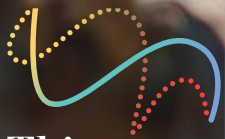


SOCIAL RETURN ON INVESTMENT



This
Changes
Everything



MEASURING OUR IMPACT IN THE COMMUNITIES WE CO-CREATE

**“BEING ABLE TO MEASURE
THE SOCIAL VALUE OF OUR
COMMUNITIES MEANS WE CAN
FOCUS OUR EFFORTS IN A
MEANINGFUL WAY, ALLOWING US
TO CONTINUE TO HELP DELIVER
EXCEPTIONAL COMMUNITIES
FOR OUR CUSTOMERS
WELL INTO THE FUTURE.”**

Sarah Clarke, Group General Manager
of Sustainability & Reputation

As a leading Australian developer, we're passionate about helping to create sustainable and resilient communities where people feel healthy, happy, connected and safe - particularly as our cities continue to urbanise and grow.

This ambition forms a core part of our sustainability strategy, This Changes Everything, where we've made a commitment to leaving a positive legacy, through both the buildings we develop as well as the communities we help to create. It means taking a long-term view and being mindful of our impact on neighbourhoods and the opportunities we can create for the people within them.

Investing in infrastructure and amenity to support this is crucial, and equally, being able to clearly measure and understand our impact allows us to be more strategic in how we design and deliver new projects.

Engaging with neighbourhoods and customers, developing to enrich community and measuring our social return benefits everyone in the process. When our customers tell us that having amenity within walking distance is important to them, for example, we can adopt this in the early planning stages on future projects,

which leads to more satisfied customers, and, for Mirvac, more attractive developments. Similarly, if we can demonstrate that we are listening and engaging with communities to help create strong neighbourhoods, we can build better relationships with local councils and other key community stakeholders.

As part of our ongoing learning on measuring our social impact, and with a strategic focus to enrich our communities, we worked with KPMG to develop a Social Return on Investment (SROI) framework and tool that would help us to quantify the social value we were creating in our residential projects.

We wanted to clearly understand the value communities place on things such as open spaces and quality landscaping, community programs and events, walkability, playgrounds, parks and sporting facilities, and well-lit areas to enhance a feeling of safety.

In effect, we wanted to understand our social impact so that we could design better, plan better and have more effective conversations with local government.



HOW WE MEASURED OUR SROI

PROCESS TO MAP SROI VALUE



INPUTS

What financial contributions were made to undertake the identified activities



OUTPUTS

What have the activities achieved in regards to participation and usage



OUTCOMES

What is the extent of change which has occurred



VALUE

What is the potential value of each outcome to the different beneficiaries?

The term ‘social return on investment’ refers to any method for measuring extra-financial value (that is, social, environmental and economic) not currently reflected in conventional financial accounts. It is reported in monetary terms as an accessible way to convey value, however, the emphasis is on the social outcomes rather than the financial aspect.

Working with KPMG, we developed a social impact framework to identify the activities (or inputs) that we believed contributed most to improved social value, their outputs, the expected outcomes they would have and the associated value of those outcomes.

The inputs we identified included: the creation of open spaces; enhanced connectivity through design; the provision of facilities; implementing community engagement activities; and, providing art and cultural opportunities.

We believe that the provision of these inputs will lead to better outcomes for our customers, such as an improved sense of safety, an increased sense of community, an improved health and wellbeing and an increased sense of attachment and sense of place.

If Mirvac builds a park in a residential development, for example, and the output is ‘access and use of quality, open spaces’, two potential outcomes are that it helps to promote a sense of community and encourages physical activity. This in turn leads to improved health and wellbeing for residents, delivering savings to the community such as reduced health care costs.

Using this framework, we created an impact analysis tool that measured social and economic impact, as well as the financial contribution from residents and employees (such as construction workers) during the development.

We analysed 27 of our existing residential projects overall, using a combination of project data and data collected from residential customer surveys.

