

Charter Hall UNGC Communication on Progress (COP)

2021



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As a signatory, I am pleased to reaffirm Charter Hall’s ongoing commitment to the Ten Principles of the United Nations Global Compact.”

David Harrison

Managing Director
& CEO, Charter Hall Group



**United Nation
Global Compact
(UNGC)**

The UNGC is a global movement of companies and stakeholders aiming to create a more sustainable world.

To achieve this, the UNGC encourages companies to align their strategies and operations with its Ten Principles on human rights, labour, environment and anti-corruption, and to take actions that advance better societal outcomes through collaboration and innovation. We are proud to have been a signatory to the UNGC since 2019. This year we continued our commitment to the UNGC principles and participated in collaborative projects that advance the UN Sustainable Development Goals.

Our COP documents how we’re making progress on the Ten Principles of the UNGC.

Human Rights

Principle 1: Protection of Human Rights

Charter Hall's corporate governance suite, comprising the [Human Rights Policy](#), [Employee Code of Conduct](#) and [Supplier Code of Conduct](#), all outline Group-wide responsibilities for upholding human rights in our operations and supply chains, and set our expectations for employees and suppliers. To enact these commitments, we have reviewed our standard agreements, processes and guidelines to integrate our actions on human rights and modern slavery.

Our cross sector Human Rights and Modern Slavery Working Group reviews and manages our responses across our portfolios. We are a signatory to the [UNCG](#), and we are a member of the [Cleaning Accountability Framework \(CAF\)](#), which addresses potential modern slavery issues in the cleaning industry. In terms of their commitment, we require our suppliers and contractors to read and sign our [Supplier Code of Conduct](#).

Charter Hall apply a human rights and modern slavery risk matrix to almost 4,000 suppliers. This prioritises suppliers in terms of risk versus spend and identifies those needing to participate in a pre-qualification assessment. Building on the 100 suppliers invited in FY20, we also identified five suppliers for independent review to identify opportunities for improving their risk ratings. In FY21, we conducted CAF audits of labour management and practices of our cleaners across four office buildings. In addition, we engaged with three of our high-risk suppliers in 'Deep Dive' workshops to understand how they are identifying, assessing and mitigating risks in their operations and supply chains.

We also support sector-wide responses to modern slavery. Charter Hall has collaborated with the Property Council of Australia, leading property organisations, Informed365 and industry experts to create a Property Council pre-qualification supplier platform to ask suppliers about the actions they are taking to assess and address human rights issues and modern slavery risks across shared operations and supply chains.

For more information see principles 4 and 5 on this page, and our 2021 Sustainability Report, including the 'Governance: Responding to our key material issues' and 'Progress against targets' sections.

Principle 2: No Complicity in Human Rights Abuses

Charter Hall continue to uphold, protect and track our human rights performance through a number of policies and initiatives (as identified in Principle 1), and actively engage on this issue with NGOs, regulators, investors, employees, suppliers, tenant customers and industry colleagues.

We have continued to communicate with suppliers on human rights and their responsibilities and provided further education resources through the Property Council of Australia modern slavery initiative, which we co-chair.

All our employees also received modern slavery refresher training, including training on the process of reporting issues if employees find or suspect modern slavery in our operations or supply chains. A Whistleblower Policy and hotline supports this outcome and has been included in employee training.

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During supplier analysis through our onboarding portal and CAF audits, no complicity in human rights abuses was identified.

Looking ahead, we will continue to identify suppliers needing to complete the modern slavery pre-qualification, with a focus on suppliers in the industries identified as most high risk, specifically cleaning, security, maintenance and electricals.

For more information, see principles 1, 4 and 5 on this page, and our 2021 Sustainability Report, including the 'Responsible and sustainable supply chain' and 'Progress against targets' sections.

Labour

Principle 3: Freedom of Association and Collective Bargaining

Freedom of association is enshrined under Australian and New Zealand law. In this context, Charter Hall respects the rights of all workers to join and form a trade union of their choice. There are no employees on collective bargaining agreements at Charter Hall. All employees are engaged through individual employment agreements.

Our approach is guided by our [Human Rights Policy](#), along with policies addressing [privacy](#) and [whistleblowing](#). All employees receive learning on governance and risk management policies, including our [Code of Conduct](#), which defines the principles and the behaviours we embrace to operate safely, honestly, and responsibly. It also compels us to treat each other and our stakeholders courteously and respectfully and guides our decision making.

