

# ESG ANNUAL REPORT

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2020

EG

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# A MESSAGE FROM THE CEO

At EG, we have long been committed to creating sustainable outcomes through our real estate assets and in the communities in which we operate. This pandemic didn't create or change that. Through the strangest period of many of our professional lives, where we see our commercial tenants, residential communities and staff facing challenges that are completely new to them, we have strengthened our convictions on the need and importance of the performance of sustainable portfolios. EG has been nimble, used this time to try new ideas and push our ESG efforts to new heights, after all disruption is the best time for growth.

In 2020, we set these four objectives:

- **Investment Responsibility:** To be known as a highly trustworthy and responsible investment manager through best practice Environmental, Social and Governance management and transparency of performance.
- **Culture and People:** To develop a team of well- balanced employees who are healthy, engaged and always learning.
- **Community Enrichment:** To create urban regeneration projects that enhance existing communities and provide significantly more connected, engaged and well resources neighborhoods.
- **Environmental Optimisation:** To optimise the environmental performance of our assets under management and development.

We recognise the growing awareness of ESG issues across the industry and believe that financial returns are not achieved in isolation of prudent ESG management but rather in tandem with one another. It was as important as ever for us to ensure that our ESG management systems were both comprehensive and robust to uphold our ESG commitments. We are pleased to announce significant upgrades to our ESG systems management, including additional external reporting, revamped committees, acquisition screening, climate risk management, improvement in GRESB scores for funds that had previously participated in the survey, and incentivising ESG performance for our staff with non- financial rewards as well as including ESG criteria in annual reviews.

This year, the pandemic highlighted a key commitment for us - Community. For two months, the social isolation necessary to address the spread of COVID-19 has prevented the social integration and acceptance that is programmed in our human nature. Closed schools, businesses and restaurants, remote working made the new norm, soaring unemployment levels and an increasingly negative news cycle - any one of these societal shifts we've experienced could be expected to cause an increase in mental health issues. As we care about the communities we have created, we implemented various initiatives which kept the culture of our buildings vibrant, and the residents happy. Live Jazz music for residents to listen to from their balconies, ANZAC day ceremonies and yoga classes (online and eventually in-person, outdoors) are a few highlights out of a large mix of initiatives of which we are immensely proud.

This report provides a snapshot of the many steps EG took through 2020 to advance ESG and will take forward going into 2021. We look forward to making further leaps forward this year and working with you on this journey.



**Adam Geha**  
Chief Executive Officer

*“We recognise the growing awareness of ESG issues across the industry and believe that financial returns are not achieved in isolation of prudent ESG management but rather in tandem with one another.”*

# ABOUT EG

EG Funds Management Pty Ltd (EG) is a private real estate fund manager with market leading performance over the 20 years since its establishment. We are focused on creating alignment in our relationships with our partners because we believe that this is fundamental to long-term success. We value long-term relationships and the authenticity of these connections.

Our overarching strategy is to develop our real estate funds management business across the risk-return spectrum from core through to opportunistic in Australia.

*“EG invests and develops real estate to generate outstanding returns for investors and lasting positive social and environmental impact for communities.”*



## INVESTMENT PORTFOLIO

Headquartered in Sydney, EG Funds Management has created a unique and diverse investment portfolio, with over AU\$4.3 billion in assets under management in funds and mandates managed on behalf of our institutional investors, including government, superannuation funds, Australian and offshore institutions, along with high-net-worth family offices. We build our investment portfolio using a disciplined, systematic rigor in assessing and managing risk.

During 2020, EG acquired six assets including office, large format retail, industrial and showroom properties. EGs YPII fund sold one asset in Queensland for \$61.8 million as well as five retail assets at the base of EG's Drummoyne Victoria Road development.

## DEVELOPMENT PIPELINE

EG Developments has oversight of a project pipeline value of AU\$3.9 billion, all located in Australia. We focus on high quality projects that create sustainable, connected communities. We work with a trusted team of world-renowned architects, consultants and urban planners works to ensure that communities will flourish in the spaces we create. In the CY 2020, EG was still in the planning and approval stages of our developments and did not undertake any new developments.

## OUR EMPLOYEES

As of December 2020, EG had 69 staff, including fulltime and part time. This included 31 in our Sydney head office and 38 in our Manilla office.



## INDUSTRY MEMBERSHIPS



# ABOUT THIS REPORT

This is EG's first annual sustainability report and it is our intention to build upon this year-on-year and progress to the Global Reporting Initiative (GRI) Standards. The report covers the calendar year 2020 and all of EG's assets under management in Australia.

The reporting boundary includes five of our funds in CY 2020:



## EG FUNDS<sup>1</sup>



### High Income Sustainable Office Trust (HISOT)

**No. of Assets:** 4

**Fund Status:**  
Expanding mandate and open to investment.



### Australian Core Enhanced Fund (ACE)

**No. of Assets:** 4

**Fund Status:**  
Open ended and acquiring



### Yield Plus Infrastructure Fund No.2 (YPI 2)

**No. of Assets:** 11

**Fund Status:**  
Closed ended and holding



### Yield Plus Infrastructure Fund No.1 (YPI 1)

**No. of Assets:** 4

**Fund Status:**  
Close ended and divesting



### Private Wealth (PW)

**No. of Assets:** 3

**Fund Status:**  
Acquiring

<sup>1</sup> Environmental data will only cover HISOT, ACE and YPI2

# EG'S ESG APPROACH

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EG recognises the importance of incorporating Environmental, Social and Governance (ESG) factors throughout the lifecycle of investment management and in the way it conducts its business.

We consider it part of our fiduciary duty to consider all factors which may impact stakeholders, the community and the environment in which we operate.

We work hard at consistent and transparent communication with investors and incorporate ESG principles into the product development of our funds. This continues throughout the life of an investment including the acquisition, management, reporting and disposal.

From the initial stages of investment evaluation, EG undertakes comprehensive asset due diligence to ensure that key ESG risks and opportunities can be identified and managed. EG will report on ESG issues in quarterly reports. This process identifies risks and opportunities which will not only affect the financial performance of the asset but also the direct ESG impacts. Once these factors are identified they can be responsibly managed.

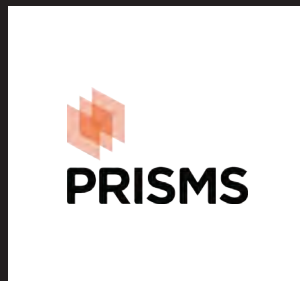


## TECHNOLOGY ENHANCED INVESTING

EG is a leader in data-driven technology that supports risks management decision making within real estate investments. To ensure our investment decisions are unbiased, as well as the timeliness and completeness of reports, EG will continue to utilise technology in our investment processes.

EG is a leader in technology enhanced investing by:

- Pursuing best practices in data management and privacy for our stakeholders, including the public.
- Deploying technology that supports environmental performance improvement in buildings and well-being for occupants.
- Developing understanding of the direct and indirect risks associated with technologies we use and being responsible for those risks including minimising e-waste and considering end-of-life environmental impacts.



