligns executive outcomes with long-term securityholder returns building a sense of business ownership	Stockland's Total SecurityHolder 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 Board takes a robust approach to determining the STI pool and executive remuneration outcomes using judgement and oversight to consider a range of quantitative and qualitative factors. As a first step, an assessment is made of performance against the STI Corporate Scorecard shown below.

Priority	KPI	Commentary	Overall rating
BUSINESS AND FINANCIAL PERFORMANCE (60%)			
Financial			
	Drive Group Financial Performance through • Funds from Operations (FFO) per security • FFO ($m) • Return on Equity (ROE)	• FFO (cents per security) was 33.1, at the top of our guidance range • FFO was $788 million • ROE[1] was 9.9%	Within expectations
FINANCIAL VALUE DRIVERS (40%)			
Key Business Priorities			
	Delivering on our Key Business Priorities • Increase capital allocation to Workplace and Logistics • Increase access to capital via partnerships to supplement our growth aspirations • Leverage our strong foundations in our Residential business • Drive performance in the Retail Town Centre business • Create a market leading Land Lease Communities business • Embed our integrated system to drive business improvement and scalability • Fast-track climate action • Manage the impact of COVID-19 on the business	• Acquired over $200 million of new Logistics sites; Workplace development pipeline of $2.6 billion progressing well • Increased production to meet customer demand by adding approximately 14,000 lots to our Residential landbank and achieved a significant increase in residential and retirement settlements net sales through a rapidly developed digital sales channel • Executed 683 leasing deals with leasing activity returning to pre-pandemic levels • Commenced development in our Land Lease Communities business and on 19 July 2021, we announced the aquisition of the Halcyon land lease business adding a further 3,800 sites to the existing portfolio of 4,000 sites • Accelerated our commitment to achieving net zero carbon from 2030 to 2028 and launched our refreshed 2030 Sustainability Strategy • While maintaining focus on the safety of all of our stakeholders, we have focused on improving our business resilience and minimising the impact of COVID-19 on our business activities and financial performance	Mostly within expectations with some above
Customer & Stakeholder			
	Find, create and capture customer value by enhancing and embedding a customer-centric culture	• Our focus on driving a customer centric culture is progressing well • Based on customer feedback, Stockland met or exceeded 7 out of 8 customer experience metrics relating to satisfaction, wellbeing, liveability, and happiness. The exception being for prospective residents who were impacted by reduced product availability caused by high demand • The results from the Our Voice employee survey specifically measuring customer focus indicated positive results compared to the Australian norm benchmark	Overall within expectations
People & Leadership			
	Position Stockland as an employer of choice by providing leadership in attracting, integrating and retaining talent and continuing to drive an inclusive and diverse workplace.	• Our employee engagement score measured through the Our Voice employee survey has remained high with a score of 83% reflecting a positive view of our culture, vision and values • We introduced a 'Hub and Home' model which has allowed our people to work from the office for a significant part of the week and balance this with quality work time either from home or at Stockland assets closer to home • We have continued to progress our gender diversity in senior roles with the proportion of women in senior leadership increasing by 1% to 38.5% for the year	Within expectations

1 Including Residential work out projects. ROE was 10.3% excluding these projects.

To ensure the STI outcomes appropriately reflect overall performance and the expectations and competing interests of our various stakeholders, the Board then applies judgement and discretion to consider any other relevant factors not included in the scorecard.

Factors considered by the Board in determining the STI pool included the quality of our results in the context of the operating environment and peer performance, feedback from our stakeholders (including but not limited to our securityholders, customers, tenants, partners and people), how well we have managed risk, compliance and reputational issues and the extent to which we have met our sustainability and operational excellence objectives.

Taking all relevant factors into account, the Board approved an STI pool for all eligible employees funded at 95% of target opportunity.

2.2. EXECUTIVE KMP STI OUTCOMES

The table below sets out the STI awards for FY21. STI incentives are awarded in both cash and Stockland securities with deferred vesting. For the former Managing Director and CEO, the STI award in his year of retirement will be fully paid in cash in accordance with his employment contract. In accordance with the normal operation of the STI plan, two-thirds of the STI award for Other Executive KMP will be paid in cash with the remaining one-third in deferred securities. Half of the deferred STI securities will vest 12 months after the award, with the remaining half vesting 24 months after the 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, including risk behaviours and conduct.

	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 FY21	STI paid in cash[1]		STI deferred into equity[2]		DSTI securities to be granted[3]
	%	%	%	%	$	$	%	$	%	
Executive Director										
Tarun Gupta[4]	n/a	n/a	-	-	**-**	-	-	-	-	-
Other Executive KMP										
Katherine Grace	80	120	105	70	**532,635**	355,090	67	177,545	33	38,711
Louise Mason	90	135	109	73	**760,604**	507,070	67	253,534	33	55,279
Tiernan O'Rourke	90	135	100	67	**845,853**	563,902	67	281,951	33	61,475
Andrew Whitson	90	135	109	73	**760,604**	507,070	67	253,534	33	55,279
Former Executive Director										
Mark Steinert	100	150	100	67	**1,360,973**	1,360,973	100	-	-	-

1 The portion of STI awarded for the FY21 performance year which is paid as cash.
2 The portion of STI awarded for the FY21 performance year 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 2021. This price was $4.5865.
4 The new Managing Director and CEO was not eligible for a FY21 STI award.

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 2021. As a result of this performance, 48.4 per cent of LTI awards from FY19 will vest subject to further service conditions.

Hurdle	Target/ benchmark performance	Actual performance	Out/(Under) performance	% vesting	Weight	Vesting outcome
FFO per security for FY19 – FY21						
Compound average growth rate[1]	4.25%	(2.4%)	(6.7%)	0.0%	50%	0.0%
TSR for FY19 – FY21						
Relative TSR FY19 – FY21[2]	28.6%	38.0%	9.4%	96.8%	50%	48.4%
Vesting						48.4%

1 For LTI awards made in FY19, the performance benchmark is growth in FFO per security.

2 Benchmark based on ASX A-REIT 200 Index excluding Stockland. For LTI awards made in FY19, the TSR performance benchmark is a tailored A-REIT 200 index comprising the largest six companies forming 80% and a number of smaller companies forming 20%.

2.4. REALISED REMUNERATION TABLE (NON-IFRS DISCLOSURE)

The table below outlines the cash remuneration that was received in relation to FY21 which includes Fixed Pay and the non-deferred portion of any FY21 STI. The table also includes the value of deferred STI awards from FY19 and FY20 which vested during FY21, LTI awards from FY19 which vested during FY21 and the cash termination payment made to the former Managing Director and CEO on retirement.

This information differs from that provided in the remuneration table 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]	Termination Benefits[4]	Total Remuneration (received and/or realised)	Awards which lapsed or were forfeited[5]
Executive Director								
Tarun Gupta	**2021**	**123,288**	**–**	**–**	**–**	**–**	**123,288**	**–**
	2020	–	–	–	–	–	–	–
Other Executive KMP								
Katherine Grace	**2021**	**637,123**	**355,090**	**353,396**	**200,483**	**–**	**1,546,092**	**427,462**
	2020	583,607	–	123,175	106,254	–	813,036	557,801
Louise Mason	**2021**	**773,562**	**507,070**	**474,714**	**250,601**	**–**	**2,005,947**	**534,330**
	2020	729,508	–	195,115	–	–	924,623	–
Tiernan O'Rourke	**2021**	**942,192**	**563,902**	**545,206**	**292,368**	**–**	**2,343,668**	**623,387**
	2020	851,093	–	160,432	169,038	–	1,180,563	813,459
Andrew Whitson	**2021**	**773,562**	**507,070**	**507,003**	**250,601**	**–**	**2,038,236**	**534,330**
	2020	729,508	–	226,801	144,892	–	1,101,201	697,252
Former Executive Director								
Mark Steinert	**2021**	**1,364,384**	**1,360,973**	**1,105,394**	**810,155**	**750,000**	**5,390,906**	**3,418,734**
	2020	1,459,016	–	508,873	482,969	–	2,450,858	2,324,169

1 Fixed Pay includes cash salary, superannuation and packaged benefits (and associated taxes). During FY21, Fixed Pay increases were made to Katherine Grace (8.3%), Louise Mason (6.7%), Tiernan O'Rourke (8.7%) and Andrew Whitson (6.7%). During FY20, the executive team took a temporary 20 per cent voluntary reduction in fixed salaries in May 2020 and June 2020.

2 FY21 STI awards are shown in section 2.2. For Other Executive KMP, the cash / equity splt was two-thirds / one-third and for the former Managing Director and CEO was 100% in cash in accordance with his employment contract. For FY20, STI awards were made fully in equity with no cash component to maintain full alignment with securityholders and support the retention of an engaged and focused executive team during a CEO transition.

3 This represents the value of all prior years' deferred STI and LTI which vested during FY21 using the 30 June 2021 closing security price of $4.66 (FY20 : $3.31).

4 Contractual termination payment equal to six months' Fixed Pay.

5 The value shown represents the value of any previous years' equity awards which lapsed or were forfeited during the financial year. The FY21 values are based on the closing 30 June 2021 security price of $4.66 (FY20: $3.31).

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.

	FY17	FY18	FY19	FY20	FY21
Financial performance					
FFO ($m)[1]	802	863	897	825	**788**
Statutory profit ($m)[2]	1,195	1,025	311	(21)	**1,105**
FFO per security (cents)	33.4	35.6	37.4	34.7	**33.1**
Statutory EPS (cents)[2]	49.8	42.3	13.0	(0.9)	**46.4**
Returns to securityholders					
Security price as at 30 June ($)	4.38	3.97	4.17	3.31	**4.66**
Distribution per security (cents)	25.5	26.5	27.6	24.1	**24.6**
Stockland TSR – 1 year (%)	7.1	(7.0)	13.9	(15.8)	**48.5**
Tailored index TSR[3]	0.0	7.2	27.0	(21.3)	**19.9**
Incentive outcomes					
Cash STI ($m)[4]	28.4	26.6	22.1	16.0	**24.2**
DSTI ($m)	9.5	6.6	6.6	7.4	**5.4**
Company-wide STI pool ($m)	**37.9**	**33.2**	**28.7**	**23.4**	**29.6**
Managing Director and CEO STI (% of target)	132.0	94.0	80.0	76.6	**100.0**
LTI vested (% of grant)[5]	50.0	35.1	47.1	0.0	**48.4**
Managing Director and CEO total incentive outcome (% of opportunity)[6]	65.7	46.6	49.8	21.9	**56.2**

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 2A of the Financial Report.
2 Comparative information for FY20 has been restated for IFRIC agenda decision, "Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)". Refer to note 36C of the Financial Report for details.
3 Tailored A-REIT 200 index comprised six large companies forming 80% and a number of smaller companies forming 20% as detailed in Section 4.5. Used since FY17 as a LTI hurdle.
4 Includes applicable superannuation.
5 Represents the achievement of performance hurdles tested during the year.
6 Applies to the former Managing Director and CEO, Mark Steinert. The new Managing Director and CEO was not eligible to receive an STI or LTI award for FY21.

3. Remuneration governance

3.1. GOVERNANCE FRAMEWORK

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

BOARD

The Board is responsible for setting executive remuneration policy, monitoring the Stockland Leadership Team's 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 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 and 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, at all levels in the organisation to seek fairness and balance 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.

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 retained KPMG as its primary remuneration advisor on executive remuneration matters. KPMG 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 FY21, no recommendations in relation to the remuneration of KMP were provided as part of these engagements.

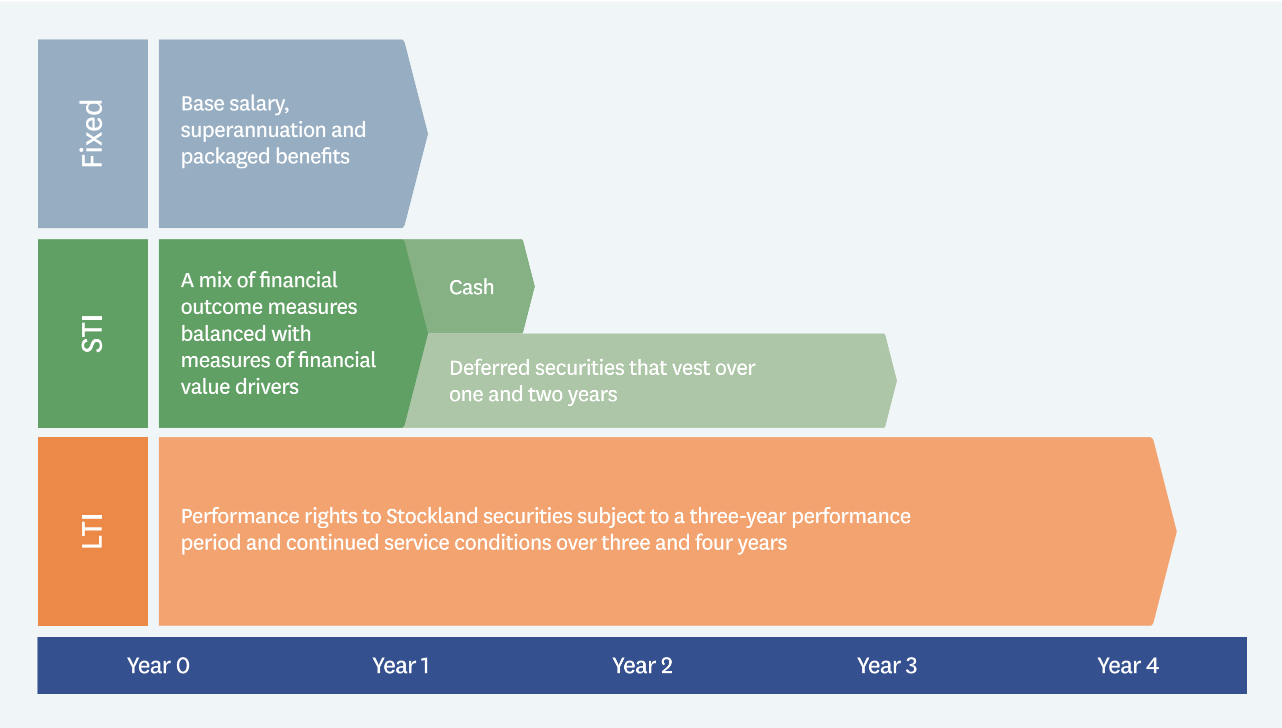
3.4. OTHER GOVERNANCE PRACTICES

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 and financial value drivers 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 corporate scorecard into account when determining incentive outcomes; and • 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 and CEO is required to build and 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 and 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 employees 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

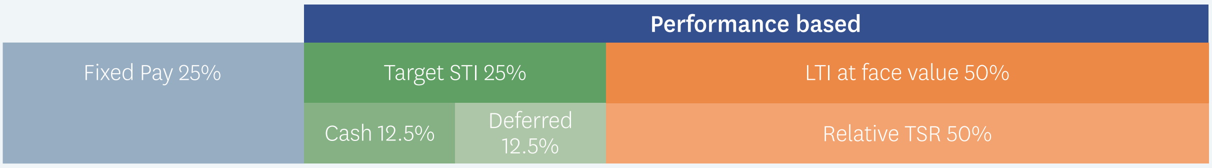
To deliver our strategy, we must ensure our executive remuneration framework reflects Stockland's desire to attract and retain the best people. Stockland's executive remuneration framework is structured so that a substantial portion of remuneration is delivered as Stockland securities through STI and LTI. This section sets out our approach in FY21.



4.2. REMUNERATION MIX

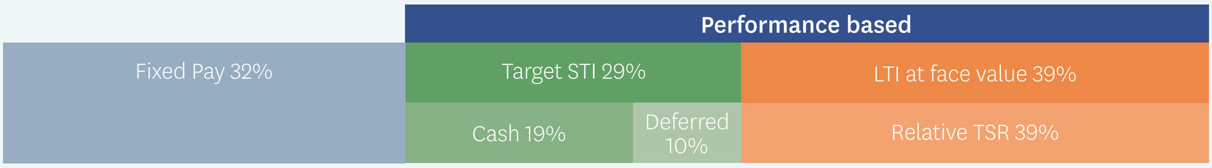
Generally, Stockland's executives have a greater proportion of remuneration at risk than their counterparts in comparable companies. We believe this provides strong alignment between executive outcomes and performance.

Managing Director and CEO

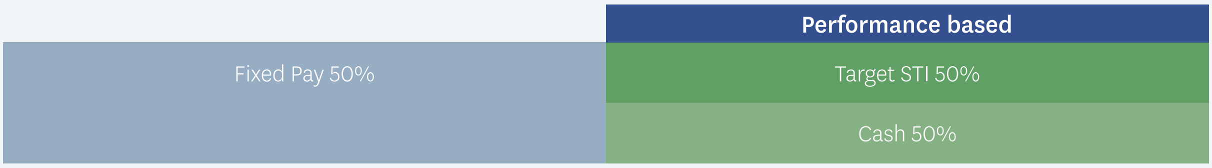


For FY21, the new Managing Director and CEO was not eligible to receive an STI or LTI award. The figure shown above represents at-target remuneration mix for FY22.

Other Executive KMP



Former Managing Director and CEO



No LTI award was made to the former Managing Director and CEO for FY21. In accordance with his contractual arrangements on retirement, his FY21 STI will be delivered in cash.

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 and CEO and SLT 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.

With regards to Other Executive KMP, during the year, Fixed Pay increases between 6.7 per cent and 8.6 per cent were made to Katherine Grace, Louise Mason, Tiernan O'Rourke and Andrew Whitson. In each case, it was their first Fixed Pay increase in more than three years and was made in consideration of benchmarking against market peers and to ensure the ongoing stability of the executive team during a CEO transition. As part of the consideration for these Fixed Pay increases, the notice period for each executive was increased from three to six months.

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 FY21 are shown below:		
	Performance measures		**Reason for choosing this measure**
	Financial outcomes (60%)	• Funds from operations	• Key measures of progress against our strategy to grow asset returns
		• Return on equity	• Reflects how well Stockland is using capital to generate earnings
	Financial value-drivers (40%)	• Key business priorities	• Drives focus on the delivery of important initiatives aligned to our strategic priorities
		• 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
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 STI 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 and CEO, endorsed by the People & Culture Committee and approved by the Board. For the Managing Director and CEO, the People & Culture Committee proposes the STI award for Board approval.		
Delivery of awards	FY20 STI awards made in August 2020 to the Managing Director and CEO and SLT members were delivered in the form of deferred securities with no cash component. This was to maintain full alignment of the STI award with securityholders and the performance of Stockland while navigating COVID-19 and to support the retention of an engaged and focused executive team. FY21 STI awards will be delivered in accordance with the normal operation of the STI plan as follows: • 100% of the award to the former Managing Director and CEO will be made in cash in accordance with his employment contract on retirement; • two-thirds of awards to Other KMP Executives will be made in cash; and • one-third of awards to Other KMP Executives will be made in deferred securities that may vest in two equal tranches after one and two years, subject to continued service and malus provisions.		
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.		

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 to Other Executive KMP in FY21 was 120% of Fixed Pay. No FY21 LTI award was made to the former Managing Director and CEO given his pending retirement. 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. For the FY21 award, this price was $3.3767.
Performance period	The performance period for FY21 awards is 1 July 2020 to 30 June 2023.
Performance conditions	In previous years, vesting of LTI awards has been subject to two equally weighted performance conditions, being growth in FFO and relative TSR. Given the challenges in setting long term financial targets in a COVID-19 impacted environment, growth in FFO was removed as a performance condition for FY21 awards with relative TSR being the sole measure.

Performance measure	Description	Reason for choosing this measure
Total Securityholder Return	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 A-REIT 200 Index other than Charter Hall Group and Goodman Group (as their revenues are significantly driven by funds management fees), Cromwell Property Group and Unibail-Rodamco-Westfield (as their assets are predominantly outside of Australia), Waypoint (due to portfolio misalignment) and Stockland. Each of the five largest capitalised companies from the peer group has been allocated a 16% weighting, while each of the other nine smaller capitalised companies has been allocated a 2.2% weighting.	Aligns to our to strategic objective to deliver securityholder returns above the A-REIT 200 Index.

Feature	Description
Vesting conditions	The vesting schedule for FY21 awards is as follows:

TSR of Stockland compared to Index growth	Proportion of TSR grant vesting
≤ TSR Index	0%
> TSR Index	>50%
Up to 10% greater than TSR Index	Pro-rata 50% - 100%
10% or more greater than TSR Index	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 2023	50%
2	30 June 2024	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 and 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 and CEO is twelve months and six months for Other Executive KMP. 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, other than for the Managing DIrector and CEO, whereby unvested DSTI is retained and vests in accordance with the terms of the STI plan and original vesting schedule. 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 former Managing Director and CEO on retirement

On 28 May 2021, Mark Steinert retired following a six month notice period.

Mr Steinert received his contractual entitlements and those which applied in the usual operation of Stockland's incentive plans in the circumstances of retirement. These included:

- a cash payment of $750,000 (gross), being his twelve month termination payment less the six months' Fixed Pay during his notice period;
- a cash payment of $1,360,973 (gross), being the pro-rata STI payment for the portion of FY21 worked and as determined by the Board;
- accrued annual leave and long-service leave entitlements;
- unvested deferred STI securities held at the time of retirement were retained and may 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 were retained with vesting subject to the original performance and vesting conditions in accordance with the terms of the LTI plan; and
- no LTI award was made to Mr Steinert for FY21.

The above payments are in accordance with the Termination Benefits Framework approved by securityholders at the 2020 Annual General Meeting and those previously disclosed in the 2020 Remuneration Report.

Additional entitlements to the current Managing Director and CEO

Tarun Gupta commenced as Managing Director and CEO on 1 June 2021. A summary of his key employment arrangements was disclosed on 26 November 2020.

The following benefits were made to Mr Gupta on commencement as compensation for incentives forfeited on ceasing employment with his previous employer to join Stockland. The approach taken in determining the value of these benefits was to apply a discount of approximately 38 per cent to the $6.0 million face value of forfeited incentives from Mr Gupta's previous employment to take into account the likelihood of the incentives vesting. The form and vesting schedule of the additional benefits is also consistent with the forfeited incentives and is as follows:

1. A cash payment of $650,000 (inclusive of tax and superannuation) payable in the first available pay run following 1 September 2021.

