



# Environmental, Social and Governance Report 2020

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## Message from Steve Gillard, Managing Director

We are pleased to present GDI Property Group's (GDI) first Environmental, Social and Governance (ESG) Report (Report). All aspects of ESG have been important to us since our inception and are at the core of our decision making, corporate culture and strategy.

We often buy buildings that need significant upgrades. Because existing buildings comprise the largest segment of the built environment, when we undertake such upgrades, we make an important contribution to not only reducing that building's environmental footprint but also improve the general environmental footprint of the area in which the building is located. We do that as it's good for our tenants, it's good for our community, and it's good for our bottom line. If a building we buy already has exceptional services and a low environmental footprint, we will continually look for incremental improvements in the belief that every bit counts. However, with the exception of the governance part of ESG, reported annually in our Corporate Governance Statement, we have not been good at reporting what we do.

To rectify this, we engaged the services of independent consultants to assist us to both collect relevant data and then to extrapolate that data into this Report. This Report is using the reporting principles and disclosures set out in the Global Reporting Initiative (GRI) Standards. The GRI Standards have been issued by the Global Sustainability Standards Board to allow organisations to report and benchmark on impacts related to environmental, social and governance matters. In future years our data collection will improve and our reporting will become more extensive. We have also committed to adopt new or amend existing policies, including adopting a formal environmental policy and amending our procurement policy (Outsourcing Policy) to align with Australia's Modern Slavery Act, even though we are currently under the reporting threshold. Also on the FY21 to do list is to adopt an occupational health and safety (OHS) policy to supplement our existing policy suite that currently deals with OHS issues. This will not change what we do or how we do it, but it will improve our internal accountabilities and our ability to report to our stakeholders.

As this Report is released concurrently with the Annual Financial Report and the Corporate Governance Statement, I don't want to repeat what is already stated in those documents, particularly within the Operating and financial review (OFR) of the Directors' Report. The Board has written extensively about how GDI was in a unique position at the beginning of the current health and economic crisis caused by the global pandemic known as COVID-19, how it has impacted our business, the likelihood that it will generate some unique but as yet unidentified opportunities, its long term impact on office markets, and management of the business during the pandemic. I encourage all our stakeholders to read the OFR. The only thing that I will repeat is this: "We do not pretend to know how the current health and economic crisis will end. However, through good corporate governance, a disciplined approach to acquisitions and the use of our capital, and a strategic positioning of our business to Perth, we believe that we are well positioned to navigate through the current crisis."

We don't use the words "good corporate governance" lightly. Our Audit, Risk and Compliance Committee undertakes a quarterly review of our risks and how we manage those risks. Obviously, the current health and economic crisis made us review our risks in a new light, but we were very pleased that we identified that only minor amendments were required to our risk register, and all risks were being adequately identified and managed. This includes the risks and opportunities of climate change. However, we acknowledge that there is more work to do on this front, and during FY21 we will continue to assess the risks associated with climate change and adopt measures to mitigate that risk.

In the past we have relied on NABERs ratings of our buildings to assess our successes or otherwise in reducing the environment footprint of our buildings. However, although NABERs is a nationally adopted measure of comparison between buildings, its methodology is imperfect, and through the data collection process associated with preparing this Report we are excited about better target setting and the impact that will have on our buildings. Our financial targets are well understood and described in detail in the Annual Financial Report. Our governance targets, particularly in relation to diversity, are detailed in the Corporate Governance Statement. In future years, our ESG Report will not only describe our historical performance, but also our ambitions. This Report, being our first formal ESG report, does not talk about our future, but its preparation has established the framework to allow us to do so.

The COVID-19 crisis this year has highlighted the importance of the ESG agenda resulting in a re-examination of the office environment. Throughout the COVID-19 crisis, GDI formally engaged with all property managers to adhere to the health advice communicated by State and Federal government departments. GDI set in place a formal set of rules and expectations for each asset to be carried out by all property managers. Health considerations such as signposting of circulation diagrams and capacity numbers in lifts, floor marking for recommended social distancing in public areas and provision of hand sanitiser at building entrances were implemented.

Despite the challenges presented to us in FY20, operationally, we had another exceptional year. Two highlights for the year were the leasing successes at Westralia Square, 141 St Georges Terrace, Perth, and the establishment of GDI No. 46 Property Trust. However, notwithstanding our successes we did not meet our annual total return targets, delivering a total return as we measure it of 9.3% for FY20, slightly below our 10% - 12% target. Pleasingly, our three-year total return was 12.3%, exceeding our 10% -12%p.a. rolling three-year objective.

As we navigate our way through FY21, we look forward to further embedding ESG throughout GDI, and sharing our progress with you.

I encourage you to read this Report in detail and to give it better context, also in conjunction with the Annual Financial Report and the Corporate Governance Statement.

A handwritten signature in black ink, appearing to read 'Steve Gillard', written in a cursive style.

Steve Gillard  
Managing Director

## About this Report

This report provides a performance review of GDI Property Group's (GDI) most material topics for the period 1 July 2019 to 30 June 2020. GDI comprises the stapled entities GDI Property Group Limited ACN 166 479 189 and GDI Property Trust ARSN 166 598 161. This report is GDI's inaugural Environmental, Social and Governance (ESG) report and is aligned with the Global Reporting Initiative (GRI) Standards and the GRI G4 Construction and Real Estate Sector Disclosures. It should be read in conjunction with GDI's Annual Financial Report for the year ended 30 June 2020 and GDI's Corporate Governance Statement.

The report has been prepared in accordance with the GRI Standards: Core Option. As this is GDI's first report, we include some information outside this scope to provide additional context. We will continue to report our performance annually. External assurance has not been undertaken specifically for this report.

The GRI reporting principles for defining report content (Stakeholder Inclusiveness, Sustainability Context, Materiality, Completeness) have been incorporated as follows:

A materiality assessment was undertaken via an online survey with GDI staff and Board, totalling 15 respondents (stakeholder inclusiveness). The survey required respondents to identify and prioritise the ESG topics that they considered most material to GDI (materiality) for the reporting year. The survey incorporated topics from the GRI Standards, the GRI G4 Construction and Real Estate Sector Disclosures, and the SASB Real Estate Services Sustainability Accounting Standard (Version 2018-10). Further exploration of ESG topics included those material in the short to medium term (2020-2025) and longer term (2025-2030). While the SASB Standards were incorporated into the materiality assessment, the report has not directly reported to specific SASB disclosure topics and accounting metrics. GDI will consider incorporating these elements in the FY2021 ESG Report.

This report draws on the current situation and emerging trends in the REIT sector, through reference to research by the Property Council of Australia, Investor Group on Climate Change (IGCC) and the Australian Sustainable Built Environment Council (ASBEC) (sustainability context). This report outlines impacts associated with identified material topics based upon available data (completeness).

Quantitative data included within this report reflects the performance of eight assets within GDI's operational control, where this data is available. We acknowledge that at this time, we have not implemented data collection processes for some topics identified as material, which is noted in the relevant report section together with our planned course of action to collect this data.

Topics identified as most material and listed in order of priority are:

1.	Energy management throughout GDI's asset portfolio	
2.	Compliance with environmental, social and economic regulations	
3.	Ethics, integrity and transparency	
4.	<ul style="list-style-type: none"><li>Waste management and recycling throughout GDI's asset portfolio</li><li>Economic performance</li></ul>	Equally material
5.	<ul style="list-style-type: none"><li>Water and effluent management throughout GDI's asset portfolio</li><li>Customer service (building tenants)</li></ul>	Equally material
6.	<ul style="list-style-type: none"><li>Greenhouse gas emissions throughout GDI's asset portfolio</li><li>Occupational health and safety for staff and contractors (including structural integrity and safety of assets)</li></ul>	Equally material
7.	<ul style="list-style-type: none"><li>Use of sustainable, renewable and/or recycled materials in redevelopment and retrofit activities</li><li>Equal remuneration for women and men in similar roles</li><li>Customer health and safety (asset end-user health, safety and security)</li></ul>	Equally material

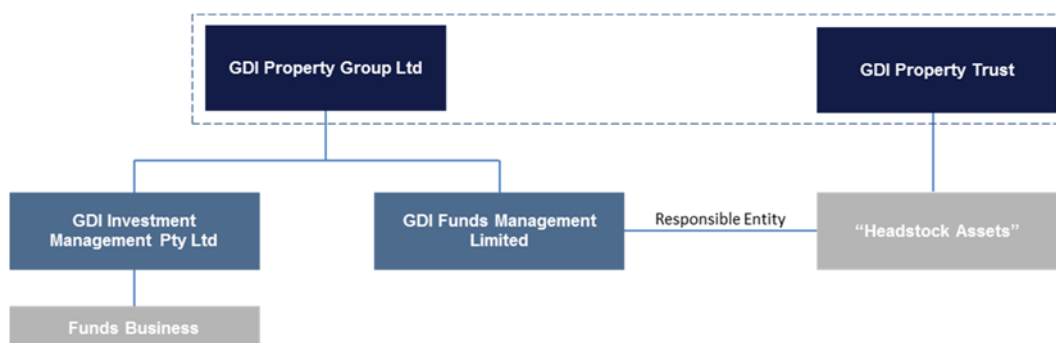
Questions related to the information contained within this report can be directed to John Garland, Head of Property, GDI Property Group at: [john@gdi.com.au](mailto:john@gdi.com.au).