### PRISMS\*

EG's PRISMS software allows for a systematic approach to undertaking asset due diligence and monitoring of asset risks over time. The due diligence process therefore identifies risks and opportunities which will not only affect the financial performance of the asset but also have ESG impacts. This proprietary tool keeps us ahead of the competition and ensures all factors are considered in EG's decision making.



### WILLOW

EG is a cofounder and part owner of Willow, which is the digital twin for the built world. We create virtual representations of physical assets, overlaid with real-time information from devices, equipment, people and places. Our solution enables owners and operators of major portfolios and infrastructure to manage with greater environmental efficiency, drive operational improvements at scale, and provide their occupants or users with an enhanced experience.



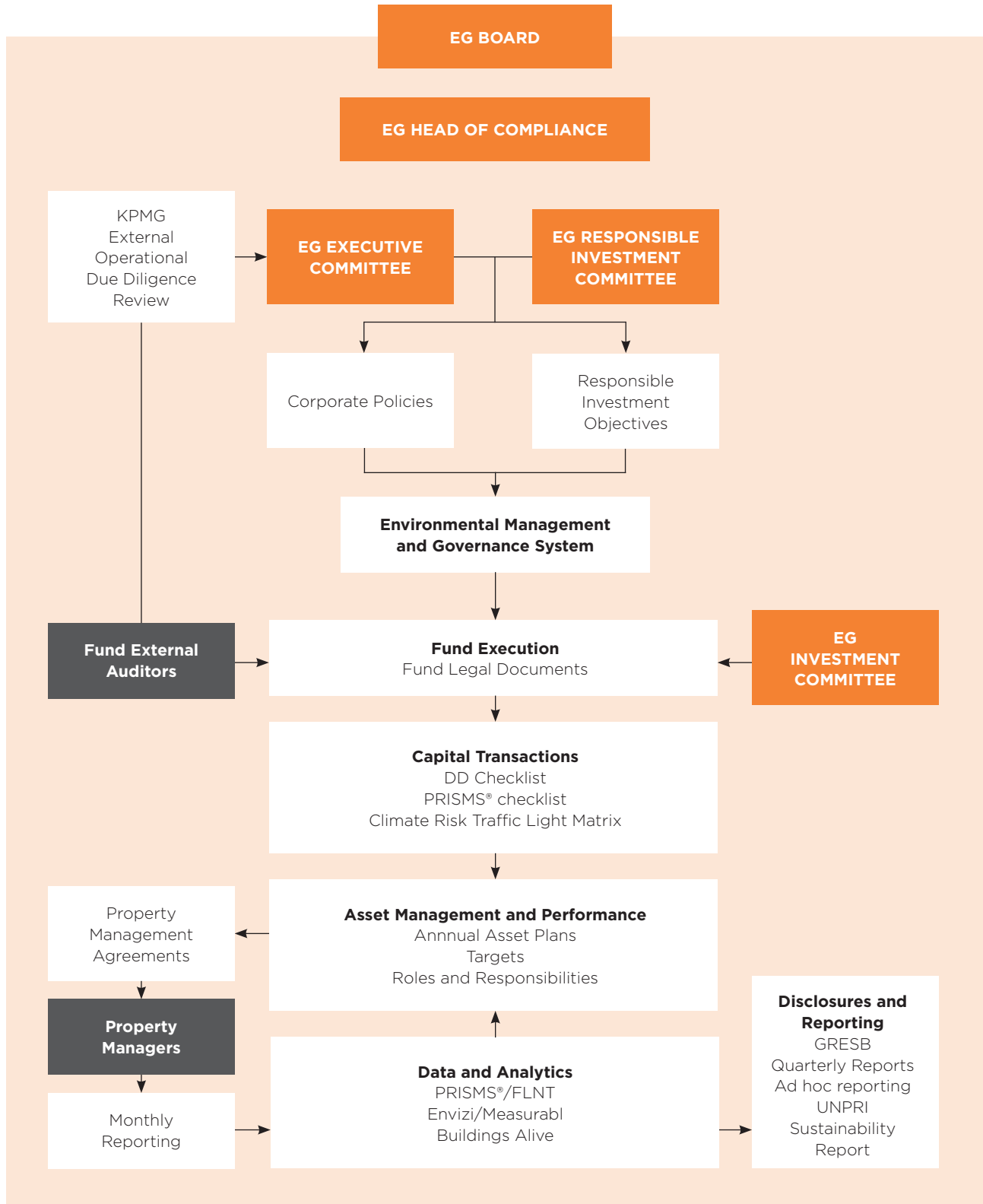
### TECHSTARS

EG joined the Techstars Pathfinder Program, which will involve the mentorship of exceptional start-ups from around the world within the sustainability space. The program will commence in 2021.





### EG ESG MANAGEMENT SYSTEM



## STAKEHOLDER ENGAGEMENT

EG runs an extensive stakeholder engagement program that highlights ESG concerns. The following table summarises the engagement for key stakeholder groups and key ESG interests expressed in 2020.

Stakeholder Group	Means of Engagement	Key ESG Interests
Tenants	<ul style="list-style-type: none"> <li>Regular engagement with EG's internal asset management team, as well as our external property managers</li> <li>Tenant surveys</li> <li>Hospitality and events</li> </ul>	<ul style="list-style-type: none"> <li>Tenant experience and indoor environmental quality</li> <li>Building amenity</li> <li>Responsive management of assets</li> </ul>
Investors	<ul style="list-style-type: none"> <li>Ongoing engagement and communication with our investment team</li> <li>Quarterly and annual reports</li> <li>Sideletters</li> <li>Review committee meetings</li> <li>Investor presentations</li> <li>Engagement with asset consultants and other investor representatives</li> <li>Roadshows</li> </ul>	<ul style="list-style-type: none"> <li>Growing preference to invest in assets that have a positive impact on the environment</li> <li>Exclusionary screening - e.g. no investments in tobacco and controversial weapons industries</li> <li>Sound corporate governance</li> <li>Timely and complete information and reporting</li> </ul>
Employee: 67 employees in Sydney and Manila	<ul style="list-style-type: none"> <li>Weekly all-staff meetings</li> <li>Weekly team meetings</li> <li>Quarterly reviews</li> <li>Annual reviews</li> <li>Annual staff surveys</li> <li>Staff cultural events</li> <li>EG Grow professional development program</li> </ul>	<ul style="list-style-type: none"> <li>Remuneration and non-monetary benefits</li> <li>Health and wellbeing</li> <li>Learning and development</li> <li>Job satisfaction</li> <li>Flexible working arrangements</li> </ul>
Local Communities	<ul style="list-style-type: none"> <li>Community consultation for developments</li> <li>Focus group meetings</li> <li>Consultation with local council representatives</li> <li>Frequent contact through various social media channels</li> <li>EG B.I.G. Foundation initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Quality developments</li> <li>Traffic control</li> <li>Noise control</li> <li>Access to public and green space</li> </ul>



## MATERIALITY

EG seeks feedback on our ESG performance through regular communication with investors, tenants, local communities associated with developments as well as our suppliers, to ensure that ESG is progressed in a thorough manner. An internal workshop was arranged to further understand what issues are most important to our stakeholders, which allows us to focus on what matters and continue to cultivate our relationships. These strong relationships have led to greater transparency and ensured that key concerns can be raised and adequately dealt with. The workshop revealed there has been an ongoing trend amongst our stakeholders to continue tackling environmental issues such as climate change and waste management.

