

# Sustainability Report 2021



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Shell/Coles Express Donnybrook (VIC)

# Objective

**The objective of Waypoint REIT's environmental, social and governance (ESG) strategy is to operate our business in a way which is ethical, responsible and sustainable in the long term, and in line with our values, strategy and the expectations of our employees, communities where we operate and our external stakeholders. As part of this strategy, we also seek to support our tenants in their transition to a low-carbon future.**

# Approach

Waypoint REIT considers ESG an integral part of our corporate philosophy.

We are committed to:

1.

The continuous improvement of the ESG aspects of our business.

Our approach to sustainability considers the structure of our business and the passive nature of our business model as an investment trust. Waypoint REIT's direct ESG impacts are both relatively modest and local in their scope, as evidenced by our carbon neutral target being achieved in 2021 with respect to facilities under Waypoint REIT's operational control.

Our investment focus on leasing sites to fuel and convenience retailers presents specific ESG challenges associated with those sectors. However, they are tempered by our predominant triple net leases, which restrict our ability to address these challenges relative to the role of our tenants.

2.

Managing, minimising and mitigating (where possible) the ESG-related risks associated with our business.

3.

Engaging and collaborating with our tenants and other stakeholders to influence positive change and drive mutually beneficial ESG outcomes.

Waypoint REIT supports our tenants to the best of our ability under the lease terms in place to minimise the environmental impact of their operations on our sites.

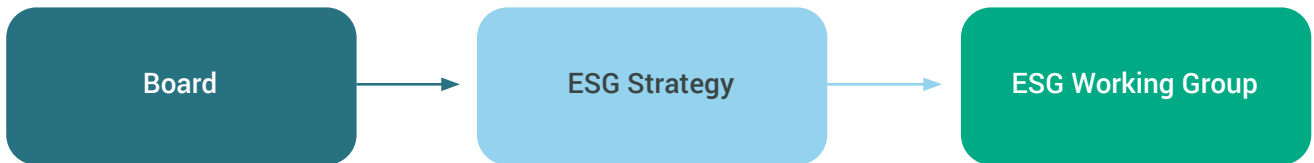
We are committed to having broader discussions on these challenges with our tenants, particularly given the role our tenants play in the fuel and convenience retail industries, and their impact on greenhouse gas emissions and related issues.

4.

Being transparent about progress.

# Governance Structure

Our ESG governance framework is designed to provide effective direction and oversight for our ESG strategy. The Waypoint REIT Board is ultimately responsible for setting Waypoint REIT's ESG strategy. The ESG Working Group is responsible for bringing Waypoint REIT's ESG strategy to life and for actioning ESG goals set by the Board.



## 2021 Highlights

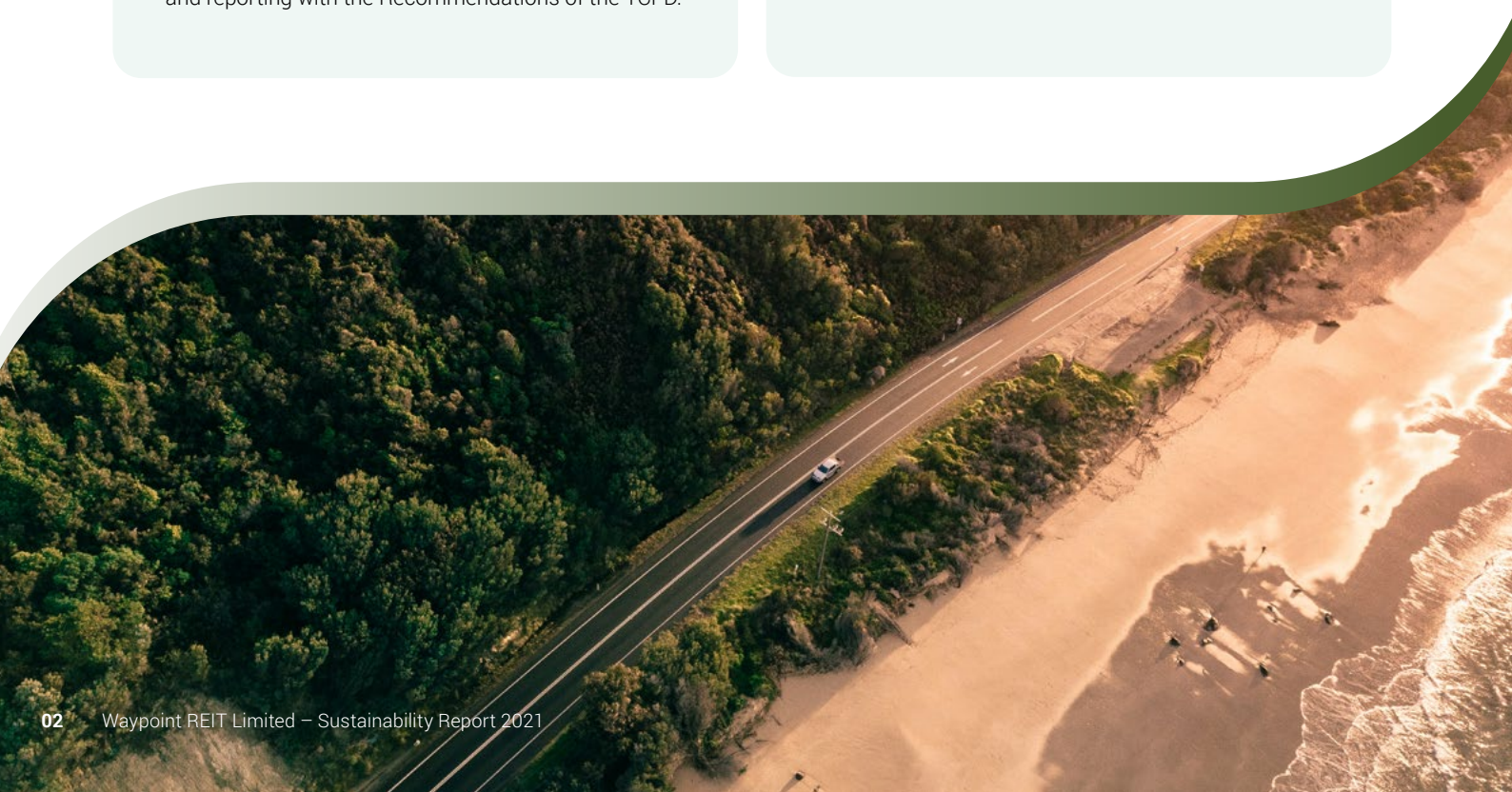
Waypoint REIT is pleased to confirm we have:

- issued our first Modern Slavery Statement;
- achieved our carbon neutral target of offsetting Scope 1, Scope 2 and direct Scope 3 emissions under our operational control through the purchase of carbon offsets administered by South Pole Carbon Asset Management Ltd;
- supported easements and owner consents for electric vehicle charging facilities on five sites as part of Viva Energy Australia's (VEA) partnership with Evie Networks;
- completed a Task Force on Climate-related Financial Disclosures (TCFD) gap analysis; and
- aligned our approach to climate change assessment and reporting with the Recommendations of the TCFD.

## 2022 Priorities

Looking to the year ahead, Waypoint REIT intends to continue on our ESG journey and commits to:

- maintaining our carbon neutral target of offsetting Scope 1, Scope 2 and direct Scope 3 emissions under our operational control through the purchase of carbon offsets from an accredited provider;
- enhancing the disclosures contained in the 2022 Sustainability Report in accordance with the Recommendations of the TCFD, including portfolio risk assessment and climate scenario analysis; and
- Factoring the above commitments into the balanced scorecards used to measure and assess Key Management Personnel performance.



# Focus Areas – Overview








The Board conducts an annual materiality assessment of ESG topics as part of a broader annual strategy review. The outcomes of this materiality assessment are used to inform Waypoint REIT’s ESG strategy, with the most material ESG topics facing Waypoint REIT today categorised into focus areas. These focus areas are also considered as part of Waypoint REIT’s broader Risk Management Framework and, as appropriate, reflected in our risk appetite statement. No changes were made to the focus areas in 2021.

The focus areas are aligned to six of the United Nations’ 17 Sustainable Development Goals (**UN SDGs**). The UN SDGs underpin the 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015, which

provides a shared blueprint for peace and prosperity for people and the planet, now and into the future. It provides an urgent call for action by all countries – developed and developing – in a global partnership. They recognise that ending poverty and other deprivations must go hand-in-hand with strategies that improve health and education, reduce inequality, and spur economic growth – all while tackling climate change and working to preserve our oceans and forests.<sup>1</sup>

For each focus area, we have separately identified work streams in our direct control from the ones we work collectively on with our tenants.

An overview of our ESG strategy is set out in the table below.

Focus area	Key matters	Impact	Stakeholders	UN SDGs
<b>Ethical conduct and transparency</b>	Governance Compliance Risk management	Direct	Employees Communities Business partners Securityholders	
<b>Our people</b>	Diversity and inclusion Flexible working Health and wellness Remuneration	Direct	Employees Securityholders	 
<b>Climate change and energy</b>	Climate risks and opportunities Energy efficiency	Direct Direct/Indirect	Tenants Employees Securityholders	 
<b>Safety and environment</b>	Personal and process safety Spill prevention	Direct/Indirect Indirect	Employees Tenants Contractors Communities Government	 

1. <https://sdgs.un.org/goals>.

# Focus Areas – In Depth Review

Further details on each focus area of Waypoint REIT’s ESG strategy are provided below.

## Focus Area #1: Ethical conduct and transparency

### Values

Waypoint REIT’s four core values (**Values**) are set out below, which are disclosed in Waypoint REIT’s Code of Conduct, which is published on the Waypoint REIT website at

[www.waypointreit.com.au/investors](http://www.waypointreit.com.au/investors).

These Values reflect what Waypoint REIT stands for and the Board and senior management are guided by these Values when making decisions.

Senior management is responsible for instilling Waypoint REIT’s Values. The Board regularly engages with senior management to ensure that Waypoint REIT’s Values align with the culture of the business.

## Values

### Excellence

Doing our best, and always looking for ways to do better



### Respect

For our people, community, environment, customers and investors



### Trust

Building and maintaining long-term relationships through our actions



### Integrity

Operating in an ethical manner that is transparent and honest



## Commitments

Waypoint REIT is committed to operating our business in a way that is ethical, responsible and transparent through:

- operating in accordance with our Values;
- maintaining strong governance and risk management frameworks;
- endeavouring to support ethical trade in our purchasing practices; and
- contributing to making the communities where Waypoint REIT operates better places to live and do business.

By adopting high standards we aim to achieve commercial success for our investors and earn the respect of our stakeholders, business partners and the communities where we operate.

## Transparency

The Board has also adopted the following policies governing ethical conduct:

- Code of Conduct
  - Anti-Bribery and Corruption and Anti-Terrorism Financing Policy
  - Charitable Giving Policy
  - Conflict of Interest Policy
  - Disclosure Policy
  - Diversity Policy
  - Human Rights Policy
  - Investor Communications Policy
  - Privacy Policy
  - Related Parties Transactions Policy
  - Securities Trading Policy
  - Supplier Code of Conduct
  - Whistleblower Policy
- (collectively referred to as **Key Policies**).

