



Annual Environmental and Social Governance Report

2023 Financial Year

30 June 2023

Arcadia

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ABOUT THIS REPORT

This ESG Report outlines the framework, commitments and initiatives targeted to achieve Arcadia’s nominated Environmental, Social & Governance (ESG) outcomes for the Australian Wholesale Property Fund (AWPF) and the PSS/CSS B Property Trust (PCB), informed by investors and other stakeholder groups.

This Strategy has been prepared and approved by Arcadia Managed Investments Pty Limited (“Arcadia”, “we”) on behalf of the board of directors.

This report covers the 2023 Financial Year (July 2022 – June 2023), aligned with Arcadia’s financial reporting, and will be updated annually.

REPORT ENDORSEMENT

The Strategy has been approved by Arcadia Fund Managers, Gerald Daly and Scott Wardlaw, on behalf of the company.

Gerald Daly

Fund Manager

Scott Wardlaw

Fund Manager

INTRODUCTION

Arcadia has a proud tradition of upholding the highest ethical standards in the manner by which we conduct ourselves as a company. We strive to be ethically, environmentally, and socially responsible in all we do.

The ethical principles embodied in our values are the signposts by which our employees make business decisions each day. To help ensure that we conduct business according to these principles, we have specific policies and procedures in place that define how we conduct our business on a day to day basis.

We recognise the importance of tackling broad environmental and social issues through our investments and assets under management.

Our ESG Framework defines our company approach, key areas of focus and commitments to social and environmental performance within our funds.

Our Framework supersedes previous Arcadia ESG disclosures and major initiatives; and sets out a series of commitments and targets for the 2024 Financial Year and onwards, to be reviewed annually in accordance with our ESG Framework.

“Responsible Investment principles including a robust and transparent ESG framework is fundamental to our investment management approach and integral to all aspects of how we manage our real estate investments”

Gerald Daly, Fund Manager

Our Vision

To be the leading boutique real estate investment manager on behalf of institutional capital.

Our Values

- ▶ **Invest Responsibly**
Target best practice in environmental, social and governance (ESG) management for real estate, including transparency of performance.
- ▶ **Healthy and Safe**
Minimise the risk of incidents and promote health, safety and wellbeing across Arcadia managed properties and in Arcadia workplaces.
- ▶ **Environmentally Conscious**
Monitor and improve climate related risks and the energy, water, waste and GHG performance, enhancing the resilience and sustainability of the properties under management.
- ▶ **Better for Users**
Enhance the experience and service at Arcadia managed properties for tenants, visitors and retail customers including health, comfort, productivity, amenity, inclusivity and diversity.



OUR ORGANISATION

Description of our organisation, structure and operations

Arcadia is a boutique institutional investment management and advisory business focused exclusively on institutional capital in the real estate sector.

Arcadia was established in 2002 and has grown over twenty years into one of Australia's leading boutique institutional real estate Investment Managers and Advisers.

Our clients, both past and present, have included leading Australian and International institutions. Arcadia has total Investments Under Management and Advice in excess of AU\$1.8 billion.

The business is focused on both domestic and international real estate investment including:

- ▶ Direct Investing
- ▶ Unlisted Property Trusts
- ▶ Real Estate Private Equity Funds
- ▶ Real Estate Securities Funds and or mandates
- ▶ Other Real Estate Ventures including Joint Ventures and property companies

Arcadia has three core areas of business relating to real estate investment:

- ▶ Investment Management
- ▶ Portfolio & Asset Management
- ▶ Strategic Capital Advisory

A pro-active 'hands on' investment management approach by our in-house team of property professionals is seen as a key competitive advantage for Arcadia. Arcadia's asset and investment management capability encompasses a variety of real estate sub-sectors including:

- ▶ Office
- ▶ Retail
- ▶ Industrial

The Arcadia management team are empowered to formulate and deliver ESG outcomes that align with each Fund's ESG priorities and objectives.

ESG FRAMEWORK

Outlined below is Arcadia’s ESG Framework and its alignment with the United Nations Sustainable Development Goals (SDGs).

Arcadia’s ESG Framework and targets are directly informed by an understanding of our clients, investors and community priorities, as summarised in our 2023 Financial Year (FY23) Materiality Assessment (see over).

