

# Direct Property Sustainability Policy

## Context

**Colonial First State Global Asset Management believes that Environmental, Social and Governance (ESG) issues have the potential to impact investment returns. As one of Australia's largest asset managers, Colonial First State Global Asset Management believes that adopting a sustainability policy across the business will allow for greater alignment with clients' long-term investment interests.**

There are several direct property investment funds and mandates (the 'Property Funds') within Colonial First State Global Asset Management. As the 'Manager' of the properties in these Property Funds, Colonial First State Global Asset Management recognises the measurable physical impact the property sector has on the environment and society. Consequently, the Manager looks to protect its licence to operate and enhance returns by managing this impact. The Manager's objective is to be recognised as a leading, Australian-based, global fund manager and part of the global leadership group on sustainability and responsible property investment.

The Manager recognises the impact that sustainability issues have on clients' long-term investment interests in the Property Funds. It is committed to enhancing the integration of ESG factors in investment decision making in-line with the commitments made under the United Nations Principles for Responsible Investment (PRI). This approach is consistent with the Manager striving for excellence in all that it does and with being a responsible fiduciary manager.

Sustainability issues are defined by the Manager as the ESG issues that have the potential to impact the long term returns of the Property Funds. Responsible property investment is defined by the Manager as the integration of ESG issues into property investment decision making and ownership practices. This helps to ensure that medium- to long-term value to clients is preserved and enhanced in keeping with our role as a trusted fiduciary manager.

The Manager's approach to responsible investment provides the Property Funds with a framework to deliver value to investors, tenants and clients. This is achieved by investing in, developing, and managing property while:

- utilising limited resources in an efficient manner
- using expertise to anticipate and manage risks and opportunities across all levels of business, and
- recognising the expectations of stakeholders with regard to economic, social and environmental performance.

## Sustainability commitments

The Manager regards sustainable property investment, development and management as a fundamental aspect of its direct property business. It believes that in order for the Property Funds to be sustainable and to deliver high levels of performance, sustainability principles should be embedded into the business culture, objectives and targets should be set and achievements demonstrated through reporting on progress. This is done within a framework that recognises the differing nature and objectives of the Property Funds from time to time. As such the Manager sets itself the following objectives:

### **1. Integrate ESG considerations into all investment, development and management decisions**

Integrate a consideration of ESG issues into all aspects of the investment decision making process, namely:

- due diligence
- operations and management, and
- risk management.

## 2. Set targets

Utilise best practice benchmarks and frameworks in the setting of performance targets, including:

- the Green Building Council of Australia (GBCA) Green Star design and as-built rating tools to set standards for its properties (enhanced through signing the 'GBCA Green Business Partnership'), and
- the building operating performance rating tool suite, National Australian Built Environment Rating System (NABERS), as administered by New South Wales Department of Environment and Climate Change.

## 3. Data Management

Capture, record and manage relevant metrics based on property data to enable benchmarking, analysis and reporting to be undertaken.

## 4. Tenant Liaison

Engage tenants in the sustainability process to ensure achievement of desired results in building performance ratings. Develop Green Lease clauses for incorporation into all standard leases to reference fit-out guidelines and building rules, which will also incorporate sustainability aspects and measures.

## 5. Management Improvement Programmes

Set improvement programs, termed Sustainability Action Plans, for portfolios and, more specifically, for properties within those portfolios. These will incorporate ESG aspects in accordance with this policy and provide a framework from which outcomes can be monitored.

## 6. Community and Social

Identify the local community impact and social impact of operations and consult and work on issues which are local to business operations. Support and improve the environment while demonstrating environmental stewardship and commitment. Increase awareness and provide education to staff, partners and supply chain.

## 7. Industry and Government engagement

Comply with any sustainability-related regulatory requirements. Implement practices to comply and report as required to legislators both federally and regionally as regulated, including the Federal Governments Energy Efficiency Opportunities Act (EEOA) and National Greenhouse and Energy Reporting Act (NGERS), and to State Governments on mandated resource use.

In addition to compliance, the Manager will engage with regulators and industry bodies to further sustainability objectives and encourage innovation, acceptance and adoption of the principles within the broader property industry. By doing so, the Manager will aim to foster partnerships with government and industry to drive practical solutions.

## 8. Publicly Report

Commit to report regularly and voluntarily as follows:

- Annually report to investors in the funds on the implementation and success of the sustainability policy through sustainability updates and reports.
- Respond to investors' enquiries on sustainability processes both directly and through collaborative initiatives such as:
  - the Carbon Disclosure Project (for listed entities), and
  - reporting to ratings agencies for ongoing inclusion in leading sustainability stock exchange ratings, such as the DJSI, AuSSI and FTSE4GOOD (for listed entities).

## 9. Continuous Improvement

Commit to achieve best practice in sustainability operations, and subject these policies and practices to regular review to achieve excellence through continuous improvement. Accordingly this policy will, at a minimum, be reviewed annually.

## Governance

This Sustainability Policy is supported by a governance framework to ensure adherence to the policy, continuous improvement and a focus on credible environmental outcomes. The accountability for the Sustainability Policy is assigned as follows:

- **The CMIL Board of Directors**  
Overseeing adherence to the policy (six monthly)
- **The Property Executive Committee**  
Responsible for ensuring implementation across the Funds and Managed Assets
- **Head of Sustainability**  
Policy implementation



Darren Steinberg  
Head of Property



Rowan Griffin  
Head of Sustainability