Our **Code of Conduct** outlines how we expect our Directors, senior management, employees and any third party acting on our behalf to behave and conduct themselves in the workplace.

Our **Supplier Code of Conduct** encourages suppliers and contractors to abide by our values and we aim to procure goods and services from those organisations demonstrating good ethical practices.

Our **Human Rights Policy** demonstrates our commitment to managing our operations and investments in line with the United Nations Guiding Principles on Business and Human Rights and the Australian Modern Slavery legislation. This commitment extends to our Directors, employees, contractors, sub-contractors, consultants and our suppliers, whom we expect to comply with applicable laws, regulations and standards when conducting business.

Our **Charitable Giving Policy** is tied to Waypoint REIT's commitment to help make the communities where Waypoint REIT operates better places to live and do business.

We are also subject to several ESG corporate ratings and participate in or respond to information requests or both, where appropriate and feasible based on our resources.

## 2021 Update

Following a review of Waypoint REIT's own labour practices and those of our suppliers in 2020, Waypoint REIT published our first Modern Slavery Statement on 30 June 2021 in accordance with the requirements of the Commonwealth's *Modern Slavery Act 2018*.

Waypoint REIT provided \$10,000 in sponsorships to community organisations and matched donations made by employees to Waypoint REIT's nominated charity partners totalling \$2,640.

Time and effort were also dedicated during the year towards understanding and improving our external sustainability rankings. Participation in the S&P Global Corporate Sustainability Assessment (**CSA**) was proactively undertaken for the first time in 2021. Materially improved rankings were also achieved across sustainability aggregator surveyors, including CSA, Sustainalytics and MSCI, compared to the previous year. This was largely driven by Waypoint REIT's improved governance structure post-internalisation of management in September 2020, and transparency provided through enhanced disclosures in Waypoint REIT's Annual Report and on our website.

Waypoint REIT completed a TCFD gap analysis during the year and has aligned our approach to climate change assessment and reporting with the Recommendations of the TCFD. Refer to section Focus Area #3: Climate change and energy for further details.

# Focus Areas – In Depth Review continued

## Focus Area #2: Our people

### Culture and engagement

The Board and the CEO work with senior management to successfully cultivate a team culture focused on performance, governance, risk management and inclusiveness. Culture is reviewed periodically by the Board in conjunction with senior management. Given the small size of the team, the Board has the unique opportunity to interact with the majority of employees directly in some capacity during the year.

### Diversity and inclusion

Waypoint REIT's **Diversity Policy** describes our approach to diversity, the importance diversity brings to innovative thinking and overall success, and our commitment to fostering and maintaining an inclusive workplace that respects individuals. The **Diversity Policy** is available on the Waypoint REIT website and our scope extends beyond gender and includes matters of age, disability, ethnicity, marital or family status, religious or cultural background, sexual orientation and gender identity. Waypoint REIT has adopted a methodology to establish measurable objectives for achieving gender diversity and to annually review these objectives and Waypoint REIT's progress in achieving them.

Diversity objective	FY2021 diversity targets	FY2021 Outcomes	FY2022 diversity targets
Female Board representation	33%	25%	33%
Female representation on the Board and senior management team <sup>1</sup>	Ensure female representation on the Board and senior management team does not decrease	43%	>50%
Female employees	50%	56%	50%

1. The senior management team comprises the Managing Director and CEO and his direct reports. In 2021, there were three senior executives reporting to the Managing Director and CEO.

There has been no change in the composition of independent non-executive directors of Waypoint REIT over the year; however, female Board representation decreased from 33% in 2020 to 25% in 2021 following the appointment of Hadyn Stephens, Chief Executive Officer (CEO) as Managing Director on 21 October 2021.

Waypoint REIT remains committed to retaining a 33% target for female Board representation in 2022 and is actively seeking well-qualified female candidates through a diverse interview panel.

At all other levels, performance in 2021 reflects no change from the previous year as, pleasingly, Waypoint REIT experienced no employee turnover.

Following the internalisation of management in September 2020, remuneration for executives representing 44% of all employees (by number) was benchmarked by an external remuneration consultant engaged by the Remuneration Committee. The benchmarking took into account potential gender pay gaps and general market conditions and was one of many inputs used by the Remuneration Committee to make remuneration decisions. Refer to the 2021 Remuneration Report for further details [www.waypointreit.com.au/investors](http://www.waypointreit.com.au/investors).

Also refer to our Corporate Governance Statement for further information on diversity [www.waypointreit.com.au/investors](http://www.waypointreit.com.au/investors).

### Flexible working

There were 44% of Waypoint REIT's team members on flexible work arrangements (i.e. reduced days and/or hours, working remotely) prior to COVID-19. Flexible working arrangements were permanently adopted for all staff as a result of COVID-19 and Waypoint REIT's small team has successfully navigated the continued challenges posed by COVID-19 during 2021 for both Waypoint REIT's business and the impact on day-to-day working conditions.

### Performance, training and development

All permanent employees are entitled to earn an 'at risk' component of remuneration designed to maximise performance in key strategic areas set and measured through a balanced scorecard approach, with key performance indicators (KPIs) aligned to the key financial and non-financial value drivers of Waypoint REIT's business agreed between each employee and their manager at the start of the year. The Board believes that having a mix of financial and non-financial KPIs will provide measurable performance criteria strongly linked to year-on year securityholder returns and encourage the achievement of individual goals consistent with Waypoint REIT's overall strategic objectives.

At the end of each year, the performance of employees is measured against the KPIs as set out in their balanced score card and other applicable measures, including evidence of behaviour in line with Waypoint REIT's corporate values and risk management framework.