Our ESG actions are underpinned by Arcadia’s Vision and Core Values. We hold ourselves accountable for acting on these and regularly reporting progress to our stakeholders. Arcadia has sought to align its environmental and social objectives with the United Nations Sustainable Development Goals (SDGs) as a means to demonstrate its broader commitment to people and our planet

As a boutique real estate company, Arcadia has prioritised 7 SDGs as part of its ESG Framework where we believe we can make a genuine difference.

“The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. At its heart are the 17 Sustainable Development Goals (SDGs), which are an urgent call for action by all countries - developed and developing - in a global partnership”.



Source: United Nations, Department of Economic and Social Affairs: Sustainable Development [April 2021]



Source: Arcadia FM 2021

MATERIALITY ASSESSMENT

Arcadia recognises the increasing importance that environmental and social, as well as economic governance influence its business and valued stakeholders.

Arcadia’s materiality assessment, provides a structured approach to mapping out stakeholder values and the influence these have on Arcadia business practices and operations.

The assessment underpins our ESG Framework, commitments and targets set out in this document for FY24. It also serves as a basis from which to measure and track continual improvements, as well as identify emerging issues and opportunities.

Material issues for Arcadia are presented in its Materiality Assessment Matrix (see below).

These issues are categorized according to their management pillar (Governance, Economic, Environmental and Social) and scaled according to their relative impact timeframe, from short-term (solid) to long-term (hollow) markers.



Source: Arcadia Materiality Assessment



ENVIRONMENT

We understand the impact our business has on the environment, and our role in creating an environmentally sustainable future for our stakeholders and communities. Arcadia continues to pursue several initiatives to reduce environmental impacts across our operations.

Since the inception of Arcadia's ESG objectives in 2017, our company has achieved the following environmentally driven outcomes:

- ▶ A 10% reduction in Greenhouse Gas Emissions across the assets we manage (as per most recent analysis).
- ▶ Obtained NABERS Base Building Energy and Whole Building Water ratings for all commercial and retail assets and obtained Indoor Environment (IE) ratings for all office assets.
- ▶ Benchmarked waste consumption for all assets and engaged with tenants to reduce where possible and achieved NABERS waste ratings on certain assets.
- ▶ Implemented EMS and performance improvement plans implemented for each property. Identified climate-change related risks for the property portfolios.

Together these initiatives have demonstrated Arcadia's values and set the benchmark for future ESG commitments and targets.

As our business continues to move forward so does our commitment to the natural environment.

Arcadia is committed to achieving Net Zero Emissions for the assets we manage by end of 2028.

Our journey towards net zero comprises of several initiatives, including:

- ▶ Benchmark our asset GHG intensity in accordance with the Australian Government's Climate Active Scheme
- ▶ A reduction in fossil fuel consumption as part of a staged life cycle replacement strategy for assets
- ▶ Continuing to identify energy efficiency opportunities, such as the electrification of our commercial assets, in collaboration with our tenant stakeholders, operations team and partners.
- ▶ Introducing low-GWP refrigerants for major plant and equipment
- ▶ Investigating on-site renewable energy generation for both commercial and industrial assets
- ▶ Investigating off-site renewable energy agreements
- ▶ Investigating partnership opportunities for reducing on-site waste for our assets along with conducting waste strategy investigations with expert consultants.
- ▶ Investing in verified GHG offsets for residual asset emissions.

Arcadia will also continue to implement the following initiatives as part of ongoing commitment to the natural environment:

- ▶ Review and update our asset EMS improvement plans where appropriate.
- ▶ Certify our commercial assets using the NABERS scheme and gain Green Star Performance certification for all commercial assets



SOCIAL

Arcadia's success is grounded by our strong desire to provide safe healthy work environments for our tenants and support our community networks and stakeholders.

Since the inception of Arcadia's ESG objectives in 2017, our company has set out to achieve the following social outcomes for our tenants and communities:

- ▶ Continued Improvement to asset-level health and safety practices through implementation of an Operational Risk Management (ORM) program for each Arcadia managed property
- ▶ Provide independent assurance on health and safety management practices – through our annual risk audit reporting
- ▶ Improved public and semi-public amenities for our assets, including accessibility, engagement (or quiet places), green spaces and end of trip facilities

engagement with our customers to seek opportunities for improving their experience in our building

The needs of our customers and community are evolving; including industry changes to the way we collaborate and work following the COVID-19 pandemic.