2. A grant of 346,414 deferred Stockland securities to the value of $1,650,000 were awarded on 21 June 2021, with vesting subject to service conditions on the following dates:

   - For 21% of the grant, 1 September 2022
   - For 24% of the grant, 1 September 2023
   - For 24% of the grant, 1 September 2024
   - For 21% of the grant, 1 September 2025
   - For 10% of the grant, 1 September 2026

3. A grant of 305,244 performance rights to the value of $1,400,000 will be made with effect on 1 July 2021, with vesting subject to the satisfaction of a relative TSR performance hurdle measured over a two-year performance period from 1 July 2021 to 30 June 2023 and service conditions on the following dates:

   - For 25% of the grant, 1 September 2023
   - For 25% of the grant, 1 September 2024
   - For 25% of the grant, 1 September 2025
   - For 25% of the grant, 1 September 2025

   No performance rights will vest if Stockland's TSR over the performance period is less than the TSR Index described in section 4.5. 50 per cent of performance rights may vest if Stockland's TSR exceeds the TSR Index, increasing to 100 per cent vesting if Stockland's TSR exceeds the TSR Index by 5 per cent or more.

All awards listed above are subject to the terms of the relevant incentive plan rules including malus and clawback provisions.

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]	Super-annuation benefits	Termination benefits[6]	Long service leave[7]	DSTI	LTI	Total	(STI + LTI) Percent of Total %	(DSTI + LTI) Percent of Total %
Executive Director													
Tarun Gupta	**2021**	**114,339**	**–**	**216,667**	**–**	**5,424**	**–**	**–**	**57,334**	**–**	**393,764**	**14.6**	**14.6**
	2020	–	–	–	–	–	–	–	–	–	–	–	–
Other Executive KMP													
Katherine Grace	**2021**	**665,960**	**–**	**–**	**355,090**	**21,694**	**–**	**11,358**	**265,097**	**186,616**	**1,505,815**	**53.6**	**30.0**
	2020	538,952	–	943	–	20,599	–	6,698	256,278	203,130	1,026,600	44.8	44.8
Louise Mason	**2021**	**753,149**	**12,251**	**–**	**507,070**	**21,694**	**–**	**4,383**	**363,307**	**210,406**	**1,872,260**	**57.7**	**30.6**
	2020	689,933	12,784	–	–	20,599	–	3,841	381,669	257,356	1,366,182	46.8	46.8
Tiernan O'Rourke	**2021**	**949,854**	**–**	**–**	**563,902**	**25,000**	**–**	**34,103**	**416,875**	**272,732**	**2,262,466**	**55.4**	**30.5**
	2020	783,434	–	–	–	25,550	–	17,172	384,809	302,871	1,513,836	45.4	45.4
Andrew Whitson	**2021**	**736,302**	**13,849**	**–**	**507,070**	**21,694**	**–**	**(3,537)**	**648,243**	**229,758**	**2,153,379**	**64.3**	**40.8**
	2020	657,605	12,784	–	–	20,599	–	12,901	388,681	259,604	1,352,174	47.9	47.9
Former Executive Director													
Mark Steinert	**2021**	**1,437,527**	**–**	**–**	**1,360,973**	**21,694**	**750,000**	**69,196**	**770,259**	**61,458**	**4,471,107**	**49.0**	**18.6**
	2020	1,454,911	–	–	–	24,596	–	55,988	845,750	919,157	3,300,402	53.5	53.5
Consolidated remuneration													
	2021	**4,657,131**	**26,100**	**216,667**	**3,294,105**	**117,200**	**750,000**	**115,503**	**2,521,115**	**960,970**	**12,658,791**	**53.5**	**27.5**
	2020	4,124,835	25,568	943	–	111,943	–	96,600	2,257,187	1,942,118	8,559,194	49.1	49.1

1 Represents the fair value of securities and performance rights recognised in FY21. In the case of the former Managing Director & CEO, the value includes the accelerated accounting charge or reversal of equity retained or forfeited on retirement.
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 For Tarun Gupta, this payment is the portion attributable to FY21 service of his $650,000 cash payment to be made in September 2021 as compensation for incentives forfeited to join Stockland. Payments to Other Executive KMP in prior years relate to Stockland's 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 were made fully in equity with no cash component.
6 The termination benefit for Mark Steinert was a contractual cash payment of $750,000, being equal to 12 months' Fixed Pay less the Fixed Pay earned during his six month notice period.
7 Includes any change in accruals for long service leave.

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 2020	Number	Value $[1]	Number	Value $[1]	Exercised into securities & remain unvested	Forfeited / Lapsed	Balance at 30 June 2021[2]
Executive Director								
Tarun Gupta	-	-	-	-	-	-	-	-
Other Executive KMP								
Katherine Grace	507,267	230,995	625,996	-	-	-	(168,520)	569,742
Louise Mason	423,434	284,302	770,458	-	-	-	-	707,736
Tiernan O'Rourke	739,764	337,608	914,918	-	-	-	(245,758)	831,614
Andrew Whitson	634,084	284,302	770,458	-	-	-	(210,650)	707,736
Former Executive Director								
Mark Steinert	2,113,610	-	-	-	-	-	(1,111,443)	1,002,167

1 The value as at the grant date calculated in accordance with AASB 2 Share-based Payment.
2 The balance shown for Mark Steinert is as at 28 May 2021, being his date of retirement.

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. These include one off grants of 346,414 securities awarded to Tarun Gupta as compensation for incentives forfeited on ceasing employment with his previous employer to join Stockland (refer to section 4.6) and 188,569 securities to the value of $800,000 awarded to Andrew Whitson as a one off retention award. The award to Mr Whitson is subject to a three year vesting period that requires his ongoing employment with Stockland as at 31 December 2023.

	Balance at 1 July 2020	DSTI granted[1]	Special grants	LTI performance rights exercised	Purchased / (Sold)	Balance at 30 June 2021[2]
Executive Director						
Tarun Gupta	-	-	346,414	-	-	346,414
Other Executive KMP						
Katherine Grace	310,703	117,986	-	-	(111,361)	317,328
Louise Mason[3]	117,894	159,920	-	-	-	277,814
Tiernan O'Rourke	583,283	188,905	-	-	-	772,188
Andrew Whitson	340,569	171,914	188,569	-	(112,294)	588,758
Former Executive Director						
Mark Steinert	3,679,537	340,274	-	-	-	4,019,811

1 Deferred STI securities granted in respect of FY20 STI awards.
2 The balance shown for Mark Steinert is as at 28 May 2021, being his date of retirement.
3 Does not include 130,819 retention securities granted to Louise Mason as this award was made after 30 June 2021.

5.4. UNVESTED EQUITY HOLDINGS

The table below details unvested 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 2021	Maximum value of award to vest $	Fair value per instrument[2] FFO	TSR	DSTI
Executive Director										
Tarun Gupta	Special Grant Tranche 1	Securities	21-Jun-21	1-Jun-21	1-Sep-22	72,747	346,501			4.76
	Special Grant Tranche 2	Securities	21-Jun-21	1-Jun-21	1-Sep-23	83,140	396,004			4.76
	Special Grant Tranche 3	Securities	21-Jun-21	1-Jun-21	1-Sep-24	83,140	396,004			4.76
	Special Grant Tranche 4	Securities	21-Jun-21	1-Jun-21	1-Sep-25	72,747	346,501			4.76
	Special Grant Tranche 5	Securities	21-Jun-21	1-Jun-21	1-Sep-26	34,640	164,994			4.76
Other Executive KMP										
Katherine Grace	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	
	FY21 LTI Tranche 1	Rights	1-Jul-20	1-Jul-20	30-Jun-23	115,498	313,000	n/a	2.71	
	FY21 LTI Tranche 2	Rights	1-Jul-20	1-Jul-20	30-Jun-24	115,497	312,997	n/a	2.71	
	DSTI FY20 Tranche 2	Securities	1-Jul-20	1-Jul-19	30-Jun-22	58,993	199,202			3.38
Louise Mason	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	
	FY21 LTI Tranche 1	Rights	1-Jul-20	1-Jul-20	30-Jun-23	142,151	385,229	n/a	2.71	
	FY21 LTI Tranche 2	Rights	1-Jul-20	1-Jul-20	30-Jun-24	142,151	385,229	n/a	2.71	
	DSTI FY20 Tranche 2	Securities	1-Jul-20	1-Jul-19	30-Jun-22	79,960	270,001			3.38
Tiernan O'Rourke	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	
	FY21 LTI Tranche 1	Rights	1-Jul-20	1-Jul-20	30-Jun-23	168,804	457,459	n/a	2.71	
	FY21 LTI Tranche 2	Rights	1-Jul-20	1-Jul-20	30-Jun-24	168,804	457,459	n/a	2.71	
	DSTI FY20 Tranche 2	Securities	1-Jul-20	1-Jul-19	30-Jun-22	94,452	318,936			3.38
Andrew Whitson	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	
	FY21 LTI Tranche 1	Rights	1-Jul-20	1-Jul-20	30-Jun-23	142,151	385,229	n/a	2.71	
	FY21 LTI Tranche 2	Rights	1-Jul-20	1-Jul-20	30-Jun-24	142,151	385,229	n/a	2.71	
	DSTI FY20 Tranche 2	Securities	1-Jul-20	1-Jul-19	30-Jun-22	85,957	290,251			3.38
	Retention Grant	Securities	1-Feb-21	1-Jan-21	31-Dec-23	188,569	800,004			4.24
Former Executive Director										
Mark Steinert	FY20 LTI Tranche 1	Rights	29-Oct-19	1-Jul-19	30-Jun-22	213,467	722,586	4.15	2.62	
	FY20 LTI Tranche 2	Rights	29-Oct-19	1-Jul-19	30-Jun-23	160,100	541,939	4.15	2.62	
	FY20 DSTI Tranche 2	Securities	1-Jul-20	1-Jul-19	30-Jun-22	170,137	574,502			3.38

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. In the case of Special Grants, the fair value of DSTI securities is determined as the Volume Weighted Average Price of Stockland securities over the 10 trading days from and inclusive of the effective grant date 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 FY21, there were no changes in the base fees for the Chairman, Non-Executive Directors or any of the Board committees.

In FY22, 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.

		FY22	FY21
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 FY22.

Total fees of $1,975,035 (79 per cent of the approved limit) were paid to Non-Executive Directors in FY21. This amount was 12 per cent higher than the total fees paid in FY20 primarily due to the addition of a new Non-Executive Director from November 2020 and the fact that FY20 fees included a voluntary two month 20 per cent reduction applied to fees in response to COVID-19.

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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	Non-monetary benefits	Superannuation contributions	Total[1]
Non-Executive Directors					
Tom Pockett	**2021**	**478,306**	**–**	**21,694**	**500,000**
	2020	462,239	–	21,003	483,242
Laurence Brindle	**2021**	**115,531**	–	**6,344**	**121,875**
	2020	–	–	–	**–**
Melinda Conrad	**2021**	**191,781**	**–**	**18,219**	**210,000**
	2020	185,353	–	17,609	202,962
Kate McKenzie	**2021**	**195,000**	**–**	**–**	**195,000**
	2020	105,482	–	1,379	106,861
Barry Neil	**2021**	**207,945**	**–**	**19,755**	**227,700**
	2020	200,976	–	19,093	220,069
Stephen Newton	**2021**	**269,613**	**–**	**10,847**	**280,460**
	2020	250,116	–	21,003	271,119
Christine O'Reilly	**2021**	**210,046**	**–**	**19,954**	**230,000**
	2020	203,006	–	19,286	222,292
Andrew Stevens	**2021**	**191,781**	**–**	**18,219**	**210,000**
	2020	179,620	–	17,064	196,684
Consolidated remuneration	**2021**	**1,860,002**	**–**	**115,033**	**1,975,035**
	2020[2]	1,586,792	–	116,437	1,703,229

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

2 The 2020 totals above ($1,703,229) are not the same as those disclosed in the 2020 Remuneration Report ($1,767,712) because of changes in Directors.

6.3 NON-EXECUTIVE DIRECTOR SECURITYHOLDINGS

To align the personal financial interests of 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 2020	Purchased / (Sold)	Balance at 30 June 2021
Non-Executive Directors[1]			
Tom Pockett	50,000	-	50,000
Laurence Brindle	-	-	-
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	40,000	-	40,000

1 No Stockland securities were held by Adam Tindall at the time this report was published.

Governance

Newport, QLD

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 & Culture Committee. Mr Pockett is also Chairman of the Stockland CARE Foundation Board.

Qualifications and Age

BComm, FCA, 63

Directorships of listed entities in last three years

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

Tarun Gupta

Managing Director and Chief Executive Officer

Tarun Gupta was appointed Managing Director and Chief Executive Officer of Stockland on 1 June 2021. Mr Gupta was also appointed to the Board of Directors on 1 June 2021. Mr Gupta has over 25 years' experience in the property industry and has held a number of senior roles at a large listed Australian property company including Chief Executive Officer, Property Australia, Group Head of Investment Management, Chief Investment Officer, Asia Pacific, Fund Manager, Australian Prime Property Funds and most recently Group Chief Financial Officer.

Mr Gupta is a member of the Sustainability Committee and a Director of the Stockland CARE Foundation Board and Stockland Capital Partners Limited.

Qualifications and Age

BA (Econ) (Hons), MBA, GAICD, 51

Directorships of 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 named 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 ASIC Director Advisory Panel and the AICD Corporate Governance Committee.

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

Qualifications and Age

BA, MBA, FAICD, 52

Directorships of listed entities in last three years

OFX Group Limited (19 September 2013 to 28 September 2018), ASX Limited (1 August 2018 to present), Ampol 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, Healius Limited and AMP Limited.

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

Qualifications and Age

BA, LLB, 60

Directorships of listed entities in last three years

AMP Limited (18 November 2020 to present), Healius Limited (25 February 2021 to present)

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), 73

Directorships of 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 Chair of the Audit Committee and a member of the Risk Committee and Sustainability Committee. He is a director of Stockland's 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, 68

Directorships of listed entities in last three years

Gateway Lifestyle Group (28 April 2015 to 10 October 2018), 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 BHP Group 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, 60

Directorships of listed entities in last three years
CSL Limited (16 February 2011 to 14 October 2020), Transurban Limited (12 April 2012 to 8 October 2020), Medibank Private Limited (31 March 2014 to present), BHP Group Limited (12 October 2020 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 program design and risk evaluation, governance and delivery, and in business transformation and regional/ global expansion.

Mr Stevens is Chairman of the Board of Industry 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 Ooh Media and Western Sydney Football Club.

Mr Stevens is a member of the 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, 61

Directorships of 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)

Laurence Brindle

Non-Executive Director

Mr Brindle was appointed to the Board on 16 November 2020.

Mr Brindle has extensive experience in the acquisition, development and management of landmark property assets. His executive career included 21 years with QIC where he served in various senior positions including a long-term member of QIC's Investment Strategy Committee and Head of Global Real Estate where he was responsible for a $9 billion portfolio.

Mr Brindle is currently the Chairman of both National Storage REIT and Waypoint REIT. He is a former chairman of the Shopping Centre Council of Australia and has previously been a director of Westfield Retail Trust and Scentre Group. Mr Brindle holds a Bachelor of Engineering (Honours), Bachelor of Commerce and Master of Business Administration.

Mr Brindle is a member of the Audit Committee and Sustainability Committee. As required by the Stockland Constitution, Mr Brindle will offer himself for election by securityholders at the 2021 Annual General Meetings.

Qualifications and Age
BE, BComm, MBA, 63

Directorships of listed entities in last three years
National Storage REIT (19 December 2013 to present), Waypoint REIT (10 July 2016 to present)

Adam Tindall

Non-Executive Director

Mr Tindall was appointed to the Board on 1 July 2021. Mr Tindall has over 30 years' experience in investment management and real estate. Mr Tindall was the Chief Executive, AMP Capital from 2015 to 2020 where he led a global leading investment manager overseeing funds and separate accounts for clients across a range of asset classes including real estate, infrastructure, equities, fixed income and multi-asset capabilities. Mr Tindall's prior roles at AMP Capital include Director and Chief Investment Officer for Property, leading a team managing a $19 billion portfolio of real estate investments of behalf of domestic and international institutional investors. Prior to 2009 Mr Tindall held senior leadership roles at Macquarie Capital and Lendlease.

Mr Tindall holds a Bachelor of Engineering (Civil) (Honours) and is a Fellow of the Australian Institute of Company Directors.

Mr Tindall is a member of the Audit Committee and the Sustainability Committee. As required by the Stockland Constitution, Mr Tindall will offer himself for election by securityholders at the 2021 Annual General Meetings.

Qualifications and Age

BE (Hons), 56

Directorships of listed entities in last three years

None

Former Managing Director and Chief Executive Officer

Mark Steinert

Mark Steinert, who retired on 28 May 2021, has over 27 years' experience in property and financial services including eight years in direct property primarily with Jones Lang LaSalle and ten years in listed real estate with UBS where he held numerous senior roles including Head of Australasian Equities Global, Head of Research 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 Director of the Property Council of Australia, a past member of the Champions of Change and a former Director of the Green Building Council of Australia.

Mr Steinert was 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 was also a Director of the Stockland CARE Foundation Board.

Qualifications and Age

BAppSc, G Dip App Fin & Inv (Sec Inst), F Fin, AAPI, 54

Directorships of listed entities in last three years

None

The Stockland Leadership Team

Tarun Gupta

Managing Director and Chief Executive Officer

Refer to biography on page 82.

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 more than 30 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 billion as at 30 June 2021.

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 a 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
Comm (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 50 residential communities with a portfolio of over 75,000 lots and an approximate end value of $20.9 billion. At as 30 June 2021, Mr Whitson is also responsible for Stockland's 61 retirement living villages with a development pipeline of 740 units in addition to two land lease communities with a development pipeline of approximately 4,000 lots.

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 NSW. He was Group Executive and CEO of the Residential business in 2013 before his role was expanded to lead both the Residential and Retirement Living businesses as the combined Communities function in August 2018.

Andrew is the former Chair of the Residential Development Council of Australia and a Director of 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, 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

Sharmila Tsourdalakis

Chief Innovation, Marketing and Technology Officer

Sharmila Tsourdalakis was appointed Chief Innovation, Marketing and Technology Officer on 27 April 2020 and 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

Darren Rehn

Group Executive & Chief Investment Officer

Darren Rehn was Stockland's Chief Investment Officer from 30 September 2013 to 27 May 2021.

Stockland Gladstone, QLD

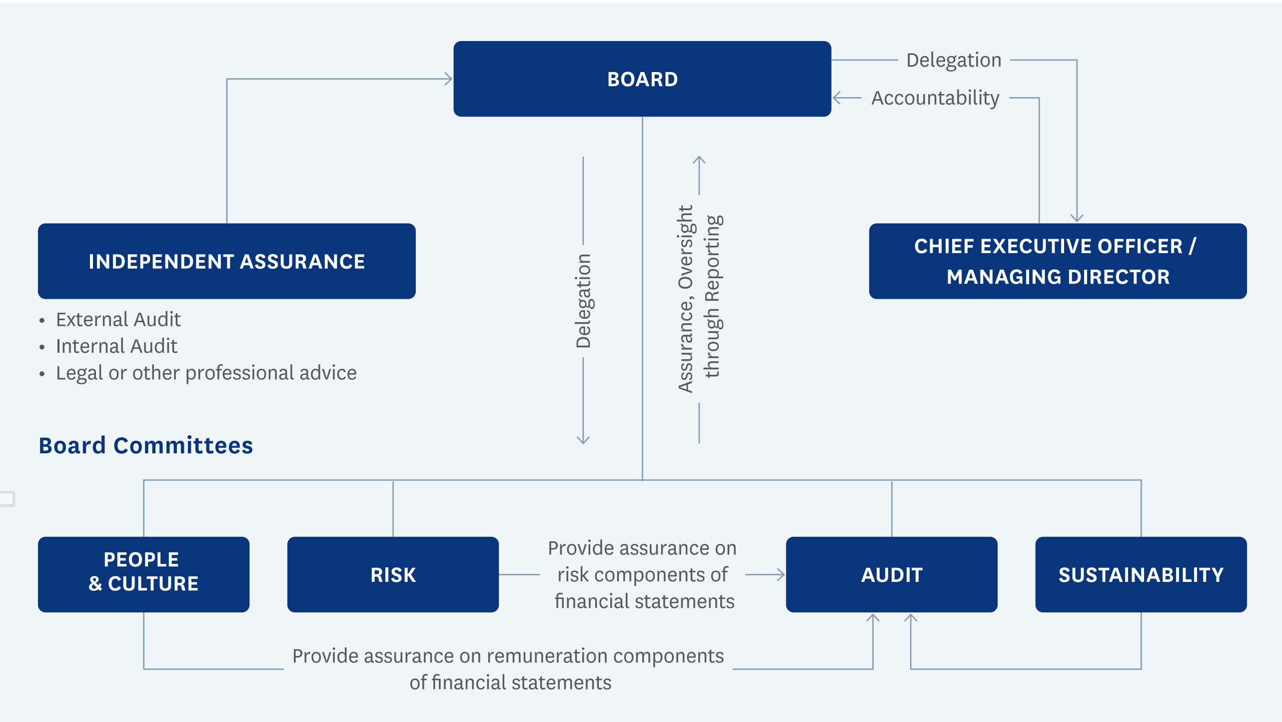
Our approach to corporate governance

The Board places a high importance on its corporate governance responsibilities and in FY21 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 Stockland Leadership Team are set out in the Board and Board Committee charters, which have been summarised below.



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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 Stockland Leadership Team members reporting to the Managing Director and determining the level of authority delegated to the Managing Director;
- Setting Executive remuneration policy, monitoring Stockland Leadership Team 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; and
- 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 Stockland Leadership Team 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. While COVID-19 restrictions have impacted the ability to undertake asset tours over the past 12 months, in FY21 a number of asset tours were conducted by members of the Board and Stockland Leadership Team including to development and operational assets in Melbourne, Sydney and the Sunshine Coast.

BOARD COMMITTEES

Four permanent Board Committees covering Audit, Risk, People & 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 & 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 & Culture Committee.