## About GDI Property Group

GDI is an ASX listed property owner and fund manager. GDI, through its wholly owned subsidiaries, is a high-performance property manager that specialises in providing income and value-add property trusts to both listed and wholesale investors. GDI was established in 1993 and listed in 2013.

GDI is an integrated, internally managed property and funds management group with capabilities in ownership, management, refurbishment, leasing and syndication of commercial properties.

GDI's head office is located in Sydney, and staff are located in Sydney and Perth, Australia.



GDI, through wholly owned subsidiaries, manages seven unlisted, unregistered managed investment schemes with total AUM of approximately \$504.7 million. The company has an investor base of over 1,500 high net worth investors.

GDI comprises the stapled entities GDI Property Group Limited and GDI Property Trust. GDI Funds Management Limited, a wholly owned subsidiary of GDI Property Group Limited, is the responsible entity of GDI Property Trust. The Boards of GDI Property Group Limited and GDI Funds Management Limited each have common membership. GDI Investment Management Pty Limited a wholly owned subsidiary of GDI Property Group Limited, is the Investment Manager of GDI Property Trust.

GDI Funds Management Limited and GDI Investment Management Pty Limited, either directly or through wholly owned subsidiaries, also act as trustees and Investment Managers of the unlisted unregistered managed investment schemes operated by GDI.

As at 30 June 2020, GDI owns and manages property investments in New South Wales, Queensland and Western Australia. A full list of GDI assets, including those acquired and disposed of during the reporting year, is available in Appendix 1.

Economic performance for FY20, including detailed commentary on GDI's management approach for ensuring optimal returns for security holders, can be viewed in the GDI Property Group Annual Financial Report FY20.

## Supply Chain

Inputs into the GDI building supply chain for regular procurement of service and supply are primarily outsourced by GDI to property managers and/or external consultants. Examples of these activities are the procurement of service contracts for electricity supply, cleaning, lift maintenance and other routine maintenance contracts.

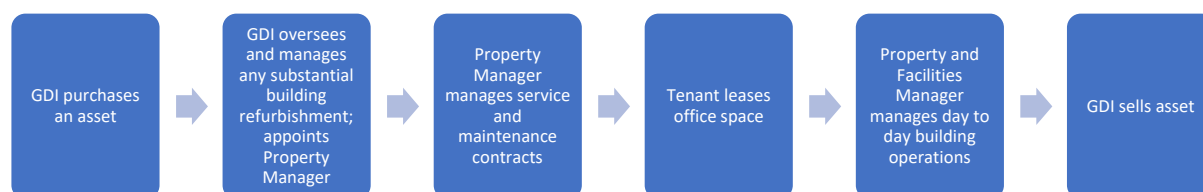
Substantial refurbishments and service upgrades, commonly undertaken soon after acquiring an asset, together with ongoing office fitouts and upgrades through the ownership cycle are managed directly by GDI.

GDI's commitment to environmental and social sustainability is clearly communicated to property managers, however, the company has not yet implemented a sustainable procurement policy. Our Code of Conduct is the key instrument that guides how all stakeholders that act on our behalf, including those throughout our supply chain must conduct their business.

Our position on sustainable supply chain issues is to favour environmentally sustainable materials and implement environmentally sustainable processes (reduce, reuse and recycle) in the refurbishment, fit out, and day to day operations of our offices. We expect that property managers and all contractors and consultants engaged by GDI carry out their duties with environmental and social sustainability in mind, taking into account environmental impacts and working conditions, including the health and safety of contractors within their own supply chain.

GDI's property managers include four of the world's largest commercial real estate management groups, including Cushman & Wakefield, CBRE, Knight Frank and Colliers. Each of these companies has a clear commitment to environmental and social sustainability, and adhere to Federal and State laws and regulations.

A typical workflow process for assets within our operational control can be represented as follows:



The Commonwealth *Modern Slavery Act 2018* entered into force in 2019. While GDI's consolidated revenue does not reach the \$100 million threshold to make Modern Slavery reporting mandatory, we have set a target to formalise a sustainable procurement policy, which will include elements of the Modern Slavery Act reporting requirements, in FY21.

## Environment

Energy, water and waste management are key indicators of environmental performance in real estate portfolios. GDI has a history of investing in environmental improvements throughout its properties. We believe that creating more environmentally sustainable office buildings is fundamental to our business, and the right thing to do. Good environmental performance of our buildings is an attractive proposition for our tenants, many who hold a preference for occupying office space with 'green' credentials. Driving sustainability and efficiency within our buildings also has a key benefit of reducing tenancy costs. GDI adheres to the requirements of a green lease schedule for any offices leased by State and Federal Government tenants, as required by these entities.

The Building Code of Australia (BCA), contained within the National Construction Code of Australia (NCC), outlines the minimum compliance requirements for environmental sustainability within the building sector. GDI does not look at minimum environmental standards as a benchmark, but seeks to go beyond compliance where possible. Each of our buildings offers unique challenges in terms of the range of possible environmental improvements (given that none of our buildings are new), and we assess every plant and equipment upgrade in the building based upon return on investment potential. We undertake environmental improvements that make economic sense and deliver the best environmental results within these parameters.

GDI identifies environmental risks and reviews them regularly at the Audit, Risk and Compliance Committee Meetings. GDI's senior management team, with oversight from the Board, oversees the policies, procedures and systems to ensure the adequacy of GDI's environmental risk management practices. We comply with all Federal and State environmental laws, regulations and standards of good practice within the built environment sector. We do not currently have a formal environmental policy, however, will aim to incorporate this policy into our governance framework in FY21.

The specific environmental risks that GDI is exposed to include:

Risks	Effects	Mitigant(s)	Management
<ul style="list-style-type: none"> <li>Costs of energy</li> <li>Advancements in energy sources, procurement and technology leaving existing buildings dated</li> <li>Climate change, higher temperatures and adverse weather events</li> </ul>	<ul style="list-style-type: none"> <li>Increased cost of occupancy</li> <li>Redundancy of current building technology</li> <li>Decreasing appeal of assets to existing and potential tenants</li> <li>Increasing costs of insurance for adverse weather events</li> <li>Shorter life expectancy on plant leading to increased capital expenditure</li> </ul>	<ul style="list-style-type: none"> <li>Continued investment into the assets</li> <li>NABERS ratings for all assets</li> <li>Utility audits and formal monitoring programs</li> <li>Energy procurement improvements</li> </ul>	<ul style="list-style-type: none"> <li>"Go-Green" program</li> <li>Quarterly review by Audit, Risk and Compliance Committee</li> </ul>

In addition to our compliance requirements, GDI has engaged consultants for the monitoring and data collection of greenhouse gas emissions, energy production or energy consumption of these assets. We review this data and all water monitoring data regularly and update facilities and equipment as required to ensure optimal performance.

An initiative of the Council of Australian Governments (COAG), the Commercial Building Disclosure (CBD) program requires a NABERS Energy rating for commercial office space of 1000 m<sup>2</sup> or more that is sold or leased as required by the *Building Energy Efficiency Disclosure Act 2010* (BEED Act). NABERS (National Australian Built Environment Rating System) measures the environmental performance of Australian buildings, and is GDI's primary reporting requirement. NABERS provides a platform for commercial office tenants to compare energy efficiency, water usage and waste management services when looking to buy or lease office space. When buying a building, the NABERS potential, and particularly the potential improvement in NABERS rating is an important factor that we consider.



GDI has implemented an energy performance programme designed to measure, assess and improve the utility (energy & water) performance of all of the properties under our management.

This programme includes:

- Utility audits;
- NABERS\* ratings;
- Energy procurement improvements; and
- A formal utility monitoring programme.

Regular monitoring of these activities allows us to determine any required improvements to the way that energy, emissions and water is managed throughout our asset portfolio, which are then implemented accordingly.

The current NABERS ratings of buildings under GDI's operational control are:

	Acquired	NABERS Energy rating when purchased	NABERS Energy (FY2020)	NABERS Water (FY2020)	NABERS Indoor Environment (FY2020)
<b>Queensland</b>					
50 Cavill Avenue, Surfers Paradise	2016	No rating	3.5 star	No rating	N/A**
235 Stanley St, Townsville	2016	5.0 star	5.0 star	4.0 star	N/A**
<b>Western Australia</b>					
Mill Green: 197 St Georges Terrace, Perth	2011 and part of IPO vehicle	3.0 star	5.0 star	4.0 star	5.0 star
Mill Green: 1 Mill St, Perth		Unrated (vacant building)			
Mill Green: 5 Mill St, Perth	2013	3.0 star	5.0 star	4.0 star	N/A**
Westralia Square, 141 St Georges Terrace, Perth	2017	5.0 star	5.0 star	3.5 star	4.5 star
1 Adelaide Terrace, Perth	2012	3.5 star	5.0 star	3.5 star	N/A**
6 Sunray Drive, Innaloo	N/A: NABERS rating not required as the asset is a retail occupancy				

\*NABERS ratings scale: 1 star = poor; 2 stars = below average; 3 stars = average; 4 stars = good; 5 stars = excellent; 6 stars = market leading. (NABERS, 2019) \*\*NABERS Indoor Environment rating is not a requirement, and has not been sought for these assets.