Waypoint REIT is also committed to building employee capability via on-the-job training and development opportunities, such as participating in special projects, attending conferences and industry forums, as well as formal classroom and web-based training to ensure their skills remain current. All Waypoint REIT employees are required to complete ongoing mandatory training modules on key policies and procedures, including but not limited to compliance training and cyber security awareness training to ensure their competency for their roles. The mandatory training requirements are reviewed annually and updated as required to ensure they remain relevant and reflective of current market trends.

All new Directors and employees receive training on the Code of Conduct and complete comprehensive induction training to understand their responsibilities and accountabilities with respect to the Key Policies.



All Directors and employees are required to complete attestations that they have read and acknowledge the obligations of all Key Policies, with more advanced training provided depending on their role within the organisation. More information on the above can be found at [www.waypointreit.com.au/investors](http://www.waypointreit.com.au/investors).

Waypoint REIT as an Australian Financial Services Licence (AFSL) holder is also required to have a development program for our Responsible Managers. The **Responsible Managers Policy** approved by the Board is designed to ensure that our Responsible Managers maintain competence in their particular area of responsibility, thereby complying with our AFSL. Newly appointed Responsible Managers receive appropriate induction and, then relevant training on an ongoing basis. Waypoint REIT provides all Responsible Managers with in-house training and gives representatives the opportunity to attend external training courses and/or seminars and conferences which are relevant to their area of expertise.

## 2021 Update

During the year, Waypoint REIT further demonstrated ongoing commitment to flexible working arrangements by announcing our intention for work arrangements to remain fully flexible post COVID-19.

Approximately seven hours of training (average per FTE) were completed in 2021 and 100% of employees completed training in mandatory compliance modules, including a tailored modern slavery awareness e-Learning module.<sup>1</sup>

Waypoint REIT also established a **Continuous Learning Policy** entitling all employees up to \$1,000 of employer-paid training plus two paid study days and the opportunity to apply for additional resources to be assessed on a case-by-case basis and a new **Health and Wellbeing Policy** entitling all employees to undertake annual health checks.

## Focus Area #3: Climate change and energy

Disruptions to the supply and demand for traditional fuel, alternative fuels and/or convenience retail products, supply and demand for fuel and convenience retail properties and the availability and cost of credit (including sector specific ESG considerations) have a collective impact on our business.

As the landlord of manufacturers and suppliers of hydrocarbon-derived products, we recognise we have a role to play in supporting the transition to lower-carbon energies while at the same time facilitating the safe and reliable supply of traditional hydrocarbon fuels to motorists. Based on the 'Electric vehicle projects 2021' report issued by the Commonwealth Scientific and Industrial Research Organisation (CSIRO) in May 2021, the 'Future Fuels and Vehicles Strategy' report issued by the Department of Industry, Science, Energy and Resources in November 2021 and other forecasts and projections reviewed, we do not consider these to present material short-term risks

to our business. Given the existential nature of such risks, however, we consider that these should be prudently monitored and assessed to best prepare our business for the medium to long term.

Waypoint REIT's property portfolio has a weighted average lease expiry of 10 years and most leases have multiple option periods in place. This, coupled with 90.5% (by income) of our leases being on triple net terms, provides a secure rental income stream to securityholders but limits our ability to monitor and reduce the environmental impact of our sites, as operational control and responsibility for a site's environmental impact largely resides with our tenants. Noting our own direct ESG impacts are both relatively modest and local in their scope, Waypoint REIT supports our tenants to the best of our ability under the lease terms in place to minimise the environmental impact of their operations on our sites.

Our **Risk Management Framework** and related risk management policies and procedures are discussed in our Operating and Financial Review in the Directors' Report available on our website at [www.waypointreit.com.au/investors](http://www.waypointreit.com.au/investors). Effective risk management is a core component of Waypoint REIT's corporate governance. Waypoint REIT has a Risk Management Framework to identify, assess, manage, monitor and report key risks. The Board, via the CEO, is responsible for overseeing the establishment and implementation of the Risk Management Framework and for approving and monitoring compliance with the framework.

Climate change risk is included in the risk register, which is set by the Audit and Risk Management Committee (ARMC) and the Board. The impact of climate change on Waypoint REIT's sites is largely borne by the tenants and/or the site operators via the triple net nature of the leases in place across most of Waypoint REIT's sites. Accordingly, Waypoint REIT has a medium risk appetite for climate change risk to allow for issues with a longer-term time horizon and/or new issues to be addressed as identified. This approach recognises the nature, extent and understanding of climate change risk will continue to evolve over time.

Climate change risk is broadly divided into two categories below.

Risk type	Description
Transition risk	Risks associated with an expected shift to a lower-carbon economy.
Physical risk	Risks to our assets, including acute risks, such as intense weather events or fire risk increased by climate change or chronic risks arising from longer-term shifts in climate and its effects, such as changes in sea levels.

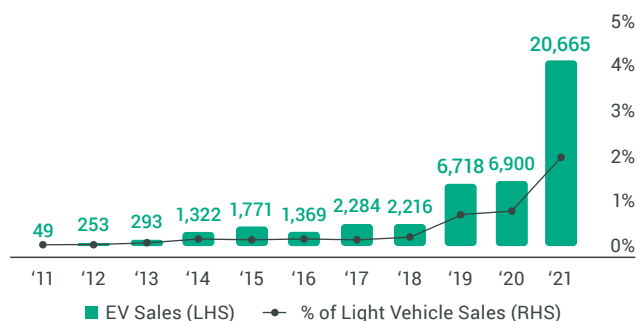
1. Total hours of training represents co-ordinated and structured in-house mandatory compliance modules including: Key Policies, Work, Health, Safety & Environment, Modern Slavery, IT – Focus on Phishing and Cybersecurity Awareness Training. Other training organised by employees, such as attendance at training courses and conferences is not captured in this figure.