Arcadia continues to support its communities and communities through these changes and challenges, and in doing so has set out a series of initiatives and commitments.

We intend to:

- ▶ Continue to improve our understanding of the health and wellbeing impacts and attributes of commercial assets
- ▶ Continue our comprehensive annual tenant satisfaction survey program
- ▶ Implement key improvements and initiatives identified through the annual tenant survey program
- ▶ Identify and investigate social co-benefit opportunities from carbon offset investment that align with Arcadia's core values
- ▶ Progress the implementation of a Modern Slavery training program for Arcadia employees
- ▶ Continue to focus on the health and wellbeing of all Arcadia employees, tenants and visitors.
- ▶ Deliver a fair and equitable workplace environment where diverse opinions are encouraged.



GOVERNANCE

Strong environmental and social governance is central to Arcadia's business operations and the decisions we make. We conduct ethical business practices in line with our core values and aim to provide transparency to our investors and customers.

Strong governance has been central to Arcadia since our inception in 2002, and more recently captured in our first 2021 ESG Strategy Report.

Since 2017 Arcadia has demonstrated strong ESG governance through the following initiatives:

- ▶ Voluntary participation in the Global Real Estate Sustainability Benchmark (GRESB) scheme for the 4th consecutive year
- ▶ Created a Responsible Investment Policy, updated annually.
- ▶ Attained a NABERS Multi Rating for all eligible assets with the majority of properties also receiving a rating under Green Star Performance.
- ▶ Developed an Environment & Sustainability Policy
- ▶ Developed a Net Zero Emissions Roadmap and implementation strategy

Our ESG Framework, informed by our annual stakeholder materiality assessment, provides a structured approach to environmental and social governance.

Arcadia intends to demonstrate its continued ESG performance through various legislative and voluntary disclosures.

This includes:

- ▶ Continuing our participation in GRESB, aiming for year on year improvement where possible.
- ▶ Enhancing our asset-level certifications by extending Green Star Performance ratings for all assets; to demonstrate our commitment to sustainable operations

We will also continue to:

- ▶ Participate in the NSW Office of Environment (OEH) NABERS Program by maintaining NABERS certifications for all commercial buildings across both funds
- ▶ Review our responsible investment policy and amend to suit our markets and supply chain as required, in line with our core values.
- ▶ Implement our Net Zero Carbon Emissions Roadmap
- ▶ Hold a regular ESG Committee Meeting with members of Arcadia's internal ESG function.
- ▶ Complete an annual externally audited Internal Controls report in accordance with ASAE 3402 / GS 007
- ▶ Maintain a 50/50 non-executive to executive director Arcadia board composition, which is chaired by a non-executive director.

ESG TARGETS

Commitments have been prepared in direct response to the identified material impact areas. An outline of Arcadia’s legacy ESG commitments is presented in Table 1 and includes our progress on these throughout FY23. Those additional commitments made as part of this ESG Strategy are outlined in Table 2.

Financial Years 2021-23 ESG Objectives and Commitments

Arcadia ESG targets for the previous financial reporting year are provided in table 1.

Table 1 – Arcadia ESG Objectives, last updated FY23

Category	Initiative	Commitment or Target	Timeframe	Status		
●	Governance	Green Loan Certification	Arcadia to maintain their green loan eligibility on all existing and future debt facilities	Ongoing	Achieved	✓
●	Governance	Benchmark and disclose ESG Performance	Participate in annual GRESB submission	June 2020 - 2023	Achieved	✓
●	Governance	Consider the materiality of emerging ESG issues to investors, Clients and key stakeholders.	NA	Ongoing	Achieved. Materiality Assessment (see pg. 5)	✓
●	Social	Improve asset-level health and safety practices	Implement ORM program for each property	Ongoing – completed annually	Achieved	✓
●	Social	Provide independent assurance on health and safety management practices	Annual risk audit report completed annually for each property	Ongoing – completed annually	Achieved	✓
●	Environment	Providing green-powered amenity to tenants.	Grosvenor Place has recently increased to ten the installed electric car charging stations. Grosvenor Place also recently partnered with an electric hire car company to provide an electric car for use by tenants (using 100% Green Power).	Ongoing	Achieved	✓
●	Environment	Track Scope 3 (tenant-controlled) emissions	Collect data relating to Scope 3 emissions across all commercial and industrial assets.	Ongoing – completed annually	Achieved	✓
●	Environment	Identify climate related risks	Undertake a climate risk exposure assessment and identify opportunities for	Completed and reviewed periodically	Achieved	✓