## Climate Change

Asset managers such as GDI play an important role in the transition to reducing climate risks by working towards reducing the carbon impacts of office buildings that they own and lease. Risks associated with climate change impacts in the property sector are increasing, such as flooding due to cyclones, more intense and extreme rainfall events and hailstorms. Higher than average temperatures and sea level rise and storm surges also pose potential risks (Smith, 2013). Thankfully within the reporting year, no GDI assets were negatively impacted by the extreme weather events that may be attributed to Australia's changing climate.

The Property Council of Australia recommends that climate change adaptation and resilience measures are put in place for all Grade A buildings. Climate related risks and their associated potential financial impacts are assessed within GDI's enterprise wide risk management framework. We acknowledge that beyond this activity, there are many opportunities to mitigate climate change impacts throughout our portfolio. In FY21 we will further assess climate change risks and adopt measures to mitigate the impact and our exposure.

## Energy and Emissions

Almost half of the greenhouse gas emissions produced by Australia's property sector have been attributed to commercial buildings. Office buildings are considered to be amongst the larger energy consuming sectors within building classes, and contribute approximately 25-30% of energy consumption within commercial building stock (ASBEC, 2016). Typical energy consumption breakdown in an office building is comprised of heating, ventilation and air conditioning (HVAC) – 39%; lighting – 25%; equipment – 22%; lifts – 4%; domestic hot water – 1%, and other – 9% (EY, 2019). Whole building energy use is widely accepted as 60% base building energy use and 40% tenant energy use (City of Sydney, 2018), reflecting the complexities of the level of control that asset owners and property managers have over office tenant energy use.

GDI ensures that all federal and state government regulations for energy efficiency and emissions reduction are adhered to, for example at the federal level, the NABERS Energy disclosure, as part of the Commercial Building Disclosure (CBD) program and Minimum Energy Performance Standards (MEPS) and all State mandated Building Code of Australia (BCA) requirements.

Energy efficiency improvements through refurbishment of our office buildings provides us with an opportunity to reduce energy use and emissions that contribute to climate change. Additional benefits include lower energy costs for both the base building and occupiers, especially during extreme climatic conditions, improved thermal comfort and wellbeing for tenants.

When undertaking a major refurbishment project, HVAC systems are replaced with high efficiency equipment and lighting is replaced with energy efficient LED lights and fittings throughout both public access and tenancy areas. In working with an existing tenancy, facilities managers replace lights with LED units as the older fittings fail. Undertaking these activities is essential to improve and/or maintain NABERS ratings, and reduce the energy and emissions use and negative environmental impact.

GDI does not currently set formal energy and emissions reduction targets, however, will create these KPIs in FY21.

In the reporting year, the following energy efficient measures were implemented across our portfolio:

### 50 Cavill Avenue, Surfers Paradise

During FY2020, there has been a continuation of the building performance improvement program implemented at the time of acquisition. As a result of these activities and an extensive refurbishment programme, the indicative NABERS rating has improved from no rating at the time of acquisition to 3.14 stars in FY18 and a 3.6 star rating in FY20. We anticipate achieving a NABERS Energy rating of 4.0 stars in November 2021. The building performance improvement programme involved:

- Monthly tracking of NABERS Base Building Energy
- Ongoing building management system (BMS) analytics and equipment fault monitoring service
- Building tuning activities led by the onsite facilities managers and BMS and mechanical contractors
- Quarterly building tuning meetings.

Specific improvements included:

- Installation of modern destination lifts
- Implementation of sensor driven LED basement lighting
- New package chillers installed
- Refined after hours air conditioning (AHAC) operation and reporting
- Timed common area lighting implementation

### 235 Stanley Street, Townsville

- Installation of variable speed drive (VSD) to chiller and upgrades to air handling units and BMS
- Complete replacement of all lift hoisting machines and controllers together with code compliance upgrades at a cost in excess of \$1.5 million resulting in improved energy efficiency estimated at greater than 25%

### 197 St Georges Terrace, Perth and 5 Mill Street, Perth

- Monthly energy performance tracking reports
- Installation of VSDs on motors and pumps for mechanical equipment
- Installation of automatic optimisation efficiency valves on mechanical systems
- BMS system upgrade works carried out to improve and maintain a high energy efficiency rating
- Changing of BMS preventative maintenance strategies to optimise and identify issues and deficiencies to assist in improving the energy efficiency performance of the building
- Light fittings changed to LED
- Installation of lighting systems with timed-out motion sensors in common areas
- Lifts have been upgraded, including installation of VSD motors and new controls. The upgrades have produced a 30% reduction in power consumption.

### 141 St Georges Terrace (Westralia Square)

- As part of a lift modernisation, installation of new Schindler lifts with regenerative drives that return energy back into the lift system
- Installation of Electronically Commutated (EC) fans (energy efficient fans for HVAC systems)
- Replacement of all fluorescent lights in common areas with LED lights on failing. Approximately 80% of the base building lights have been replaced to date
- Installation of LED light fittings throughout common areas
- Removal and replacement of redundant fluorescent light fixtures and fittings to LED lights in between tenancies

### 1 Adelaide Terrace, Perth

- Monthly energy performance tracking reports
- LED lighting upgrades to carparks and stairwell lights replaced with motion activated LED lights. Planned upgrade to plantroom lights.
- Tenants lights are planned to be replaced with LED fittings
- BMS upgrade work completed and fine tuning of the system is underway to minimise energy consumption. The turn off mechanisms for air-conditioning to vacant floors has been enabled
- Smart metering installation is currently underway which will assist in better tracking and analysing energy use
- Hot water system is now timer based and operational during weekdays and business hours only.

Energy data for 1 Mill Street Perth is not included as the building has been vacant since 2015. No environmental improvements have been undertaken at 6 Sunray Drive, Innaloo.

### **Waste**

Refurbishment waste is unavoidably generated throughout our downstream activities, although typically less than our larger peers, as we don't undertake new or large-scale construction. Waste streams generated as a result of refurbishment activities are primarily non-hazardous materials:

- Masonry: generally, plasterboard and glass
- Metals: aluminium from walls and glass framing (all separated for recycling), and
- Textiles: carpet and underlay (recycled where possible)

Minimum hazardous materials are generated, with occasional asbestos containing materials, and excess paints and solvents from some refurbishment projects. Disposal of hazardous materials is strictly managed as per legislative requirements.

When undertaking an office stripout and fitout, we are absolutely vigilant in our effort to minimise and avoid waste of fittings, appliances and interiors. We look to reuse workstations, fittings and furniture in the building or within other buildings within our portfolio. Our preference is to retain and repurpose an existing fitout and reusing onsite materials where possible to minimise waste. This serves to reduce the quantity of waste sent to disposal.

A clear example of effective recycling can be demonstrated in the upgrade of air conditioning systems. Every air conditioner component is separated for recycling where it can be and any gas that can't be reused is decanted and disposed of at an approved recycling plant.

Tenancy waste generation is an additional waste source, and one over which we have less control in the volume generated. Contractor agreements facilitated by GDI property managers stipulate that multi-waste stream bins are made available, including for recyclable materials.

While some waste data is available for FY20, the collection of waste data across the GDI asset portfolio has been ad hoc to date. We will prepare guidelines for the collection and management of construction and tenant waste generated within our portfolio and implement a formal waste data collection process in FY21, together with waste reduction KPIs.

General waste management activities for GDI assets include:

#### 50 Cavill Avenue, Surfers Paradise

- Separation of tenant waste into two waste streams: general landfill and cardboard/paper

#### 197 St Georges Terrace, Perth and 5 Mill Street, Perth

- Tenant education programs on kitchen waste
- Separation of tenant waste into four waste streams: general landfill; co-mingled; cardboard and paper
- Monthly reporting of waste volumes
- Removal of paper towels in bathrooms and installation hand air dryers, contributing to waste reduction
- E-waste bins are available for tenants to remove electrical equipment

#### 141 St Georges Terrace (Westralia Square), Perth

Property managers of this asset are actively working towards being able to complete a NABERS Waste Rating.

- Waste consumption monitoring
- Ongoing improvement of waste data collection processes
- Separation of waste into 13 recycling streams: paper; cardboard; containers; plastic film bags; polystyrene bags; organics; coffee grounds; e-waste; batteries; printer cartridges; fluorescent lights; paper hand towels, and general waste.
- Active education to tenants on responsible recycling. This includes poster messaging, frequent broadcast emails, information on the building website, and promotional free coffee mornings.

#### 1 Adelaide Terrace, Perth

- Education programs have been rolled out to tenants on kitchen waste use
- Separation of tenant waste into two waste streams: general landfill and recyclables

Waste data for 1 Mill Street Perth is not included as the building has been vacant since 2015. Waste data for 235 Stanley Street, Townsville is not included as waste collection and disposal is controlled by the tenant (State and Federal Government). No environmental improvements have been undertaken at 6 Sunray Drive, Innaloo.

