

## **DRAFT: INDEPENDENT ASSURANCE STATEMENT**

To the Board, Executive and Stakeholders of Landcom:

Landcom commissioned Net Balance Management Group Pty Ltd (Net Balance) to provide independent assurance of their 2008-2009 Annual Report (the report). The report presents Landcom's sustainability performance over the period 1 July 2008 to 30 June 2009. Landcom was responsible for the preparation of the report and this statement represents the assurance provider's independent opinion. Net Balance's responsibility in performing its assurance activities is to the Board and Executive of Landcom in accordance with the terms of reference agreed with them. Other stakeholders should perform their own due diligence before taking any action as a result of this statement.

### **Assurance Standard and Objectives**

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

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

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

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

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

### **Assurance Type and Scope**

Net Balance provided Type 2 assurance in accordance with the AA1000AS (2008). This involved assessing the organisation's adherence to the AA1000 AccountAbility Principles (2008) and assessing the accuracy and quality of the sustainability information contained within the report.

### **Assurance Level and Limitations**

The level of assurance provided is moderate as defined by the scope and methodology described in this assurance statement. The assurance scope covered the sustainability section of the report and focussed on systems and activities of Landcom during the reporting period. Net Balance did not verify financial data, other than that relating to environmental, social or broader economic performance.

### **Assurance Methodology**

The assurance engagement was undertaken in September 2009, and involved:

- A materiality register (list of key sustainability issues) using the five-part materiality test. This included a comparison of Landcom against its peers, a risk review, a review of selected Australian media reports and a policy review.
- Interviews with the Managing Director, the Manager for Urban Development South, the Senior Development Manager Liverpool and the Environment Manager to better understand how sustainability is integrated throughout the organisation.
- A review of the processes and outcomes of stakeholder engagement undertaken during the reporting period to better understand the nature of material issues.

- A review of Landcom's key sustainability strategies, policies, objectives, management systems, measurement and reporting procedures.
- Interviews with Landcom's civil works contractors and consultants to better understand the processes used to collect and analyse data that is used to inform the report.
- Interviews with key personnel responsible for collating and writing various parts of the report to substantiate the veracity of selected claims.
- A review of the report for any significant anomalies, particularly in relation to claims as well as trends in data.
- Examine the aggregation and/or derivation of, and underlying evidence for approximately 50 selected data points and statements.
- Collect and evaluate evidence to support the assurance work undertaken.
- A Global Reporting Initiative (GRI) G3 application level assessment.

### **Our Independence**

Net Balance was not responsible for preparing any part of the report. During the reporting period, Net Balance was commissioned by Landcom to undertake an internal review of key sustainability issues and the corresponding performance indicators. This work informed a larger project conducted by Landcom to develop new sustainability reporting indicators.

To maintain independence, the indicator review was undertaken by the Melbourne office of Net Balance, whilst the assurance engagement was undertaken by the Sydney office. Net Balance has strict procedures in place to ensure independence and partition of project teams at all times. Potential conflicts were discussed with Landcom and managed effectively.

### **Our Competency**

The Landcom assurance engagement was carried out by an experienced team of professionals led by a Lead Sustainability Assurance Practitioner (Lead CSAP), accredited by the International Register of Certified Auditors UK (IRCA UK). The project included personnel with expertise in environmental, social and economic performance measurement across a range of industry sectors. Net Balance is a global leader in the use of Accountability's AA1000AS, having undertaken over 50 assurance engagements in Australia over 2007 and 2008.

### **Findings and Conclusions**

#### ***Adherence to AA1000 Principles***

##### **Inclusivity:**

During the reporting year, Landcom undertook an extensive review of its sustainability indicators in consultation with internal and external stakeholders. This resulted in a revised set of indicators that better align to Landcom's core business, are reflective of stakeholder feedback and are geared to achieve further improvements in sustainability performance via the new stretch targets. The process for revising the indicators is discussed in detail in the report with the new indicators being utilised in the 2009-10 report.

**Materiality:** Landcom has multiple processes in place to determine material issues across the organisation. The report was found to align with the outcomes of these processes and, as such, appropriately addresses Landcom's environmental, social and economic material issues. In addition, the review of sustainability indicators by stakeholders also included a review of material issues to ensure the indicators were relevant.

**Responsiveness:** Net Balance tested the responsiveness of Landcom to its stakeholders through a review of management systems and policies that govern the way that Landcom responds to stakeholder concerns and interests. Landcom was found to be responsive to stakeholder concerns and expectations as demonstrated by the review of indicators and the inclusion of three key contractors in the assurance process.

#### ***Reliability of Performance Information***

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

- The findings of the assurance engagement provide confidence in the systems and processes used for managing and reporting sustainability performance information.
- The level of accuracy of sustainability performance information was found to be within acceptable limits.
- Data trails selected were generally identifiable and traceable, and the personnel responsible were able to reliably demonstrate the origin(s) and interpretation of data.
- The sustainability performance disclosures presented within the report appropriately reflect environmental, social and economic performance achieved during the period.
- The GRI application level check found that the Report was classified as B+.

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

### The Way Forward

Net Balance found the report appropriately addresses Landcom's environmental, social and economic material issues. To ensure that Landcom continues to improve, Net Balance recommends Landcom:

- Develops data management protocols that clearly state assumptions, boundaries, the projects to be included, calculations, and roles and responsibilities of data owners. This will improve the consistency in reporting indicators, reduce aggregation errors and improve the efficiency of reporting.
- Develops more detailed guidelines to help contractors provide consistent and quality data. Whilst the methodologies of contractors is generally sound, Net Balance recommends that Landcom provides civil works contractors with more guidance on the methodologies used to calculate data for indicators that requires estimations such as vegetation waste. This will ensure consistency of information reported between contractors year on year.
- More clearly differentiates between the indicators required to meet regulatory targets and indicators that demonstrate best practice and leadership within the sector. This will help demonstrate Landcom's leadership in sustainable housing developments.
- Provides further discussion on how it plans to address the tensions between providing affordable /moderate income housing and improving the sustainability performance of new housing.
- Provides further discussion on the selection and use of sustainable materials in new houses, which is an emerging material issue in this sector.

These recommendations have been outlined in a more detailed report presented to Landcom's Board and Executive.

On behalf of the assurance team  
17 September 2009  
Melbourne, Australia

A handwritten signature in black ink, appearing to read "Terence Jeyaretnam".

Terence Jeyaretnam  
Director, Net Balance & Lead CSAP (IRCA UK)