Current members of the Board Committees

Audit Committee Stephen Newton Barry Neil Christine O'Reilly Kate McKenzie Laurence Brindle Adam Tindall	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 & 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. In FY21 the Risk Committee was involved in discussions and reviews relating to a variety of policies relating to Stockland's risk management framework, conflicts of interest, fraud, bribery and corruption prevention, compliance and employee purchases of property. The Risk Committee also undertook a review of the Modern Slavery Statement prior to its consideration by the Board.
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.**

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, in FY21 the Board continued to hold ad hoc meetings to receive briefings and recommendations from management in relation to COVID-19, as required.

	Scheduled Board		Audit Committee		People and Culture Committee		Sustainability Committee		Risk Committee	
	A	B	A	B	A	B	A	B	A	B
Director										
Mr T Pockett	12	12	–	–	5	5	2	2	–	–
Mr L Brindle[1]	9	9	3	3	–	–	2	2	–	–
Ms M Conrad	12	12	-	-	5	5	2	2	-	-
Mr T Gupta[2]	3	3	-	-	–	–	1	1	5	5
Ms K McKenzie	12	12	6	6	–	–	2	2	5	5
Mr B Neil	12	12	6	6	-	-	1	2	1	1
Mr S Newton	12	12	6	6	–	–	2	2	5	5
Ms C O'Reilly	12	12	6	6	-	-	2	2	5	5
Mr A Stevens	12	12	-	-	5	5	2	2	5	5
Former Director										
Mr M Steinert[3]	9	9	-	-	-	-	1	1	-	-

A - Meetings attended / **B** - Meetings eligible to attend

1 Mr Brindle joined the board on 16 November 2020. Mr Brindle joined the Audit Committee on 24 November 2020.
2 Mr Gupta joined the Board on 1 June 2021.
3 Mr Steinert retired from the Board at the conclusion of 28 May 2021.

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 to deliver long-term sustainable returns to securityholders

BOARD COMPOSITION

The Board currently comprises one Executive Director and nine 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 fresh 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 FY21 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

33.3%

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 FY21 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.

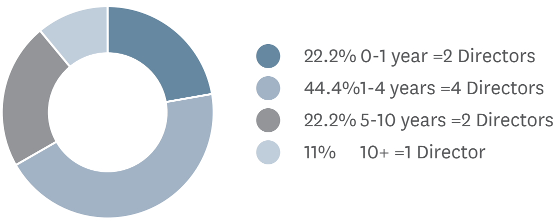
The Board believes that it has the right experience and skills to oversee the high standard of corporate governance, integrity and accountability required of a professional and ethical organisation as shown in the diagram below.

The Board has a process for regularly evaluating its performance. In FY21, the Board undertook an internal review of performance with feedback from individual directors provided to the Chairman and discussed with the Board.

TENURE

As at 30 June 2021, the tenure profile of the Board is shown in the below diagram.

Tenure profile [1]



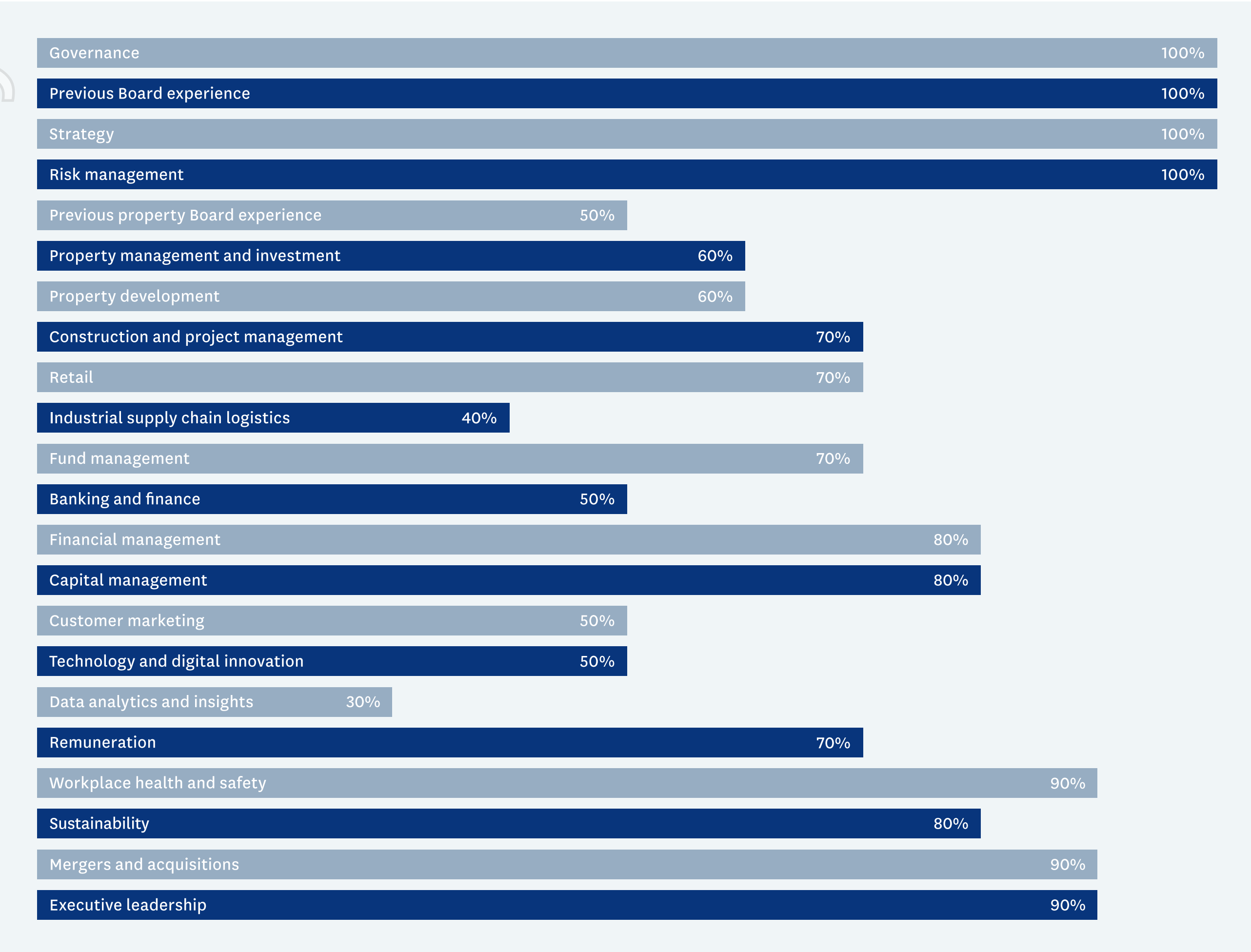
1 Does not include Adam Tindall, who was appointed to the Board on 1 July 2021.

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 FY21, Mr Mark Steinert stepped down from the Board after more than eight years of service and Mr Tarun Gupta was appointed to the Board on 1 June 2021. In addition, Mr Laurence Brindle was appointed to the Board as a Non-Executive Director on 16 November 2020 and Mr Adam Tindall was appointed to the Board as a Non-Executive Director on 1 July 2021.

The Group has an induction program for new Directors including detailed briefings from management, meetings with external advisors and asset tours. This complements the existing program of asset tours, topic deep dives, portfolio and strategy briefings presented to the Board under an annual program agreed with the Chairman. In FY21 deep dive presentations to the Board included innovation initiatives across the Group, the future of Retail, acquisition strategies for Logistics and Residential and new business initiatives including Land Lease Communities.

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 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; and
- An operating and trading business based in Australia, with no strategic intentions of engaging in any tax planning involving the use of offshore entities or low-tax jurisdictions.

VOLUNTARY TAX TRANSPARENCY CODE

As part of 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 22 (Income Tax) and 23 (Deferred Tax) in the Financial Report.

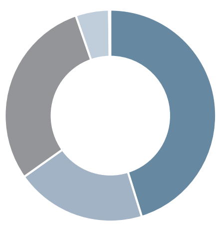
TAX CONTRIBUTION SUMMARY

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 FY21 these taxes totalled more than $299 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 2021 tax year.

Total tax contribution



- 45.2% Net GST Paid
- 20% PAYG Withholding
- 29.5% State Taxes (includes Land Tax and Payroll Tax)
- 5.1% Other Duties & Levies
- 0.2% Fringe Benefit Tax

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

Subject to the following, no indemnity was given or insurance premium paid during or since the end of the Financial Year for a person who is or has been an officer or auditor of the Group.

The Group has paid an insurance premium in respect of Directors and Officers liability insurance contracts as permitted by the *Corporations Act 2001*. The terms of the insurance policy prohibit disclosure of details of the nature of the liabilities covered by, and the amounts of the premiums payable under, that insurance policy. Premiums are also paid for fidelity insurance and professional indemnity insurance to cover certain risks for a broad range of employees including Directors and senior executives.

In addition, each Director and some Key Management Personnel have entered into a Deed of Access, Indemnity and Insurance which provides for indemnity against liability as a Director or officer of the Group, except to the extent of indemnity under an insurance policy or where prohibited by statute. The deed also entities the Directors and officers to access company documents and records subject to undertakings as to confidentiality.

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).

The non audited services included services relating to:

- Model presentation and responses to queries on the Town Centre Report for Aura Town Centre
- Traffic planning for Aura Town Centre and reviewing planning assumptions and updating traffic model
- Assessment of tenants eligibility under the Commercial Code of Conduct and the level of revenue decline experienced by tenants as a result of COVID-19.

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 35 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 100 and forms part of the Directors' Report for the year ended 30 June 2021.

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.

Other Information

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 provided to securityholders. For financial reporting periods this includes a structured series of management questionnaires, sign offs, direct interviews and engagement with auditors. All information released to the market is reviewed for accuracy, supported by a verification 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 available on our website **www.stockland.com.au/about-stockland/corporate-governance**.

The Board is promptly provided with a copy of all material market announcements after they have been made.

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 2021, 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 2021, 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 2021 that would indicate any material change to the statements made above.

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 2021 corporate governance statement is dated as at 30 June 2021 and reflects the corporate governance practices in place throughout the 2021 financial year. The 2021 corporate governance statement was approved by the Board on 20 August 2021. Stockland governance and risk management documentation including key policies, charters, and Stockland's Appendix 4G Key to Disclosures under the Corporate Governance Principles and Recommendations for the year ended 30 June 2021 can be viewed at **www.stockland.com.au/about-stockland/corporate-governance**.

Signed in accordance with a resolution of the Directors.

Tom Pockett
Chairman

Tarun Gupta
Managing Director

Dated at Sydney, 20 August 2021

Auditor's Independence Declaration

As lead auditor for the audit of Stockland Corporation Limited and Stockland Trust for the year ended 30 June 2021, 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
20 August 2021

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Consolidated statement of comprehensive income

Year ended 30 June		Stockland		Trust	
$M	Note	2021	(Restated) 2020[1]	2021	2020
Revenue	1	**2,756**	2,812	**723**	766
Cost of property developments sold:					
• land and development		**(1,368)**	(1,254)	**–**	–
• capitalised interest		**(90)**	(129)	**–**	–
• utilisation of provision for impairment of inventories	6	**34**	22	**–**	–
Investment property expenses		**(237)**	(239)	**(243)**	(253)
Share of profits of equity-accounted investments	24	**36**	72	**36**	71
Management, administration, marketing and selling expenses		**(347)**	(362)	**(40)**	(40)
Impairment loss on trade and other receivables	9	**(8)**	(69)	**(9)**	(66)
Net change in fair value of investment properties:					
• Commercial Property	7	**416**	(496)	**403**	(509)
• Retirement Living	8	**(61)**	(138)	**–**	–
Net change in fair value of Retirement Living resident obligations	8	**(18)**	22	**–**	–
Impairment of Retirement Living goodwill	13	**–**	(38)	**–**	–
Net reversal of impairment of inventories	6	**5**	–	**–**	–
Net gain/(loss) on other financial assets		**1**	(4)	**–**	(4)
Net (loss)/gain on sale of other non-current assets		**(18)**	20	**(3)**	21
Finance income	17	**4**	2	**196**	230
Finance expense	17	**(90)**	(88)	**(150)**	(169)
Net gain/(loss) on financial instruments	17	**63**	(109)	**63**	(109)
Profit/(loss) before tax		**1,078**	24	**976**	(62)
Income tax benefit/(expense)	22	**27**	(45)	**–**	–
Profit/(loss) after tax		**1,105**	(21)	**976**	(62)
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		**(74)**	(75)	**(74)**	(75)
Cash flow hedges – reclassified to profit or loss		**52**	(6)	**52**	(6)
Other comprehensive income/(loss)		**(22)**	(81)	**(22)**	(81)
Total comprehensive income/(loss)		**1,083**	(102)	**954**	(143)
Basic earnings/(losses) per security (cents)	3	**46.4**	(0.9)	**41.0**	(2.6)
Diluted earnings/(losses) per security (cents)	3	**46.2**	(0.9)	**40.8**	(2.6)

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

1 Comparative information throughout the financial report has been restated for IFRIC agenda decision, "Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)". Refer to note 36C for details of the impact of this accounting policy change.

Consolidated balance sheet

As at 30 June		Stockland		Trust	
$M	Note	2021	(Restated) 2020	2021	2020
Cash and cash equivalents	16	**1,162**	443	**1,039**	359
Receivables	9	**130**	117	**16**	30
Inventories	6	**866**	690	**–**	–
Other financial assets	18	**124**	15	**124**	15
Other assets		**91**	101	**86**	92
		2,373	1,366	**1,265**	496
Non-current assets held for sale	14	**166**	469	**166**	469
Current assets		**2,539**	1,835	**1,431**	965
Receivables	9	**172**	117	**2,762**	3,084
Inventories	6	**2,502**	2,840	**–**	–
Investment properties – Commercial Property	7	**9,337**	8,890	**9,352**	8,921
Investment properties – Retirement Living	8	**3,600**	3,936	**–**	–
Equity-accounted investments	24	**392**	354	**399**	361
Other financial assets	18	**243**	734	**228**	724
Property, plant and equipment		**143**	153	**–**	–
Intangible assets	13	**77**	72	**–**	–
Deferred tax assets	23	**49**	22	**–**	–
Other assets		**251**	202	**176**	186
Non-current assets		**16,766**	17,320	**12,917**	13,276
Assets		**19,305**	19,155	**14,348**	14,241
Payables	10	**685**	593	**429**	378
Borrowings	15	**760**	272	**760**	272
Retirement Living resident obligations	8	**2,448**	2,594	**–**	–
Development provisions	6	**443**	328	**25**	38
Other financial liabilities	18	**3**	–	**3**	–
Other liabilities	11	**129**	59	**26**	16
Current liabilities		**4,468**	3,846	**1,243**	704
Payables	10	**227**	190	**–**	–
Borrowings	15	**3,994**	4,750	**3,994**	4,750
Retirement Living resident obligations	8	**64**	101	**–**	–
Development provisions	6	**172**	501	**152**	148
Other financial liabilities	18	**260**	313	**260**	313
Other liabilities	11	**536**	373	**26**	28
Non-current liabilities		**5,253**	6,228	**4,432**	5,239
Liabilities		**9,721**	10,074	**5,675**	5,943
Net assets		**9,584**	9,081	**8,673**	8,298
Issued capital	21	**8,663**	8,656	**7,365**	7,358
Reserves		**(14)**	8	**(15)**	6
Retained earnings/undistributed income		**935**	417	**1,323**	934
Securityholders' equity		**9,584**	9,081	**8,673**	8,298

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**	**Cash flow hedges**	**Retained earnings**	**Equity**
Balance at 30 June 2019		8,657	37	54	1,080	9,828
Adoption of new accounting standards		–	–	–	(7)	(7)
Adjustment on change in accounting policy	36C	–	–	–	(62)	(62)
Balance at 1 July 2019		8,657	37	54	1,011	9,759
Loss for the year		–	–	–	(21)	(21)
Other comprehensive income, net of tax		–	–	(81)	–	(81)
Total comprehensive loss		–	–	(81)	(21)	(102)
Dividends and distributions	4	–	–	–	(574)	(574)
Security based payment expense	33	–	11	–	–	11
Acquisition of treasury securities	21	(13)	–	–	–	(13)
Securities vested under Security Plans	21	12	(12)	–	–	–
Securities lapsed under Security Plans		–	(1)	–	1	–
Other movements		(1)	(2)	–	(573)	(576)
Balance at 30 June 2020		8,656	35	(27)	417	9,081
Profit for the year		**–**	**–**	**–**	**1,105**	**1,105**
Other comprehensive income, net of tax		**–**	**–**	**(22)**	**–**	**(22)**
Total comprehensive income		**–**	**–**	**(22)**	**1,105**	**1,083**
Dividends and distributions	4	**–**	**–**	**–**	**(587)**	**(587)**
Security based payment expense	33	**–**	**11**	**–**	**–**	**11**
Acquisition of treasury securities	21	**(4)**	**–**	**–**	**–**	**(4)**
Securities vested under Security Plans	21	**11**	**(11)**	**–**	**–**	**–**
Other movements		**7**	**–**	**–**	**(587)**	**(580)**
Balance at 30 June 2021		**8,663**	**35**	**(49)**	**935**	**9,584**

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: Cash flow hedges	Undistributed income	Equity
Balance at 30 June 2019		7,359	34	54	1,575	9,022
Adoption of new accounting standards		–	–	–	(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	21	(12)	–	–	–	(12)
Securities vested under Security Plans	21	11	(11)	–	–	–
Securities lapsed under Security Plans		–	(1)	–	1	–
Other movements		(1)	(1)	–	(573)	(575)
Balance at 30 June 2020		7,358	33	(27)	934	8,298
Profit for the year		**–**	**–**	**–**	**976**	**976**
Other comprehensive income, net of tax		**–**	**–**	**(22)**	**–**	**(22)**
Total comprehensive income		**–**	**–**	**(22)**	**976**	**954**
Dividends and distributions	4	**–**	**–**	**–**	(587)	**(587)**
Security based payment expense		**–**	**11**	**–**	**–**	**11**
Acquisition of treasury securities	21	**(3)**	**–**	**–**	**–**	**(3)**
Securities vested under Security Plans	21	**10**	**(10)**	**–**	**–**	**–**
Other movements		**7**	**1**	**–**	**(587)**	**(579)**
Balance at 30 June 2021		**7,365**	**34**	**(49)**	**1,323**	**8,673**

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	2021	(Restated) 2020	2021	2020
Receipts in the course of operations (including GST)		**2,931**	2,880	**903**	795
Payments in the course of operations (including GST)		**(1,434)**	(1,477)	**(414)**	(389)
Payments for land		**(477)**	(324)	**–**	–
Distributions received from equity-accounted investments		**20**	25	**20**	24
Receipts from Retirement Living residents		**326**	332	**–**	–
Payments to Retirement Living residents, net of DMF		**(169)**	(145)	**–**	–
Interest received		**4**	2	**196**	230
Interest paid		**(154)**	(181)	**(154)**	(180)
Net cash flows from operating activities	29	**1,047**	1,112	**551**	480
Proceeds from sale of investment properties		**568**	369	**542**	342
Payments for and development of investment properties:					
• Commercial Property		**(318)**	(664)	**(317)**	(664)
• Retirement Living		**(68)**	(47)	**–**	–
Payments for plant and equipment and software		**(20)**	(119)	**–**	–
Proceeds from sale of/capital returns from investments		**–**	336	**–**	336
Payments for investments (including equity-accounted)		**(24)**	(12)	**(21)**	(12)
Loans to other parties		**(43)**	–	**(12)**	–
Distributions received from other entities		**–**	4	**–**	4
Loans from/(to) related entities		**–**	–	**357**	485
Net cash flows from investing activities		**95**	(133)	**549**	491
Payments for treasury securities under Security Plans	21	**(4)**	(13)	**(3)**	(12)
Proceeds from borrowings	29	**665**	2,452	**665**	2,452
Repayments of borrowings	29	**(561)**	(2,434)	**(559)**	(2,434)
Payments for derivatives and financial instruments		**–**	(23)	**–**	(23)
Dividends and distributions paid	4	**(523)**	(658)	**(523)**	(658)
Net cash flows from financing activities		**(423)**	(676)	**(420)**	(675)
Net movement in cash and cash equivalents		**719**	303	**680**	296
Cash and cash equivalents at the beginning of the year		**443**	140	**359**	63
Cash and cash equivalents at the end of the year		**1,162**	443	**1,039**	359

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 (Corporation) and Stockland Trust (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 Limited and a unit in Stockland Trust that are together traded as one security on the ASX. 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 2021.

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.

CHANGE IN ACCOUNTING POLICIES AND NEW AND AMENDED ACCOUNTING STANDARDS

In accordance with an IFRS Interpretations Committee (IFRIC) agenda decision published on 27 April 2021 in relation to accounting for Software-as-a-Service (SaaS) arrangements, Stockland retrospectively implemented this guidance as a change in accounting policy. Refer to note 36C for details of the impact of this policy change.

Stockland's financial position as at 30 June 2021 and its performance for the year ended on that date have not been impacted as a result of the adoption of new and amended Accounting Standards and Interpretations effective for annual reporting periods beginning on or after 1 July 2020. Refer to note 37A for further details of the amended Accounting Standards adopted during the year.

NET CURRENT ASSET DEFICIENCY POSITION

Stockland and the Trust generated positive cash flows from operations of $1,047 million and $551 million respectively during the year. Undrawn bank facilities of $1,150 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 which reflects an assessment of the current economic and operating environment, including the impact of the recurring COVID-19 lockdowns, 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 available liquidity, allowing flexibility in foreseeable business environments. Accordingly, the financial statements have been prepared on a going concern basis.

Stockland has a prima facie net current asset deficiency of $1,929 million at 30 June 2021 (2020: $2,011 million). This prima facie position occurs each year and is unrelated to COVID-19. A detailed explanation is set out below. The Trust has a prima facie net current asset surplus of $188 million (2020: $261 million surplus).

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 (NRV), whereas most of these are expected to generate cash inflows above carrying value.

In relation to current Retirement Living resident obligations for existing residents (2021: $2,446 million; 2020: $2,587 million), approximately 8% (2020: 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.