### **Water Use**

We consider the implementation of water efficiency measures within our buildings an important responsibility to ensure less water use, given the variability of available water in Australia's water catchments. We are fortunate that assets within GDI's operational control are all located within metropolitan areas, where potable and non-potable water is readily available and supplied by local water authorities. Water effluent is discharged through regular main sewers managed by the relevant water authority, and our tenant profile and general building water usage does not highlight any risks related to effluent discharge.

Potable water is used by tenants in kitchens and bathrooms, and non-potable water is used for air-conditioning systems. Management of water supply and efficiencies throughout the asset portfolio is managed by our contracted property and facilities managers.

When upgrading ageing fixtures, we find the most water efficient replacements for fittings and appliances, including 5-star or 6-star WELS rated water efficient appliances and waterless urinals. Modern air conditioning systems replace less water efficient options, and water leaks are repaired after identification through the property manager and facility manager's regular monitoring and inspection.

The NABERS Water ratings for all assets underneath our operational control meet or exceed the Property Council of Australia's expectations of achieving a 3.5 star rating for Grade A buildings.

We will work towards achieving a NABERS Water rating and water reduction KPIs for all assets under operational control in FY21.

In the reporting year, the following water efficiency measures were implemented across our portfolio:

#### 50 Cavill Avenue, Surfers Paradise

- Installation of a timed irrigation system

#### 197 St Georges Terrace, Perth and 5 Mill Street, Perth

- Documentation of water metering network, to allocate and track water consumption within the building
- Monthly water meter readings
- Installation of automatic flushmasters for urinals. Water used is now three to five litres per discharge, reduced from nine litres
- Toilet system flushers changed from nine to five litres per flush
- Introduction of a preventative maintenance program for hydraulics services (reduced pressure zone device valve, pumps, water tanks, urinals, temperature valves, and other initiatives)
- Implementation of new fitout guidelines for hydraulic services. All tenant fitout works must now install 6-star WELS rated products and fittings

#### 141 St Georges Terrace (Westralia Square)

- Sloan valves replaced with dual flush cisterns on five refurbished floors.
- Installation of new high efficiency potable water pumps with VSD
- New high efficiency potable water pumps with VSD installed

#### 1 Adelaide Terrace, Perth

- Monthly water performance tracking reports
- Documentation of water schematics are being developed to track building water consumption
- Installation of water saving aerators on domestic taps in bathroom areas
- Replacement of vegetation to water wise plants

Water data for 1 Mill Street Perth is not included as the building has been vacant since 2015. No environmental improvements have been undertaken at 6 Sunray Drive, Innaloo, and no water efficiency improvements were undertaken at 235 Stanley Street, Townsville during the reporting year.

#### **CASE STUDY: 197 St Georges Terrace, Perth – Platinum Waterwise Office of the Year Award 2019**

GDI's 197 St Georges Terrace, Perth asset was awarded the Platinum Waterwise Office of the Year award in 2019\*. The Waterwise Office Recognition Scheme acknowledges business customers participating in the Property Council of Australia (Western Australia) Waterwise Office Program for their ongoing commitment to water efficiency and achieving a significant improvement in water use. The award criteria is based on an industry baseline for performance for water-cooled and air-cooled buildings.

Jamie Tassicker, General Manager, Commercial Real Estate, Colliers International (WA) and property manager of 197 St Georges Terrace, said, "Keeping informed of the latest innovative water saving techniques by experts is important to GDI".

GDI was recognised for the following water management activities at the asset:

##### Minimum (ongoing) activities:

- Meters are read on a monthly basis and Building Management entered into a Service Level Agreement with a third party to review usage and provide regular feedback and recommendations.
- Leak detection is included in regular inspections and reported on or repaired if a leak is observed. Collier's facility manager and security guards undertake regular patrols of every floor, plant room and car park areas for visual inspections of any anomaly including water leaks.
- Current water saving messages (e.g. posters, stickers or videos) are displayed to encourage tenants to be water efficient.
- Education program for tenants regarding water saving regimes they can practice in the office.
- The installation of new water wise plants on the adjoining plaza to reduce irrigation use.
- Liaising with sustainability consultants to introduce further water saving ideas and procedures.

##### Short term (up to June 2020)

- The implementation of a cooling tower management plan (data tracking of the cooling tower's water usage is fundamental to identify issues and find water saving solutions for the equipment including drift eliminators and nozzle replacements)
- Monthly contractor meetings are held to discuss and note water awareness, report any leaks and present ideas for adoption into the building's mechanical systems.
- Recalibration of water meters to ensure accuracy and no deficiencies.

##### Longer term (throughout 2020)

- Replacement of old water meters, to new and updated meters.

*\*Awarded outside the scope of this report in May, 2019. The 2020 Waterwise Office of the Year Awards have been delayed due to the COVID-19 crisis.*

## Materials

We consider the careful selection of materials in refurbishments and fitout in terms of their impact on the environment and the wellbeing of our tenants.

GDI's approach is to use materials considered 'environmentally preferable' and to optimise retention of materials where practical. These may include interiors components such as walling, doors, floor coverings and ceiling tiles, in addition to workstations, cabling and other components. During the design process for any new works, our preference is to use interior materials (walls, wall and floor finishes, ceilings) that contain low VOC (volatile organic compounds) and office fit-out equipment that can be recycled or reused. Materials and products that do not meet these criteria are used only when environmentally preferred options are unavailable.

We are comfortable with our approach, however, have not yet undertaken formal monitoring or reporting on product material types and quantities, and do not specifically select product materials or suppliers with environmental certifications (outside energy and water efficiency appliances and fixtures). We will explore these options in the next 12 months with a view to reporting our performance in FY21 and establishing a more formal approach to how we manage materials used in our activities.

### Environmental Data Table

Metric	FY18	FY19	FY20
<b>Net Lettable Area (Operationally Controlled)</b>	89,144	151,789	151,789
<b>Energy Consumption - Operationally Controlled - (MWh)</b>			
Diesel	52	56	48
Natural Gas	354	315	235
Electricity (grid)	6,637	8,123	7,753
<b>Total energy consumption (MWh)</b>	<b>7,044</b>	<b>8,494</b>	<b>8,036</b>
Proportion of energy consumption from renewable sources (%)	0	0	0
<b>Energy intensity (MJ/m<sup>2</sup>)</b>	<b>284</b>	<b>201</b>	<b>191</b>
<b>Greenhouse gas emissions (tCO<sub>2</sub>-e)</b>			
Direct (Scope 1)	281	291	242
Indirect (Scope 2)	4,955	6,037	5,721
<b>Total Scope 1 &amp; 2 emissions</b>	<b>5,236</b>	<b>6,328</b>	<b>5,963</b>
<b>Greenhouse gas emissions intensity (kg CO<sub>2</sub>e/m<sup>2</sup>)</b>	<b>58.6</b>	<b>41.6</b>	<b>39.2</b>
<b>Water (m<sup>3</sup>)</b>			
Potable water	49,432	92,715	93,208
Proportion of water consumption from recycled water sources (%)	0	0	0
<b>Total water consumption</b>	<b>49,432</b>	<b>92,715</b>	<b>93,208</b>
<b>Water intensity (m<sup>3</sup>/m<sup>2</sup>)</b>	<b>0.55</b>	<b>0.61</b>	<b>0.61</b>

Energy and emissions data notes: Energy consumption figures are derived from a combination of utility accounts and readings from privately owned sub-meters using the NABERS calculation methodology. Heating, cooling, and steam consumption is contained within the overall electricity and natural gas data. Conversion factors for diesel, gas and emissions are calculated using the National Greenhouse and Energy Reporting (Measurement) Determination 2008: Schedule 1 - Energy Content Factors and Emission Factors, and indirect factors use the National Greenhouse Accounts workbook where applicable. Gas and diesel emissions included within the CO<sub>2</sub>e factor are CO<sub>2</sub> (carbon dioxide), CH<sub>4</sub> (methane) and N<sub>2</sub>O (nitrous oxide). No base year has been selected. Electricity, natural gas and diesel are used to calculate energy intensity. The denominator for energy intensity and emissions calculations and the sum of annual mWh is the net lettable area (m<sup>2</sup>). Energy intensity MWh has a conversion rate of 1mWh = 3600 MJ. Included in emissions data are Scope 1 emissions from direct consumption of fossil fuels through natural gas and diesel consumption for onsite heating and backup electricity generation, and Scope 2 emissions from the indirect burning of fossil fuels through consumption of electricity.

Water data notes: Total consumption is influenced by the addition or removal of properties as they are bought or sold. Water consumption figures are derived from a combination of utility accounts and readings from privately owned sub-meters. At the time of report publication, some water data was not available for the end of FY20. This data was estimated by multiplying the average kL/day figure from the most recent actual account by the number of missing days and adding this value to the FY20 total. Wherever possible water consumption related to non-office use (e.g. retail tenants) has been removed from the figures to ensure only assets under operational control are captured.

## Society

Our people strive to be good people and for GDI to be seen as a good corporate citizen within the community in which we live and work. We are a financial member of the Property Council of Australia, a leading advocate for the property industry. We regularly engage with our key stakeholder groups as part of our commitment to open and transparent communication.