*“Strong relationships have led to greater transparency and ensured that key concerns can be raised and adequately dealt with.”*

## MATERIAL ISSUES

Issue	Boundary	Key Risk or Opportunity
Employee Attraction & Retention	Our employees	<ul style="list-style-type: none"> <li>Opportunity to increase wellbeing and create a high achieving culture through attraction and retention</li> </ul>
Fair Employment and Employee Human Rights	Our employees	<ul style="list-style-type: none"> <li>If there is a failure to implement fair employment terms, equal opportunity, non-discrimination, equitable remuneration and suitable labour practices then it poses an immediate threat to employee attraction &amp; retention as well as reputational risks</li> </ul>
Diversity	Our employees	<ul style="list-style-type: none"> <li>Reputational risk</li> <li>Opportunity to build diverse teams</li> </ul>
Community Wellbeing and Prosperity	Communities associated with our developments and standing assets	<ul style="list-style-type: none"> <li>Opportunity to engage communities generate reputational benefits</li> </ul>
Environmental Performance <ul style="list-style-type: none"> <li>Energy and carbon</li> <li>Water</li> <li>Waste</li> <li>Physical climate change impacts</li> </ul>	All properties under management and operational control	<ul style="list-style-type: none"> <li>Opportunity to reduce costs and increase efficiency of assets.</li> <li>Risk of incurring costs when adjusting to regulatory changes</li> </ul>
ESG in Decision Making	Corporate operations and funds	<ul style="list-style-type: none"> <li>Insufficient inclusion of ESG factors in investment and high-level decision making will leave EG susceptible to an evolving ESG landscape with changing regulations as well as reputational risks</li> </ul>
ESG Transparency	Portfolio and corporate operations	<ul style="list-style-type: none"> <li>Failure to uphold transparency of ESG information, including use of benchmarks such as NABERS, GRESB and climate change disclosure could result in reputational risk</li> </ul>
Cybersecurity	Corporate operations and portfolio	<ul style="list-style-type: none"> <li>Regulatory, reputational and financial security risks</li> </ul>
Long Term Performance	Business and funds <i>(see previous page for materiality assessment)</i>	<ul style="list-style-type: none"> <li>Business structures, decision making, policies, senior level remuneration and succession planning that supports long-term performance is critical in attracting and maintaining investors</li> </ul>
Work Health & Safety	All operations	<ul style="list-style-type: none"> <li>Ensuring the highest standards of Health and Safety are upheld across all of our operations, including employees, contractors, tenants and residents of our communities. Failure would result in significant operational and reputational risks.</li> </ul>

# INVESTMENT RESPONSIBILITY

*To be known as a highly trustworthy and responsible investment manager through best practice environmental, social and governance (ESG) management and transparency of performance.*

Ensure that emerging environmental, social and governance (ESG) factors do not adversely affect the performance of the investments that we manage and are leveraged for value generation. We will be progressive in how we identify and manage such factors and transparent with relevant stakeholders. We commit to using industry benchmarks and sharing the actions we take.



Achieved by:

- Monitoring, reporting and responding to emerging ESG issues that may be material to investments under management.
- Achieving strong results for our funds in the Global Real Estate Sustainability Benchmark (GRESB).
- Fulfilling our commitment as a signatory to the United Nations Principles on Responsible Investment (UNPRI).



# Our systems, policies and procedures safeguard our investments and provide comfort to our stakeholders.

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## RESPONSIBLE INVESTMENT STRATEGY

EG's success is predicated on being a highly trustworthy and responsible investment manager through exceptional governance structures that propel us forward. We believe that our systems, policies and procedures safeguard our investments and provide comfort to our stakeholders.

## RESPONSIBILITY

EG recognises the importance of incorporating Environmental, Social and Governance (ESG) criteria throughout the investment management process. Reporting is organic and ongoing and is built into our cultural framework. EG operates an open office structure in which staff and senior management are physically co-located and therefore interacting daily.

Consequently, staff raise any ESG issues of concern directly with relevant senior managers and at whole-of-company weekly staff meetings.

Senior managers hold three formal meetings each week (Business Development, Asset Management, HR & Culture) at which relevant ESG issues are considered and managed and if required referred to the EG Board for resolution. The EG Board meets as required but at least quarterly. EG's Compliance Officer reports formally on a quarterly basis, and otherwise as issues arise. Nevertheless, there are key personnel who have essential roles in ensuring ESG policies are upheld.

From the initial stages of investment evaluation, EG undertakes comprehensive asset due diligence to ensure that key ESG risks and opportunities are identified and managed. This process identifies risks and opportunities which will not only affect the financial performance of the asset but also the direct ESG impacts.

Once factors are identified they can be responsibly managed by the relevant teams.

## THE BOARD

EG's board comprises of the CEO, Chairman and Managing Director and its role as it relates to ESG is to:

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Responsible for overseeing the implementation of ESG policies

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Approving resolution of material breaches of ESG policies

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Approving any changes to ESG policies

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Strategising on how to best grow ESG initiatives

## RESPONSIBLE INVESTMENT COMMITTEE

The objective of the Committee is to consider the responsible investment issues relevant to the EG's business activities and strategise on how to improve ESG performance. Responsibilities include:

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Understanding the expectations of key stakeholders

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Monitoring external trends and understand associated risks and opportunities

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Setting ESG targets and overseeing the implementation to ensure continual growth and success in ESG performance

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Setting and reviewing of policies with the compliance officer



## RESPONSIBLE INVESTMENT WORKING GROUP

The Responsible Investment Working Group comprises of members from EG's Responsible Investment Committee and asset management team and is responsible for:

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The implementation of the ESG strategies of each fund and mandate

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Management of disclosure processes, such as for GRESB

## INVESTMENT TEAM

The investment team comprises of all staff responsible for the acquisition and management of assets. The investment team is responsible for:

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Undertaking a thorough due diligence process before purchasing any asset with consideration to ESG issues

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Reporting to investors in accordance with the funds' constituting documents, including obligations as it relates to ESG

## COMPLIANCE OFFICER

EG's Compliance Officer is responsible for:

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The oversight of ESG policies and undertaking action where material breaches of this policy has occurred

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Reviewing the policies annually in consultation and collaboration with EG's Responsible Investment Committee

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Making recommendations to EG's board to approve any changes to the policy





## ENVIRONMENTAL MANAGEMENT SYSTEM (EMS)

EG has implemented an environmental management system which is in alignment with AS/NZS ISO 14001: 2016 and applies to all properties under management or under consideration for acquisition by EG.

## EMPLOYEE TRAINING

Our employees are trained to understand the significance of incorporating ESG practices into everything we do.

EG offers a wide range of training including:

- Software training for all Sydney staff in 2020 to ensure staff members understand the data and the associated risks.
- Financial modelling training to the entire investments team.
- ESG training for all staff members.



## EMPLOYEE INCENTIVES

EG has a system in which employees are assessed both on an individual and a collective basis. Both frameworks embed ESG criteria in assessing performance.