For more information, see our 2021 Sustainability Report, including the 'Integrating sustainability into decision making' and 'Governance: Responding to material topics' sections.

Principle 4: Elimination of Forced and Compulsory Labour

Charter Hall's human rights framework explicitly precludes the use of forced labour. The analysis of the Property Council of Australia's Informed365 Supplier Portal and industry 'Deep Dive' workshops undertaken in FY20 did not identify any instances of forced and compulsory labour. In early 2021, we finalised our [Modern Slavery Statement](#) in accordance with the [Australian Modern Slavery Act 2018](#). Modern slavery situations occur where businesses or individuals use coercion, threats or deception to exploit people and limit their freedom. This can include human trafficking, slavery, servitude, forced labour, debt bondage, forced marriage and child labour.

The supplier analysis through our onboarding portal and CAF audits in FY21 found no instances of forced or compulsory labour.

For more information, see principles 1 and 2 on this page, and our 2021 Sustainability Report including the 'Responsible and sustainable supply chain' section.

Principle 5: Abolition of Child Labour

Our human rights framework explicitly precludes the use of child labour. The supplier analysis through our onboarding portal and CAF audits in FY21 found no instances of child labour.

For more information, see our 2021 Sustainability Report including the 'Responsible and sustainable supply chain' section.

Principle 6: Elimination of Discrimination

We adopt a zero-tolerance stance towards harassment and discrimination in the workplace. Regular training is provided on appropriate workplace behaviour. We recognise that the importance of diversity and inclusion goes beyond hiring diverse candidates, and that it must involve curating a culture that celebrates diversity, ensures a sense of belonging and creates value for all our employees.

Charter Hall has been recognised as an industry leader for our efforts in career development, gender-balance recruitment, flexible work practices, de-gendered parental leave schemes and pay equity. We now have 29% female participation in senior management positions and 55% across our workplace.

As members of Pride in Diversity and the property industry initiative Interbuild, we continue to grow our network of allies and LGBT+ employees nationally, as well as move up the ranks in the Australian Workplace Equality Index. Our Proud initiative was created to give employees the confidence and support they need to bring their whole and best selves to work. This includes providing dedicated contacts and resources for our LGBT+ employees.

For more information, see our 2021 Sustainability Report including the 'Employee engagement and satisfaction' section.

Environment

Principle 7: Precautionary Approach

Charter Hall's Board has oversight of the Group's sustainability strategy, policies, risks and opportunities including our approach to climate change and the integration of ESG into our systems. The Board, through its Audit Risk and Compliance Committee (ARCC) receives regular updates on ESG and sustainability matters.

The ARRC receives regular updates from the Executive Committee on sustainability issues and initiatives. In turn, Charter Hall's performance against ESG goals and targets are regularly reported to the Executive Committee, and quarterly to the Managing Director & Group CEO by our ESG team. This team delivers the strategic and tactical aspects of our sustainability endeavours and is supported by Sector ESG Leads in the Office, Retail and Industrial & Logistics portfolios.

This year, our Sustainability Committee, now named the ESG Committee, has been focused on procurement of 100% renewables for Industrial & Logistics and Office properties, continued alignment to the Task Force on Climate-related Financial Disclosures (TCFD) and approaches for rolling out Climate Change Adaptation Plans for all assets. Additionally the Committee continues to review and endorse work relating to our social procurement strategy and establishing social value partnerships.

We run a comprehensive materiality assessment annually, supported by extensive stakeholder engagement to ensure we identify and respond to our key ESG risks. We then monitor our progress in managing these risks, and report outcomes in both our Annual Report and our Sustainability Report.

For more information, see our 2021 Sustainability Report including the 'Integrating sustainability into decision making' and 'Key sustainability issues in FY20/21' sections.

Principle 8: Environmental Responsibility

We are acutely aware of the importance of environmental responsibility, given the impacts that the property sector and the built environment have globally in relation to greenhouse gas emissions, biodiversity, resource usage and especially action on climate change.

Charter Hall also recognise the importance of taking responsible action in contributing to a low carbon economy. We have made significant progress toward a Net Zero target by 2030 or sooner. Our Industrial & Logistics portfolio has committed to net zero by 2022 and our Retail portfolio by 2025. We have focused on reducing Scope 2 emissions, securing renewable energy, and achieving recognised green credentials for our properties (Greenstar and NABERS ratings).

In FY21 we completed Climate Change Adaptation Plans for 70% of the Industrial & Logistics portfolio and have commenced planning for the Office and Retail portfolios.