# Focus Areas – In Depth Review continued

## A. Transition Risk Strategy

Waypoint REIT acknowledges the macro trends that will affect the fuel and convenience sector over time, with the key issue being the energy transition and the shift from traditional fuels to alternate fuels over time.

Approximately 1 million new light vehicles are sold each year in Australia, and electronic vehicle (EV) sales have tripled over the past year; however, EVs still only represented 1.95% (20,665) of total sales in 2021.



Waypoint REIT's strategy to mitigate transition risk continues to be threefold:

Strategy	Aim	Description/comments
<b>Actively managing our portfolio</b>	Improve portfolio quality and increase likelihood of lease renewals at expiry	<ul style="list-style-type: none"> <li>• Selective acquisitions</li> <li>• Non-core disposals</li> <li>• Focus on long-term risks/returns (including underlying land value)</li> <li>• Acquisition/disposal criteria to be refined over time as the sector evolves</li> <li>• Portfolio diversification over time</li> </ul>
<b>Supporting our operators</b>	Assist long-term viability/success of our operators, primarily as a capital partner	<ul style="list-style-type: none"> <li>• Optimise current offering (e.g. site redevelopments)</li> <li>• Adapt offering over time (e.g. reconfiguration for addition of alternative fuels to site mix)</li> <li>• Facilitate innovation and sustainability (e.g. electricity easements for EV charging stations)</li> </ul>
<b>Prudently managing capital</b>	Capital management strategy consistent with portfolio strategy	<ul style="list-style-type: none"> <li>• Sustainable gearing levels and diversified sources and tenor of debt</li> <li>• Disciplined allocation of capital</li> <li>• Evaluate capital management initiatives in context of investment opportunities</li> </ul>



## B. Physical risk strategy

Waypoint REIT has undertaken the activities and implemented the processes and procedures detailed below to better understand and address the physical risks of our portfolio, potential acquisitions and our corporate offices.

### Stabilised property portfolio

A consultant was engaged in April 2020 to undertake a Climate Change Impact Assessment to understand the physical risks of the stabilised property portfolio as well as to inform the risks associated with future property acquisitions. This process did not reveal any new material risks and both our insurance coverage and maintenance capital expenditure programs were deemed adequate. Whilst assets located in extreme temperature zones may experience shorter useful lives or higher maintenance costs, these costs are largely borne by our tenants given 90.5% of leases are triple net.

Waypoint REIT was not financially impacted by the bushfires of January 2020 nor the floods of March 2021 and February 2022 as site restoration costs were borne by tenants in accordance with the terms of the leases in place over affected sites. However, the data has been catalogued and will be incorporated into more detailed assessments aligned to the TCFD reporting requirements targeted for completion in 2022.

### Development assets

Sustainability design element assessments focused on the following key criteria have been undertaken for all development projects completed in the past three years:

- environmental protection;
- energy efficiency;
- water efficiency; and
- waste management.

All 15 fund-through developments completed in the past three years have:

- non-corrodible underground fuel systems;
- automated tank gauging and spill containment systems;
- energy efficient LED lighting;
- monitorable power metering; and
- recycling arrangements.

Further, 10 of the 15 sites have drought tolerant landscaping, six sites have solar panel installations and 13 sites offer bio-fuels as part of their fuel offering.

### Acquisition due diligence

Waypoint REIT's **Investment and Due Diligence Policy** and supporting acquisition checklists explicitly consider an asset's exposure to certain physical climate risks, including extreme weather events such as flood, storms and hail as part of the investment considerations.

### Corporate offices

Waypoint REIT has corporate offices based in Sydney and Melbourne. Space has been leased in both cities in office buildings with NABERS 5+ ratings, which helps reduce Waypoint REIT's direct carbon footprint.

### 2021 Update

#### Actively manage our portfolio: Asset sales and diversification strategy

Waypoint REIT's portfolio is well-placed for the energy transition; however, management also believes that continued repositioning of the portfolio over the next 5 to 10 years is required to address some of the risks for Waypoint REIT associated with the energy transition, the key ones being sector and tenant concentration.

The first limb of the transition risk strategy to re-position the property portfolio for the long term has been asset sales, with 40 assets or circa 5% of the portfolio (by value) sold to date, and a further 10% of the portfolio identified for sale over the next three to five years, including approximately \$150 million of asset sales targeted for completion in 2022. Waypoint REIT believes that asset sales to date have significantly de-risked the portfolio by improving the likely future tenant retention rate and expects ongoing active portfolio management will see the overall quality of the portfolio continuing to improve over time. Waypoint REIT's future focus will be on sites located in capital cities, key satellite cities and metropolitan growth corridors, and highway service centres on major passenger and freight transport routes. These categories currently account for 87% of Waypoint REIT's overall portfolio.

The second limb of the transition risk strategy is to reduce Waypoint REIT's relative exposure to fuel and convenience by diversifying the property portfolio. Accordingly, Waypoint REIT's selected diversification strategy is asset-class agnostic, with the investment decision process to focus on the nature of the lease and the creditworthiness of the tenant rather than asset class. Management's strong preference is for triple net leases with initial terms of at least 10 years to well-capitalised tenants with strong competitive positions in industries with solid fundamentals. The core characteristics of the underlying asset will also be important, with a preference for commercial properties that are fungible in terms of use and/or tenant. Waypoint REIT's long-term diversification strategy is expected to broaden avenues for growth, mitigate some of the key long-term risks facing Waypoint REIT's existing portfolio, and also improve Waypoint REIT's ESG profile over time.