			addressing climate-related risks in Arcadia Funds			
●	Environment	Improve environmental management practices for each property	EMS and performance improvement plans implemented for each property.	Completed and reviewed periodically	Achieved	✓
●	Environment	Improve energy, water, and waste efficiency for each property	Set energy, GHG, water and waste reduction targets for each portfolio	Completed and reviewed periodically	Achieved	✓
●	Environment	Measure and benchmark energy, water and waste performance via a recognised industry scheme	Obtain NABERS Energy and Water ratings for all office assets and obtain NABERS IE and Waste for selected office assets.	Completed and reviewed periodically	Achieved	✓

Future ESG Priorities, Commitments and Initiatives

Arcadia ESG targets for future financial reporting years are provided in table 2. Those initiatives already complete are highlighted in grey. Some of these extend beyond the upcoming 2024 Financial Year and will be reviewed and adjusted as necessary.

Table 2 – Arcadia Future ESG Commitments and Initiatives

Focus Area	Initiative	Commitment or Target	Timeframe	Tracking	
Governance					
Responsible Investment	Develop a recognised framework and/or set of principles to benchmark, monitor and improve ESG performance	Update current ESG Objectives based on materiality assessment outcomes and adopt recognised industry principles.	By FY2021 end	Completed (see 'ESG Framework' section)	✓
Responsible Investment	Green Loan Certification	Attain Green Loan Status across Arcadia's existing and future debt facilities by ensuring the corresponding assets meet the criteria of "Green Building" status.	Annually	Completed for CY23. Ensure this certification is maintained into the future.	✓
Responsible Investment	Benchmark overall sustainability performance for all properties using a recognised industry rating scheme	Obtain a 5 Star Green Star – Performance rating for all Arcadia assets.	By FY2025 end.	On track. All Arcadia office and industrial assets have attained a Green Star rating during FY23.	✓
Responsible Investment	Disclose Fund ESG Performance	Continue participation in GRESB and demonstrate year-on-year improvement.	Annually	On track. June 2023 GRESB submission completed. Year-on-year	✓

Focus Area	Initiative	Commitment or Target	Timeframe	Tracking	
				improvement achieved for 2020-2022 submissions.	
Responsible Investment	Develop a recognised framework for procurement in line with our core values	Review our responsible investment policy and amend to suit our markets and supply chain as required, in line with our core values.	Annually	On track. Review underway and to be completed in FY24.	✓
Stakeholder Engagement	Environmental Management System	Obtain 3 rd party ISO 14001 certification via recognised provider	Annually	Investigations underway. To commence by Q1 2024 calendar year.	~
Data Disclosure and Monitoring	Review data collection and monitoring process and third-party review	Increase data coverage and engage third party reviewer.	Annually	Third-party external auditor completed assurance across all commercial and industrial assets for CY2022 utilities data (energy and water) and Scope 1 and 2 emissions.	✓

Environment

Resilience and Climate Change	Outline a Net Zero Emissions Strategy for both Arcadia funds	Prepare a Net Zero Strategy and Roadmap for both funds, detailing steps to be taken to achieve net zero GHG emissions	By FY2021 end	Strategy Completed and implementation in progress	✓
Resilience and Climate Change	Eliminate emissions from purchased electricity consumption	Purchase renewable energy for all assets.	By FY2025	PCB Assets: 100% renewable energy purchased from 1 January 2022 AWPF Assets: All 3 office assets currently have 75% of energy purchased being renewable through FY24 with an aim to achieve 100% by 1 July 2025. Retail purchases offsets for 100% of its energy usage as of 1 July 2021.	~
Resilience and Climate Change	Begin tracking Scope 3 (tenant controlled) emissions.	Capture all Scope 3 emissions across both funds to further identify ways to improve the	Annually	Begun capturing data for tenant-controlled space usage across 100% of	✓