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 6
- Commercial Property – assumptions underlying fair value – Note 7
- Retirement Living – assumptions underlying fair value – Note 8
- Receivables[1] – assumptions underlying expected credit loss – Note 9
- Derivatives – assumptions underlying fair value – Note 18
- Valuation of security based payments – assumptions underlying fair value – Note 21
- Tax losses – assumptions underlying recognition and recoverability – Note 23

[1] The expected credit loss calculation is considered a significant accounting estimate in the current year due to the continuing impact of COVID-19 and the resulting increase in lease receivables from tenants at 30 June 2021, when compared to pre COVID-19 levels.

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 year by reference to key areas, including revenue, results by operating segment and taxation.

1. REVENUE

Year ended $M	Residential	Land Lease Communities	Retirement Living	Communities subtotal	Commercial Property	Other	Stockland	Trust
30 June 2021								
Property development sales[1]	**1,843**	**2**	**34**	**1,879**	**–**	**–**	**1,879**	**–**
Outgoings recoveries[2]	**–**	**–**	**–**	**–**	**72**	**–**	**72**	**71**
Revenue from contracts with customers	**1,843**	**2**	**34**	**1,879**	**72**	**–**	**1,951**	**71**
Rental income[3]	**–**	**–**	**4**	**4**	**644**	**–**	**648**	**649**
DMF revenue[3]	**–**	**–**	**131**	**131**	**–**	**–**	**131**	**–**
Other revenue	**16**	**–**	**1**	**17**	**8**	**1**	**26**	**3**
Statutory revenue	**1,859**	**2**	**170**	**2,031**	**724**	**1**	**2,756**	**723**
Amortisation of lease incentives	**–**	**–**	**–**	**–**	**79**	**–**	**79**	**79**
Straight-line rent	**–**	**–**	**–**	**–**	**1**	**–**	**1**	**2**
Unrealised DMF revenue[3]	**–**	**–**	**(46)**	**(46)**	**–**	**–**	**(46)**	**–**
Segment revenue	**1,859**	**2**	**124**	**1,985**	**804**	**1**	**2,790**	**804**
30 June 2020								
Property development sales[1,4]	1,871	–	46	1,917	–	–	1,917	–
Outgoings recoveries[2]	–	–	–	–	74	–	74	74
Revenue from contracts with customers	1,871	–	46	1,917	74	–	1,991	74
Rental income[3]	–	–	2	2	685	–	687	690
DMF revenue[3]	–	–	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[3]	–	–	(29)	(29)	–	–	(29)	–
Segment revenue	1,887	–	130	2,017	835	3	2,855	838

1 Property development sales revenue is recognised under AASB 15 Revenue from Contracts with Customers at a point in time when control of the asset passes to the customer. Refer to note 1A for further details of revenue from property development sales by state.

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 Commercial Property rental income and Retirement Living DMF revenue meet the definition of a lease arrangement. Therefore, they fall outside the scope of AASB 15 and are accounted for in accordance with AASB 16 Leases.

4 Property development sales in the prior year include the revenue recognised from the capital partnering transaction at 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 12 for the treatment of rent abatements granted in response to COVID-19 and note 9 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 $5 million (2020: $3 million) contingent rents billed to tenants. Contingent rents are derived from the tenants' revenues and represent 0.7% (2020: 0.4%) 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, or when it is withheld under an approved investment proposal for development.

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	ACT	NSW	QLD	VIC	WA	Residential
30 June 2021						
Residential communities	–	**404**	**382**	**570**	**225**	**1,581**
Townhomes	**20**	**68**	**55**	**102**	**17**	**262**
Apartments	–	–	–	–	–	–
Property development sales	**20**	**472**	**437**	**672**	**242**	**1,843**
30 June 2020						
Residential communities[1]	–	328	510	563	135	1,536
Townhomes	–	40	66	179	9	294
Apartments	–	41	–	–	–	41
Property development sales	–	409	576	742	144	1,871

1 Property development sales in the prior year include the revenue recognised from the capital partnering transaction at Aura, QLD.

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 five 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;
- Land Lease Communities - invests in, designs, develops and manages communities for over 50s;
- Retirement Living – invests in, designs, develops, manages and sells 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, Land Lease Communities 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 certain items which are non-cash, unrealised or 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 2A.

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. 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	2021	(Restated) 2020
FFO	**788**	825
Adjust for:		
Amortisation of lease incentives	**(79)**	(75)
Amortisation of lease fees	**(13)**	(14)
Straight-line rent	**(1)**	3
Net unrealised change in fair value of Commercial Property investment properties[1]	**433**	(452)
Net unrealised change in fair value of Retirement Living investment properties	**(74)**	(152)
Net unrealised change in fair value of Retirement Living obligations	**(18)**	22
Unrealised DMF revenue	**46**	29
Net gain/(loss) on financial instruments	**63**	(109)
Net gain/(loss) on other financial assets	**1**	(4)
Net (loss)/gain on sale of other non-current assets	**(18)**	20
Net reversal of impairment of inventories	**5**	–
Impairment of Retirement Living goodwill[2]	**–**	(38)
Income tax non-cash	**27**	(45)
Other one-off costs[3]	**(55)**	(31)
Profit/(loss) after tax	**1,105**	(21)

1 Includes Stockland's share of revaluation relating to properties held through joint ventures (2021: $17 million gain; 2020: $44 million gain) and fair value unwinding of ground leases recognised under AASB 16 (2021: $1 million; 2020: $1 million).

2 Write-down of goodwill associated with historic Retirement Living acquisitions.

3 Gross of tax benefits of $17 million (FY20: $9 million), other one-off costs reflect the impact of the change in accounting policy for the treatment of configuration and customisation costs in a SaaS arrangement in line with the IFRIC decision published on 27 April 2021 and provisions for expected onerous contract costs. Prior year also includes costs associated with the delay of SAP systems go-live and restructuring costs. To be classified as a one-off, these costs were assessed to be highly unlikely to reoccur in future years.

2B. FFO and AFFO

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

Year ended $M	Residential	Land Lease Communities	Retirement Living	Communities subtotal	Commercial Property	Other	Stockland
30 June 2021							
Segment revenue[1,2]	**1,859**	**2**	**124**	**1,985**	**804**	**1**	**2,790**
Segment EBIT[1,2]	**420**	**–**	**59**	**479**	**545**	**–**	**1,024**
Amortisation of lease fees	**–**	**–**	**–**	**–**	**13**	**–**	**13**
Interest expense in cost of sales[3]	**(89)**	**–**	**(5)**	**(94)**	**–**	**–**	**(94)**
Segment FFO[4,5]	**331**	**–**	**54**	**385**	**558**	**–**	**943**
Finance income							**4**
Finance expense							**(90)**
Unallocated corporate and other expenses							**(69)**
FFO							**788**
Maintenance capital expenditure[6]							**(61)**
Incentives and leasing costs[7]							**(76)**
AFFO							**651**
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[3]	(128)	–	(7)	(135)	–	–	(135)
Segment FFO[4,5]	372	–	58	430	537	–	967
Finance income							2
Finance expense							(88)
Unallocated corporate and other expenses							(56)
FFO							825
Maintenance capital expenditure[6]							(32)
Incentives and leasing costs[7]							(57)
AFFO							736

1 Commercial Property segment revenue and EBIT adds back $79 million (2020: $75 million) of amortisation of lease incentives and excludes $1 million (2020: $3 million) of straight-line rent adjustments.
2 Retirement Living segment revenue and EBIT exclude $46 million (2020: $29 million) of unrealised DMF revenue.
3 $4 million (2020: $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 $20 million (2020: $22 million).
5 Residential segment FFO in prior year includes profit recognised from the capital partnering transaction at Aura, QLD.
6 Maintenance capital expenditure includes $6 million (2020: $6 million) of Retirement Living maintenance capital expenditure.
7 Expenditure incurred on incentives and leasing costs during the year excluding assets under construction.

2C. Balance sheet by operating segment

As at $M	Residential	Land Lease Communities	Retirement Living	Communities subtotal	Commercial Property	Unallocated	Stockland
30 June 2021							
Real estate related assets[1,2]	**3,216**	**47**	**3,570**	**6,833**	**10,351**	**129**	**17,313**
Other assets	**192**	**–**	**79**	**271**	**72**	**1,649**	**1,992**
Assets	**3,408**	**47**	**3,649**	**7,104**	**10,423**	**1,778**	**19,305**
Retirement Living resident obligations	**–**	**–**	**2,512**	**2,512**	**–**	**–**	**2,512**
Borrowings	**–**	**–**	**–**	**–**	**–**	**4,754**	**4,754**
Other liabilities	**1,461**	**–**	**80**	**1,541**	**403**	**511**	**2,455**
Liabilities	**1,461**	**–**	**2,592**	**4,053**	**403**	**5,265**	**9,721**
Net assets/(liabilities)	**1,947**	**47**	**1,057**	**3,051**	**10,020**	**(3,487)**	**9,584**
30 June 2020							
Real estate related assets[1,2]	3,395	–	3,969	7,364	10,140	130	17,634
Other assets[3]	114	–	11	125	51	1,345	1,521
Assets	3,509	–	3,980	7,489	10,191	1,475	19,155
Retirement Living resident obligations	–	–	2,695	2,695	–	–	2,695
Borrowings	–	–	–	–	–	5,022	5,022
Other liabilities	1,292	–	10	1,302	333	722	2,357
Liabilities	1,292	–	2,705	3,997	333	5,744	10,074
Net assets/(liabilities)	2,217	–	1,275	3,492	9,858	(4,269)	9,081

1 Includes non-current assets held for sale, inventories, investment properties, equity-accounted investments and certain other assets.
2 Includes equity-accounted investments of $392 million (2020: $354 million) in Commercial Property.
3 Other assets in the prior year have been restated as a result of a retrospective change in accounting policy following an IFRIC agenda decision on accounting for SaaS arrangements published on 27 April 2021. Refer to note 36C for further detail on the impact of this change in accounting policy.

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 (WANOS) 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.

Year ended 30 June	Stockland		Trust	
	2021	(Restated) 2020	2021	2020
Profit/(loss) after tax attributable to shareholders ($M)	**1,105**	(21)	**976**	(62)
WANOS used in calculating basic EPS	**2,382,771,858**	2,378,133,131	**2,382,771,858**	2,378,133,131
Basic EPS (cents)	**46.4**	**(0.9)**	**41.0**	(2.6)
Effect of rights and securities granted under Security Plans[1]	**9,887,792**	1,945,535	**9,887,792**	1,945,535
WANOS used in calculating diluted EPS	**2,392,659,650**	2,380,078,666	**2,392,659,650**	2,380,078,666
Diluted EPS (cents)	**46.2**	**(0.9)**	**40.8**	(2.6)

1 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 2021 is $14 million based on a 30% tax rate (2020: $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 (%)	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**	**2021**	**2020**
Interim distribution	**26 February**	28 February	**11.3**	13.5	**270**	321	**14.9**	31.6
Final distribution	**31 August**	31 August	**13.3**	10.6	**317**	253	**21.1**	–
Total distribution			**24.6**	24.1	**587**	574	**18.2**	0.8

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 on an annual basis over time. The payout ratio for the current and comparative periods is summarised as follows:

Year ended 30 June ($M)	Note	2021	2020
FFO[1]	2	**788**	825
Weighted average number of securities used in calculating basic EPS	3	**2,382,771,858**	2,378,133,131
FFO per security		**33.1**	34.7
Distribution per security for the year	4	**24.6**	24.1
Payout ratio		**75%**	70%

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

5. EVENTS SUBSEQUENT TO THE END OF THE YEAR

STOCKLAND AND TRUST

Australia continued to see the implementation of COVID-19 related restrictions including lockdowns impacting retail and construction activities across various states including across the Eastern Seaboard In late FY21 and into FY22. These restrictions related to the continued community transmission of COVID-19 and low levels of vaccination - managing both issues will be instrumental in reducing future volatility caused by lockdowns and related government actions. The Group has continued to navigate a path through this challenging environment with a focus on the safety of our people, customers, residents and assets.

On 28 July 2021, the Victorian Government announced the reintroduction of the Commercial Tenancies Relief Scheme intended to facilitate rent relief to retail and commercial tenants that have experienced a loss in turnover of more than 30 per cent during the pandemic. As at the date of this report, the Regulations detailing the eligibility criteria for the Victorian Scheme has not yet been released. However, Stockland affirms its commitment to work with its tenants, and in compliance with applicable legislation, to provide rent relief and rent deferments to eligible tenants seeking support. The expected credit loss provision as at 30 June 2021 has not been adjusted as a result of this announcement.

On 13 August 2021, the *Retail and Other Commercial Leases (COVID-19) Amendment Regulation 2021* (Amendment) was legislated in NSW requiring landlords to renegotiate rent and other terms with eligible tenants impacted by COVID-19. Eligible tenants have a turnover of up to $50 million in the 2021 financial year and qualify for one or more of the 2021 COVID-19 Micro-business Grant, the 2021 COVID-19 Business Grant or the 2021 JobSaver Payment, which includes a requirement to demonstrate a revenue decline of 30 per cent or more. The Amendment requires landlords to renegotiate rent for the period from 13 July 2021 to 13 January 2022 where requested by eligible tenants having regard to the National Cabinet's Mandatory Code of Conduct (the Code), as well as prohibits landlords from increasing rent or taking actions in relation to certain breach actions for eligible tenants. The Code requires landlords to provide relief in the form of rent waivers and rent payment deferral. The relief is to reflect a proportionate sharing of the revenue impact experienced by the eligible tenant as a result of COVID-19, with at least 50 per cent of the relief in the form of an abatement. With an implementation date of 13 July 2021, the Group will assess any impact of this legislation on expected credit loss provisioning for the 12 month period to 30 June 2022.

On 17 August 2021, the Group acquired control of 100% of Halcyon Group's land lease communities business for consideration of $620 million plus transaction costs (including stamp duty) and other completion adjustments. The transaction, which will be fully funded from existing available liquidity, includes the acquisition of six established communities with a further four under development and three in planning. While the purchase price allocation for the acquisition is yet to be completed, the acquisition is expected to increase gross assets by approximately $620 million and net debt will increase by approximately $620 million plus transaction costs.

The financial effects of this transaction have not been recognised at 30 June 2021. The operating results and assets and liabilities of the acquired company will be consolidated from 17 August 2021.

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.

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.

6. 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 over the life of the project as revenue and cost forecasts are updated.

The determination of the WOL margin percentage requires significant judgement in estimating future revenues and costs and can change over the life of the project, as revenue and cost forecasts are updated. 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					
	2021			2020		
$M	Current	Non-current	Total	Current	Non-current	Total
Completed inventory						
Cost of acquisition	**158**	**–**	**158**	85	–	85
Development and other costs	**140**	**–**	**140**	224	–	224
Interest capitalised	**7**	**–**	**7**	23	–	23
Impairment provision	**–**	**–**	**–**	(5)	–	(5)
Completed inventory[1]	**305**	**–**	**305**	327	–	327
Development work in progress						
Cost of acquisition	**260**	**1,775**	**2,035**	212	1,988	2,200
Development and other costs	**142**	**379**	**521**	81	444	525
Interest capitalised	**48**	**264**	**312**	30	302	332
Impairment provision	**(15)**	**(73)**	**(88)**	(8)	(105)	(113)
Residential communities	**435**	**2,345**	**2,780**	315	2,629	2,944
Cost of acquisition	**–**	**122**	**122**	–	127	127
Development and other costs	**–**	**17**	**17**	–	9	9
Interest capitalised	**–**	**3**	**3**	–	3	3
Apartments	**–**	**142**	**142**	–	139	139
Cost of acquisition	**–**	**–**	**–**	3	2	5
Development and other costs	**–**	**–**	**–**	14	8	22
Interest capitalised	**–**	**–**	**–**	1	–	1
Aspire villages[2]	**–**	**–**	**–**	18	10	28
Cost of acquisition	**–**	**–**	**–**	–	–	–
Development and other costs	**2**	**6**	**8**	–	–	–
Interest capitalised	**–**	**–**	**–**	–	–	–
Land Lease Communities[2]	**2**	**6**	**8**	–	–	–
Cost of acquisition	**99**	**7**	**106**	24	71	95
Development and other costs	**19**	**2**	**21**	3	–	3
Interest capitalised	**6**	**–**	**6**	3	–	3
Impairment provision	**–**	**–**	**–**	–	(9)	(9)
Logistics	**124**	**9**	**133**	30	62	92
Development work in progress	**561**	**2,502**	**3,063**	363	2,840	3,203
Inventories	**866**	**2,502**	**3,368**	690	2,840	3,530

1 Mainly comprises residential communities. Includes Aspire villages of $7 million (2020: $6 million). No apartments or logistics projects are included in inventory in the current or prior year.

2 Refer to note 8 for further details on Aspire villages and Land Lease Communities.

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

$M	Residential communities	Logistics	Total
Balance at 1 July 2020	118	9	127
Amounts utilised	**(28)**	**(6)**	**(34)**
Reversal of provisions previously recorded	**(14)**	**(3)**	**(17)**
Additional provisions created	**12**	**–**	**12**
Balance at 30 June 2021	**88**	**–**	**88**

Properties held for development and resale are stated at the lower of cost and NRV. 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 $477 million (2020: $324 million) reported in the statement of cash flows are in respect of land that will be developed over time.

LAND UNDER OPTION

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

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 3.6 to 3.9% during the financial year (2020: 3.5 to 4.6%).

ALLOCATION OF INVENTORIES TO COST OF SALES

A 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 NRV of inventories is the estimated selling price in the ordinary course of business less estimated costs of completion and costs to sell. NRV is based on the most reliable evidence available at 30 June 2021 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.

In accordance with AASB 102 *Inventories*, key estimates are reviewed each period, 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 NRV.

Management undertook an extensive impairment review of all development projects taking into account the current economic and operating environment, including impacts of COVID-19. Based on information available at 30 June 2021 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 NRV.

The sensitivity of key inventory recoverability drivers to the evolving economic and operating conditions has been analysed across all inventory projects. In addition, government stimulus and production options continue to be available to Stockland to 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 NRV of inventory and they do not represent management's estimate at 30 June 2021.

Stockland	Sales price	Average 3 year price growth[1]	1 year sales rate
$M	5% Decrease	0%	25% reduction
Additional impairment charge on inventories	(24)	(83)	(1)

1 The average 3 year price growth underpinning the 30 June 2021 impairment assessment is 3.8%.

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 until point of sale.
Costs to complete	The cost expected to be incurred to bring remaining lots to practical completion including rectification provisions and other costs.
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 the sale of inventories.

DEVELOPMENT COST PROVISIONS

As at 30 June	2021			2020		
$M	Current	Non-current	Total	Current	Non-current	Total
Development cost provisions[1]	443	172	615	328	501	829

1 Includes $177 million (2020: $186 million) provisions relating to Commercial Property investment property assets.

	$M
Balance at 1 July 2020	829
Additional provisions	385
Amounts utilised	(263)
Amounts derecognised[1]	(336)
Balance at 30 June 2021	**615**

1 Derecognition of Marsden Park land option following mutual agreement on 12 August 2020 to end Stockland's obligations under the original agreement. Exclusive negotiations to agree new terms continue at reporting date.

The development cost provisions reflect obligations as at 30 June 2021 that arose as a result of past events. This balance includes deferred land options, and cost to complete provisions for both active and trade 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. Onerous contract costs have also been recognised in relation to property development agreements where, due to changes in market conditions, the expected benefit is lower than the committed cost, and is measured at the minimum net obligation under the contracts.

7. COMMERCIAL PROPERTY

As at 30 June	Stockland		Trust	
$M	2021	2020	2021	2020
Retail Town Centres	**5,421**	5,910	**5,369**	5,853
Logistics	**3,397**	2,859	**3,397**	2,859
Workplace	**1,063**	1,084	**1,102**	1,130
Social infrastructure[1]	**51**	33	**–**	–
Capital works in progress and sundry properties	**449**	307	**392**	252
Book value of commercial property	**10,381**	10,193	**10,260**	10,094
Less amounts classified as:				
• cost to complete provision	**(13)**	(19)	**(13)**	(19)
• property, plant and equipment	**(129)**	(130)	**–**	–
• non-current assets held for sale	**(166)**	(469)	**(166)**	(469)
• other assets (including lease incentives and fees)	**(250)**	(256)	**(246)**	(255)
• other assets (including lease incentives and fees) attributable to equity-accounted investments	**(2)**	(1)	**(2)**	(1)
• other receivables (straight-lining of rental income)	**(72)**	(69)	**(69)**	(70)
• other receivables (straight-lining of rental income) attributable to equity-accounted investments	**(3)**	(7)	**(3)**	(7)
Investment properties (including Stockland's share of investment properties held by equity-accounted investments)	**9,746**	9,242	**9,761**	9,273
Less: Stockland's share of investment properties held by equity-accounted investments	**(409)**	(352)	**(409)**	(352)
Investment properties	**9,337**	8,890	**9,352**	8,921
Net carrying value movements				
Balance at 1 July	**8,890**	9,145	**8,921**	9,076
Acquisitions	**67**	613	**67**	613
Expenditure capitalised	**213**	246	**211**	359
Transfers to non-current assets held for sale	**(153)**	(469)	**(153)**	(469)
Movement in ground leases of investment properties[2]	**(1)**	27	**(1)**	27
Transfers to inventories	**–**	–	**–**	–
Disposals	**(96)**	(176)	**(96)**	(176)
Net change in fair value	**417**	(496)	**403**	(509)
Balance at 30 June	**9,337**	8,890	**9,352**	8,921

1 The investment property balance at 30 June 2021 comprises $51 million of social infrastructure properties (previously referred to as healthcare and childcare centres) held by the Retirement Living business (2020: $33 million) leased to tenants under commercial leases.

2 $27 million in the prior year is driven by the initial adoption of AASB 16 Leases.