### Stakeholders and engagement

Our four key stakeholder groups are:

- Capital providers (investors in listed properties; investors in unlisted funds; banks and debt providers)
- Tenants (our customers)
- GDI staff, Board and contractors
- Community at large

Capital providers are critical to our business. Our Securityholder Communications Policy, last updated on 27 June 2019, outlines our communication responsibilities to our investors. This policy is available at <http://www.gdi.com.au/about-gdi/#corporate-governance>. We consider GDI to be accessible to investors in both our listed and unlisted funds. We report formally to all our investors at least semi-annually, in addition to regular informal communication with key intermediaries.

GDI has also designed and implemented an investor relations programme to facilitate effective two-way communication with securityholders. The program has been designed to maximise the opportunities for securityholder engagement without over burdening GDI's small executive management team. This is achieved through active engagement at the AGM, post yearly and half yearly result briefings, meeting with investors on request and responding to any enquiries, and participation at broker sponsored conferences. GDI also recognises the benefit of independent research (including broker research) and the CFO has as an objective to increase independent research coverage. However, in accordance with the GDI Continuous Disclosure Policy and the Securities Trading Policy, no selective information is provided to any analysts.

We engage formally with banks and debt providers in accordance with their requirements on a semi-annual basis, enhanced by regular informal engagement.

A material topic for capital providers in FY20 related to GDI's COVID-19 response. GDI's ASX announcement 'Increase to and extension of debt facility and market update' on 1 May, 2020 provided the market with clarity on our response to a request for tenant rent relief across the portfolio and how we intended to report our response to the crisis. The announcement is available at [www.gdi.com.au/investor-centre](http://www.gdi.com.au/investor-centre).

Our tenants are our customers, and we consider it our responsibility to support their wellbeing and ensure satisfaction with GDI properties leased by them. Regular communication with GDI tenants is offered onsite via the building property manager, who is available for daily contact. If issues arise that need to be escalated by the property manager, GDI engages directly with the tenant.

Due to the COVID-19 crisis we received some requests for rent relief across our portfolio of assets. We acknowledge the significant hardship a number of our tenants faced and are continuing to face, and are working on solutions with these tenants on a case by case basis, adhering at a minimum to the principles of the National Cabinet Mandatory Code of Conduct. Specific terms of any rent relief provided remains confidential.

GDI staff and Board are the foundations of our successful business. Informal townhall style meetings are held almost daily with all staff in our Sydney head office and our one staff member and two contractors located in our Perth office. In addition, formal property and asset management meetings are held every two weeks. We conduct at least eight Board meetings annually, or more often if required, for example during the COVID-19 crisis.

We communicate with communities within the vicinity of our assets as required.



## People and culture

Our staff are key stakeholders in our business and believe that their success is our success. We individualise development programmes that seek to both accelerate an individual's career path and assist with succession planning. Staff are encouraged to be benevolent and stay healthy, with additional leave days and financial incentives provided.

Our Managing Director and Executives are expected to demonstrate strong leadership and commitment. Executives that have direct reports are monitored for their people management and people development skills. Since GDI's initial public offering (IPO) in 2013, only one employee has resigned from the company. This stable workforce has created a unique culture. However, this lack of turnover has made it difficult to achieve some of the diversity targets that we have set.

Our diversity policy demonstrates a considered approach to all facets of diversity, and we surpass simply adopting compliance with State and Federal Equal Employment Opportunities (EEO) and Equal Opportunity (EO) laws as well as ASX Listing Rules and ASX Corporate Governance Principles and Recommendations governing diversity requirements.

Included in our measures designed to promote diversity within GDI are our Diversity Policy and Code of Conduct policy designed to help parents balance their work, life and family responsibilities through the provision of flexible work options. Also, the availability of an executive development and mentoring programme which supports the promotion of talented women into senior management and board positions, and provides them with professional networking opportunities, and targeted professional programmes aimed at helping women to develop skills and experience that prepare them for senior management and board positions. GDI's Diversity Policy and Code of Conduct are available at [www.gdi.com.au/about-gdi/#corporate-governance](http://www.gdi.com.au/about-gdi/#corporate-governance).

We have established measurable objectives for achieving gender diversity through the implementation of programs and initiatives designed to enhance gender diversity e.g. mentoring programmes, specific training; the introduction of procedural and structural objectives e.g. enhanced reporting processes, and the establishment of targets for gender diversity at three levels of the organisation: (i) Board members, (ii) senior executives and (iii) all staff.

An assessment with respect to current gender diversity levels and company initiatives is undertaken at least once every 12 months which provides data from which measurable objectives for gender diversity can be established. Our Diversity Policy is reviewed periodically and was last updated on 27 June 2019.

GDI's remuneration policy is determined by the Nomination and Remuneration Committee which makes recommendations to the Board in relation to remuneration. Equal remuneration for women and men in similar roles is important to us and we achieved this in FY20. Gina Anderson, elected as Chair in 2019, receives the same remuneration as the previous male Chair.

### Our staff

- 12 employees (11 located in Sydney and one located in Perth – all staff are full time. Of these 12 employees, five are women and seven are men)
- 2 male contractors are located in Perth
- GDI's Managing Director is male
- 100% (4) senior executives are male (no turnover experienced since 2013)
- 100% (2) asset managers are male (no turnover experienced since 2013)
- 100% (4) staff in accounts are female
- GDI's office manager is female
- Age range: <30 years = one male; 30 – 50 years = two male and three female); 50+ years = four male and two female

## Our Board

The GDI Board consists of four Non-executive Directors of which the chair is female and the remaining three directors (75%) are male. All directors (100%) are aged over 50 years.

GDI established the following measurable objectives in relation to gender diversity for FY20:

<b>Objective</b>	<b>Compliant</b>	<b>Progress / Commentary</b>
At least one female director	✓	One of the four independent directors (25%) is female.
At least one female is interviewed for greater than 75% of vacant roles	X	During FY20, there were no vacant roles and therefore no new employees.
Parents (or carers) are offered flexible working arrangements	✓	Parents (or carers) are offered flexible working arrangements via a number of means, including: <ul style="list-style-type: none"><li>• additional non-cumulative annual leave;</li><li>• working from home arrangements;</li><li>• a generous maternity leave policy; and</li><li>• flexible working hours.</li></ul> The provision of such flexible working arrangements meant GDI was able to seamlessly manage the COVID working from home period during Q4 of FY20.
Over a three-year period, hire at least one female senior executive and at least one female in the asset side of the business	X	During FY20, there were no new hires in either the asset side of the business or at the senior executive level.

GDI acknowledges that as a member of the S&P/ASX300 Index at the commencement of the reporting period, its measurable objective for achieving gender diversity in the composition of its board does not meet the not less than 30% of its directors of each gender threshold. As GDI does not intend to appoint any additional Board members, and it has recently completed a board renewal process, GDI did not adopt and has subsequently not adopted the recommendation to have not less than 30% of its directors of each gender.

Although the above objectives will apply for FY21 and be reported in the FY21 Corporate Governance Statement, GDI does not intend to make any additional hires during FY21.

## **Health and Safety**

GDI is committed to promoting the health and safety of its employees, consultants, contractors and visitors to its workplace and all individuals who the company works with, both through a moral and ethical obligation, and as required by law. Our Code of Conduct outlines the expectations of our staff and contractors with relation to health and safety, and compliance with health and safety laws and regulations. The Code of Conduct is available to view at [www.gdi.com.au/about-gdi/#corporate-governance](http://www.gdi.com.au/about-gdi/#corporate-governance).

We have not implemented an occupational health and safety management system for the GDI offices in Sydney and Perth due to the low risk nature of activity performed in those offices. Our contracted property managers have in place their own health and safety management systems and procedures for workers employed to refurbish GDI assets.

It is important that we work together to create a safe and healthy workplace, for both staff within our small Sydney office and also with property and facility managers who ensure the health and safety of contractors at our buildings.

## Building Safety

The health and safety of our contractors and tenants begins with the safety of our buildings. When we initially purchase a building, we set an Asset Plan which is tailored for each building due to its individual characteristics.

An extensive due diligence report for each asset provides us with a baseline for us to work with. The due diligence report includes details of building and services condition and compliance, including asbestos and hazardous materials registers and management plans. An extensive reporting regime is employed, including technical reports, maintenance manuals and reports, annual risk assessments, risk mitigation, and many other reporting tools. These reports provide us with ongoing monitoring of building health and safety aspects on an annual basis. All identified health and safety risks are monitored and assessed for improvement without exception.

We have formal contracts in place with our property managers that outline our expectations for health and safety, who then monitor and execute health and safety service agreements for each building. Facilities management teams provide us with monthly reports on building safety certification progress.

Each GDI building has an individualised and extensive list of health and safety responsibilities and processes. From a building ownership perspective, we are proactive about identifying hazards and all possible health and safety risks and have a routine and regular approach to identifying and communicating the risk to our property managers. An external consultant visits each asset and identifies additional areas of risk that may not have been identified annually. In addition, our insurers perform a safety risk assessment periodically.

Our target is to achieve 100% compliance with all aspects of building health and safety regulations, and we achieved this in FY20.

In FY21 we will create a formal occupational health and safety policy to complement our existing policies around safety issues and clarify the health and safety performance expectations that we have of our property managers. We will also put in place a mechanism to collect the health and safety data of contractors that work on our projects.