## Focus Areas – In Depth Review continued

### Supporting our operators: EV charging station pilot program

Under the lease arrangements in place, Waypoint REIT does not have unilateral rights to require electric vehicle charging sites to be installed at our retail and convenience sites. This decision is under the tenant's operational control.

VEA, working in partnership with Evie Networks, are installing ultra-fast 350kW electric vehicle charging infrastructure at selected sites. Waypoint REIT have supported this initiative through the provision of easements and landowner consents to support the supply of electricity and installation of the charging infrastructure at five Waypoint REIT sites to-date. VEA expect insights from this initiative to inform the evolution of their electric mobility strategy as this market continues to grow.



### Prudently manage capital: Maintain disciplined approach to capital allocation

Waypoint REIT continued our disciplined approach to acquisitions in 2021. Direct market transactions were observed to increase approximately 17% by number and 49% by value compared to 2020\*. While Waypoint REIT screened and assessed many of these potential acquisition opportunities throughout the year, no acquisitions were completed, as none met Waypoint REIT's investment criteria, including maintaining Waypoint REIT's portfolio quality and exceeding Waypoint REIT's long-term weighted average cost of capital.

In absence of suitable acquisition opportunities, Waypoint REIT has used asset sale proceeds to substantially fund the \$173.3 million of capital management initiatives completed during the year, including the buy-back of 15.3 million stapled securities for \$41.1 million (average price of \$2.68 per security), a \$132.2 million return of capital (17 cents per stapled security) and the security consolidation approved by securityholders.

Waypoint REIT's gearing of 30.1% was at the bottom of the target gearing range of 30% – 40% as at 31 December 2021. The \$1.0 billion debt book is diversified across corporate bank lending (53%), United States Private Placement (24%) and Australian (23%) debt capital markets with a weighted average debt maturity of 5.0 years and no debt expiring until April 2024.

\* CBRE Valuation and Advisory Services – data is indicative, excluding portfolio transactions, and may not include all transactions.

### Core elements of Recommended Climate-related Financial Disclosures



#### Governance

The organisation's governance around climate-related risks and opportunities.

#### Strategy

The actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

#### Risk Management

The processes used by the organisation to identify, assess, and manage climate-related risks.

#### Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

Image from Recommendations of the Task Force on Climate-related Financial Disclosures, June 2017.

## Recommendations of the TCFD

Waypoint REIT completed a TCFD gap analysis during the year and has aligned our approach to climate change assessment and reporting with the Recommendations of the TCFD.

## Governance

### Board level

Ultimate responsibility for risk oversight and risk management, including climate-related risks, rests with the Board.

The ARMC, among other things, reviews and recommends Waypoint REIT's **Risk Management Framework** and material strategic risks to the Board for approval, and reviews and monitors the implementation of policies and procedures for identifying, assessing, monitoring and managing risk. These functions all consider climate-change related risks.

During 2021, the Board, through the ARMC and ESG Working Group, considered climate-related matters by:

- reviewing Waypoint REIT's Risk Management Framework;
- defining the risk appetite for climate-related risk;
- endorsing management's ESG annual work plan and monitoring progress against plan throughout the year;
- reviewing GHG emissions summary reporting (quantification and third-party assurance);
- endorsing the FY21 carbon neutral target and associated offset strategy recommended by management; and
- approving the alignment of reporting with the Recommendations of the TCFD.

### Management level

An ESG Working Group was formed in 2020 comprising senior members of management from all key divisions, including the Chief Financial Officer, Company Secretary, General Manager Property and Finance Manager. The ESG Working Group members are jointly responsible for executing the ESG strategy set by the Board and formally report to the Board at least four times per year.

The ESG Working Group meets monthly to:

- allocate resources against each ESG annual work plan task;
- discuss progress made against each ESG annual work plan task as well as any refinements to the plan that may be warranted;
- discuss relevance of external publications/research;
- discuss emerging trends and new initiatives; and
- Board reporting.

This cross-functional structure ensures climate-related issues, risks and opportunities are identified, assessed and actioned on a timely basis.

At an operational level, the General Manager Property is responsible for:

- monitoring compliance with lease obligations (tenants) and service-level agreements (facilities managers), overseeing environmental reporting and maintaining Waypoint REIT's environmental matters register;
- monitoring and responding to environmental incidents on site; and
- ensuring appropriate acquisition due diligence is undertaken, including external environmental assessments and internal climate-impact assessments.

Material findings are escalated to the ARMC for consideration at least four times per year.

Given the small size of Waypoint REIT's team and 96.6% of income is derived from one tenant (VEA), climate-related issues are effectively identified, managed and monitored through the policies and procedures Waypoint REIT has in place.

## Strategy

The strategy to date has been focused on:

- assessing asset-level resilience to the long-term energy transition;
- quantifying and defining a path to offset Waypoint REIT's Scope 1, Scope 2 and Scope 3 (direct) emissions; and
- understanding Waypoint REIT's Scope 3 (indirect) emissions.

In 2022, Waypoint REIT will also seek to better understand climate-related risks and opportunities over the short, medium and long term, as well as determine the impact of different scenarios on our business, strategy and financial planning.

## Risk management

Waypoint REIT acknowledges the need to assess and respond to climate-related risks and has updated our Risk Management Framework to consider climate-related risks at a high level.

Following the above-mentioned initiatives targeted for completion in 2022, management will determine whether further refinements are required to ensure our Risk Management Framework and processes are appropriately designed to address climate-related risks in more detail.