RETAIL TOWN CENTRES

	Stockland					
As at 30 June	Independent valuation		Independent valuers' capitalisation rate %		Book value	
$M	Date	$M	2021	2020	2021	2020
Directly owned						
Stockland Green Hills, East Maitland NSW	Dec-20	750	**5.75**	5.75	**746**	754
Stockland Wetherill Park, Western Sydney NSW	Dec-20	640	**5.50**	5.50	**642**	648
Stockland Shellharbour, Shellharbour NSW[1]	Jun-21	604	**5.75**	5.75	**604**	620
Stockland Merrylands, Merrylands NSW	Dec-20	510	**5.75**	5.75	**513**	513
Stockland Rockhampton, Rockhampton QLD	Dec-20	363	**6.00**	6.00	**364**	351
Stockland Glendale, Newcastle NSW	Jun-21	288	**6.25**	6.25	**288**	290
Stockland Point Cook, Point Cook VIC	Dec-20	210	**6.75**	6.75	**211**	210
Stockland Burleigh Heads, Burleigh Heads QLD[2]	Jun-21	194	**6.25 - 6.50**	6.75 - 7.00	**194**	179
Stockland Baldivis, Baldivis WA	Dec-20	182	**6.50**	6.50	**183**	182
Stockland Forster, Forster NSW	Dec-20	174	**6.50**	6.50	**179**	178
Stockland Hervey Bay, Hervey Bay QLD	Dec-20	166	**7.00**	7.00	**166**	165
Stockland Wendouree, Wendouree VIC	Dec-20	160	**6.75**	6.75	**160**	158
Stockland Townsville, Townsville QLD (50%)[2,3,4]	Jun-21	156	**6.25 - 6.50**	6.00 – 6.75	**156**	165
Stockland Cairns, Cairns QLD	Jun-21	146	**6.75**	6.75	**146**	162
Stockland Balgowlah, Balgowlah NSW	Dec-20	142	**6.00**	6.00	**143**	145
Stockland Bundaberg, Bundaberg QLD[5]	n/a	0	**n/a**	6.75	**138**	137
Stockland Gladstone, Gladstone QLD[2]	Dec-20	130	**6.75 - 7.00**	6.75 – 7.00	**134**	127
Stockland Nowra, Nowra NSW	Dec-20	103	**6.75**	6.75	**103**	107
Shellharbour Retail Park, Shellharbour NSW	Jun-21	80	**6.00**	7.00	**80**	68
Stockland Birtinya, Birtinya QLD[2]	Dec-20	75	**5.75 - 6.25**	5.75 – 6.25	**71**	71
Stockland Bull Creek, Bull Creek WA	Jun-21	63	**6.75**	6.75	**63**	67
Stockland Harrisdale Complex, Harrisdale WA[6]	Dec-20	58	**6.50**	6.50	**58**	57
Stockland Baringa, Baringa QLD	Dec-20	29	**6.00**	6.00	**28**	22
Stockland Townsville Kingsvale Sunvale, Aitkenvale QLD (50%)[3]	Dec-20	2	**n/a**	n/a	**2**	2
Stockland The Pines, Doncaster East VIC[7]	n/a	0	**n/a**	n/a	**–**	147
Stockland Baulkham Hills, Baulkham Hills NSW[7]	n/a	0	**n/a**	n/a	**–**	140
Stockland Caloundra, Caloundra QLD[7]	n/a	0	**n/a**	n/a	**–**	93
Stockland Traralgon, Traralgon VIC[7]	n/a	0	**n/a**	7.50	**–**	83
North Shore Townsville, Townsville QLD[7]	n/a	0	**n/a**	n/a	**–**	15
Owned through equity–accounted investments						
Stockland Riverton, Riverton WA (50%)	Dec-20	49	**6.75**	6.75	**49**	54
Retail Town Centres[8]					**5,421**	5,910

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 A property within this compex with a book value of $16 million at 30 June 2021 is held for sale at period end.
5 Asset held for sale at period end.
6 Property is not held by the Trust.
7 Property was sold during the year.
8 Totals may not add due to rounding.

LOGISTICS

As at 30 June	Stockland					
	Independent valuation		Independent valuers' capitalisation rate %		Book value	
$M	Date	$M	2021	2020	2021	2020
Directly owned						
Yennora Distribution Centre, Yennora NSW	Jun-21	661	**4.25**	5.50	**661**	524
Triniti Business Park, North Ryde NSW	Jun-21	245	**5.63**	5.75	**245**	233
Ingleburn Logistics Park, Ingleburn NSW[1]	Jun-21	239	**3.75 - 4.50**	5.25	**239**	201
Brooklyn Distribution Centre, Brooklyn VIC	Jun-21	184	**4.50**	5.75	**184**	135
Hendra Industrial Estate, Hendra QLD	Jun-21	148	**5.25**	6.75	**148**	114
Coopers Paddock, Warwick Farm NSW	Jun-21	142	**4.00**	5.00	**142**	113
60–66 Waterloo Road, Macquarie Park NSW[1]	Jun-21	141	**5.38**	5.88 – 6.00	**141**	130
Forrester Distribution Centre, St Marys NSW	Jun-21	109	**5.00**	6.25	**109**	78
Granville Industrial Estate, Granville NSW[1]	Jun-21	106	**4.75 - 5.00**	5.75 – 6.00	**106**	81
Willawong Distribution Centre, Yatala QLD	Jun-21	103	**5.50**	6.00	**103**	65
Oakleigh Industrial Estate, Oakleigh South VIC	Jun-21	99	**4.25**	5.75	**99**	70
Mulgrave Corporate Park, Mulgrave VIC	Jun-21	98	**6.75**	6.75	**98**	98
39 Silica Street, Carole Park QLD[1]	Jun-21	97	**5.25**	5.25 – 6.00	**97**	75
Somerton Distribution Centre, Somerton VIC[1]	Jun-21	96	**4.75 - 5.50**	6.25 – 6.50	**96**	65
16 Giffnock Avenue, Macquarie Park NSW	Jun-21	76	**5.25**	6.00	**76**	69
Yatala Distribution Centre, Yatala QLD	Jun-21	65	**5.00**	6.25	**65**	48
23 Wonderland Drive, Eastern Creek NSW	Jun-21	63	**4.25**	5.00	**63**	55
Altona Industrial Estate, Altona VIC	Jun-21	59	**5.00**	6.00	**60**	51
Macquarie Technology Business Park, Macquarie Park NSW	Jun-20	61	**n/a**	n/a	**58**	61
KeyWest Distribution Centre, Truganina VIC	Jun-21	55	**4.25**	5.13	**55**	46
Altona Distribution Centre, Altona VIC[1]	Jun-21	52	**5.25**	5.75 – 6.00	**52**	43
72–76 Cherry Lane, Laverton North VIC	Jun-21	51	**4.75**	6.25	**51**	34
Wetherill Park Distribution Centre, Wetherill Park NSW	Jun-21	45	**4.75**	5.75	**45**	37
Smeg Distribution Centre, Botany NSW	Jun-21	41	**4.00**	4.75	**41**	36
Erskine Park, Erskine Park NSW	Jun-21	37	**4.00**	4.75	**37**	30
787 Boundary Road, Richlands QLD	Jun-21	16	**5.25**	6.50	**16**	14
Balcatta Distribution Centre, Balcatta WA[2]	n/a	n/a	**n/a**	n/a	**–**	64
Owned through equity-accounted investments						
Optus Centre, Macquarie Park NSW (51%)	Mar-21	312	**5.00**	5.00	**312**	292
Logistics[3]					**3,397**	2,859

1 A range of capitalisation rates are disclosed for a complex comprising of a number of properties.
2 Property was sold during the year.
3 Totals may not add due to rounding.

WORKPLACE

As at 30 June	Stockland					
	Independent valuation		Independent valuers' capitalisation rate %		Book value	
$M	Date	$M	2021	2020	2021	2020
Directly owned						
Stockland Piccadilly, 133–145 Castlereagh Street, Sydney NSW[1,2,3,4]	Dec-20	673	**5.25 - 5.75**	5.25 – 5.75	**636**	651
601 Pacific Highway, St Leonards NSW	Jun-21	130	**5.75**	6.00	**130**	125
Durack Centre, 263 Adelaide Terrace, Perth WA[1,2]	Jun-21	80	**8.00**	8.75 – 9.00	**106**	118
118 Walker Street, North Sydney NSW	Jun-20	91	**n/a**	n/a	**91**	91
110 Walker Street, North Sydney NSW	Jun-20	62	**n/a**	n/a	**63**	62
122 Walker Street, North Sydney NSW	Jun-20	37	**n/a**	n/a	**38**	37
Workplace[5]					**1,063**	1,084

1 A range of capitalisation rates are disclosed for a complex comprising of a number of properties.
2 Property is a leasehold property.
3 Book value includes the retail component of the property.
4 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.
5 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.

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.

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 rental income 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.

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.

7A. 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, the direct comparison method and transaction prices where relevant.

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.

In light of the continued uncertainty in investment property markets created by COVID-19, Stockland was prudent in ensuring all Retail assets were externally valued within the full year. At 30 June 2021, in line with internal tolerance checks, 28% of the Retail Town Centre property portfolio, 21% of the Workplace property portfolio and 98% of the Logistics portfolio were independently valued. 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, reductions in revenues for lease abatements, reduction in renewal assumptions on expiry, and reductions in retail rental growth rates, when compared to pre COVID-19 levels. Generally, the external experts believe the negative impact has not been as steep as initially estimated and any recovery phase is expected to be rapid.

While the above short-term impacts have been factored into valuations, the external valuers have indicated that their Retail Town Centre 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 2021, 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 2021 and information arising since that date about both conditions at that date, and the economic and operating conditions evolving since, the Directors have determined that all relevant and available information has been incorporated into the reported valuations.

In addition, using this information, the sensitivity of key drivers to further fair value movements has been analysed across the carrying value of Commercial Property at 30 June 2021. Commercial Property valuations remain subject to market-based assumptions on discount rates, capitalisation rates, market rents and incentives. It is possible that there will be movements in these key inputs after 30 June 2021 given the reduced volume of retail and workplace sector transactions during COVID-19 and changes in how businesses and individuals interact with the Group's 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 2021.

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	246	(226)	100	(98)	(286)	286
• Logistics	199	(179)	67	(65)	(181)	181
• Workplace	40	(37)	17	(16)	(47)	47
Commercial Property	**485**	**(442)**	**184**	**(179)**	**(514)**	**514**

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	2021	2020
Retail Town Centres	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	$185 – 696	$185 – 714
			10 year average specialty market rental growth	2.28 – 3.02%	2.17 – 2.85%
			Adopted capitalisation rate	5.50 – 7.00%	5.50 – 7.50%
			Adopted terminal yield	5.75 – 7.25%	5.75 – 7.75%
			Adopted discount rate	6.75 – 7.75%	6.50 – 8.00%
Workplace	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	$352 – 902	$399 – 922
			10 year average market rental growth	2.92 - 3.99%	2.78 – 3.82%
			Adopted capitalisation rate	5.13 - 8.00%	5.25 – 9.00%
			Adopted terminal yield	5.50 – 8.25%	5.63 – 10.16%
			Adopted discount rate	6.00 – 8.25%	6.25 – 7.41%
Logistics	Level 3	DCF and income capitalisation method	Net market rent (per sqm p.a.)	$73 – 505	$69 – 484
			10 year average market rental growth	2.67 - 3.55%	1.77 – 3.71%
			Adopted capitalisation rate	3.75 - 6.75%	4.75 – 6.75%
			Adopted terminal yield	4.00 - 6.75%	5.00 – 7.25%
			Adopted discount rate	5.50 - 7.00%	6.75 – 7.75%
Properties under development	Level 3	Income capitalisation method	Net market rent (per sqm p.a.)	$100 – 489	$105 – 280
			Adopted capitalisation rate	4.50 – 5.75%	5.25 – 6.0%

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 as the fair value of the property.

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.

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.

8. COMMUNITIES INVESTMENT PROPERTY

LAND LEASE COMMUNITIES (LLC)

Stockland is developing a portfolio of LLC to further broaden its product offering. On 17 August 2021, Stockland acquired control of 100% of Halcyon Group's land lease communities which includes six established communities with a further four under development and three in planning.

LLC homes are typically built on site and are engineered to be relocatable. Residents pay an initial purchase price for the home and 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 broaden the customer reach of Stockland's existing communities by offering an affordable product to a growing demographic.

The land retained by Stockland at each community is recognised at fair value within investment property. Any change in fair value of the land on initial settlement of the homes is recognised as a net change in fair value of Retirement Living investment properties and is included in FFO. Any subsequent changes in fair value are excluded from FFO.

The clubhouse facilities are recognised at cost as property, plant and equipment and depreciated over the asset's expected useful life. An element of revenue received on the sale of each home is deemed to be earned in the provision of access to these facilities and is amortised over the same expected useful life. The costs of the home and associated civil works are recognised within inventory and allocated to cost of sales using the WOL methodology set out in note 6.

RETIREMENT LIVING

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

DMF contracts allow residents to access the full lifestyle offering of a village today and pay for this when they leave the village. Each state and territory has extensive laws and regulations that 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 centre, and allows the resident to pay for these at the end of their tenancy. DMF revenue is included in Retirement Living FFO only 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 revenue forms part of statutory profit only and not FFO. 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 and 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

'Capital Share' contracts offer the resident the opportunity to offset DMF by receiving 50% of any capital gain earned net of 50% of any capital expenditure, 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's exit repayment is reduced by 50% of the loss arising. DMF is calculated at 5% per annum, capped at 35%.

'Peace of Mind' contracts offer certainty by ensuring residents know what the exit repayment will be when they leave a 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 resold. DMF is calculated at 5% per annum, capped at 25%, and there are no capital expenditure deductions 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 holds Aspire villages at cost within inventory and recognises profit based on property development sales revenue net of associated cost of property developments sold.

Net carrying value

As at 30 June	Stockland	
$M	2021	2020
Operating villages	**3,438**	3,717
Villages under development	**123**	219
Retirement Living investment properties	**3,561**	**3,936**
Existing resident obligations	**(2,506)**	(2,682)
Net carrying value of Retirement Living investment properties	**1,055**	1,254
Land Lease Communities under development	**39**	–
Net carrying value of Communities investment properties	**1,094**	**1,254**
Net carrying value movement during the year		
Balance at 1 July	**1,254**	1,405
Expenditure capitalised	**78**	58
Cash received on first sales	**(86)**	(131)
Realised investment properties fair value movements	**13**	14
Unrealised investment properties fair value movements[1]	**(74)**	(152)
Unrealised Retirement Living resident obligations fair value movements	**(18)**	22
Other movements[2]	**(73)**	38
Balance at 30 June	**1,094**	1,254

1 Includes an $11 million fair value gain (30 June 2020: $24 million loss) on discounting of vacant stock not expected to settle within the next 12 months, with a $13 million discount applied at 30 June 2021 compared to a $24 million discount at 30 June 2020.
2 Includes the impact of villages disposed on 18 December 2020.

8A. Investment properties

Communities investment properties comprise LLC (communities under development only at this point in time) and retirement villages (both operating villages and villages under development) held to earn revenue and capital appreciation over the long-term. LLC comprise the fair value of the land component retained by Stockland at each community. Retirement villages include ILUs, SAs, community facilities and integral plant and equipment.

DISPOSALS

During the year, Stockland disposed of four villages located in Victoria for a combined total proceeds of $89 million, payable over two instalments in FY21 and FY22.

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.

The following significant unobservable inputs are used to measure the fair value of the investment properties:

Inputs used to measure fair value	2021	2020
Discount rate[1]	**12.50 – 15.75% (average: 13.2%)**	12.50 – 15.75% (average: 13.2%)
Average 20 year growth rate[2]	**3.00%**	3.20%
Average length of stay of existing and future residents	**11 years**	11 years
Current market value of unit	**$0.1 – 2.3 million**	$0.1 – 2.2 million
Renovation/reinstatement cost	**$6 – 90 thousand**	$4 – 88 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%.

COVID-19 created a level of uncertainty in relation to the inputs underpinning the Retirement Living investment property valuation. 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 and trends seen between COVID-19 lockdowns.

The Directors have determined, based on the available information at 30 June 2021 and the information arising since that date about conditions at that date, that all relevant information has been incorporated into the reported valuations.

In addition, the sensitivity of key drivers to further fair value movements as a result of the evolving economic and operating conditions has been analysed across the carrying value of Retirement Living investment properties at 30 June 2021. 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 2021.

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	(61)	63	22	(21)	(90)

1 The average 3 year price growth rate underpinning the 30 June 2021 valuation is 2.5%.

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 2021, incorporated current market considerations. 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.

8B. 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% (2020: 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	2021			2020		
$M	Current	Non-current	Total	Current	Non-current	Total
Existing resident obligations	**2,446**	**60**	**2,506**	2,587	95	2,682
Former resident obligations	**2**	**4**	**6**	7	6	13
Resident obligations	**2,448**	**64**	**2,512**	2,594	101	2,695

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:

As at 30 June	Stockland	
$M	2021	2020
Opening balance	**(2,695)**	**(2,597)**
Realised movement recognised in profit or loss	**358**	**67**
Unrealised movement recognised in profit or loss	**(18)**	**22**
Cash receipts from incoming residents on turnover	**(326)**	**(332)**
Cash payments to outgoing residents on turnover, net of DMF	**169**	**145**
Closing balance	**(2,512)**	**(2,695)**

VALUATION PROCESS

It is impractical to have the resident obligations valued externally, therefore these are valued every six months by the Directors. 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 current market value assumption is shown below:

		Increase/(decrease) in resident obligations ($M)			
As at 30 June		Increase in input		Decrease in input	
Significant input	Change in assumption	2021	2020	2021	2020
Current market value	10%	**147**	170	**(147)**	(170)

9. RECEIVABLES

As at 30 June	Stockland		Trust	
$M	2021	2020	2021	2020
Trade receivables[1]	65	115	25	32
Allowance for expected credit loss	(21)	(22)	(20)	(20)
Net current trade receivables	44	93	5	12
Other receivables	88	21	14	14
Allowance for expected credit loss	(7)	(5)	(7)	(5)
Net other receivables	81	16	7	9
Straight–lining of rental income	5	8	4	9
Current receivables	130	117	16	30
Trade receivables[1]	1	27	1	27
Allowance for expected credit loss	–	(13)	–	(13)
Net non–current trade receivables	1	14	1	14
Straight–lining of rental income	67	61	65	61
Other receivables	104	42	56	11
Receivables due from related companies	–	–	2,647	3,005
Allowance for expected credit loss	–	–	(7)	(7)
Non–current receivables	172	117	2,762	3,084

1 Lease receivables from tenants total $26 million (2020: $73 million), of which $1 million (2020: $27 million) is classified as non-current.

The loss allowances for trade receivables and the intergroup loan as at 30 June 2021 reconcile to the opening loss allowances as follows:

	Stockland		Trust	
$M	2021	2020	2021	2020
Opening ECL balance	40	2	45	10
Provision raised during the year	26	40	26	38
Provision released during the year	(34)	–	(33)	(1)
Bad debts written off in the year[1]	(4)	(2)	(4)	(2)
Closing ECL balance	28	40	34	45

1 Rent abatements driven by COVID-19 of $20 million were also expensed in the current year (FY20: $29 million).

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 introduced a Commercial Code of Conduct[2] (Code) in April 2020 which required, among other things, that businesses share the economic impacts arising from COVID-19, and was given effect by state and territory legislation. As a result,

2 National Cabinet Mandatory Code of Conduct - SME Commercial Leasing Principles During COVID-19

Stockland has deferred rent payments from some tenants for a period of up to two years. Terms were negotiated on a lease-by-lease basis for tenants that came under the Code. In addition, Stockland undertook negotiations with tenants who were not covered by the Code but had experienced significant financial hardship. The various state and territory regimes implementing the Code concluded operation at the end of March 2021.

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:

- tenant type and size;
- performance of the tenant's business before and during COVID-19;
- management's forward-looking tenant risk assessment; and
- ageing of the tenant's outstanding debt.

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 2021 based on the historical, current and future-looking information available at that date. Depending on emerging conditions and the business performance of affected tenants after 30 June 2021, the actual losses may be higher or lower and will be assessed on an ongoing basis.

Further, for specific 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 2021, Stockland intends to collect as much of the closing receivables balance as reasonably possible.

Rent abatements relating to future periods that change the scope of a lease are accounted for in accordance with the disclosure in Note 12.

The table below sets out the lease receivables position by risk category as at 30 June 2021:

	Stockland and Trust				
$M	**Low**	**Medium**	**High**	**Specific**	**Total**
Lease receivables at 30 June 2021	**2**	**8**	**2**	**14**	**26**
ECL provision on lease receivables					**(20)**
Lease receivables net of provisions					**6**

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 intergroup 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.

10. PAYABLES

As at 30 June		**Stockland**		**Trust**	
$M	**Note**	**2021**	**2020**	**2021**	**2020**
Trade payables and accruals		**305**	262	**109**	91
Land purchases		**52**	70	**–**	35
Distributions payable	4	**318**	253	**318**	253
GST payable/(receivable)		**10**	8	**2**	(1)
Current payables		**685**	593	**429**	378
Other payables		**4**	1	**–**	–
Land purchases		**223**	189	**–**	–
Non-current payables		**227**	190	**–**	–

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.

11. OTHER LIABILTIES

As at 30 June	Stockland		Trust	
$M	**2021**	**2020**	**2021**	**2020**
Land purchases	**49**	–	**–**	–
Other liabilities	**80**	59	**26**	16
Current other liabilities	**129**	59	**26**	16
Land purchases	**484**	318	**–**	–
Other liabilities	**52**	55	**26**	28
Non-current other liabilities	**536**	373	**26**	28

LAND PURCHASES

During the year, as part of its normal restocking process, Stockland acquired land on deferred terms from vendors who subsequently entered into reverse factoring arrangements with financiers in order to receive their aggregated deferred payments early. To comply with an IFRIC agenda decision published on 14 December 2020, all future amounts payable under these arrangements have been recognised on the balance sheet within other liabilities rather than payables, which continues to be the treatment for traditional land creditor transactions.

During the prior financial year, Stockland acquired a separate parcel of land from another vendor that entered into a similar arrangement. All future amounts due in respect of that transaction have been reclassified from payables to other liabilities as well, and as a result comparative figures have been restated to ensure consistency of presentation throughout the financial report.

12. LEASES

This note provides information about Stockland's accounting for leases under AASB 16 *Leases*.