#### Employee Safety

GDI staff work in a low safety risk office environment. We encourage our staff to focus on their health and fitness and provide a gym membership to staff on condition that it is used. An additional day of leave is provided (GDI Day) to complement existing annual leave days, and provision of workers compensation, in the case of an injury, is managed through an external insurance firm. Formal health and safety training for GDI office employees is not in place due to the low risk nature of their work. There were no work-related injuries for office staff in FY20.

In response to the COVID-19 crisis, all staff were instructed to work from home, with guidance provided to ensure that workspaces complied with a formal home office health and safety checklist. At a minimum, weekly calls were held with all staff to check on their mental health and physical capabilities of working in a safe environment at home. A fluid back to work plan was put in motion, aligning with New South Wales and Western Australia State health regulations. At the time of report publication, as per government recommendations, GDI Perth staff had returned to their office while GDI Sydney staff were encouraged to work from home, although the GDI executive and senior management roles tended toward office-based work.

#### Contractor Safety

The function of ensuring the safety of contractors working at GDI buildings is outsourced to our property managers. GDI's property managers are extremely reputable and represent four of the largest commercial real estate companies globally. Each of these organisations ensure that contractors employed for any activity abide by the property manager's occupational health and safety management system, including the provision of training, promotion of worker health and occupational health services provided to their own staff and contractors.

Property managers track and record external contractor's area of access and the task they intend to undertake when entering a building. All contractors undertake a safety induction each time they enter a GDI building to perform works. We do not currently collect occupational health and safety data from contractor organisations.

#### Tenant Safety

We have an obligation to the occupiers and visitors to ensure that our buildings are safe and fit for purpose. We have oversight on making each of our buildings safe and accessible for occupation in common property areas, including building service areas.

As a first port of call, any tenant health and safety grievances are directed to the outsourced building property manager. If an issue cannot be resolved at that point, escalation then progresses to the GDI asset manager, and then further to GDI's Head of Property if required. No changes have been made to GDI's management approach to tenant health and safety during the reporting year, as the current grievance procedure serves well, and there were no incidents of non-compliance during FY20.

Throughout the COVID-19 crisis, GDI formally engaged with all property managers to adhere to the health advice communicated by State and Federal government departments. GDI set in place a formal set of rules and expectations for each asset to be carried out by all property managers. Health considerations such as signposting of circulation diagrams and capacity numbers in lifts, floor marking for recommended social distancing in public areas and provision of hand sanitiser at building entrances were implemented.

## Governance, Ethics and Compliance

GDI believes sound corporate governance principles are one of the keys to its success through enhancing stakeholder outcomes. Our Code of Conduct, last updated on 27 June 2019, sets out the values, commitments, ethical standards and policies of GDI and outlines the standards of conduct expected of our people, taking into account GDI's legal and other obligations to its stakeholders.

The 4<sup>th</sup> edition of the ASX Corporate Governance Council Principles and Recommendations was released in February 2019. The ASX Recommendations as amended, apply to reporting periods commencing on or after 1 January 2020. In the interests of good corporate governance, GDI has adopted the ASX Recommendations early. Where a recommendation has not been followed, the reason for not following the recommendation and the alternative governance practices GDI has adopted in respect of that recommendation are disclosed.

In June, 2019, all Charters were amended in addition to the adoption of two new policies (Whistleblower Policy and Fraud, Bribery and Corruption Prevention Policy) to enable us to early adopt and comply for full year requirements of the 4<sup>th</sup> edition of the ASX Corporate Governance Principles and Recommendations. The Corporate Governance Statement is current as at 30 June 2020.

### Governance Structure

The Boards of GDI Property Group Limited and GDI Funds Management Limited each have common membership and have adopted a Board Charter which details the composition, values and functions of the Board and matters delegated to various committees and to the executive management team. The Board Charter is reviewed at least annually, and was last updated 27 June 2019. The Board holds at least eight scheduled meetings during the year and additional meetings are convened as required. Day to day management of GDI's affairs and implementation of corporate strategy and property initiatives are delegated by the Board to management under the direction of the Managing Director.

The Board has established two Board committees to assist in the execution of the Board's responsibilities, a Nomination and Remuneration Committee and an Audit, Risk and Compliance Committee. Each Committee consists of a majority of independent directors, is chaired by an independent director, other than the Chair, and has a separate charter.

The Nomination and Remuneration Committee oversees a Board performance evaluation programme, which addresses the performance of individual directors, as well as the overall performance of the Board and its Committees. The programme runs on a two-year evaluation cycle. In addition, the Board regularly considers its own and the Committee's performance at Board meetings and examines ways it can improve its own and the Committee's effectiveness and individual contributions.

The Committee meets as frequently as required to perform its functions, but not less than quarterly. The Nomination and Remuneration Committee Charter, last updated 1 November 2013, outlines the Committee's purpose, roles and responsibilities.

GDI's Audit, Risk and Compliance Committee (ARCC) meets at least quarterly, and assists the Board in carrying out its accounting, auditing and financial reporting requirements, and to oversee the risk and compliance programmes of GDI, in particular having oversight of GDI's compliance with its Compliance Plan and its Australian Financial Services Licence. The Audit, Risk and Compliance Committee Charter, last updated 16 December 2013, outlines the purpose, role, duties and responsibilities of the Committee.

### Risk Management

GDI's Board believes risks arise at every level of business, from the implementation of high-level strategies through to climate change and the physical security and safety of any working environment. As such, it is the responsibility of every person within GDI to be aware of enterprise risks and to provide feedback with respect to perceived risks, either through informal staff channels or within the context of more formal risk identification processes.

GDI's Enterprise Risk Management Policy, last updated 27 June 2019, outlines the importance of a pro-active enterprise wide risk management programme. This policy and framework aim to promote increased risk awareness, improved stakeholder confidence and a minimisation of exposure to financial losses and earnings volatility. The GDI management team ensures that a supporting risk management framework, consistent with AS/NZS ISO 31000: 2009 is in place.

While the Board has ultimate responsibility for risk management systems and processes throughout GDI, the day to day responsibility for managing risk rests with the GDI's management generally and the risk manager specifically. Where there are risks that GDI cannot control or accept, we look to insure. All GDI properties are insured for their replacement value, including loss of rent and public liability.

The enterprise risk management policy and framework are reviewed at least annually by the Audit, Risk and Compliance Committee with the results to be reported to the Board. The aim of the review is to consider and assess the effectiveness of the policy and its supporting frameworks, and to ensure their continued application and relevance.

## Values and principles

Core values and commitments of GDI's people are:

- **Integrity** – We act honestly and with integrity in all our dealings, both internally and externally.
- **Respect** – We respect all people, their ideas and cultures and our words and actions must reflect this respect.
- **Performance** – We strive to perform to the best of our ability to maximise returns to our securityholders
- **Compliance** – We aim to adhere to both the letter and spirit of all the laws and regulations that govern our business
- **Safety** – We are committed to providing and maintaining a safe working environment to safeguard the health and safety of our employees, consultants, contractors, customers, suppliers and other persons who visit our workplace, or who we work with, as required by law.

Other publicly available policies underpinning good governance at GDI are:

- Fraud, Bribery and Corruption Prevention Policy (last updated 27 June 2019 and reviewed periodically)
- Whistleblower Policy (last updated 27 June, 2019 and reviewed regularly)
- Diversity Policy (last updated 27 June 2019, and reviewed periodically)
- Securities Trading Policy (last updated 27 June 2019, and reviewed regularly)
- Continuous Disclosure Policy (last updated 27 June 2019 and reviewed periodically)
- Securityholder Communications Policy (last updated 27 June 2019 and reviewed regularly)
- Conflicts of Interest Policy (last updated 27 June 2019 and reviewed regularly)

GDI's Code of Conduct, Corporate Governance Statement, charters, and policies are available to view at [www.gdi.com.au/about-gdi/#corporate-governance](http://www.gdi.com.au/about-gdi/#corporate-governance).

## Complaints

GDI Funds Management Limited has procedures in place to properly manage any complaints received. Initial steps are taken to acknowledge the complaint, investigate, and decide what action needs to be taken, followed by notifying the complainant of the decision made, together with any resolutions available or other avenues of appeal.

If an issue has not been resolved, a complaint can be lodged with the Australian Financial Complaints Authority (AFCA), of which GDI is a member. A complaints register records all grievances. Should a tenant have a complaint, it is dealt with at the asset management level. The asset manager will communicate directly with a GDI senior executive, who then will escalate to the GDI's Managing Director if necessary.

## Compliance

We view compliance on all matters as fundamental to our business in our role as a good corporate citizen. Responsibility for companywide compliance lies with every GDI employee, and the function is managed by our Compliance and Risk Officer, and overseen by the Audit, Risk & Compliance Committee. GDI's business is highly

regulated and we must comply with a diverse range of regulations set by statutory and assessment authorities from a corporate perspective (ASIC, Corporations Act 2001), to specific regulations that govern GDI Funds Management Limited (AFSL) and GDI Property Group Limited (Federal and State legislation; State chapter-based Building Codes).