Focus Area	Initiative	Commitment or Target	Timeframe	Tracking	
		efficiency of Arcadia's assets.		commercial and industrial assets in CY23.	
Resilience and Climate Change	Achieve Net Zero Emissions for both funds	Net Zero Emissions	By FY2028 end	On-track. Initiatives include the initiation of precinct electrification planning, a/c Chiller replacement and proposed ice tanks as battery storage for Grosvenor Place.	~
Resource Efficiency	Reduce on-site GHG emissions prior to offsetting	Generate on-site renewable energy for non-commercial assets	By FY2025	Investigations underway	~
Resource Efficiency	Reduce on-site GHG emissions prior to offsetting	Identify and implement energy efficiency opportunities across all assets	Annually	On-track. Installed new energy efficient air conditioning chillers at commercial office assets (incl. Grosvenor Place and 1 Chifley Square). 52 Goulburn Street and World Square Retail have had their new energy efficient chillers installed.	✓
Resilience and Climate Change	Demonstrate our understanding of the risk that climate change may pose for our assets	Undertake a Climate Risk Assessment for all assets, identifying and assessing both transition and physical risks	FY 2021	Completed Next assessment due in FY24	✓
Resilience and Climate Change	Acknowledge and respond to medium- and long-term impacts from Climate change	Develop an asset-level climate change resilience plan based on recommendations in the portfolio-wide report.	By FY 2024	To be progressed in FY24	~
Resilience and Climate Change	Waste diversion from landfill	Improve on-site waste recycling and reduce waste to landfill.	Annually	Grosvenor Place achieved 100 tonnes of food waste diverted from landfill via in-house dehydrator. AWPF Recyclable waste (CY22 % of total waste) World Square Retail – 24% 680 George Street – 55%	~
Social					
Community	Identify and prioritize social co-benefit opportunities from	Select and invest in GHG offset schemes that demonstrate a tangible	Aligned with offsetting timeline	To be progressed over FY24	~

Focus Area	Initiative	Commitment or Target	Timeframe	Tracking	
	carbon offset investment	contribution to global social imperatives			
Community	Understand health and wellbeing impacts and attributes of commercial assets	Investigate a benchmarking assessment using recognised industry schemes, for example WELL and Fitwel.	By FY 2024	As part of the 52 Goulburn Street repositioning works, The Manager is exploring the possibility of getting the asset WELL- rated.	~
Diversity and Inclusion	Gender neutral facilities.	Arcadia is committed to providing facilities that satisfy it's tenants diverse requirements.	By FY 2024	Arcadia has committed to developing Gender neutral changing room and shower facilities at 680 George Street. Gender neutral bathrooms are also being progressively installed on all levels at Grosevenor Place	~
Tenant Satisfaction	Tenant satisfaction survey – implementing actions	Undertake tenant surveys for all assets and implement recommendations where possible	Annually	Completed for all commercial and industrial assets (except for 52 Goulburn Street).	✓
Modern Slavery and Human Rights	Endeavour to reduce Modern Slavery Risk in our supply chain where possible	Review and adjust our Modern Slavery Policy as appropriate; and review issues as part of quarterly fund meetings.	Annually	Continued from previous years. Modern Slavery clauses included for all Capital Works projects. Modern slavery policies are updated in all Property Management Agreements (PMA) upon expiry.	✓
Modern Slavery and Human Rights	Facilitate training for all staff on Modern Slavery issues and how to identify risks in Arcadia Supply Chain	Engage with training provider and record participant completion	By FY 2024	To be progressed over FY24	~
Modern Slavery and Human Rights	Supply chain engagement	Complete modern slavery audits on all major contractors.	By FY 2024	Completed for Grosvenor Place. To be progressed over FY24 for remaining assets. Tier 2+ suppliers to be investigated throughout FY 2023-2025.	~
Maintaining safety standards	Facilitate safe operations	Initiation of a Pandemic Management Committee for selected office assets.	By FY 2022	Complete.	✓

MEASURING OUR PROGRESS

Description of how we will assess the effectiveness of our planned ESG commitments and initiatives, which includes the process of consultation with our stakeholders.

Within our Business

We shall seek to assess the effectiveness of our actions by regularly tracking the progress in achieving our identified ESG commitments against the targeted timeframes.

Our ESG commitments will be incorporated at an operational level into our property management framework and form part of the meeting agenda for asset level monthly property management meetings.



Arcadia

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