Employees are assessed based upon five principles, being:



HUNGRY



HUMBLE



JOB SMART



PEOPLE SMART



CONFIDENCE

All employees are incentivised with both financial and non-financial bonuses including those that are linked to ESG goals. Non-financial bonuses include additional paid leave and team off-site events. Financial bonuses can relate to a NABERS target in conjunction with achieving a fund performance fee.

# EG'S Responsible Investment Committee oversees the advancement of Responsible Investment in the business and funds under management.

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## ENHANCED REPORTING AND COMPLIANCE

EG established its Responsible Investment Committee to oversee the advancement of Responsible Investment in the business and funds under management. The Committee supports the board in understanding the expectations of key stakeholders, understanding how EG's ability to create value is impacted by ESG issues and by monitoring external trends and understanding associated risks and opportunities.

EG is continually developing our compliance program to provide increased confidence to our investors, meet our statutory and regulatory requirements and achieve best practice standards for governance. Our compliance program is supported by policies and procedures (both formal and informal) detailing how certain functions are to be performed across all business units.

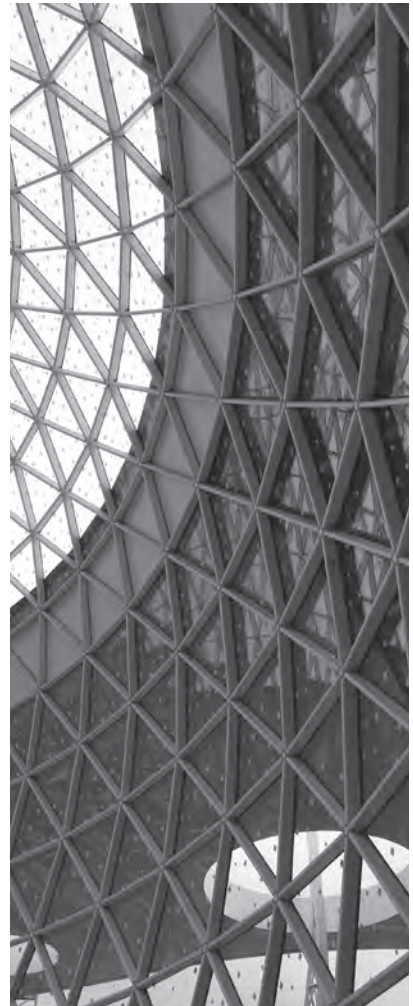
During 2020, we enhanced the fund's ESG reporting, including the publication of this ESG Report. Additionally, all of our reports now integrate a series of environmental information, including energy, waste and water in our quarterly reports. Our Responsible Investment Working Group Committee and Responsible Investment Committee have also been formalised with relevant charters. Finally, EG continues to grow its outreach and communication programs with a significant increase in communication through blogs and other publications.

## UN PRINCIPLES FOR RESPONSIBLE INVESTMENT (UNPRI)

EG has achieved the PRI assessment for 2020, meeting or exceeding the median score in all assessment categories. The PRI assessment report is designed to provide feedback to signatories to support ongoing learning and development.

EG scored Band-A in the categories of Strategy and Governance and exceeded the median score on Property specific functions.

EG has committed to not purchasing any assets from a range of specified industries and manufacturers pursuant to EG's responsibilities as a signatory to the UN Principles for Responsible Investments (UNPRI).



## GRESB

EG achieved improvements in our GRESB scores across both of our major participating funds. Our most recently launched fund, ACE, participated in GRESB for the first time with pleasing initial results and are looking forward to improving its score year on year in line with our other funds. EG will continue to use GRESB as a benchmark and is engaging with a specialist consultant to create and implement ESG action plans which will allow further improvements in our GRESB score.

Fund	2019	2020
HISOT	59	68
YPI2	42	48
ACE	N/A	32

## SUPPORTING INDUSTRY DISCOURSE ON RESPONSIBLE INVESTMENT

In November of 2020, EG's Executive Chairman Michael Easson joined Susan Lloyd-Hurwitz, CEO of Mirvac, and Ian Mackie, Chair of ULI Australia in a discussion on the emerging trends driving investment and development in 2020 and beyond. Prior to this, EG was grateful for the opportunity to host the ULI Australia in our offices for a robust discussion reviewing and challenging how the property industry has responded to the Paris Agreement since 2015. EG's Michael Noblet spoke alongside Ian Lieblich, Investa Property Group, Rebecca Mikula-Wright, AIGCC, and Jessica Kite, Barangaroo Delivery Authority.



# CULTURE AND PEOPLE



*To develop a team of well balanced employees who are healthy, engaged and always learning.*

To continue cultivating a motivated team at every level because engaged and happy employees are more productive and successful. We share in the personal success of our team; as individuals grow, so will EG. We offer our clients the service of our best possible team through the attraction and retention of the best talent.



Achieved by:

- Establishment and maintenance of the EG Grow personal and professional development program.
- Achieving top quartile employee engagement scores annually.
- Ensuring feedback is obtained from team members.



## PEOPLE AND CULTURE

We understand that having a life outside of work is important, and that ultimately people who are diverse, dynamic, and determined in all facets of life are more motivated to perform at their best.

### EG GROW - PERSONAL AND PROFESSIONAL DEVELOPMENT

- EG Grow is a bespoke employee engagement scheme which encourages and supports personal and professional development. The program focuses on achieving personal, relationship and skills mastery through individual development opportunities and shared experiences.
- The EG Grow name is derived from the understanding that EG is constantly growing and changing, powered by individual people. Those individual people need to be nurtured in order for the whole company to succeed.
- The program has three core areas:
  - Care: focuses on beliefs, intentions, values and wellness.
    - Giving, Random Acts of Kindness, Wellness Program
  - Connect: focuses on relationships, dynamics and team morale.
    - Culture, Cultural events, Celebrations and family programs
  - Create: focuses on skills, performance and behaviour.
    - Quarterly and annual reviews, Stretch program, hobby program, and the EG entrepreneurial program

*At EG we pride ourselves on having the best people. We dedicate time and resources to ensure we attract and retain these individuals.*



The programs and services under these categories grow and evolve with each year. In 2020 we are pleased to have added the following new programs:

- EG Grow Club - A self-development initiative established to support staff with meaningful self-improvement opportunities and create additional connection points during COVID-19 lockdown and beyond.
- Inter-faith discussions - A non-denominational discussion group brings together diverse team members to discuss spirituality or religious teaching applicable in the workplace and emphasise the value of an individual's contributions to creative workplace thinking.
- Work-from-home wellbeing and mindfulness - Colleagues have been given a weekly opportunity to share tips for staying fit and healthy at home (during lockdown) as well as external presentations and one-on-one mindfulness coaching.
- Increased flexible-working - While EG have always had one day week, optional work from home policy, during COVID-19 staff given the option to choose their place of work (either office or home, as many days as they like). This policy was introduced to both ensure physical safety but also relieve social isolation and improve productivity.

## FEEDBACK AND REVIEWS

An important part of the EG Grow program includes ensuring 360 degree feedback is obtained from and shared with team members regularly. Quarterly peer and manager reviews focus on EG's Hungry, Humble, People Smart, Job Smart and Confidence categories. The quarterly reviews also allow for goal setting, performance tracking and growth opportunities.