WHAT WE FOUND

HOW OUR RESULTS RELATE TO THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS:

3 GOOD HEALTH AND WELL-BEING



11 SUSTAINABLE CITIES AND COMMUNITIES



8 DECENT WORK AND ECONOMIC GROWTH



KEY FINDINGS FROM 27 PROJECTS:

\$10 MILLION IN SAVINGS RELATED TO SAFETY ¹

\$468,000 IN SAVINGS RELATED TO HEALTH ²

Our data highlighted some irrefutable truths around how much better off communities are when we invest in them.

By improving the sense of safety, for example, through the creation of open spaces, enhanced connectivity and engagement activities, it is estimated that Mirvac created \$10 million in social value through a reduction in costs related to crime, such as loss of property, medical expenses, prevention and law enforcement costs.

Similarly, by having communities that promote physical activity (through quality open spaces, walkability, and bicycle paths) approximately \$468,000 was saved in reduced health care costs and reductions in lost productivity.

“COMMUNITY INFRASTRUCTURE LEADS TO STRONGER INTERPERSONAL CONNECTIONS”

>5,200 JOBS CREATED AND \$2BN IN WAGES ³

Our research also showed that having an onsite community manager or residents' association contributed to greater satisfaction amongst residents.

Our wider economic impact was also taken into account. Across the 27 projects we analysed, over 5,200 jobs were created, or are forecast to be created, throughout the construction period (ranging from between 18 to 500 jobs per site). This equates to around \$2 billion in salaries and wages paid, a significant contribution to the Australian economy.

In addition to this, \$516 million was spent by Mirvac's construction workers, sub-contractors and early residents at local shops, and a further \$45 million was directed to the local government through rates.

\$516 MILLION LOCAL SPEND AND \$45M DIRECTED TO LOCAL GOVERNMENTS ⁴

1:1.79 ⁵

Overall, the SROI estimated that for every dollar Mirvac invested across the 27 residential projects, \$1.79 of social and economic value was created for local communities.

Of course, being our first attempt at measuring our SROI meant there were a number of shortfalls in our approach, the most obvious one being the lack of consistent or complete data from across each project. We also found that trying to measure too many things, or measure outputs where data wasn't readily available, created a reporting burden for our development managers. Having broad baseline data also meant that our findings were somewhat oversimplified, and finally, we learned that attributing a value to an outcome is not an easy thing to do.

1. Annual savings related to safety is estimated from an improvement in the sense of safety and reduced cost of crime over the state average (ABS Cat. No. 4530.0 [2010]; Russell G. Smith et al., Australian Institute of Criminology (AIC) [2011]).

2. Annual economic benefits of increased level of physical activity by residents is measured over the state average (Australian Health Survey: physical activity, Australia (ABS Cat. No. 4364.0 [2011-12]; an Australian example, Cadilhac et al., International Journal of Behavioural Nutrition and Physical Activity, 2011).

3. Value added to job created, wages, Australian industries and local businesses were calculated based on the value of construction over the period of construction using Input-Output multipliers (Australian National Accounts: Input-Output Tables, ABS Cat. No. 5209.0 [2014-15]; Gross State Product (ABS Cat. No. 5220.0 [2014-15]); State Treasury – budget papers [2014-15]; Household income and income distribution, ABS Cat. No. 6530.0 [2013-14]; and Household Expenditure Survey, Australia, ABS Cat. No. 6530.0 [2009-10]).

4. Annual expenses to local business and local government rates are estimated using Household income and income distribution, ABS Cat. No. 6530.0 [2013-14]; Household Expenditure Survey, Australia, ABS Cat. No. 6530.0 [2009-10].

5. Estimated value based on available input data, assumptions and considered benefits over a 10-year period.



HOW IS SROI BEING USED ELSEWHERE?

SROI was pioneered by venture philanthropy group, Robert Enterprise Development Fund, in 1997 and has since been used by a number of government organisations and private companies across the globe.