We embedded stronger climate governance and oversight structure including management of transitional risk by established a cross-business TCFD Working Group, with representatives from strategy, finance, transactions, risk and compliance and sustainability to guide our climate resilience strategy and TCFD approach.

We also prepared information materials for further Board engagement on our strategy and approach on climate resilience, TCFD and relationship to ASX Corporate Governance Principles. We reviewed Board charters for inclusion of climate-related risks, as well as climate risks within our risk registers.

In relation to energy efficiency and renewables, we have achieved a 19% reduction in emissions intensity (kgCO2-e/sqm) since FY17, despite a 43% increase in footprint; achieved a 100% reduction in Scope 2 emissions for the Industrial & Logistics sector through the procurement of off-site renewables; installed 41 MW of Solar PV on our assets; achieved a 5.0 NABERS Energy weighted average rating for Office assets, exceeding our FY25 target; achieved a 4.6 NABERS Energy weighted average rating for Retail assets, exceeding our FY25 target; and commenced designing for net zero in operations in our new Office developments.

In FY21, we introduced dual reporting on emissions in line with international best practice methodology. We have retained the location-based method, which is consistent with the National Greenhouse and Energy Reporting (NGER) Act and reports emissions in the context of the emissions intensity of the electricity grid at the location.

Looking ahead, we are aiming for our Office, Retail and Industrial & Logistics assets to have Climate Change Adaptation Plans incorporated into their Strategic Asset Plans by FY25. We are now on a pathway to deep reductions through procurement of off-site renewable electricity for our Office sector from July 2021, which

will result in >65% reduction in our emissions; and our Retail sector committing to achieve net zero by FY25; and the incorporation of 100% electrification and climate friendly refrigerant programs into our Strategic Asset Plans.

We also commenced preparing Climate Change Adaptation Plans with a view to rolling this out to all operational assets. The adaption measures will be incorporated into capital upgrade programs and Strategic Asset Plans to build resilience against the physical impacts of climate change. We are also working proactively with our customers to find solutions to reduce their energy related emissions.

For more information, see our 2021 Sustainability Report including the 'Climate change adaptation, 'Energy efficiency and renewables' and 'Progress against targets' sections.

Principle 9: Environmentally Friendly Technologies

Our property portfolios deliver environmental value through our commitment to resource efficiency; use of low carbon energy; recycling of water and commitment to water efficiency; increased recycling rates; and long-term view to eliminate operational waste through circularity.

We're committed to the implementation of environmentally sound technologies and, in FY21, our total solar installations almost doubled from 21MW to 41MW. Currently, 54% of the 41MW of installed solar is directly supplied to our tenant customers.

We have partnered with our Industrial & Logistics tenant customers on LED lighting and skylight programs to improve energy efficiency. Leveraging this, we have commenced a similar program with tenant customers in our Social Infrastructure sector. We continue to explore opportunities for additional solar power for our assets, with a focus on the Social Infrastructure and Industrial & Logistics sectors. Looking forward, we have committed to developing a Scope 3 emission goal aligned to science-based target methodology.

For more information, see our 2021 Sustainability Report including the 'Responsible investment', 'Energy efficiency and renewables' and 'Progress against targets' sections.

Anti-Corruption

Principle 10: Work against Corruption

Charter Hall encourages a business culture that embraces ethical practices, complies with all relevant regulations, and is accountable and transparent on fines, breaches and other business transgressions. This is supported by our whistle-blower policy and hotline.

Responsible governance underpins our core values and business model. Our governance framework aligns with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition). Our Corporate Governance Statements for our listed funds can be found [here](#). Our Board of Directors sets the tone in relation to good governance, and provides the necessary leadership, guidance and direction to the business in terms of ethics and values-driven behaviours.

Our [Anti-Bribery, Fraud and Corruption Risk Management Policy](#) governs our approach to corruption, as laid out in our [Code of Conduct](#). All employees must complete mandatory annual training on our Code of Conduct and provide an attestation for compliance with the Code.

In addition, we assess our exposure to bribery, fraud and corruption in line with our governance policies and procedures through annual operating risk reviews, internal and external audit planning and reporting. This includes engaging with employees to ensure training and ongoing compliance against the code of conduct , as well as screening third parties and supply chain aligned to our supplier code of conduct.

We require our suppliers and contractors to read and sign our [Supplier Code of Conduct](#).

For more information, see our 2021 Sustainability Report including the 'Integrating sustainability into decisions making' and 'Governance: responding to our key material issues' sections.

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