In 2020, EG issued the COVID-19 Wellbeing Survey to assess staff wellbeing. The survey asked the team what EG should stop, start, continue and change in relation to culture and business practices



## MONITORING EMPLOYEE ENGAGEMENT

We formally conduct an Annual Staff Survey<sup>2</sup> each year and we are proud to report our 2020 Annual Staff survey has demonstrated top quartile employee engagement scores. These are provided on the adjacent page.

In 2019 EG was listed a finalist in the International Business Culture Awards in two categories:

- Best Employer & Brand Values for Business Culture
- Best International Initiative for Business Culture

In 2020, EG was announced the winner of Best Corporate Social Responsibility Initiative for the Guinness World Record attempt for the largest human image of a house.

We share in the personal success of our team; as individuals grow, so will EG. We offer our clients the service of our best possible team through the attraction and retention of the best talent.



<sup>2</sup>Internally created survey based off the Gallup Q12 assessment which evaluated over 35 million employees.

## 2020 ANNUAL STAFF SURVEY RESULTS - A SNAPSHOT

93%

of staff believed they achieve a sense of personal accomplishment in their role with 84% indicating they regularly tell others great things about working at EG.

63%

of staff have been with EG for more than three years. 14% of these have been with EG for more than five years. 18% of tenure is maintained for over a decade.

0.93

While the Australian private sector records an annual average of 9.7 unscheduled days of leave per staff member, EG staff averaged only 0.93 days each in 2020.

100%

of staff felt supported by EG at this time (through regular communication).

100%

staff felt they were energized, happy, connected and grateful a majority of the time, since working from home

74%

believed our efforts to adapt and support EG's culture have been effective during COVID.

86%

of staff indicate they trust their colleagues.

## OUR PROFESSIONAL COMMUNITY

We are committed to fostering community within our industry. In late 2019, EG hosted the next generation of industry thinkers at the launch of our Future Calling event series. 70 leaders were invited from across multiple disciplines to gather and propose their next big property prediction at the EG offices in the heart of Sydney CBD. Addressing them were three successful disrupters who are already answering the call to realise tomorrow's visions today.

The 2020 event was a smaller occasion due to COVID-19 restrictions with 18 attendees in a seated lunch discussion. We look forward to continuing this initiative in 2021.



- Lucinda Hartley, CoFounder and CIO of Neighbourlytics shared how failsafe neighbourhood will be built on a foundation of data-predicted wellbeing.
- Roberts Day Place Design Director Stephen Moore countered that the 'Loveable City' will triumph the 'Liveable City,' where genuine human connection will be the foundation for all elements of city planning.
- Jason Twill, Director at Urban Apostles, predicted the transformation of urbanism through collaborative consumption.

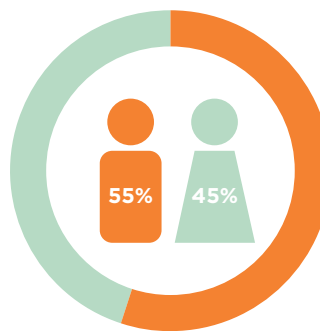




## DIVERSITY AND INCLUSION

EGs Diversity Strategy encourages inclusivity, transparency, and spirituality within the workplace. We believe that having employees from diverse backgrounds lead to better decision making. We actively encourage employees to be in touch with their spiritual sides through optional spiritual fortnightly discussion groups and various interfaith activities.

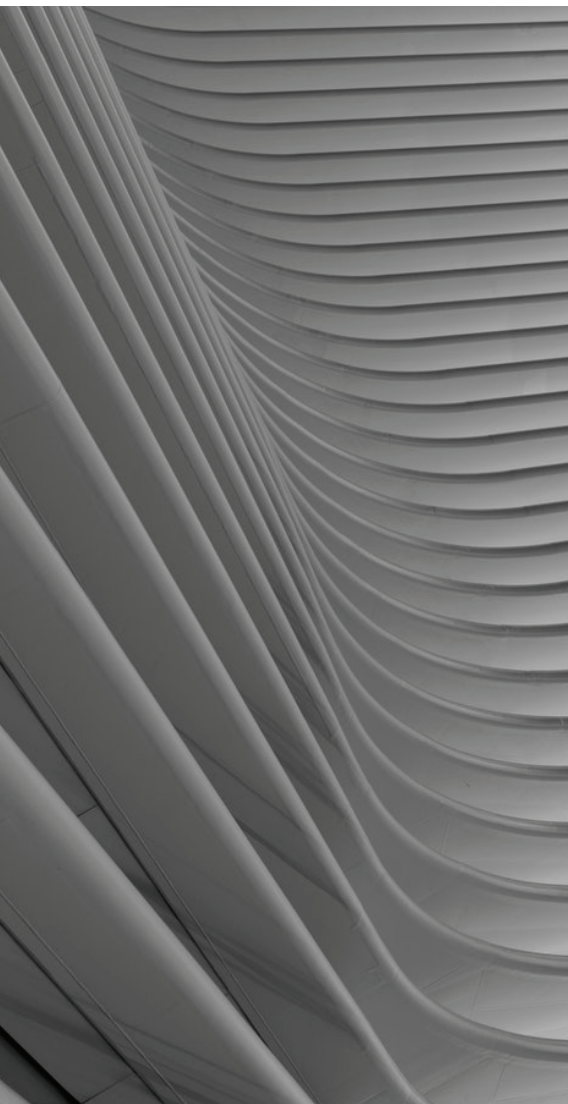
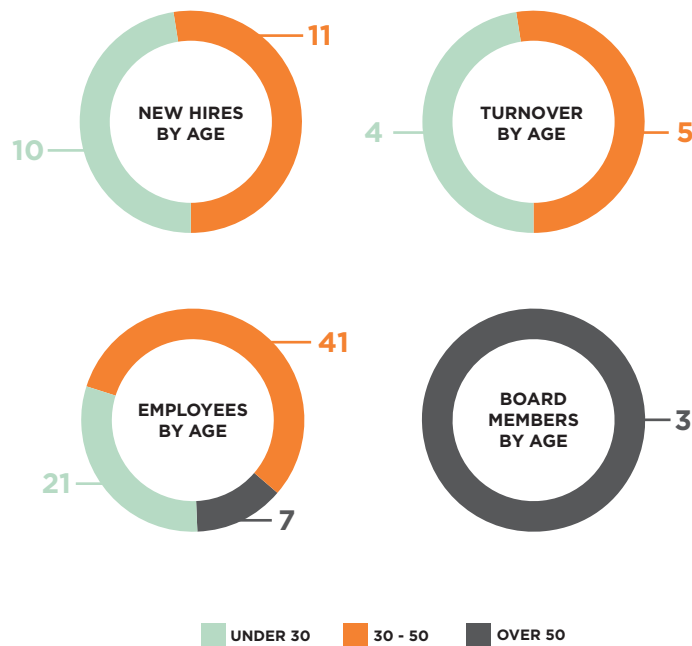
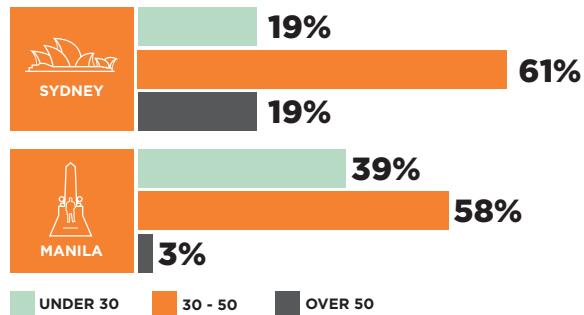
### GENDER