It's certainly becoming a growing area of interest, particularly as the focus on having a social licence to operate increases. Companies are becoming increasingly accountable in demonstrating to their stakeholders how they bring their purpose to life.

Mirvac's This Changes Everything strategy outlines our aspirations to build stronger, more inclusive communities and to be the most trusted owner and developer. Our work on SROI is an enduring commitment, and we are keen to keep improving our measurement methods

and certainty so that we can continue to enrich urban communities as they grow and densify.

When we developed our SROI tool with KPMG in 2015, the project was a first-of-its-kind in the property industry, however, a number of property organisations, governments and investors have since demonstrated an interest in similar social metrics.

A handful of other property developers, for example, have employed an SROI framework to measure their social impact, including Derwent and Hammerson in the UK and Lendlease and Stockland in Australia. Although the virtue in measuring SROI is clear, and each of these organisations has contributed to its development, there is still no consistent

framework or methodology, and accurately attributing value is challenging. Despite the imperfect nature of this science, however, Mirvac is proud to be amongst those with a commitment to keep learning and improving to provide greater assurance on our social impact.

We are also pleased to observe and contribute to others making progress. In 2018, the Property Council of Australia published 'A Common Language for Social Sustainability'. The report recognises SROI as a useful framework to measure social value, and acknowledges that, in the long-term, a common set of metrics across the industry would support greater benchmarking and could be useful for investors, governments and other stakeholders.

Social impact and social sustainability are also becoming increasingly important in the decision-making of government at all levels – be it local, state or federal.

The Economics Parliament of Australia published a report, for instance, acknowledging the benefit of a greater emphasis on the measurement of social outcomes. The SROI Framework was identified as a tool that can incentivise government and investors to allocate resources to achieve the greatest social impact.

And increasingly, investors are also interested in SROI as a way to validate environmental, social and governance (ESG) credentials for responsible investment.

It's clear that SROI is now firmly on the radar for public, private and government organisations alike.

INVESTING IN OUR COMMUNITIES

Although measuring our SROI is relatively new to us, investing in our communities is in our DNA.

We've long recognised how important it is to create a sense of belonging and reduce social isolation.

And so, we're focused on building a strong social fabric in our communities by encouraging residents to form relationships with their neighbours and we've been mindful of the need to create spaces where human connections can grow and take shape.

At Woodlea in Victoria, for instance, which we're developing in a joint venture with Victoria Investments & Properties, we've built the Smart Learning Hub that is used for a range of activities, such as mothers' groups and play groups. It's a space that local providers can use to run short courses, and we directly brokered a relationship at the hub between our civil contractors at Woodlea, Winslow Constructors, educational

services group, Djerriwarrh, and Jobs Victoria, to train over 100 people since 2016. A community garden, boasting a pizza oven, has also been used to host regular pizza nights and it's been exciting to see residents of Woodlea now coordinating community activities themselves.

Meanwhile, at our Olivine masterplanned community, also in Victoria, we're in the process of building a central community hub called Olivine Place, to be used for community events, festivals, workshops and learning opportunities, as well as a place for residents to gather and plan activities. We've engaged a not-for-profit organisation, Grassroots Placemakers, to run a social enterprise café where they'll hold classes for disadvantaged members of the local community and provide opportunities for them to work.

With community expectations for early and proactive consultation increasing, we've committed to having dedicated community relations representatives at each of our

greenfields projects, and we are placing much greater emphasis on a consistently high standard of community consultation.

We are well on our way to triple community investment by 2022, with an 81 per cent uplift in FY18 to over \$3 million and our first efforts towards for-purpose procurement saw us divert over \$3 million to social enterprises and Indigenous businesses. In addition, our development at 477 Collins Street, Melbourne, was the first to receive a Platinum core and shell WELL rating.