GDI's stringent compliance and risk management processes ensure that any actions identified for improvement are properly evaluated and rectified as per the recommended action. There were no instances of non-compliance with environmental, social or economic regulations during FY20.

#### AFSL Compliance

GDI Funds Management Limited holds an AFSL (Australian Financial Services License) and acts as Responsible Entity for GDI Property Trust. GDI's Audit, Risk & Compliance Committee is the internal mechanism that manages compliance with all AFSL requirements. Compliance with the AFSL is audited annually by an external party. We maintain a breach register, and our target is to achieve full compliance across all areas of the business.

#### Pre-purchase Due Diligence

Reports undertaken as pre-purchase due diligence vary based on the perceived areas of risk in each property and covers technical due diligence such as building services performance, compliance and capacity (air conditioning, electrical, fire and lift safety, hydraulic, lifts), structural review, statutory compliance audit, NABERS rating, environmental and hazardous materials investigations. In addition, a review of all mandatory certifications and service history of all plant and equipment is also undertaken.

Financial, leasing and land due diligence forms part of the pre-purchase process and includes full financial modelling and assessment (income, outgoings and 10 year capex plan) including third-party valuation; a review of all leases and other occupancy documentation confirming financial information and lease security; a legal review of title, zoning and contract conditions, and confirmation of all building areas, land area, parking and other matters.

#### Building Compliance

Regular reporting is provided by GDI as per contractual obligations to service providers such as custodians and registry services. At the building level, service providers such as our contracted property managers and leasing agents comply with GDI's service provisions through contractual agreements.

We work with preferred fitout suppliers and contractors who understand and comply with our processes and who are managed and evaluated throughout the term of a specific project. GDI ensures to its best ability that these contractors comply with appropriate laws and regulations. An example of this is the provision of safe work places and working hours.

All compliance requirements are outlined in contracts between the relevant parties. Contracts are in place with all direct external contractors, including property managers. This extends to contracts with facilities management providers. Any relationship with a third-party provider is contracted and managed in accordance with State and Federal regulations.

Mandatory testing and certification is applied universally across the portfolio. Annual fire safety statements, water treatment, asbestos registers and management plans are routinely conducted for each asset. Annual risk audits and other proactive measures, while not mandatory, are undertaken across all our assets. Those properties that have a specific area of risk, such as environmental, will have additional monitoring and certification as required. The individual risk profile of each asset is assessed and addressed appropriately.

We swiftly adapt to changes in legislation and recommendations across the business. For example, after the Grenfell Towers cladding disaster in the United Kingdom (2017), we acted quickly to review all assets under management to satisfy that an acceptable standard of cladding was used. If evidence showed non-compliance, panels were replaced with compliant building finishes. We make a statement to insurers annually on our position on cladding, which is then followed up by assessors who may then visit the building or ask us to supply further information through a questionnaire.

We undertake reports on Building Code of Australia (BCA) compliance across the portfolio. All property managers provide GDI with a monthly schedule of current compliance for each individual asset. Some compliance elements such as water treatment are reported monthly, while annual compliance inspections are undertaken for fire and life safety services across all assets. BCA compliance requirements also cover base building compliance such as access for people with disabilities and many other compliance elements. We aim to exceed benchmarks if it makes commercial sense to do so and look beyond compliance to achieve the best possible outcome.

Any major refurbishment must go through a review process to ensure compliance with statutory requirements and delivery to expected standards (for example, quality of materials and compliance with design and engineering requirements).



## Glossary

**ASBEC:** The Australian Sustainable Built Environment Council (ASBEC) is a peak body of organisations committed to a sustainable built environment in Australia.

**Asbestos:** A naturally occurring and toxic mineral composed of soft and flexible fibres that are resistant to heat, electricity and corrosion, used in many building materials. Asbestos has been banned in Australia since 2003.

**Building Energy Efficiency Disclosure Act 2010:** Also known as the BEED Act, the Act promotes the disclosure of information about the energy efficiency of buildings. The Act is administered by the Australian Government's Department of Industry, Science, Energy and Resources.

**Building Code of Australia:** The Building Code of Australia (BCA) is contained within the National Construction Code (NCC) and provides the minimum necessary requirements for safety, health, amenity and sustainability in the design and construction of new buildings (and new building work in existing buildings) throughout Australia.

**Building Management System (BMS):** A building management system (BMS) is an electronic network used to monitor and control a building's electrical and mechanical services, including heating, ventilation and air conditioning (HVAC), and lighting.

**Chiller:** A component of an air conditioning system that removes heat from liquid via a vapour-compression or absorption refrigeration cycle.

**Fitout:** The process of making an interior space suitable for occupation, including provision of internal components such as wall linings, internal partition walls, floor coverings, ceilings, tiles and pipework.

**Grade A building:** A high-quality office building including high-quality views, outlook and natural light, high-quality access from an attractive street setting, high-quality lobby and lift finishes, high-quality lift rider, high-quality amenities, high-quality presentation and maintenance (Property Council of Australia)

**Grade B building:** A good quality office building with a good standard of finish and maintenance (Property Council of Australia)

**Global Reporting Initiative (GRI):** The Global Reporting Initiative (GRI) is an independent international not for profit organisation that has pioneered sustainability reporting since 1997. The organisation's GRI Sustainability Reporting Standards (GRI Standards) are the first and most widely adopted global standards for sustainability reporting.

**Investor Group on Climate Change (IGCC):** The Investor Group on Climate Change (IGCC) is a collaboration of Australian and New Zealand investors focusing on the impact that climate change has on the financial value of investments.

**LED:** Light emitting diode (LED) lighting products produce light approximately 90% more efficiently than incandescent light bulbs. An electrical current passes through a microchip, which illuminates the tiny light sources called LEDs, resulting in visible light.

**NABERS:** NABERS (National Australian Built Environment Rating System) is a national Australian building performance rating for energy, water, indoor environment, and waste. The program is managed by the NSW Department of Planning, Industry and Environment on behalf of the Federal, State and Territory governments of Australia.

**National Cabinet Mandatory Code of Conduct:** A code initiated by the Australian Government's National Cabinet to govern commercial, industrial and retail tenancies affected by the COVID-19 pandemic. The stated objective of the Code is to proportionately share the financial risk and cash-flow impact during the COVID-19 period, whilst balancing the interests of tenants and landlords.

**National Construction Code:** The National Construction Code (NCC) is a uniform set of technical provisions for the design, construction and performance of buildings and plumbing and drainage systems throughout Australia

**Operational control:** (An entity) with the ability to introduce and implement operating policies, health and safety policies, and/or environmental policies.

**Property Council of Australia:** The Property Council of Australia is an Australian national advocacy group representing property developers and property owners.

**Refurbishment:** The process of building improvement by cleaning, decorating and re-equipping. It may also include elements of retrofitting with the aim of making a building more energy efficient and sustainable.

**REIT:** A REIT (Real Estate Investment Trust) is a company that owns, operates, or finances income-generating real estate.

**SASB:** The Sustainability Accounting Standards Board (SASB) sets sustainability disclosure standards for financially material environmental, social and governance topics that are industry-specific and tied to the concept of materiality to investors.

**Sloan valve:** Sloan flush valves are designed to connect directly to the water supply line and release a predetermined amount of water with each flush.

**Stripout:** The demolition of the majority of internal components within a building including wall linings, internal partition walls, floor coverings, ceilings, tiles, and pipework.

**Variable Speed Drive (VSD):** A drive connected to a pump or fan motor that is electrically connected between the switchboard and the motor. The VSD provides greater control of the electrical pump or fan motor, meaning that operation rates can be slowed down including at start up to reduce energy usage.

**WELS:** WELS (Water Efficiency Labelling and Standards) is a labelling scheme initiated by the Australian Government to save water through the use of water efficient products.

## References

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## Appendix

### Appendix 1: Asset Schedule

Property Location	Property Type	State	NLA (m <sup>2</sup> )	Activity
48 Mount Street, Burnie	Office	TAS	3,560	Sold Feb 2020
251 Adelaide Terrace, Perth (various strata lots)	Office	WA	1,100	
10 Market Street, Brisbane (various strata lots)	Office	QLD	3,300	
1 Adelaide Terrace Perth	Office	WA	20,000	
16 Broadmeadow Rd, Broadmeadow	Industrial	NSW	31,300	
5 & 13 Wood St, Bassendean	Industrial	WA	11,000	
46-48 Anderson St, Port Hedland	Industrial	WA	675	
235 Stanley St, Townsville	Office	QLD	13,795	
1 Mill Street, Perth	Office	WA	6,235	
5 Mill Street, Perth	Office	WA	7,107	
197 St Georges Terrace, Perth	Office	WA	25,407	
50 Cavill Ave, Surfers Paradise	Office	QLD	16,600	
Westralia Square, 141 St Georges Terrace, Perth	Office	WA	32,600	
6 Sunray Drive, Innaloo	Retail	WA	30,000	
7 Thurso Road, Myaree	Industrial/Retail	WA	1,447	Purchased Feb 2020
5 Thurso Road, Myaree	Industrial/Retail	WA	-	Purchased Feb 2020
15 Thurso Road, Myaree	Industrial/Retail	WA	-	Purchased Feb 2020
166 Leach Hwy, Myaree	Industrial/Retail	WA	1,241	Purchased Feb 2020
168 Leach Hwy, Myaree	Industrial/Retail	WA	1,872	Purchased Feb 2020
170 Leach Hwy, Myaree	Industrial/Retail	WA	1,364	Purchased Feb 2020
6 Lancaster Road, Wangara	Industrial/Retail	WA	2,714	Purchased Feb 2020
10 Lancaster Road, Wangara	Industrial/Retail	WA	925	Purchased Feb 2020
100 Broun Avenue, Embleton	Industrial/Retail	WA	332	Purchased Feb 2020
101 Broun Avenue, Morley	Industrial/Retail	WA	2,824	Purchased Feb 2020
104 Broun Avenue, Embleton	Industrial/Retail	WA	341	Purchased Feb 2020
161 Great Eastern Hwy, Bellevue	Industrial/Retail	WA	2,155	Purchased Feb 2020