**MALE**  
Sydney - 19  
Manila - 19

**FEMALE**  
Sydney - 12  
Manila - 19

### AGE



“

*In a time of physical separation [COVID], how is it that I feel more connected with my work mates than any other time!*

**GRANT FLANNIGAN**  
Developments Director





“

*EG is proud of the efforts taken to create a workplace where ‘weekends are an interruption.’*

**ROGER PARKER**  
Executive Director

## COMMUNITY ENRICHMENT

*To create urban regeneration projects that enhance existing communities and provide significantly more connected, engaged and well resourced neighbourhoods.*

To have a lasting effect on people, not just the built environment, we consider social initiatives and community needs from each project's inception, so that individuals feel connected not only to the spaces they occupy, but to one another.

Achieved by:

- Building in good through planning and design
- Ensuring a two-way dialogue with communities through development projects
- Committing to a long-term relationship with our projects post settlement



## COMMUNITY ENRICHMENT

As a result of COVID, up to one million Australians were unemployed and all non-essential workers were confined to work from home. By April, the number of Australians who reported poor mental health had doubled and those who are experiencing feelings of loneliness had more than tripled<sup>3</sup>. Social distancing became part of our daily vocabulary, and we struggled to grieve lost time, connection and proximity to those we love most. Nevertheless, we were able to exceed our year one community enrichment target of running 10 community-oriented events which we used to test and learn what resonates within our communities. Additionally, we successfully established communication mediums which are used to frequently engage with our communities and create the foundation for long term, sustainable relationships.

<sup>3</sup>[https://www.swinburne.edu.au/media/swinburne.edu.au/research-institutes/iverson-health/Loneliness-in-COVID-19-15-07-20\\_final.pdf](https://www.swinburne.edu.au/media/swinburne.edu.au/research-institutes/iverson-health/Loneliness-in-COVID-19-15-07-20_final.pdf)





**FOOD TRUCK NIGHTS**



**OUTDOOR MUSIC EVENTS**

**WE BUILD  
IN GOOD  
FOR LIFE.**



**COMMUNITY  
GARDEN**



**ANZAC DAY**

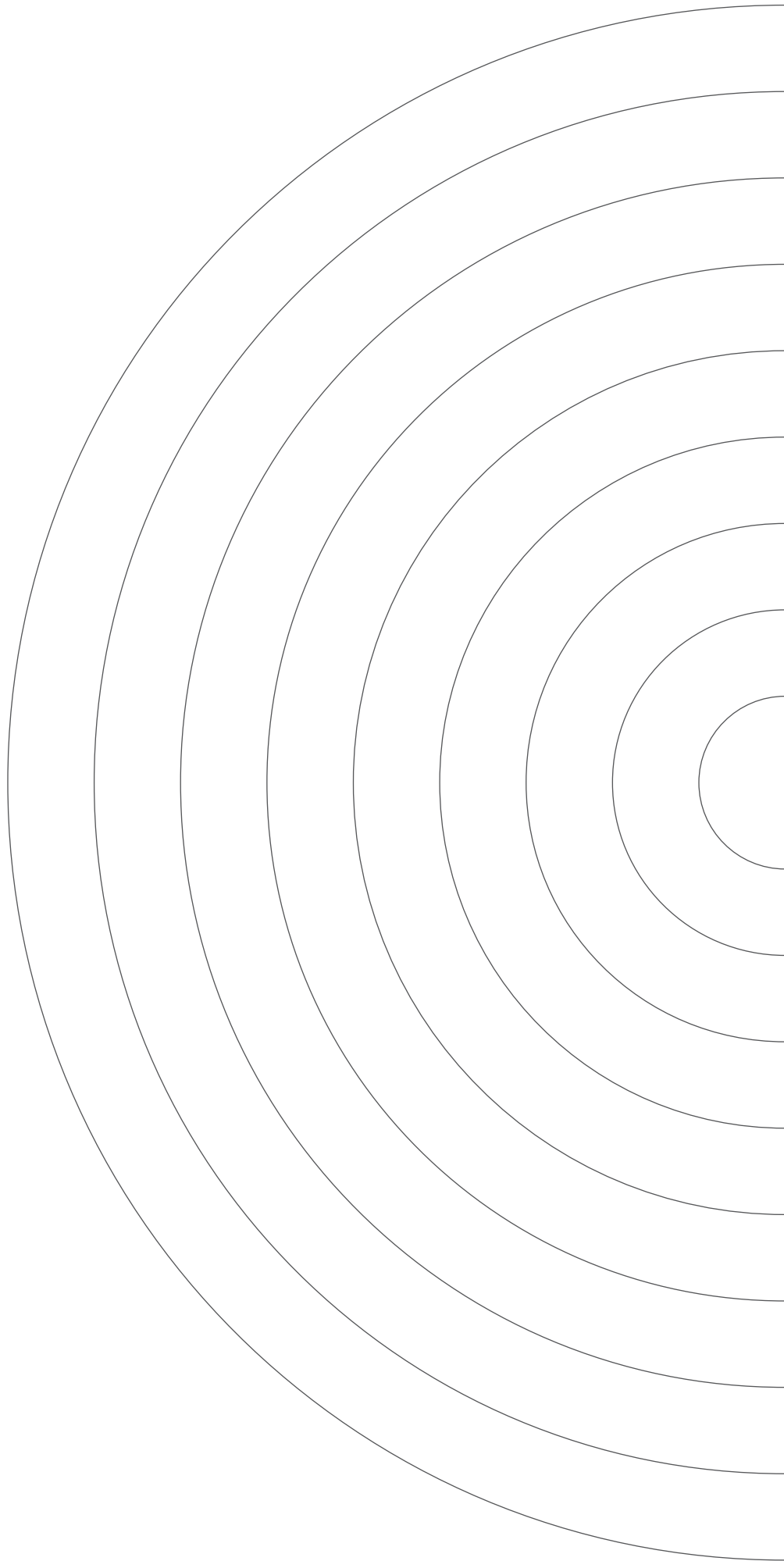


**QUARANTINE  
COOKING  
COMPETITIONS**



**COMMUNITY YOGA AND  
BOOTCAMP**

*EG held the view that the initiative would have a ripple effect and sought buy-in from the residents by offering to match the expenses of events, dollar-for-dollar to continue to see residents connect.*





**Case Study: Build in Good (BIG)**

The Build In Good (BIG) Community Connection initiatives were a series of EG sponsored events carried out across our four NSW developments; The Flour Mill of Summer Hill, Bosco in Five Dock, Tempo in Drummoyne and The Herald Apartments in Newcastle.