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	**2021**	**2020**	**2021**	**2020**
Right-of-use assets				
Investment properties (non-current)[1]	**26**	27	**26**	27
Other assets (non-current)[2]	**13**	14	**–**	–
Total right-of-use assets	**39**	41	**26**	27
Lease liabilities				
Other liabilities (current)	**2**	2	**–**	–
Other liabilities (non-current)	**39**	41	**27**	28
Total lease liabilities	**41**	43	**27**	28

1 Right-of-use assets capitalised to investment properties include ground leases for Durack Centre, WA.
2 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 $nil (2020: $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	2021	2020	2021	2020
Depreciation charge of right-of-use assets				
Investment properties	**1**	1	**1**	1
Other assets	**1**	1	**–**	–
Total depreciation charge of right-of-use assets	**2**	2	**1**	1
Other expenses relating to leases				
Interest expense (included in finance expense)	**2**	2	**1**	2
Expense relating to short-term leases (included in management, administration, marketing and selling expenses)	**2**	2	**–**	–
Total other expenses relating to leases	**4**	4	**1**	2

The total cash outflow for leases in the year was $7 million (2020: $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 7 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 7.

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	2021	2020	2021	2020
Undiscounted lease payments due to Stockland or the Trust in the years ending 30 June:				
2021	**n/a**	638	**n/a**	646
2022	**617**	552	**620**	562
2023	**483**	440	**486**	450
2024	**383**	337	**380**	341
2025	**287**	232	**283**	232
2026	**217**	n/a	**213**	n/a
Beyond 2026 (2020: Beyond 2025)	**838**	808	**818**	806
Total undiscounted lease payments due:	**2,825**	3,007	**2,800**	3,037

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 2021. Refer to note 9 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 2021, an estimate of the expected abatement on the outstanding balance is made and incorporated into the expected credit loss calculation - see note 9.

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.

13. INTANGIBLE ASSETS

This note provides information about Stockland's accounting for intangible assets. An IFRIC agenda decision issued in April 2021 required companies to make a retrospective change to their accounting policies in relation to the accounting treatment of configuration or customisation costs in a SaaS arrangement. Stockland has adopted this decision and implemented the change required, including the restatement of the prior year comparative information. See note 36C for the impact of this change in policy.

The consolidated balance sheet contains the following amounts relating to intangible assets:

	Stockland							
As at 30 June	**2021**				**(Restated) 2020[1]**			
$M	**Goodwill**	**Software**	**Under development**	**Total**	**Goodwill**	**Software**	**Under development**	**Total**
Cost								
Opening balance	**117**	**20**	**66**	**203**	117	19	58	194
Additions	**–**	**72**	**15**	**87**	–	1	10	11
Transfer	**–**	**–**	**(75)**	**(75)**	–	–	(2)	(2)
Closing balance	**117**	**92**	**6**	**215**	117	20	66	203
Accumulated amortisation and impairment								
Opening balance	**(117)**	**(14)**	**–**	**(131)**	(79)	(11)	–	(90)
Amortisation	**–**	**(7)**	**–**	**(7)**	–	(3)	–	(3)
Impairment	**–**	**–**	**–**	**–**	(38)	–	–	(38)
Closing balance	**(117)**	**(21)**	**–**	**(138)**	(117)	(14)	–	(131)
Intangible assets	**–**	**71**	**6**	**77**	–	6	66	72

1 Restated as a result of a retrospective change in accounting policy following an IFRIC agenda decision on accounting for SaaS arrangements published on 27 April 2021. Refer to note 36C for further detail on the impact of this change in accounting policy.

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 it 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 prior year, 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 LLC 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% (2020: 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.

14. NON-CURRENT ASSETS HELD FOR SALE

As at 30 June	Stockland		Trust	
$M	2021	2020	2021	2020
Investment properties transferred from Commercial Property	**166**	469	**166**	469
Non-current assets held for sale	**166**	469	**166**	469

The following investment properties were held for sale at 30 June 2021:

- Stockland Bundaberg, Bundaberg QLD
- Nathan St, Townsville QLD, a property within the Stockland Townsville complex, Townsville QLD
- Sundry properties at Balcatta WA and Caloundra QLD

Contracts for the sale of the properties were exchanged before 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 2020:

- Balcatta Distribution Centre, Balcatta WA
- North Shore Townsville, Townsville QLD
- Stockland Baulkham Hills, Baulkham Hills NSW
- Stockland Caloundra, Caloundra QLD
- Stockland The Pines, Doncaster East VIC

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.

Capital structure and financial risk management

IN THIS SECTION

This section outlines how Stockland manages the market, credit and liquidity risk associated with its capital structure and related financing costs.

Capital management

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 global 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.

Stockland's capital structure is monitored through its gearing ratio and the Board maintains a capital structure to minimise the overall 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.

Financial risk

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.

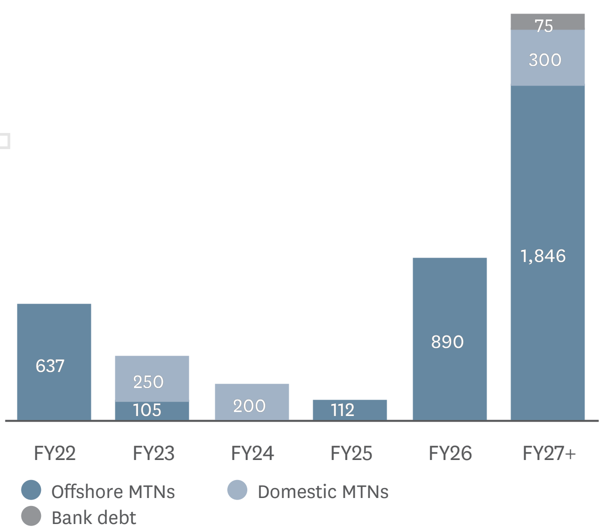
Borrowings

The Trust borrows money from financial institutions and debt investors globally in the form of bonds, bank debt and other financial instruments. As a result, 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.

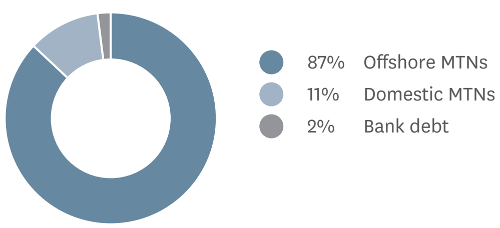
The Group continues to meet both the general and financial undertakings required under its financing arrangements, even in this COVID-19 affected environment. Furthermore, there has been no change in the Group's hedging policy with the resulting derivative portfolios operating as expected and in line with market movements.

The composition and maturity profile for the Group's drawn debt of $4.4 billion is shown below at face value:

Drawn debt maturity profile[1]



Drawn debt composition %[1]



1 Face value in AUD at 30 June 2021 after the effect of the CCIRS.

15. BORROWINGS

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 2021 and up to the date of authorisation of these accounts.

The weighted average cost of debt for the year was 3.7% (2020: 4.0%).

		Stockland and Trust							
As at 30 June		**2021**				**2020**			
$M	**Note**	**Current**	**Non-current**	**Carrying value**	**Fair value**	**Current**	**Non-current**	**Carrying value**	**Fair value**
Offshore medium term notes	15A	**760**	**3,172**	**3,932**	**4,013**	102	4,227	4,329	4,594
Domestic medium term notes and commercial paper	15B	**–**	**747**	**747**	**780**	170	448	618	673
Bank facilities	15C	**–**	**75**	**75**	**75**	–	75	75	75
Borrowings		**760**	**3,994**	**4,754**	**4,868**	272	4,750	5,022	5,342

The difference of $114 million (2020: $320 million) between the carrying amount and fair value of the offshore medium term notes, commercial paper and domestic medium term notes (MTN) is due to notes being carried at amortised cost under AASB 9.

15A. Offshore medium term notes

The Trust has issued fixed coupon notes in the US private placement market and under its Euro MTN program in Europe and Asia. These notes have been issued in USD, EUR and HKD and converted back to Australian dollars (AUD or $) principal and AUD floating coupons through CCIRS.

As at 30 June 2021, the fair value of the US private placements and Eurpoean and Asian MTNs is $2,363 million (2020: $2,868 million) and $1,650 million (2020: $1,726 million) respectively.

15B. Domestic medium term notes and commercial paper

Domestic medium term notes and commercial paper 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.

15C. Bank facilities

Bank facilities are multi-use facilities which may be used partially for bank guarantees. Bank facilities are unsecured and held at amortised cost. As at 30 June 2021, Stockland and the Trust have undrawn bank facilities of $1,150 million (2020: $1,575 million) of which $450 million is due to expire within 12 months of balance sheet date.

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances, at call deposits and other short-term investments. Included in the cash and cash equivalents balance of $1,162 million is $92 million (2020: $59 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.

17. 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 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 2020 and 30 June 2021. 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	**2021**	**2020**	**2021**	**2020**
Interest income from related parties	**–**	–	**193**	229
Interest income from other parties	**4**	2	**3**	1
Finance income	**4**	2	**196**	230
Interest expense relating to borrowings	**(158)**	(174)	**(158)**	(173)
Interest paid or payable on other financial liabilities at amortised cost	**(39)**	(33)	**–**	–
Finance expense on lease liabilities	**(2)**	(2)	**(1)**	(2)
Less: interest capitalised to inventories	**99**	114	**–**	–
Less: interest capitalised to investment properties	**10**	7	**9**	6
Finance expense	**(90)**	(88)	**(150)**	(169)
Designated hedge accounting relationships				
Fair value hedges – gain/(loss) on change in fair value of derivatives	**(322)**	177	**(322)**	177
Fair value hedges – gain/(loss) on change in fair value of borrowings	**310**	(200)	**310**	(200)
Net gain/(loss) on designated hedge accounting relationships	**(12)**	(23)	**(12)**	(23)
Non-designated hedge accounting relationships				
Gain/(loss) on foreign exchange movements	**6**	(3)	**6**	(3)
Gain/(loss) on fair value movements	**69**	(83)	**69**	(83)
Net gain/(loss) on non-designated hedge accounting relationships	**75**	(86)	**75**	(86)
Net gain/(loss) on financial instruments	**63**	(109)	**63**	(109)

Finance income is recognised in profit or loss as it accrues using the effective interest method.

Finance expense includes interest payable on short-term and long-term borrowings calculated using the effective interest method and payments of interest on derivatives. These 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 6.

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 notes 18 and 19.

18. OTHER FINANCIAL ASSETS AND LIABILITIES

KEEPING IT SIMPLE

Other financial assets are managed in accordance with Stockland's documented risk policy. Based on the nature of the assets and their purpose, movements in the fair value of other financial assets are recognised either through profit or loss or other comprehensive income.

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				Trust			
As at 30 June	Other financial assets		Other financial liabilities		Other financial assets		Other financial liabilities	
$M	2021	2020	2021	2020	2021	2020	2021	2020
Instruments in a designated fair value hedge[1]								
CCIRS	**73**	–	–	–	**73**	–	–	–
Instruments in a designated cash flow hedge[1]								
CCIRS	**41**	–	**–**	–	**41**	–	**–**	–
Instruments held at fair value through profit or loss								
CCIRS	**10**	11	**–**	–	**10**	11	**–**	–
IRS	**–**	4	**(3)**	–	**–**	4	**(3)**	–
Current	**124**	15	**(3)**	–	**124**	15	**(3)**	–
Instruments in a designated fair value hedge								
CCIRS	**185**	551	**(50)**	(23)	**185**	551	**(50)**	(23)
IRS	**–**	5	**–**	–	**–**	5	**–**	–
Instruments in a designated cash flow hedge								
CCIRS	**12**	105	**(36)**	(16)	**12**	105	**(36)**	(16)
IRS	**–**	–	**–**	–	**–**	–	**–**	–
Instruments held at fair value through profit or loss								
CCIRS	**13**	34	**–**	–	**13**	34	**–**	–
IRS	**18**	29	**(174)**	(274)	**18**	29	**(174)**	(274)
Other[2]	**15**	10	**–**	–	**–**	–	**–**	–
Non-current	**243**	734	**(260)**	(313)	**228**	724	**(260)**	(313)

1 No current interest rate swaps are in designated hedge relationships.
2 Other financial assets include investments by the Corporation in Stockland Care Foundation Trust and other third party digital start-up entities.

DERIVATIVE FINANCIAL INSTRUMENTS

Stockland holds a number of derivative instruments including interest rate swaps, forward exchange contracts and CCIRS to manage its exposures. 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 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.

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.

Derivative financial instruments are recognised initially at fair value and remeasured 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 gain or loss on remeasurement 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 with 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 $139 million (2020: $258 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.

Cross currency interest rate swaps hedging foreign currency borrowings are designated in either dual fair value and cash flow hedges or fair value hedges only.

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 remeasurement to fair value of these instruments are recognised immediately in profit or loss.

Stockland and Trust

As at 30 June $M	Borrowings: Carrying amount 2021	Carrying amount 2020	Move-ments	(Repaid) Drawn	Changes in desig-nation	Gain/ (loss) on FV of debt	Derivatives: Mark to market 2021	Mark to market 2020	Move-ments	Cash flow hedge reserve impact	Gain/ (loss) on FV of deriva-tives	Net gain/ (loss) recog-nised in profit or loss
US Dollar	**2,278**	2,647	**(369)**	**(90)**	**–**	**279**	**224**	529	**(305)**	**(20)**	**(284)**	**(5)**
• *Effective*	***1,855***	*2,176*	***(321)***	**–**	***(57)***	***264***	***201***	*483*	***(282)***	***(20)***	***(261)***	***3***
• *Other*[1]	***423***	*471*	***(48)***	***(90)***	***57***	***15***	***23***	*46*	***(23)***	**–**	***(23)***	***(8)***
Euro[2]	**987**	1,028	**(41)**	**–**	**–**	**41**	**51**	95	**(44)**	**(1)**	**(43)**	**(2)**
HK Dollar[2]	**679**	669	**10**	**66**	**–**	**56**	**(28)**	42	**(70)**	**(2)**	**(68)**	**(12)**
Foreign exposure	**3,944**	4,344	**(400)**	**(24)**	**–**	**376**	**247**	666	**(419)**	**(22)**	**(395)**	**(19)**
AUD bank debt	**75**	75	**–**	**–**	**–**	**–**	**–**	–	**–**	**–**	–	**–**
AUD MTNs and commercial paper	**750**	620	**130**	**130**	**–**	**–**	**–**	–	**–**	**–**	–	**–**
AUD IRS	**–**	–	**–**	**–**	**–**	**–**	**(159)**	(241)	**82**	**–**	**82**	**82**
Borrowing costs	**(15)**	(16)	**1**	**–**	**–**							
Total[3]	**4,754**	5,022	**(268)**	**106**	**–**	**376**	**89**	426	**(337)**	**(22)**	**(313)**	**63**

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.

RECONCILIATION OF CASH FLOW HEDGE RESERVE

Year ended 30 June $M	Stockland 2021	Stockland 2020	Trust 2021	Trust 2020
Opening cash flow hedge reserve	**(27)**	54	**(27)**	54
Net change in fair value of cash flow hedges	**(74)**	(75)	**(74)**	(75)
Reclassified to profit or loss	**52**	(6)	**52**	(6)
Closing cash flow hedge reserve	**(49)**	(27)	**(49)**	(27)

19. 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 and derivatives, 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 following table sets out the financial instruments included on the balance sheet at fair value:

Stockland								
As at 30 June	2021				2020			
$M	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivative assets	–	352	–	352	–	739	–	739
Other investments	15	–	–	15	10	–	–	10
Financial assets carried at fair value	15	352	–	367	10	739	–	749
Offshore MTNs[1]	–	(3,521)	–	(3,521)	–	(3,873)	–	(3,873)
Derivative liabilities	–	(263)	–	(263)	–	(313)	–	(313)
Retirement Living resident obligations	–	–	(2,512)	(2,512)	–	–	(2,695)	(2,695)
Financial liabilities carried at fair value	–	(3,784)	(2,512)	(6,296)	–	(4,186)	(2,695)	(6,881)
Net position	15	(3,432)	(2,512)	(5,929)	10	(3,447)	(2,695)	(6,132)

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	2021				2020			
$M	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Derivative assets	–	352	–	352	–	739	–	739
Financial assets carried at fair value	–	352	–	352	–	739	–	739
Offshore MTNs[1]	–	(3,521)	–	(3,521)	–	(3,873)	–	(3,873)
Derivative liabilities	–	(263)	–	(263)	–	(313)	–	(313)
Financial liabilities carried at fair value	–	(3,784)	–	(3,784)	–	(4,186)	–	(4,186)
Net position	–	(3,432)	–	(3,432)	–	(3,447)	–	(3,447)

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 with a single counterparty.

The following table shows a reconciliation from the opening to closing balances for fair value measurements in Level 3 of the fair value hierarchy.

	Stockland							
	2021				2020			
$M	Securities in unlisted entities	Derivatives	Retirement Living resident obligations	Total	Securities in unlisted entities	Derivatives	Retirement Living resident obligations	Total
Balance at 1 July	–	–	**(2,695)**	**(2,695)**	8	–	(2,597)	(2,589)
Gains/losses recognised in profit or loss	–	–	**340**	**340**	–	–	89	89
Cash receipts from incoming residents on turnover	–	–	**(326)**	**(326)**	–	–	(332)	(332)
Cash payments to outgoing residents on turnover, net of DMF	–	–	**169**	**169**	–	–	145	145
Capital distribution	–	–	–	–	(8)	–	–	(8)
Balance at 30 June	–	–	**(2,512)**	**(2,512)**	–	–	(2,695)	(2,695)

	Trust							
	2021				2020			
$M	Securities in unlisted entities	Derivatives	Retirement Living resident obligations	Total	Securities in unlisted entities	Derivatives	Retirement Living resident obligations	Total
Balance at 1 July	–	–	–	–	8	–	–	8
Capital distribution	–	–	–	–	(8)	–	–	(8)
Balance at 30 June	–	–	–	–	–	–	–	–

20. 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 program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on financial performance.

The sensitivity analysis included in this note shows the impact that a shift in the financial risks would have on the financial statements at balance date, 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.

20A. 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 financial instrument holdings. 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 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 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 18.

The effects of foreign currency-related hedging instruments on the Group's financial position and performance are as follows:

	Stockland and Trust	
As at 30 June	**2021**	**2020**
Carrying amount	**3,521**	3,873
Notional amount	**3,181**	3,180
Maturity date	**Sep 2021 – Mar 2036**	Jul 2020 – May 2034
Hedge ratio	**1:1**	1:1
Change in discounted spot value of outstanding hedging instruments since inception of the hedge	**224**	632
Change in value of hedged item used to determine hedge ineffectiveness	**(296)**	(627)
Weighted average hedged rate for outstanding hedged instruments against AUD$1	**USD 0.81**	USD 0.81
	HKD 5.59	HKD 5.54
	EUR 0.66	EUR 0.66

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 (2020: 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							
	2021				2020			
As at 30 June	Profit or loss		Equity		Profit or loss		Equity	
$M	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
EUR	**–**	**–**	**(3)**	**4**	–	–	(4)	4
HKD	**–**	**–**	**(5)**	**7**	–	–	(6)	7
USD	**(1)**	**1**	**(13)**	**16**	(1)	2	(11)	14
Impact	**(1)**	**1**	**(21)**	**27**	(1)	2	(21)	25

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. The Trust manages its interest rate risk through CCIRS and fixed-to-floating interest rate swaps.

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 (2020: 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	2021		2020		2021		2020	
$M	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Impact on interest income/(expense)	**12**	**(12)**	5	(5)	**37**	**(37)**	33	(33)
Impact on net gain/(loss) on derivatives – through profit or loss	**113**	**(121)**	133	(143)	**113**	**(121)**	133	(143)
Impact on profit or loss	**125**	**(133)**	138	(148)	**150**	**(158)**	166	(176)
Impact on equity	**7**	**(7)**	11	(11)	**7**	**(7)**	11	(11)

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	2021		2020		2021		2020	
$M	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Impact on profit or loss	**1**	**(1)**	1	(1)	**1**	**(1)**	1	(1)
Impact on equity	**–**	**–**	–	–	**–**	**–**	–	–

20B. 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 with 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 2021, 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 2021 and 30 June 2020, 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 9 for details of the loss allowances recognised on trade receivables and the intercompany loan.

20C. 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. At 30 June 2021, the current weighted average debt maturity is 5.3 years (2020: 5.7 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 19 for the fair value of the derivative assets to provide a meaningful analysis of Stockland and Trust total derivatives.

As at	Stockland					
$M	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	Over 5 years
30 June 2021						
Non-derivative						
Payables (excl. GST)	**(584)**	**(584)**	**(357)**	**(107)**	**(30)**	**(90)**
Other liabilities	**(533)**	**(533)**	**(49)**	**(48)**	**(161)**	**(275)**
Lease liabilities	**(41)**	**(41)**	**(2)**	**(2)**	**(7)**	**(30)**
Distributions payable	**(318)**	**(318)**	**(318)**	**–**	**–**	**–**
Borrowings	**(4,754)**	**(5,402)**	**(908)**	**(493)**	**(1,555)**	**(2,446)**
Retirement Living resident obligations[1]	**(2,512)**	**(2,512)**	**(2,448)**	**–**	**–**	**(64)**
Derivative						
Interest rate derivatives	**(177)**	**(186)**	**(38)**	**(45)**	**(80)**	**(23)**
CCIRS	**(86)**					
• Inflows		**687**	**17**	**17**	**143**	**510**
• Outflows		**(794)**	**(20)**	**(21)**	**(171)**	**(582)**
Financial liabilities	**(9,005)**	**(9,683)**	**(4,123)**	**(699)**	**(1,861)**	**(3,000)**
30 June 2020						
Non-derivative						
Payables (excl. GST)	(521)	(521)	(332)	(56)	(70)	(63)
Other liabilities	(318)	(318)	–	(38)	(107)	(173)
Lease liabilities	(43)	(43)	(2)	(2)	(6)	(33)
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)

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	Trust					
$M	Carrying amount	Contractual cash flows	1 year or less	1 – 2 years	2 – 5 years	Over 5 years
30 June 2021						
Non-derivative						
Payables (excl. GST)	**(109)**	**(109)**	**(109)**	**–**	**–**	**–**
Lease liabilities	**(27)**	**(27)**	**–**	**(1)**	**(1)**	**(25)**
Dividends and distributions payable	**(318)**	**(318)**	**(318)**	**–**	**–**	**–**
Borrowings	**(4,754)**	**(5,402)**	**(908)**	**(493)**	**(1,555)**	**(2,446)**
Derivative		**–**				
Interest rate derivatives	**(177)**	**(186)**	**(38)**	**(45)**	**(80)**	**(23)**
CCIRS	**(86)**	**–**				
• Inflows		**687**	**17**	**17**	**143**	**510**
• Outflows		**(794)**	**(20)**	**(21)**	**(171)**	**(582)**
Financial liabilities	**(5,471)**	**(6,149)**	**(1,376)**	**(543)**	**(1,664)**	**(2,566)**
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)

21. ISSUED CAPITAL

KEEPING IT SIMPLE

This note explains material movements recorded in issued capital that are not explained elsewhere in the financial statements. The balances and movements in equity of Stockland 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 2021	Stockland and Trust Number of securities 2020	Stockland $M 2021	Stockland $M 2020	Trust $M 2021	Trust $M 2020
Ordinary securities on issue						
Issued and fully paid	**2,387,171,662**	2,384,351,503	**8,692**	8,692	**7,393**	7,393
Other equity securities						
Treasury securities	**(3,517,364)**	(5,147,539)	**(29)**	(36)	**(28)**	(35)
Issued capital	**2,383,654,298**	2,379,203,964	**8,663**	8,656	**7,365**	7,358

21A. Movements in ordinary securities

As at 30 June	Stockland and Trust Number of securities 2021	Stockland and Trust Number of securities 2020	Stockland $M 2021	Stockland $M 2020	Trust $M 2021	Trust $M 2020
Opening balance	**2,384,351,503**	2,384,351,503	**8,692**	8,692	**7,393**	7,393
Securities issued during the year	**2,820,159**	–	**–**	–	**–**	–
Closing balance	**2,387,171,662**	2,384,351,503	**8,692**	8,692	**7,393**	7,393

On 27 August 2020, Stockland issued 576,983 fully paid ordinary stapled securities pursuant to the vesting of performance rights under Stockland's long-term incentive plan.