# Focus Areas – In Depth Review continued

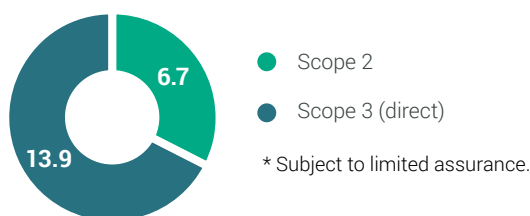
## Metrics and targets

### (a) Scope 1, Scope 2 and Scope 3 (direct) emissions

During the first half of 2021, Waypoint REIT gained an understanding of our carbon emissions and set a target to offset emissions under our operational control by the end of 2021.

In the second half of 2021, Waypoint REIT achieved our carbon neutral target of offsetting Scope 1, Scope 2 and direct Scope 3 emissions under our operational control totalling 20.6<sup>1</sup> tonnes through the purchase of carbon offsets administered by South Pole Carbon Asset Management Ltd.

### FY21 Actual CO<sub>2</sub> emissions (tonnes)\*



PwC has conducted limited assurance over our Scope 1, Scope 2 and Scope 3 (direct) emissions. Refer to Appendix B for a copy of PwC's limited assurance statement and Appendix C for the corresponding basis of preparation methodology.

### (b) Scope 3 (indirect) emissions

Management continues to work with a third-party consultant and VEA to refine indirect Scope 3 emission estimates. In-store electricity usage represents the largest source of Scope 3 emissions.

Waypoint REIT also acknowledges the sustainability commitments and actions of our tenant operators:

- **VEA:**
  - Targets set including net zero emissions for non-refining businesses by 2030, 10% reduction in refining emissions intensity by 2030 and net zero emissions across all operations by 2050.<sup>2</sup>
  - Intends to contribute \$11 million towards the development of the service station and electrolyser infrastructure at the New Energies Service Station in Geelong (subject to regulatory approvals), which will offer electric vehicle recharging and public refuelling of hydrogen-powered heavy vehicles (buses and trucks) operating within the Geelong region.<sup>3</sup>
  - Intends to build a \$20 million 15 MW capacity solar farm to add a 'behind the meter' renewable generation asset to the Geelong Energy Hub and reduce our Scope 2 emissions profile.<sup>3</sup>
- **Coles:**
  - Secured path to 100% renewable electricity by end of FY25.
  - Established \$1.3 billion of sustainability-linked loans, drawing a direct line between Coles' sustainability performance and cost of capital.<sup>4</sup>

## Carbon Offsetting

Waypoint REIT offset our 2021 carbon emissions of 20.6 tonnes through the purchase of EcoAustralia product carbon offsets administered by South Pole Carbon Asset Management Ltd.

### EcoAustralia product<sup>5</sup>

Supports the regeneration and preservation of Australia's biodiversity and measurably address global climate change at the same time. Each EcoAustralia credit consists of one Australian Biodiversity Unit, equal to 1.5m<sup>2</sup> of government-accredited, permanently protected Australian vegetation, bundled with 1 tonne of avoided greenhouse gas emissions from a Gold Standard certified project. The Australia Biodiversity Unit supports the Mount Sandy Conservation project, which is located on South Australia's Limestone Coast. The project covers the traditional lands of the Ngarrindjeri people, Traditional Custodians of the Coorong – and is a rare pocket of intact native vegetation in the region. The project brings together indigenous and non-indigenous communities of Australia by promoting traditional land management for biodiversity conservation.



### Certified as:

Gold Standard Voluntary Emissions Reduction (GSVER)  
Verified Carbon Units (VCU)

Sustainability Development Goals supported:



1. FY21 emissions of 25.4 tonnes disclosed in WPR's FY21 Results Presentation dated 28 February 2022 included an estimate for unbilled electricity consumption. The above figures have been adjusted to reflect actual electricity consumption as subsequently invoiced.  
 2. Source: VEA's FY21 Results Presentation and ASX release, as lodged with the ASX on 21 February 2022.  
 3. Source: VEA's ASX release "Hydrogen transport future at Geelong Energy Hub" dated 1 March 2022.  
 4. Source: 1H22 Results Release and Presentation of Coles Group (parent entity of Coles Express), as lodged with the ASX on 22 February 2022.  
 5. Source: <https://market.southpole.com/home/offset-emissions/project-details/68>.

## Focus Area #4: Safety and the environment

### Safety

Waypoint REIT carefully considers the safety credentials of the tenants and parties with whom we deal with across the portfolio. This extends to ensuring alignment with tenants' safe operating procedures when attending and working on sites across the portfolio, including with contractors engaged by Waypoint REIT to carry out any landlord works.

Further, Waypoint REIT's incident reporting protocols require Waypoint REIT to confirm with tenants Waypoint REIT's expectations on Work, Health, Safety or Environment matters. Incidents reported by tenants are managed under Waypoint REIT's incident escalation protocols. A summary of reported incidents is also reviewed by the ARMC on a quarterly and 'as required' basis should urgent review be required.

### Environmental responsibility

Properties in the portfolio are subject to various environmental standards, regulations and laws, which, from time to time, may give rise to liabilities in terms of the status and remediation of those properties. The main environmental risk associated with fuel and convenience retail properties is soil and groundwater contamination caused by fuel leaks. However, the lease attaching to most sites requires tenants to use reasonable endeavours to prevent contamination at each site and indemnify Waypoint REIT for any contamination caused by their operations.

If any property in the portfolio is contaminated by a fuel tenant or its invitee during the term of the lease, the tenant under that lease must remediate it at their cost to a standard consistent with operating the site as a service station (or similar commercial use). However, if the tenants were to fail to meet their obligations under these arrangements (including due to their insolvency), Waypoint REIT may incur significant costs to rectify contamination on the properties and also on other properties that may be consequently impacted.