A survey conducted by EG in April 2020 showed 73% of residents were working from home full or part time and 48% were struggling with feeling socially disconnected. The survey also showed that 59% of people knew less than five of their neighbours (communities ranging from 150 to 360 apartments) and 22% of people claimed they never speak to a neighbour.

To execute and deliver the initiative, a blueprint was devised that outlined the three key principles each idea was guided by:

- Be in harmony with the social context and natural environment.
- Be community and context driven by building a sense of comradery.
- Be personal and remarkable; spark joy and connection.

In 2020, EG was responsible for the implementation of numerous programs and initiatives which aimed to imbue a sense of belonging and connection amongst our residents. Despite COVID-19, we managed to run over 15 handcrafted programs which invigorated our communities with joy. Residents connected through live music, food trucks and designated times at the development's restaurants for neighbours to meet.



of residents indicated they are likely to participate in a community event (38% absolutely, 35% very likely).



of individuals would like to get to know their neighbours better (23% definitely, 62% are open).



Only 20% engage in conversations with their neighbours two or more times a week.



of residents feel their community is a positive place to live.

## AWARDS



**Winner**  
**Flour Mill of Summer Hill**

Urban Developer Industry  
Excellence - Development of the  
Year - New Communities 2019



**Winner**  
**Herald Apartments**

Master Builders Association of NSW -  
Excellence in Building Awards 2020



**Winner**  
**Flour Mill of Summer Hill**

Australian Urban Design Awards  
- Built projects (Local and  
Neighbourhood Scale) 2019



**Finalist**  
**Bosco, Five Dock**

UDIA NSW - Best Medium Density  
Development: Above 75 Dwellings



**Winner**  
**Flour Mill of Summer Hill**

NSW AILA Architecture Awards for  
Urban Design 2019



**Finalist**  
**Tempo**

Property Council of Australia Award  
- Best Mixed-Use Development



**Winner**  
**Herald Apartments**

UDIA NSW - Award for Excellence in  
NSW Regions & ACT Development  
2020



**Finalist**  
Urban Taskforce - Excellence in Mixed-  
Use Development



**Finalist**  
Urban Developer Award - Best  
Industry Leadership

# ENVIRONMENTAL OPTIMISATION

*To optimise the environmental performance of our assets under management and development.*



EG is committed to improving the environmental performance of our properties for the retention and enhancement of investment value, betterment of the greater community, and to continue to move in alignment with the recommendation of the Taskforce for Climate-Related Financial Disclosure (TCFD).

Achieved by:

- Operating an Environmental Management System to support continuous environmental improvement on our properties.
- Working to achieve and outperform energy, greenhouse gas, water and waste targets on each of our properties, where we have operational control and play our role in upholding Australia's commitment to the United Nations Framework Convention on Climate Change (UNFCCC) Paris Agreement.
- Benchmarking our assets with accredited NABERS ratings and developing to best industry sustainability practices, using Green Star ratings where applicable.

## ENVIRONMENTAL OPTIMISATION

EG launched its first direct sustainable office fund, HISOT in 2016 which acquired assets between 2018 and 2020, focusing on improving energy efficiency in existing buildings while delivering a commercial return for our investors. HISOT's objective was to achieve a minimum 2 NABERS star improvement to at least 4.5 Stars. EG are well on the journey to achieve this. Since its inception, the landscape for investing has changed substantially and so has the importance of broader climate and social considerations. As a result, EG is looking at strategies to expand the objectives of HISOT to broader ESG objectives.

### Benchmarks

EG benchmarks its office assets with accredited NABERS ratings, including Energy, Water and Waste. We are working to achieve and outperform energy, greenhouse gas, water and waste targets on each of our properties, where we have operational control.

*We are working to outperform energy, greenhouse gas, water and waste targets on each of our properties, where we have operational control.*

### NABERS ratings (certified)

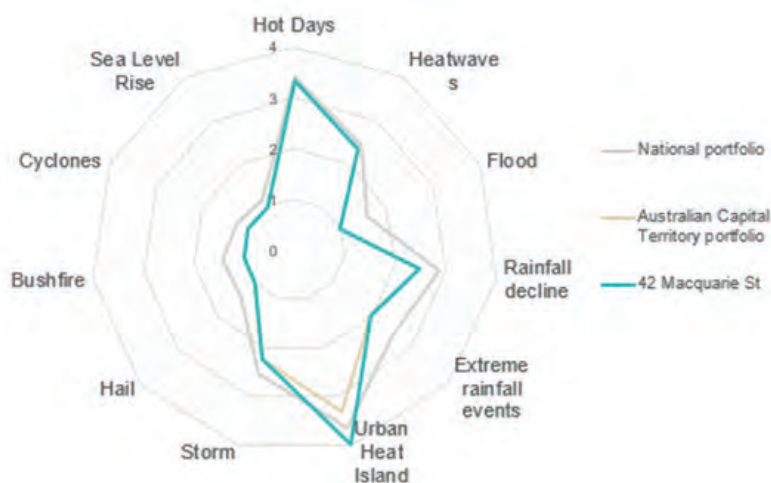
Asset	Energy (stars)	Water (stars)	Waste (stars)
AMA House, 42 Macquarie Street, Barton, ACT	4	5.5	-
95 North Quay, Brisbane, QLD	2 (whole building)	-	-
965 Botany Road, Rosebury, NSW	4.5	-	-
National Archives, 1 Queen Victoria Terrace, Parkes, ACT	1 (whole building)	-	-
2 Mill Street, Perth, WA	5	3.5	2
ANZAC Park West Parkes, ACT	5	4	-

## MANAGING PHYSICAL RISKS

EG has a systematic process with regards to due diligence on assets, and has been expanding the due diligence items to address climate change physical risk, including the addition of conducting Climate Change Risk assessments on our assets.

## CLIMATE CHANGE

During the year, we established a climate exposure tool for all EG assets. The tool assesses and ranks all of EG's assets as they relate to exposure to flooding, high temperature, rainfall, storms, sea level rise, bushfires etc. An example of one of our risk assessments is below for AMA House, 42 Macquarie Street, Barton, ACT :



## MANAGING TRANSITION RISK

EG is planning towards a low carbon economy, especially within the HISOT fund. Failure to reduce carbon within the operations of assets, will increase these transition risks. EG's view to mitigate this risk is by actively optimising the energy efficiency of all assets we acquire. We do not need to wait until regulation is enforced to adopt these energy efficiency strategies. There is a particular focus in energy reduction within our HISOT fund and within stabilised assets in our YPI2 portfolio.

## RISKS

EG is now a member of the Asia Investor Group on Climate Change (AIGCC) and partakes in monthly discussions about the risks and opportunities associated with climate change - ensuring our ongoing monitoring, engagement and education on climate related issues. EG has also ratified its climate risk approach and policy in line with the TCFD which outlines various risk and opportunities associated with climate change.