On 6 October 2020, Stockland issued:

- 330,638 fully paid ordinary stapled securities pursuant to Stockland's Tax Exempt Employee Security Plan to eligible employees; and
- 1,822,538 fully paid ordinary stapled securities pursuant to vesting of performance rights under Stockland's deferred short-term incentive plan.

On 23 March 2021, Stockland issued a further 90,000 fully paid ordinary stapled securities pursuant to its long-term incentive plan.

21B. 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 2021	Stockland and Trust Number of securities 2020	Stockland $M 2021	Stockland $M 2020	Trust $M 2021	Trust $M 2020
Opening balance	**5,147,539**	6,691,865	**(36)**	(35)	**(35)**	(34)
Securities acquired[1]	**895,776**	2,910,142	**(4)**	(13)	**(3)**	(12)
Securities transferred to employees on vesting	**(2,525,951)**	(4,454,468)	**11**	12	**10**	11
Closing balance	**3,517,364**	5,147,539	**(29)**	(36)	**(28)**	(35)

1 Average price: $3.91 per security (2020: $4.37).

21C. 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. For FY21, grants may vest based on a relative TSR performance measure over a three-year performance period, provided employment continues to the applicable vesting date. In prior years, two equally-weighted performance measures were used, being underlying EPS growth and relative TSR. 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.

Tax exempt employee security 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	**2021**	**2020**	**2021**	**2020**
Opening balance	**$3.23**	$3.25	**11,061,448**	8,801,524
Granted during the year	**$3.22**	$3.58	**6,792,106**	4,816,864
Forfeited and lapsed during the year	**$2.75**	$3.31	**(3,292,107)**	(685,391)
Rights converted to vested Stockland stapled securities	**$4.15**	$4.18	**(2,603,051)**	(1,871,549)
Outstanding at the end of the year	**$3.16**	$3.23	**11,958,396**	11,061,448

LTI

The fair value of LTI rights is measured at grant date using the Monte Carlo Simulation option pricing model 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 2021 was 3,763,407 (2020: 3,490,356). 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	2021	2020
Grant date	**25 February 2021**	1 July 2019
Fair value of rights granted under plan	**$2.71**	$2.61
Securities spot price at grant date	**$4.39**	$4.21
Exercise price	**–**	–
Distribution yield	**6.17%**	6.38%
Risk-free rate at grant date	**0.11%**	0.98%
Expected remaining life at grant date	**2.35 years**	3.00 years
Volatility of Stockland	**31%**	17%
Volatility of index price	**21%**	14%

The LTI rights outstanding as at 30 June 2021 of 8,586,568 (2020: 9,115,913), have a fair value ranging from $1.11 to $4.47 (2020:$1.11 to $4.47) per right and a weighted average restricted period remaining of 1.7 years (2020: 1.5 years).

During the year, 1,028,378 rights (2020: 129,560) vested and will convert to securities with a weighted average fair value of $4.18 per security (2020: $4.13).

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 2020 of $4.59 (2020: $4.47).

The DSTI outstanding as at 30 June 2021, included in the table above, are 3,082,420 (2020: 1,945,535). The DSTI outstanding have a fair value ranging from $2.72 to $5.12 (2020: $4.05 to $4.47) 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 tax 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.

22. INCOME TAX

22A. Income tax recognised in profit or loss

Year ended 30 June	Stockland	
$M	2021	(Restated) 2020
Current tax[1]	–	–
Adjustments for prior years	–	(4)
Current tax[1]	–	(4)
Tax losses utilised during the year[1]	(70)	(23)
Deferred tax recognised during the year	50	–
Origination and reversal of temporary differences	47	(18)
Deferred tax	27	(41)
Income tax in profit or loss	27	(45)

1 There is no current tax expense because tax and capital losses totalling $231.7 million (2020: $61.0 million) have been utilised to offset the Stockland Corporation Group's taxable income.

22B. Reconciliation of profit before tax to income tax recognised in profit or loss

Year ended 30 June	Stockland	
$M	2021	(Restated) 2020
Profit before tax	1,078	24
Less: Trust (profit)/loss before tax	(976)	62
Adjust for: intergroup eliminations	(12)	8
Profit before tax of Stockland Corporation Group	90	94
Prima facie income tax calculated at 30%	(27)	(28)
Impact on income tax recognised in profit or loss due to:		
Non-deductible expenses for the year	–	(12)
Other deductible expense for the current period	4	–
Other assessable income for the year	–	(1)
Under-provided in prior years	50	(4)
Income tax in profit or loss	27	(45)
Effective tax rate	(30%)	48%
Effective tax rate (excluding tax losses recognised)	(30%)	48%

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.

23. DEFERRED TAX

As at 30 June	Assets		Liabilities		Net	
$M	2021	(Restated) 2020	2021	2020	2021	2020
Inventories	**33**	46	**(165)**	(163)	**(132)**	(117)
Investment properties	**90**	6	**(431)**	(440)	**(341)**	(434)
Property, plant and equipment	**32**	32	**–**	–	**32**	32
Payables	**27**	6	**(1)**	–	**26**	6
Retirement Living resident obligations	**92**	92	**(81)**	(81)	**11**	11
Provisions	**15**	23	**–**	–	**15**	23
Leases	**0**	4	**–**	(4)	**–**	–
Reserves	**7**	7	**–**	–	**7**	7
Tax losses carried forward	**431**	494	**–**	–	**431**	494
Tax assets/(liabilities)[1]	**727**	710	**(678)**	(688)	**49**	22

1 Totals may not add due to rounding.

MOVEMENT IN TEMPORARY DIFFERENCES

As at 30 June		Recognised in			Recognised in		
$M	**2019**	**Retained earnings[1]**	**Profit or loss**	**(Restated) 2020**	**Retained earnings**	**Profit or loss**	**2021**
Inventories	(99)	–	(18)	(117)	–	**(15)**	**(132)**
Investment properties	(426)	(1)	(7)	(434)	–	**93**	**(341)**
Property, plant and equipment	3	25	4	32	–	–	**32**
Payables	13	(1)	(6)	6	–	**20**	**26**
Retirement Living resident obligations	14	–	(3)	11	–	–	**11**
Provisions	7	–	16	23	–	**(8)**	**15**
Reserves	7	–	–	7	–	–	**7**
Tax losses carried forward	521	(1)	(26)	494	–	**(63)**	**431**
Tax assets/(liabilities)[2]	40	22	(40)	22	–	**27**	**49**

1 Impact of adoption of new accounting standards recorded in retained earning on 1 July 2019.
2 Totals may not add due to rounding.

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 on 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.

24. 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 2021 or 30 June 2020.

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 25.

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	2021	2020	2021	2020
Aggregate carrying amount of individually immaterial joint ventures	**392**	354	**399**	361
Aggregate share of:				
• profit from continuing operations	**36**	72	**36**	71
• other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**36**	72	**36**	71

The ownership interest in each of these immaterial entities is presented below:

As at 30 June %	Stockland		Trust	
	2021	**2020**	**2021**	**2020**
Brisbane Casino Towers	**50**	50	**–**	–
Eagle Street Pier Pty Limited[1]	**–**	50	**–**	–
Fife Kemps Creek Trust	**50**	50	**50**	50
Macquarie Park Trust	**51**	51	**51**	51
Riverton Forum Pty Limited	**50**	50	**50**	50
Sequoia Victoria Trust	**50**	–	**50**	–
Stockland Fife Willawong Trust	**50**	50	**50**	50
Willeri Drive Trust[2]	**50**	50	**50**	50

1 This entity was deregistered on 19 August 2020.
2 Owner of Stockland Riverton, Riverton WA.

CHANGES TO JOINT VENTURES

During the year, Stockland entered into a joint venture with a special purpose vehicle (SPV) advised by J.P. Morgan Asset Management to acquire Logistics properties on the eastern seaboard. This SPV has received FIRB approval for an acquisition program.

There were no other changes to the above list of investments in joint ventures during the year.

25. OTHER ARRANGEMENTS

25A. 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.

SDRT No.1

At 1 July 2020, Stockland held an interest in a closed-end, unlisted property fund that invested in real estate assets in Australia for the purpose of generating investment income and for capital appreciation. The fund financed its operations through unitholder contributions and also through external banking facilities. The fund was determined to meet the definition of a structured entity.

At a unitholder meeting held on 8 March 2019, the unitholders passed a special resolution to terminate and wind-up SDRT No.1 (the Fund) and sell all of the properties or interests in the properties of the Fund. All properties in the Fund were sold during the prior year and the Fund was wound up on 25 July 2021.

As a result, at 30 June 2021 Stockland held nil interest (2020: 19.9%) in the Fund. In the prior year, Stockland's interest in the Fund was included in 'Other Financial Assets' on the balance sheet.

25B. 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.

26. 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 Development (Sub7) Pty Limited[1]
ARC Joint Ventures Pty. Ltd.[1]	Stockland Development Holding Trust
AW Bidco 1 Pty Limited[1]	Stockland Development Pty Limited[1]
AW Bidco 2 Pty Limited[1]	Stockland Direct Retail Trust No. 2
AW Bidco 4 Pty Limited[1]	Stockland Epping Retirement Village Pty Limited
AW Bidco 5 Pty Limited[1]	Stockland Eurofinance Pty Limited[1]
AW Bidco 6 Pty Limited[1]	Stockland Farrington Grove Retirement Village Pty Limited
AW Bidco No. 7 Pty Limited	Stockland Financial Services Pty Limited[1]
AW Bidco No. 8 Pty Limited	Stockland Golden Ponds Forster Pty Limited
AW Bidco No. 9 Pty Limited	Stockland Greenleaves Management Services Pty Limited
AW Bidco No. 10 Pty Limited	Stockland Greenleaves Village Pty Limited
AW Bidco No. 11 Pty Limited	Stockland Hibernian Investment Company Pty Limited[1]
AW Bidco No. 12 Pty Limited	Stockland Highett Pty Limited
AW Bidco No. 13 (NSW) Pty Limited	Stockland Highlands Pty Limited[1]
Bayview Road Property Trust	Stockland Highlands Retirement Village Pty Limited
Bellevue Gardens Trust	Stockland Holding Trust No. 3
Compam Property Management Pty Limited	Stockland Holding Trust No. 4
Eisha Pty Ltd	Stockland Holding Trust No. 5
Enaard Pty Ltd	Stockland Holding Trust No. 6
Endeavour (No. 2) Unit Trust	Stockland IOR Group Pty Limited[1]
Glengar Capital Pty Limited	Stockland Kawana Waters Pty Limited[1]
Glenmore Park Investments Pty Limited	Stockland Knox Village Pty Limited[1]
IOR Friendly Society Pty Limited[1]	Stockland Lake Doonella Pty Limited[1]
Jimboomba Trust	Stockland Land Lease Communities Holdings Pty Limited[1]
JT Bid Co No. 1 Pty Limited	Stockland Land Lease Landlord Pty Limited[1]
JT Bid Co No. 2 Pty Limited	Stockland Land Lease Management Pty Limited[1]
Knowles Property Management Unit Trust	Stockland LLC Aura Pty Limited
Knox Unit Trust	Stockland LLC Pty Limited
LAB-52 Bricklet Pty Limited	Stockland LLC General Pty Limited
LAB-52 Holdings Pty Limited	Stockland LLC Providence Pty Limited
LAB-52 SMRTR Pty Limited	Stockland LLC SLC SPV Pty Limited
LAB-52 Yodel Pty Limited	Stockland Lensworth Glenmore Park Limited[1]
Mayflower Investments Pty Ltd	Stockland Lincoln Gardens Pty Limited
Merrylands Court Pty Limited	Stockland Long Island Village Pty Limited[1]
Mulgoa Nominees Pty Limited	Stockland Management Limited
Northpoint No. 1 Trust	Stockland Maybrook Manor Pty Limited
Northpoint No. 2 Trust	Stockland Mernda Retirement Village Pty Limited
Northpoint No. 3 Trust	Stockland Miami (Fund) Unit Trust
Northpoint No. 4 Trust	Stockland Miami (Non-Fund) Unit Trust
Northpoint No. 5 Trust	Stockland Miami (QLD) Pty Limited[1]
Northpoint No. 6 Trust	Stockland Midlands Terrace Adult Community Pty Limited[1]

Nowra Property Unit Trust	Stockland Newport Retirement Village Pty Limited
Patterson Lakes Unit Trust	Stockland North Boambee Valley LLC Trust
Retirement Living Acquisition Trust	Stockland North Lakes Development Pty Limited[1]
Retirement Living Holding Trust No. 1	Stockland North Lakes Pty Limited[1]
Retirement Living Holding Trust No. 2	Stockland Oak Grange Pty Limited[1]
Retirement Living Holding Trust No. 3	Stockland Ormeau Trust
Retirement Living Holding Trust No. 4	Stockland Patterson Village Pty Limited[1]
Retirement Living Holding Trust No. 5	Stockland Pine Lake Management Services Pty Limited
Retirement Living Holding Trust No. 6	Stockland Pine Lake Village Pty Limited
Retirement Living Unit Trust No. 1	Stockland PR1 Trust
Retirement Living Unit Trust No. 2	Stockland PR2 Trust
Rogan's Hill Retirement Village Trust	Stockland PR3 Trust
SDRT 2 Property 1 Trust	Stockland PR4 Trust
SDRT 2 Property 2 Trust	Stockland Property Management Pty Ltd[1]
SDRT 2 Property 3 Trust	Stockland Property Services Pty Limited[1]
SDRT 2 Property 4 Trust	Stockland Queenslake Village Pty Limited
Stockland (Boardwalk Sub 2) Pty Limited	Stockland Retail Services Pty Limited[1]
Stockland (Queensland) Pty. Limited[1]	Stockland Retirement Pty Limited[1]
Stockland (Russell Street) Pty Limited[1]	Stockland Richmond Retirement Village Pty Limited
Stockland A.C.N 116 788 713 Pty Limited[1]	Stockland Ridgecrest Village Management Services Pty Limited
Stockland Aevum Pty Limited[1]	Stockland Ridgecrest Village Pty Limited
Stockland Aevum SPV Finance No. 1 Pty Limited	Stockland RRV Pty Limited[1]
Stockland Affinity Retirement Village Pty Limited	Stockland RVG (Queensland) Pty Limited
Stockland Armstrong Creek LLC Trust	Stockland Salford Living Pty Limited[1]
Stockland Bellevue Gardens Pty Limited	Stockland Scrip Holdings Pty Limited
Stockland Bells Creek Pty Limited[1]	Stockland Selandra Rise Retirement Village Pty Limited
Stockland Berwick LLC Trust	Stockland Services Pty Limited[1]
Stockland Birtinya Retirement Village Pty Limited[1]	Stockland Singapore Pte Ltd
Stockland Buddina Pty Limited[1]	Stockland South Beach Pty Limited[1]
Stockland Caboolture Waters Pty Limited[1]	Stockland Syndicate No. 1 Trust
Stockland Caloundra Downs Pty Limited[1]	Stockland Templestowe Retirement Village Pty Limited[1]
Stockland Capital Partners Limited	Stockland The Grove Retirement Village Pty Limited
Stockland Care Foundation Pty Limited	Stockland The Hastings Valley Parklands Village Pty Limited
Stockland Care Foundation Trust	Stockland The Pines Retirement Village Pty Limited[1]
Stockland Castlehaven Pty Limited	Stockland Trust Management Limited
Stockland Castleridge Pty Limited	Stockland Vermont Retirement Village Pty Limited[1]
Stockland Catering Pty Limited	Stockland WA (Estates) Pty Limited[1]
Stockland CH Finance Pty Limited	Stockland WA Development (Realty) Pty Limited[1]
Stockland Development (Holdings) Pty Limited[1]	Stockland WA Development (Vertu Sub 1) Pty Limited
Stockland Development (NAPA NSW) Pty Limited[1]	Stockland WA Development Pty Limited[1]
Stockland Development (NAPA QLD) Pty Limited[1]	Stockland Wallarah Peninsula Management Pty Limited[1]
Stockland Development (NAPA VIC) Pty Limited[1]	Stockland Wallarah Peninsula Pty Limited[1]
Stockland Development (PHH) Pty Limited[1]	Stockland Wantirna Village Pty Limited[1]
Stockland Development (PR1) Pty Limited	Stockland Willowdale Retirement Village Pty Limited
Stockland Development (PR2) Pty Limited	Stockland Willows Retirement Village Services Pty Limited
Stockland Development (PR3) Pty Limited	Templestowe Unit Trust

Stockland Development (PR4) Pty Limited	The Mount Gravatt Retirement Village Unit Trust
Stockland Development (Sub3) Pty Limited	The Pine Lake Management Services Unit Trust
Stockland Development (Sub4) Pty Limited	Toowong Place Pty Limited
Stockland Development (Sub5) Pty Limited	Vermont Unit Trust

1 These entities are parties to the Deed of Cross Guarantee and members of the Closed Group as at 30 June 2021.

CONTROLLED ENTITIES OF STOCKLAND TRUST

9 Castlereagh Street Unit Trust	Stockland CP Acquisition Trust
Acimon Pty Ltd	Stockland CPR Industrial Trust
ADP Trust	Stockland Direct Diversified Fund
Advance Property Fund	Stockland Direct Office Trust No. 4
Advance Property Fund No. 2	Stockland Direct Retail Trust No. 3
AVNW Pty Limited	Stockland Eastern Creek Trust
Baratheon Developments Pty Ltd	Stockland Finance Holdings Pty Limited[1]
Capricornia Property Trust	Stockland Finance Pty Limited[1]
Caitjan Pty Ltd	Stockland Harrisdale Trust
CP Trust No. 1 Trust	Stockland Industrial No. 1 Property 1 Trust
CP Trust No. 2 Trust	Stockland Industrial No. 1 Property 4 Trust
CP Trust No. 3 Trust	Stockland Industrial No. 1 Property 5 Trust
CP Trust No. 4 Trust	Stockland Industrial No. 1 Property 6 Trust
CP Trust No. 5 Trust	Stockland Industrial No. 1 Property 7 Trust
CP Trust No. 6 Trust	Stockland Industrial No. 1 Property 8 Trust
Endeavour (No. 1) Unit Trust	Stockland Industrial No. 1 Property 9 Trust
Eriwill Pty Limited	Stockland Industrial No. 1 Property 11 Trust
Faxrow Pty Limited	Stockland Kemps Creek Industrial Trust
Flinders Industrial Property Trust	Stockland Leppington Industrial Trust
Flinders Industrial Property Subtrust (No. 1)	Stockland Logistics Capital Partnership Trust
Hervey Bay Holding Trust	Stockland Logistics Trust
Hervey Bay Sub Trust	Stockland Marrickville Unit Trust
Horlyd Pty Ltd	Stockland Mature Holding Trust
Industrial Property Trust	Stockland Mornington Unit Trust
Jimboomba Village Shopping Centre and Tavern Trust	Stockland Mt Atkinson Industrial Trust
Landdoc Pty Ltd	Stockland Mulgrave Unit Trust
Marinatas Pty Ltd	Stockland North Ryde Unit Trust
Mariste Pty Ltd	Stockland Padstow Unit Trust
Mattlix Pty Ltd	Stockland Parkinson Unit Trust
Moncas Pty Ltd	Stockland Quarry Road Trust
Pallawell Pty Ltd	Stockland Retail Holding Sub-Trust No. 1
Racjen Pty Ltd	Stockland Retail Holding Trust No. 1
Sandtor Pty Ltd	Stockland Richlands Unit Trust
SDOT 4 Property # 1 Trust	Stockland St Marys Unit Trust
SDOT 4 Property # 2 Trust	Stockland Tingalpa Unit Trust
SDOT 4 Property # 3 Trust	Stockland Truganina Industrial Trust
SDRT1 Property # 3 Trust	Stockland Walker Street Trust

SDRT3 Property # 1 Trust	Stockland Wholesale Office Trust No. 1
SDRT3 Property # 2 Trust	Stockland Wholesale Office Trust No. 2
SDRT3 Property # 3 Trust	Stockland Willawong Industrial Trust
Sequoia Victoria Trust	Stockland Willawong Industrial Trust No. 2
Sequoia Victoria Trust No. 2	Stockland Wonderland Drive Property Trust
Shellharbour Property Trust	Stockland Yatala Industrial Trust
Stockland Baringa Shopping Centre Trust	Sugarland Shopping Centre Trust
Stockland Bayswater Unit Trust	SWOT2 Sub Trust No. 1
Stockland Birtinya Shopping Centre Trust	SWOT2 Sub Trust No. 2
Stockland Brooklyn Industrial Trust	SWOT2 Sub Trust No. 3
Stockland Bundaberg Trust	The M_Park Trust
Stockland Castlereagh Street Trust	Tianmar Pty Ltd

1 These entities are parties to the Deed of Cross Guarantee (Finance) as at 30 June 2021.

27. 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 2021 and consolidated statement of comprehensive income for the year ended 30 June 2021, 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	2021	(Restated) 2020
Cash and cash equivalents	**4**	31
Receivables	**88**	63
Inventories	**437**	364
Other assets	**5**	9
Current assets	**534**	467
Receivables	**48**	19
Inventories	**2,539**	2,840
Investment properties	**2,558**	2,329
Other financial assets	**39**	39
Property, plant and equipment	**59**	32
Intangible assets	**77**	72
Deferred tax assets	**49**	22
Other assets	**74**	16
Non-current assets	**5,443**	5,369
Assets	**5,977**	5,836
Payables	**390**	546
Retirement Living resident obligations	**1,483**	1,462
Provisions	**424**	311
Other liabilities	**39**	12
Current liabilities	**2,336**	2,331
Payables	**222**	204
Borrowings	**1,891**	2,394
Retirement Living resident obligations	**38**	38
Provisions	**33**	367
Other liabilities	**450**	14
Non-current liabilities	**2,634**	3,017
Liabilities	**4,970**	5,348
Net assets	**1,007**	488
Issued capital	**1,309**	1,298
Reserves	**5**	2
Accumulated losses	**(307)**	(812)
Securityholders' equity	**1,007**	488

Summarised consolidated statement of comprehensive income

Year ended 30 June	Closed Group	
$M	2021	2020
Profit before tax	**478**	112
Income tax	**27**	(45)
Profit after tax	**505**	67
Other comprehensive income	**–**	–
Total comprehensive income	**505**	67

Summarised movement in consolidated accumulated losses

As at 30 June	Closed Group	
$M	2021	2020
Accumulated losses at 1 July	**(812)**	(879)
Adjustment for entities added/removed	**–**	–
Profit after tax	**505**	67
Accumulated losses at 30 June	**(307)**	(812)

28. PARENT ENTITY DISCLOSURES

	Stockland Corporation Limited		Stockland Trust	
$M	2021	Restated 2020	2021	2020
Results for the year ended 30 June				
Profit/(loss) for the year	**82**	59	**1,047**	(62)
Other comprehensive income	**–**	–	**(22)**	(81)
Total comprehensive income	**82**	59	**1,025**	(143)
Financial position as at 30 June				
Current assets	**4,721**	4,659	**1,967**	1,648
Assets[1]	**4,863**	4,780	**24,078**	24,427
Current liabilities	**–**	–	**11,168**	11,467
Liabilities	**3,837**	3,838	**15,420**	16,210
Net assets	**1,026**	942	**8,658**	8,217
Issued capital	**1,298**	1,298	**7,363**	7,356
Reserves	**4**	2	**(12)**	8
(Accumulated losses)/retained earnings	**(276)**	(358)	**1,307**	853
Equity	**1,026**	942	**8,658**	8,217

1 There were no intangible assets as at 30 June 2021 (2020: $nil).

PARENT ENTITY CONTINGENCIES

There are no contingencies within either parent entity as at 30 June 2021 (2020: $nil).