ENRICHED COMMUNITIES



OUR COMMUNITY



SOCIAL INCLUSION

OUR PROMISE

Our communities are places people love to live, work, and play

We provide opportunities to people who don't always get them

TARGET

Net positive legacy

\$100m social sector investment by 2030

MILESTONES

- ✓ Community engagement standard developed
- Triple community investment by 2022
- ✓ First social return on investment report
- All office Gold WELL rated
- Community wellbeing measure developed by 2023

- ✓ Unlimited paid volunteer leave
- ✓ Social housing investment pilot (Homes for Homes)
- House with No Bills research findings released by 2020
- Social enterprise sector capacity building partnership by 2022
- \$30m 'for purpose' procurement by 2025

INTEREST AREAS

Community engagement and investment; social return on investment; wellbeing and loneliness

For-purpose procurement and supplier diversity; affordability; reconciliation; volunteering



WHAT'S NEXT

There's no doubt that Mirvac benefits greatly from measuring our social return on investment. It allows us to see how we have been successful in investing in the community, which guides how we invest in the future, and likewise, it highlights the areas we need to improve upon.

In 2018, we reviewed and refined our sustainability strategy, taking our focus areas from 19 to six. Enriching communities and social inclusion are our key social priorities, and on these we are committed to making a difference.

Recently, we have been defining our social purpose as an expression of Mirvac's overall purpose to Reimagine Urban Life. We know that purpose galvanises us together on a mission. When we know our mission, we can have a more substantial positive impact, deepen our relationships, and share a clear strategic story. Our social purpose is an evolution of our long-standing commitment to local communities and is a product of what we know best, where our impacts lie, and the issues we most care about. Our developing focus is to build strong bonds, and this applies to both the physical dwellings we create, as well as the relational bonds we cultivate.

We are committed to helping to create strong structures for people who are vulnerable. For example, through our partnership with Homes for Homes, we've pledged 0.1 per cent from the sale of over 300 homes in our upcoming masterplanned community in Altona North in Melbourne, with the proceeds helping to address the shortage of affordable housing.

We are also committed to making a positive contribution to the loneliness epidemic. We believe we can help tackle this growing problem by providing spaces and interactions that foster local community connections, such as events, green spaces, volunteering, playgrounds, and cafés.

In the next iteration of SROI, we will also refine our focus areas, aligning it with our emerging social purpose, and measure only those things that are most valued by Mirvac and our stakeholders.

The outcomes we particularly want to focus on include:

- shared prosperity (local economies, responsible contributions, and growing neighbourhood value)
- living well (safer, more active, well, and cohesive communities)
- balanced growth (attractive amenity and sustainable impacts on local infrastructure and resources)

Ensuring we have consistent and complete data from the projects we measure will also be a key focus.

We recognise SROI is an imperfect science, but we believe there is considerable value in measuring our social impact and we remain committed to progressing our work in this area.



APPENDIX

Mirvac's approach to SROI

The development of Mirvac's SROI tool included:

- a compilation of sources and data by State, such as:
 - historical data provided by Mirvac
 - publicly available data from the ABS and other academic sources; and
- user-defined inputs to increase accuracy or predictive capacity, including:
 - development characteristics; and
 - supporting assumptions, where necessary.

The analysis has three main sections:

- economic impact analysis, based on ABS input/output table multipliers;
- local spend analysis, based on ABS Census Surveys of Household Expenditure; and
- social impact analysis, based on relevant academic literature relating to safety and physical activity.

Limitations

The analysis undertaken draws on a set of state-wide ABS input/output multipliers and selected other state and national-level data to inform a preliminary view of impact. This tool has not been independently verified and the analysis does not attempt to replicate a detailed development assessment for government use.

Key limitations of this analysis are:

- the nature of the input/outputs multipliers are generic to the mix of residential and non-residential construction undertaken in each State, and may not accurately represent the materials and labour inputs found in a purely residential or purely non-residential development; and
- the attribution of results to an activity undertaken by Mirvac remains a developing framework and relies on input from previous Mirvac property developments.

Continued refinement of the assumptions contained in the tool will help to ensure that the estimated impacts more accurately reflect the economic and social impacts driven by Mirvac's sustainability strategy.

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