### Case study: 42 Macquarie Street, Barton, ACT

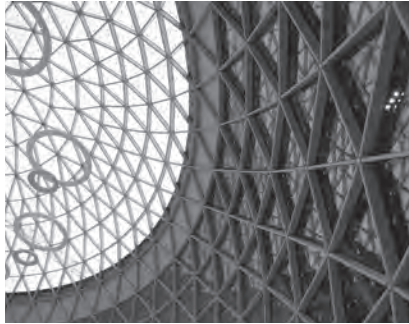
The key climate exposure at 42 Macquarie Street is to Urban Heat Islands (high risk) and hot days (medium risk). These exposed potential vulnerabilities including:

- Heat related impacts on asset elements such as rooftops, facades and seals.
- Increased costs for cooling and ventilation.
- Limited ability of HVAC to maintain thermal comfort during hot days and heatwaves.
- Heat related blackouts leading to requirement for onsite energy generation.

Having a robust but actionable process for identifying potential asset vulnerabilities at the acquisition stage demonstrates recognition of the material nature of climate risk to EG and a process for their consideration through the ownership period. EG determined that capex initiatives such as:

HVAC and mechanical upgrades and façade improvements to address the vulnerability for this asset will deal with the proposed climate risks.

## CLIMATE RISKS

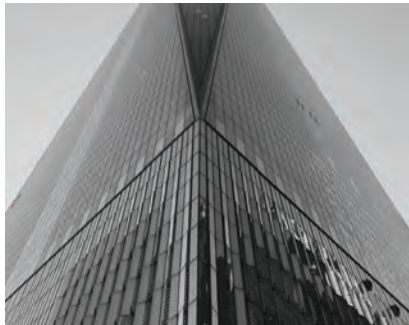


### Policy

Any introduction of a carbon price by the government would impact our assets financially if strategies are not adopted to reduce carbon. We actively commission energy, water and waste audits for stabilised assets across HISOT and YPI funds.

### Market

As the broader market begins to transition to a low carbon economy, there are risks that assets which have not been adapted/optimised will become stranded and less attractive to the market on exit.



### Reputation

EG is committed to improving the environmental performance of our properties for the retention and enhancement of investment value and betterment of the greater community. EG's objective is to be known as a highly trustworthy and responsible investment manager through best practice environmental, social and governance (ESG) management and transparency of performance.

### Technology

Technological advancement in renewables, energy efficiency and storage will displace old systems. When building equipment reaches the end of its useful life, we would perform an assessment of replacements available in the market. The capex and waste from replacing systems which continue to function is not accretive to an assets performance, both financially and from the removal of carbon. Battery technology is fast becoming viable to support the storage of on-site renewables and we continue to investigate these options as we adopt solar PVs across the portfolios where possible.



## CASE STUDY: HIGH INCOME SUSTAINABLE OFFICE TRUST

EG launched our first direct sustainable office fund in 2015, focusing on improving energy efficiency in existing buildings while delivering a commercial return for our investors. Since its inception, the landscape for investing has changed substantially and so has the importance of broader climate and social considerations.

### 42 MACQUARIE STREET, BARTON, ACT (3 STARS TO 4.4 STARS WITH \$30K OF CAPEX)

#### ASSET DETAILS

<b>Location</b>	Canberra, ACT	
<b>Property Type</b>	Office	
<b>Lettable Area</b>	4,053 sqm	
<b>NABERS Energy Rating</b>	<b>Acquisition</b>	<b>Target</b>
	3 Stars	5.5 Stars

HISOT's strategy is to acquire low rated NABERS assets and improve them by an average of 2 stars without significant capital works.

#### NABERS Pathway

##### Energy Efficiency Initiatives

- Live data collection and daily monitoring of energy performance
- Implement controls system to utilise economy cycle for free cooling
- Modulate VAVs to reduce heating and cooling to unoccupied space
- Utilise supply air reset to reduce the energy consumption from the AHUs



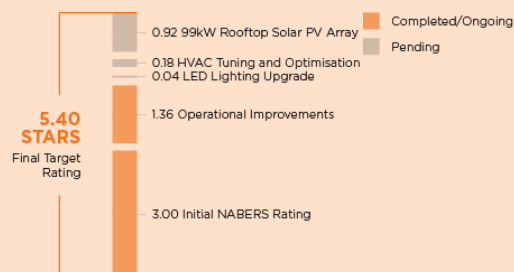
#### Green Capex

- Progressively upgrade lighting during tenant fit out
- 99 kw solar array

#### Outcome

- From Dec 2017 to June 2019 the annual carbon emission intensity per meter of NLA has been reduced from 85.3kg to 65kg
- NABERS 5.5 target by June 2021
- 20% reduction in Energy usage in 2020 from 2019
- 41% reduction in carbon emitted into the atmosphere in 2020 from 2019

#### Pathway



## 1 QUEEN VICTORIA TERRACE, PARKES, ACT (1 STAR TO 4.8 STARS)

### ASSET DETAILS

Location	Canberra, ACT	
Property Type	Office/Galleries	
Lettable Area	4,958 sqm	
NABERS Energy Rating	Acquisition	Target
	1 Star	4.8 Stars

### Energy Efficiency Initiatives

- BMS tuning
- Commenced collection of waste, water and energy usage data
- Improved facilities management
- Modifications to existing building controls

### Green Capex

- BMS Upgrade
- Sub-metering
- LED lighting upgrade
- 99kw solar array

### Outcome

- 4% reduction in energy over 12 months
- Target 35% reduction in energy usage over next 12 months
- Target carbon reduction of >25% over the next 12 months against the baseline
- Negotiated a lease extension of the 8 year lease to 12 years following refurbishment capex works
- NABERS 5.0 star (whole building) target by June 2022



### Pathway





## YPI2: ANZAC PARK WEST, PARKES, ACT

### ASSET DETAILS

Location	Canberra, ACT
Property Type	Office
Lettable Area	17,149 sqm
NABERS Energy Rating	4.5 Stars
NABERS Water Rating	5.0 Stars

### Energy Efficiency Initiatives

- BMS tuning
- Education of Tenants

### Outcome

- 6% reduction in tonnes of CO<sub>2</sub>e emissions in 2020 compared to 2019.
- 17% reduction in KL of water used on site in 2020 compared to 2019.
- 7% reduction in electricity used on site in 2020 compared to 2019.



# COMMITMENTS FOR 2021

Through 2021 EG is taking the following actions to advance each of its five Responsible Investment Objectives.

Objective	Action
<b>1. Culture and People</b>	<ul style="list-style-type: none"> <li>• Ongoing access to professional coaches</li> <li>• Offering health checks to all employees</li> <li>• Participate in the Best Places to Work study, facilitated by WRK+</li> </ul>
<b>2. Community Enrichment</b>	<ul style="list-style-type: none"> <li>• Register the B.I.G Foundation as a NFP</li> <li>• Establish a dedicated community center space</li> <li>• Commence a research program to measure change</li> </ul>
<b>3. Investment Responsibility</b>	<ul style="list-style-type: none"> <li>• Improve GRESB scores for HISOT, ACE and YPI2 funds</li> <li>• Launch further ESG aligned fund products</li> <li>• Move ESG report to align with GRI</li> </ul>
<b>4. Environmental Optimisation</b>	<ul style="list-style-type: none"> <li>• Complete development of environmental improvement plans for all assets under management</li> <li>• Complete assessment of climate risks vulnerability for portfolio.</li> <li>• Establish Net Zero targets for ACE and HISOT</li> </ul>

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