PARENT ENTITY CAPITAL COMMITMENTS

Neither parent entity has entered into any capital commitments as at 30 June 2021 (2020: $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 27.

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*.

29. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

29A. Reconciliation of profit after tax to net cash flows from operating activities

	Stockland		Trust	
$M	2021	(Restated) 2020	2021	2020
Profit after tax	**1,105**	(21)	**976**	(62)
Adjustments for:				
• Net impact on fair value hedges	**12**	23	**12**	23
• Net impact on derivatives	**(75)**	86	**(75)**	86
• Interest capitalised to investment properties	**(10)**	(7)	**(9)**	(6)
• Net impact on sale of non-current assets	**18**	(20)	**3**	(21)
• Net (gain)/loss on other financial assets	**(1)**	4	**–**	4
• DMF base fee earned, unrealised	**(46)**	(29)	**–**	–
• Net write-back of inventories impairment provision	**(5)**	–	**–**	–
• Depreciation	**13**	17	**–**	–
• Straight-line rent adjustments	**(1)**	(3)	**(2)**	(3)
• Impairment of Retirement Living goodwill	**–**	38	**–**	–
• Net unrealised change in fair value of investment properties (including equity-accounted investments)	**(359)**	604	**(419)**	466
• Equity-settled security based payments	**11**	11	**–**	–
• Other items	**9**	–	**(4)**	(6)
Adjustments for movements in:				
• Receivables	**47**	38	**26**	(6)
• Other assets	**(38)**	9	**15**	10
• Inventories	**162**	(25)	**–**	–
• Deferred tax assets	**(27)**	47	**–**	–
• Payables and other liabilities	**230**	334	**(15)**	(5)
• Resident obligations (net of impact of village disposals)	**112**	77	**–**	–
• Other provisions	**(110)**	(71)	**43**	–
Net cash flows from operating activities	**1,047**	1,112	**551**	480

29B. 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	**4,329**	**(23)**	**(240)**	**(134)**	**3,932**
Domestic medium term notes and commercial paper	**618**	**129**	**–**	**–**	**747**
Bank facilities	**75**	**–**	**–**	**–**	**75**
2021	**5,022**	**106**	**(240)**	**(134)**	**4,754**
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

1 Includes amortisation of capitalised transaction costs.

30. 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	2021	2020	2021	2020
Inventories	**508**	374	**–**	–
Investment properties	**79**	109	**63**	65
Capital expenditure commitments	**587**	483	**63**	65

31. 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 2021 comprise bank guarantees, letters of credit, property indemnities and insurance bonds:

As at 30 June	Stockland and Trust	
$M	2021	2020
Bank guarantees, letters of credit, property indemnities and insurance bonds issued to local government and other authorities against performance contracts, maximum facility $1,225 million (2020: $680 million)	**444**	419

32. RELATED PARTY DISCLOSURES

Year ended 30 June	Stockland		Trust	
$'000s	2021	2020	2021	2020
Responsible Entity fees	121	315	–	–
Development management and service fee	1,092	239	–	–
Property management, tenancy design and leasing fees	1,099	2,039	–	–
Rental income	–	–	14,248	9,370
Finance income	–	–	193,439	229,101
Revenue from related parties	**2,312**	2,593	**207,687**	238,471
Responsible Entity fees	–	–	35,435	36,914
Property management, tenancy design and leasing fees	–	–	26,667	27,836
Recoupment of expenses	–	–	59,353	59,914
Development management fee capitalised to investment property	–	–	2,146	3,787
Expenses to related parties	–	–	**123,601**	128,451

RESPONSIBLE ENTITY AND MANAGEMENT AND OTHER 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 0.30 to 0.35% of gross assets of the Trust less intergroup loans (2020: 0.30 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 $2,647 million (2020: $2,955 million) repayable in 2023. Interest on the loan is payable monthly in arrears at interest rates within the range of 6.06 to 6.15% during the year ended 30 June 2021 (2020: 6.20 to 7.30%).

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 $nil (2020: $517 thousand) due from the unlisted property funds.

As at 30 June 2021, the carrying amount of Stockland's investment in unlisted property funds was $nil (2020: $373 thousand).

33. PERSONNEL EXPENSES

Year ended 30 June	Stockland		Trust	
$M	2021	2020	2021	2020
Wages and salaries (including on-costs)	**195**	197	**–**	–
Equity-settled security based payment transactions	**11**	11	**–**	–
Contributions to defined contribution plans	**14**	12	**–**	–
Movement in annual and long service leave provisions	**6**	(1)	**–**	–
Redundancy provision	**–**	1	**–**	–
Personnel expenses	**226**	220	**–**	–

PERSONNEL EXPENSES

The total personnel expenses for the year was $226 million (2020: $220 million), which includes $11,386,335 of equity-settled security based payment transactions (2020: $11,453,466).

ANNUAL LEAVE

Accrued annual leave of $11 million (2020: $10 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 $14 million (2020: $12 million).

34. KEY MANAGEMENT PERSONNEL DISCLOSURES

Year ended 30 June	Stockland		Trust	
$000's	2021	2020	2021	2020
Short term employee benefits	**10,054**	5,797	**–**	–
Post-employment benefits	**232**	234	**–**	–
Other long term benefits	**116**	97	**–**	–
Termination benefits	**750**	–	**–**	–
Security based payments	**3,482**	4,199	**–**	–
Key management personnel compensation	**14,634**	10,327	**–**	–

Information regarding individual Directors' and Executives' remuneration is provided in the remuneration report on pages 58 to 80 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. This amounted to $nil for the year (2020: $nil), however, deposits totalling $26 thousand were received from related parties of key management personnel during 2021 for land where settlement is expected to occur in 2022.

35. AUDITOR'S REMUNERATION

Year ended 30 June	Stockland		Trust	
$000's	**2021**	**2020**	**2021**	**2020**
PricewaterhouseCoopers Australia				
Audit and review of financial report	**2,442**	1,812	**584**	570
Audit of unlisted property fund financial reports	**77**	104	**–**	–
Regulatory audit and assurance services	**634**	687	**332**	410
Remuneration for audit services	**3,153**	2,603	**916**	980
Other non-audit services[1]	**96**	530	**–**	–
Remuneration for non-audit services	**96**	530	**–**	–
Auditor remuneration	**3,249**	3,133	**916**	980

1 Other non-audit services in the prior year 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.

36. 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.

36A. Principles of consolidation

CONTROLLED ENTITIES

The consolidated financial statements of Stockland incorporate 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.

36B. 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 either an issue of securities or 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 forfeited due to market conditions are not reversed.

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 18.

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.

36C. Change in accounting policy

An IFRIC agenda decision issued in April 2021 clarified the accounting treatment of configuration and customisation costs in SaaS arrangements. The decision requires costs to be recognised as an intangible asset if the activities create an intangible asset that meets the recognition criteria and that the entity controls. Costs that do not result in intangible assets are expensed as incurred, unless they are paid to the supplier of the SaaS application to significantly customise the software for Stockland, in which case the costs are recorded as a prepayment for services and amortised over the expected renewable term of the SaaS arrangement.

Historical financial information has been restated to account for the impact of the change in accounting policy, as follows:

	Stockland					
$M	2020	Net Asset Increase/ (Decrease)	(Restated) 2020	2019	Net Asset Increase/ (Decrease)	(Restated) 2019
Consolidated balance sheet extract						
Intangible assets	170	(98)	72	193	(89)	104
Deferred tax asset/(liability)	(7)	29	22	40	27	67
Net assets	9,150	(69)	9,081	9,828	(62)	9,766
Retained earnings	486	(69)	417	1,080	(62)	1,018
Securityholders' equity	9,150	(69)	9,081	9,828	(62)	9,766

$M	Stockland 2020	Stockland Profit Increase/ (Decrease)	Stockland (Restated) 2020
Consolidated statement of comprehensive income extract			
Management, administration, marketing and selling expenses	(353)	(9)	(362)
Profit/loss before tax	33	(9)	24
Tax	(47)	2	(45)
Loss after tax	(14)	(7)	(21)
Total comprehensive loss	(95)	(7)	(102)
Basic losses per security (cents)	(0.6)	(0.3)	(0.9)
Diluted losses per security (cents)	(0.6)	(0.3)	(0.9)

$M	Stockland 2020	Stockland Increase/ (Decrease)	Stockland (Restated) 2020
Consolidated statement of cash flows			
Payments in the course of operations (including GST)	(1,462)	(15)	(1,477)
Net cash flows from operating activities	1,127	(15)	1,112
Payments for plant and equipment and software	(134)	15	(119)
Net cash flows from investing activities	(148)	15	(133)

37. ADOPTION OF NEW AND AMENDED ACCOUNTING STANDARDS

37A. New and amended Accounting Standards adopted

AASB 2018-6 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – DEFINITION OF A BUSINESS

Stockland has adopted AASB 2018-6 *Amendments to Australian Accounting Standards – Definition Of Business* from 1 July 2020. The amendment provides more clarity on the definition of a business. An assessment has been performed on the revised definition which determined that there is no impact on Stockland's financial results or position on adoption.

AASB 2018-7 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – DEFINITION OF MATERIAL

Stockland has adopted AASB 2018-7 *Amendments to Australian Accounting Standards – Definition Of Material* from 1 July 2020, which provides more clarity on the definition of material and aligns the definition across Accounting Standards. Stockland has assessed the revised definition and determined that there is no impact on adoption.

AASB 2019-1 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – REFERENCES TO THE CONCEPTUAL FRAMEWORK

Stockland has adopted AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework* from 1 July 2020. Key changes include revising the definitions of an asset and a liability. Stockland has assessed the revised definitions and has determined that there is no material impact from the changes in the definitions. Stockland has also assessed the other changes to the Conceptual Framework and determined no impact on adoption.

37B. 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 2021. Stockland has not elected to early adopt any accounting standards during the period and has yet to assess the implications of these new standards and amendments upon adoption.

IAS 1 CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT

IAS 1 *Classification of Liabilities as Current or Non-current* provides clarity on the classification of liabilities as either current or non-current. The amendment requires a liability to be classified as current when companies do not have a substantive right to defer settlement at the end of the reporting period.

AASB 2020-8 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS - INTEREST RATE BENCHMARK REFORM PHASE 2

AASB 2020-8 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform Phase 2* amends a number of existing Accounting Standards to introduce practical expedients in relation to accounting for the modification of financial contracts and/or leases if a change results directly from IBOR reform. IBOR reform refers to the global reform of interest rate benchmarks, which includes the replacement of some interbank offered rates (IBOR) with alternative benchmark rates. Amendments also allow a series of exemptions from the regular hedge accounting rules and introduce additional disclosure requirements.

Stockland is currently assessing the impact of these amendments. The transition to alternative benchmark rates for any affected financial contracts and/or leases has begun and is being managed by the central treasury department.

AASB 2020-3 AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS - ANNUAL IMPROVEMENTS 2018-2020 AND OTHER AMENDMENTS

AASB 2020-3 *Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments* sets out a number of amendments to existing Accounting Standards. It is effective for annual reporting periods beginning on or after 1 January 2022.

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 and Stockland Trust and its controlled entities (Stockland), and Stockland Trust and its controlled entities (the Trust), set out on pages 101 to 176, 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 2021 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 26 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 2021 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 2021, 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 2021.
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

Tarun Gupta
Managing Director

Dated at Sydney, 20 August 2021

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Independent auditor's report

To the stapled securityholders of Stockland and 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 2021 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 2021
- 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 significant accounting policies and other explanatory information
- 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 & 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	*Audit scope*	*Key audit matters*
• For the purpose of our audit of Stockland and the Stockland Trust Group, we used overall materiality of $39.4 million and $29.5 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.	• 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 professionals.	• 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 – Implementation and migration of data to SAP • These are further described in the *Key audit matters* section of our report.

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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 7)* *Stockland - $9,337 million* *Stockland Trust Group - $9,352 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 2021. 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, as well as transaction prices where relevant. The value of Commercial Properties was dependent on the valuation methodology adopted and the significant assumptions and 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 7A. This was a key audit matter because of the:	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; • Assessing the appropriateness of the valuation methodologies utilised; • Selecting a risk-based sample of Commercial Property assets to assess the appropriateness of significant assumptions with reference to market data where possible. We agreed a sample of 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 appropriateness 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 Commercial Property valuations; • Reconciling the fair value recorded in note 7 to the external valuation reports for all the properties externally valued at balance date;

- 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 reasonableness of the disclosures made in relation to the significant assumptions, including the sources of estimation uncertainty in note 7A in light of the requirements of Australian Accounting Standards.

Valuation of Investment properties - Retirement Living

(Refer to note 8)

Stockland - $3,561 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 other assumptions as 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 that all key valuation assumptions be externally appraised by an external valuer each reporting period as explained in note 8A.

This was a key audit matter because of the:

- relative size of the Retirement Living portfolio to net assets and related valuation movements, and

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.
- Assessing the appropriateness of the valuation methodology utilised;
- For a risk-based sample of retirement living villages, we assessed the appropriateness of significant assumptions. We also agreed a sample of the underlying resident information and terms to resident contracts and traced those inputs used in the valuation model;
- We tested the mathematical accuracy of a sample of the valuations;
- Considering the adequacy of the disclosures made in relation to the significant assumptions, including sources of estimation uncertainty in note 8A in light of the requirements of Australian Accounting Standards.

- 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 6)
Stockland - $3,368 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 6.

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 assumptions such as 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.

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 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:

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 the current market environment;
- 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 appropriateness of the 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 recorded sales to the underlying sale contracts 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 6 in light of the requirements of Australian Accounting Standards.

- 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.

Implementation and migration of data to SAP

In August 2020, Stockland implemented SAP as its core financial reporting system as part of the establishment of its end-to-end enterprise platform. As part of the implementation of the new system, management migrated data from the legacy systems to SAP.

This was a key audit matter because Stockland's operations and the accuracy of its financial reporting processes, including the determination of the retirement living valuations, are dependent on the operation and migration of data from its legacy systems to SAP as the core financial reporting system.

Together with our IT audit specialists, we obtained an understanding of Stockland's implementation and data migration plans from legacy systems to SAP. This included consideration of data migration, end-user testing, and privileged access. We assessed the impact of the implementation and the migration of data on the financial statement reporting process by performing the following procedures, amongst others:

- Selected a risk-based sample of end-user test cases and assessed whether appropriate testing was performed and approved by Stockland prior to go-live of SAP;
- Obtained Stockland's reconciliation evidence and approval for a sample of data reconciliations relevant to the financial reporting process to support the complete and accurate migration of data between legacy systems and SAP;
- Evaluated the design of Stockland's controls over privileged access provisioning and monitoring in SAP;
- Obtained an understanding of the impact of the implementation of SAP on the design of Stockland's end-to-end processes and controls for key financial reporting processes and, where relevant, tested the operating effectiveness of key controls; and
- Together with PwC's modelling experts, assessed the accuracy of the calculation derived from the retirement living valuation model.

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 2021, 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 62 to 80 of the directors' report for the year ended 30 June 2021.

In our opinion, the remuneration report of Stockland and the Stockland Trust Group for the year ended 30 June 2021 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

NR McConnell
Partner

JL Reilly
Partner

Sydney
20 August 2021

Securityholder information and key dates

Cloverton, VIC

Securityholders

As at 30 July 2021, there were **2,387,171,662** securities on issue and the top 20 securityholders as at 30 July 2021 is as set out in the table below.

Securityholders	Number of securities held	Percentage (per cent) of total securities
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	937,525,096	39.27
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	518,636,835	21.73
CITICORP NOMINEES PTY LIMITED	253,416,641	10.62
NATIONAL NOMINEES LIMITED	104,186,067	4.36
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	80,193,033	3.36
BNP PARIBAS NOMS PTY LTD <DRP>	40,015,921	1.68
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	27,013,263	1.13
BNP PARIBAS NOMINEES PTY LTDSIX SIS LTD <DRP A/C>	19,621,119	0.82
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	13,554,575	0.57
E G HOLDINGS PTY LIMITED	6,411,632	0.27
AUSTRALIAN EXECUTOR TRUSTEES LIMITED <IPS SUPER A/C>	5,540,184	0.23
CPU SHARE PLANS PTY LTD <SGP STI CONTROL ACCOUNT>	5,154,665	0.22
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	4,977,658	0.21
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	4,424,658	0.19
WOODROSS NOMINEES PTY LTD	4,175,537	0.17
ARGO INVESTMENTS LIMITED	4,017,934	0.17
MILTON CORPORATION LIMITED	3,844,940	0.16
DIVERSIFIED UNITED INVESTMENT LIMITED	3,750,000	0.16
AMP LIFE LIMITED	3,740,875	0.16
ONE MANAGED INVESTMENT FUNDS LTD <CHARTER HALLMAXIM PROPERTY SEC>	3,675,000	0.15

Distribution of securityholders as at 30 July 2021

Number of securities held	Number of securityholders	Number of securities	Percentage (per cent) of total securityholders
1 – 1,000	14,526	6,316,392	0.26
1,001 – 5,000	22,018	59,620,529	2.50
5,001 – 10,000	8,753	63,674,156	2.67
10,001 – 100,000	6,565	137,903,678	5.78
100,001 – over	184	2,119,656,907	88.79

There were 1,919 securityholders holding less than a marketable parcel (114) at close of trading on 30 July 2021.

Substantial securityholders as at 30 July 2021	Number of securities held
Vanguard Investments Australia Limited/Vanguard Group Inc.	240,901,300
BlackRock Group (BlackRock Inc and Subsidiaries)	230,609,301
State Street Corporate and subsidiaries	166,529,909

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

19 October 2021

Annual General Meeting (to be held virtually)

31 December 2021

Record date

23 February 2022

Half-year results announcement

30 June 2022

Record date

19 August 2022

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

Non-Executive Directors

- Tom Pockett – Chairman
- Melinda Conrad
- Kate McKenzie
- Barry Neil
- Stephen Newton
- Christine O'Reilly
- Andrew Stevens
- Laurence Brindle (appointed 16 November 2020)
- Adam Tindall (appointed 1 July 2021)

Executive Directors

- Tarun Gupta – Managing Director (appointed 1 June 2021)
- Mark Steinert - Managing Director (retired 28 May 2021)

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

$m	$ millions
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*
CPI	Consumer Price Index
DCF	Discounted cashflow
D-Life	Project development lifecycle
DMF	Deferred management fee earned from residents within the Retirement Living business
DPS	Distribution per security
DSTI	Deferred STI
EBIT	Earnings before interest and tax
ECL	Expected credit losses
EPS	Earnings per security
Executive Director	The Managing Director and Chief Executive Officer of Stockland, being Mr Mark Steinert until 28 May 2021 and Mr Tarun Gupta from 1 June 2021
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
IFRIC	IFRS Interpretation Committee
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
LLC	Land lease communities
LTI	Long term incentives
MAT	Moving annual turnover
MTN	Medium term note
NRV	Net realisable value
Report	This Stockland Annual Report 2021
ROA	Return on assets
ROE	Return on equity
SA	Serviced apartment
SaaS	Software as a service
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
WOL	Whole of Life accounting

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