163-169 Great Eastern Hwy, Bellevue	Industrial/Retail	WA	1,402	Purchased Feb 2020
171 Great Eastern Hwy, Bellevue	Industrial/Retail	WA	435	Purchased Feb 2020
188 Great Eastern Hwy, Midland	Industrial/Retail	WA	549	Purchased Feb 2020
192 Great Eastern Hwy, Midland	Industrial/Retail	WA	1,117	Purchased Feb 2020
204 Great Eastern Hwy, Midland	Industrial/Retail	WA	2,064	Purchased Feb 2020
1900-1906 Albany Highway, Maddington	Industrial/Retail	WA	1,887	Purchased Feb 2020
1910-1914 Albany Highway, Maddington	Industrial/Retail	WA	2,453	Purchased Feb 2020
<b>Total Net Lettable Area</b>			<b>227,800</b>	

## GRI Content Index

The Management Approach for each material topic contains the following information as required by the Global Reporting Initiative (GRI) Standards:

- 103-1: Explanation of the material topic and its Boundary
- 103-2: The management approach and its components
- 103-3: Evaluation of the management approach

GRI G4 Construction and Real Estate Sector disclosures are included for material topics.

GRI Standard	Disclosure	Internal/ External Boundary (I/E)	Page/Reference/ More information
GRI 101: Foundation 2016			
GRI 102: General Disclosures 2016			
GRI 103: Management Approach Disclosures 2016			
<b>General Disclosures</b>			
<b>Organisational Profile</b>	<b>Organisational Profile</b>		
	102-1: Name of the organisation	N/A	Cover page
	102-2: Activities, brands, products and services	N/A	p. 6
	102-3: Location of headquarters	N/A	p. 6
	102-4: Location of operations	N/A	p. 6
	102-5: Ownership and legal form	N/A	p. 6
	102-6: Markets served	N/A	p. 6
	102-7: Scale of the organisation	N/A	pp. 6, 17
	102-8: Information on employees and other workers	N/A	p. 17
	102-9: Supply Chain	N/A	p. 7
	102-10: Significant changes to the organisation and its supply chain	N/A	No significant changes occurred at GDI or throughout its supply chain in the reporting year
	102-11: Precautionary Principle or approach	N/A	p. 8
	102-12: External initiatives	N/A	GDI does not currently participate in external initiatives
	102-13: Membership of associations	N/A	p. 16
	<b>Strategy</b>		
	102-14: Statement from senior decision-maker	N/A	p.3
	<b>Ethics and Integrity</b>		
	102-16: Values, principles, standards and norms of behaviour	N/A	pp. 21, 22
	<b>Governance</b>		
	102-18: Governance structure	N/A	p. 21
	<b>Stakeholder Engagement</b>		
	102-40: List of stakeholder groups	N/A	p. 16
	102-41: Collective bargaining agreements	N/A	Not applicable to GDI
	102-42: Identifying and selecting stakeholders	N/A	p. 16
	102-43: Approach to stakeholder engagement	N/A	p. 16
102-44: Key topics and concerns raised	N/A	p. 16	
<b>Reporting Practice</b>			
102-45: Entities included in the consolidated financial statements	N/A	Annual Financial Report:	

			<a href="http://www.gdi.com.au/investor-centre/">www.gdi.com.au/investor-centre/</a>
	102-46: Defining report content and topic boundaries	N/A	p. 5
	102-47: List of material topics	N/A	p. 5
	102-48: Restatements of information	N/A	p. 5
	102-49: Changes in reporting	N/A	There are no changes in reporting as this is GDI's first ESG report
	102-50: Reporting period	N/A	p. 5
	102-51: Date of most recent report	N/A	This is GDI's first ESG report
	102-52: Reporting cycle	N/A	Annual
	102-53: Contact point for questions regarding the report	N/A	p. 5
	102-54: Claims of reporting in accordance with the GRI Standards	N/A	p. 5
	102-55: GRI Content Index	N/A	pp. 30-32
	102-56: External assurance	N/A	p. 5
<b>Specific Disclosures</b>			
<b>GRI 200: Economic</b>			
<b>GRI 201: Economic Performance 2016</b>			
GRI 103: Management Approach 2016: 103-1; 103-2; 103-3			Annual Financial Report:
201-1: Direct economic value generated and distributed		I	<a href="http://www.gdi.com.au/investor-centre/">www.gdi.com.au/investor-centre/</a>
<b>GRI 300: Environmental</b>			
<b>GRI 301: Materials 2016</b>			
GRI 103: Management Approach 2016: 103-1; 103-2; 103-3			p.15 (103-1) 103-2 and 103-3 are unable to be reported on this year. Disclosure to be reported in FY21.
301-1: Materials used by weight or volume		I/E	p.15. Unable to report on this disclosure for this year. Disclosure to be reported in FY21.
<b>GRI 302: Energy 2016</b>			
GRI 103: Management Approach 2016: 103-1; 103-2; 103-3			pp. 8, 9, 10
302-1: Energy consumption within the organisation		I/E	p. 15
302-3: Energy intensity		I/E	p. 15
302-4: Reduction of energy consumption		I/E	p. 10
CRE1: Building Energy Intensity		I/E	p. 15
<b>GRI 303: Water and effluents 2018</b>			
GRI 103: Management Approach 2016: 103-1; 103-2; 103-3			pp. 9, 13
303-1: Interactions with water as a shared resource		I/E	pp. 9, 13
303-2: Management of water discharge related impacts		I/E	Disclosure is irrelevant for GDI
303-3: Water withdrawal		I/E	p. 9
303-5: Water consumption		I/E	p. 15
CRE2: Building water intensity		I/E	p. 15
<b>GRI 305: Emissions 2016</b>			
GRI 103: Management Approach 2016: 103-1; 103-2; 103-3			pp. 9, 10

305-1: Direct (Scope 1) GHG emissions	I/E	p. 15
305-2: Energy indirect (Scope 2) GHG emissions	I/E	p. 15
305-4: GHG emissions intensity	I/E	p. 15
CRE3: Greenhouse gas emissions intensity from buildings	I/E	p. 15
<b>GRI 306: Waste 2020</b>		
GRI 103: Management Approach 2016: 103-1; 103-2; 103-3		pp. 11, 12 (103-1). Unable to report on 103-2 and 103-3 in this report and will report in FY21
306-1: Waste generation and significant waste-related impacts	I/E	p. 11
306-2: Management of significant waste-related impacts	I/E	pp. 11, 12
306-3: Waste generated	I/E	p.12. Unable to report on this disclosure, and will report in FY21
<b>GRI 307: Environmental compliance 2016</b>		
GRI 103: Management Approach 2016: 103-1; 103-2; 103-3		p. 8
307-1: Non-compliance with environmental laws and regulations	I/E	p. 23
<b>GRI 400: Social</b>		
<b>GRI 403: Occupational Health and Safety 2018</b>		
GRI 103: Management Approach 2016: 103-1; 103-2; 103-3		p. 18
403-1: Occupational health and safety management system	I/E	p. 18
403-2: Hazard identification, risk assessment and incident investigation	I/E	p. 19
403-3: Occupational health services	I/E	p. 19
403-4: Worker participation, consultation and communication on occupational health and safety	I/E	p. 19
403-5: Worker training on occupational health and safety	I/E	p. 19
403-6: Promotion of worker health	I/E	p. 19
403-7: Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	I/E	p. 19
403-9: Work related injuries	I/E	pp. 19, 20
<b>GRI 405: Diversity and Equal Opportunity 2016</b>		
GRI 103: Management Approach 2016: 103-1; 103-2; 103-3		p. 17
405-1: Diversity of governance bodies and employees	I	pp. 17, 18
405-2: Ratio of basic salary and remuneration of women to men	I	No overlap of roles exists to compare ratios.
<b>GRI 416: Customer Health and Safety 2016</b>		
GRI 103: Management Approach 2016: 103-1; 103-2; 103-3		p. 20
416-1: Assessment of the health and safety impacts of product and service categories	I	p. 20
416-2: Incidents of non-compliance concerning the health and safety impacts of products and services	I	p. 19
<b>GRI 419: Socioeconomic Compliance 2016</b>		
GRI 103: Management Approach 2016: 103-1; 103-2; 103-3		pp. 20, 23
419-1: Non-compliance with laws and regulations in the social and economic area	I/E	p. 23