To minimise Waypoint REIT's potential exposure, we ensure our fuel tenants are strong operators with a focus on environmental protection and personal safety. As at 31 December 2021, 96.6% of Waypoint REIT's income was derived from VEA.

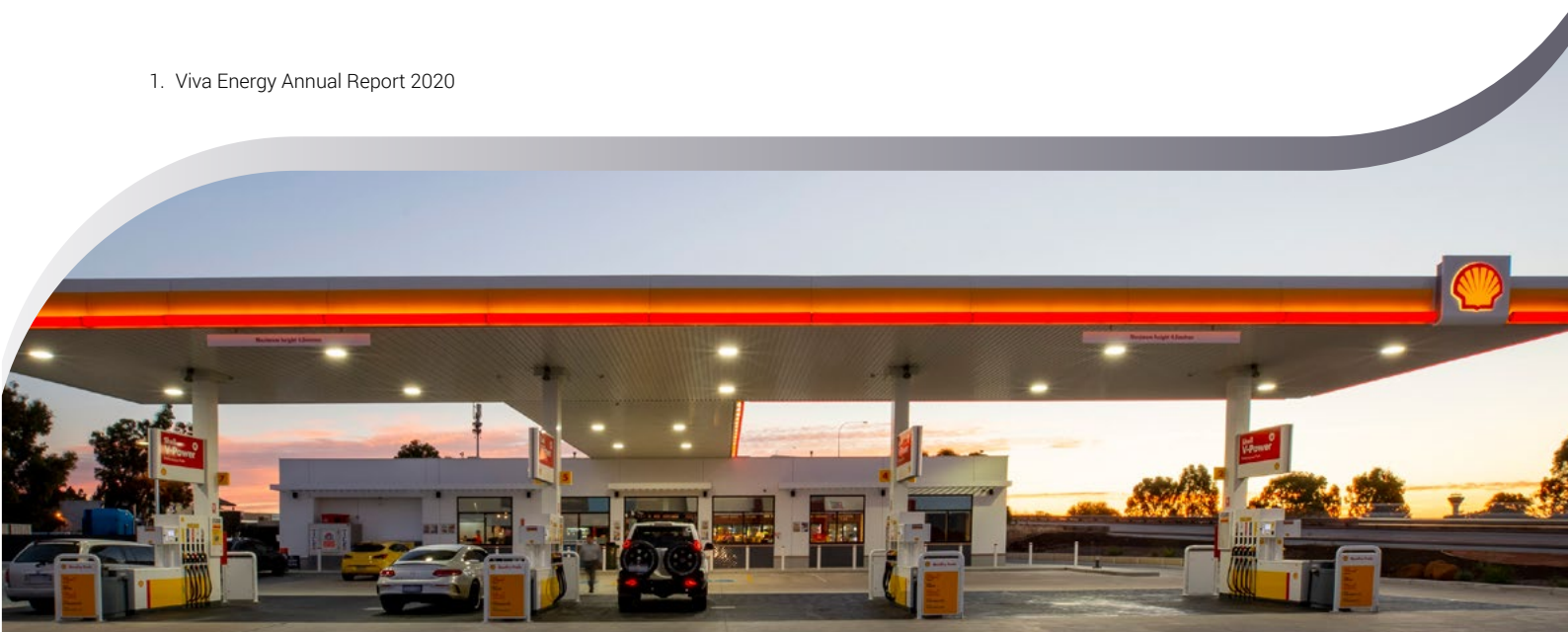
VEA is a sophisticated and experienced operator of fuel and convenience retail infrastructure and has policies and procedures in place to minimise the risk of harmful fuel leaks, and prioritises early fuel leak detection. VEA has in place a comprehensive Work, Health, Safety and Environment control framework and management system. VEA has also implemented spill prevention and control measures across all of its operations, including operational procedures, routine surveillance, risk-based inspection programs, and utilising leak detection technology.<sup>1</sup>

### 2021 Update

Waypoint REIT did not receive any environmental infringements or notices from environmental regulators in 2021.

Employees of Waypoint REIT had no work-related injuries in 2021.

1. Viva Energy Annual Report 2020



Shell High Wycombe (WA)

# Appendix A: Performance Data

Performance data		FY21 Actual
<b>#2 Our people</b>		
Total employees	#	9
Total employees in permanent full-time roles	#	5
Total employees in permanent part-time roles	#	4
Employee turnover	%	-
Total employees (Male/Female)	%	44/56
Executives (Male/Female)	%	50/50
Board of Directors (Male/Female)	%	75/25
<b>#3 Climate change and energy</b>		
<b>GHG emissions</b>		
Total Scope 1	tCO <sub>2</sub> -e	-
Total Scope 2 – location based	tCO <sub>2</sub> -e	6.70
<i>Total Scope 2 – market based</i>	<i>tCO<sub>2</sub>-e</i>	<i>6.70</i>
Direct Scope 3		
Category 3: Fuel and energy related emissions	tCO <sub>2</sub> -e	0.65
Category 5: Waste generated in operations	tCO <sub>2</sub> -e	0.45
Category 6: Business travel	tCO <sub>2</sub> -e	3.33
Category 7: Employee commuting	tCO <sub>2</sub> -e	1.83
Category 8: Upstream leased	tCO <sub>2</sub> -e	7.67
Total	tCO <sub>2</sub> -e	13.93
<b>Combined total</b>	tCO <sub>2</sub> -e	20.63
<b>#4 Safety and the environment</b>		
<b>Health and safety</b>		
Total recordable injuries	#	-
<b>Environment</b>		
Total environmental infringements or notices	#	-



# Appendix B: Limited Assurance Report



## Independent Limited Assurance Report to the Directors of Waypoint REIT

### What we found

Based on the work described below, nothing has come to our attention that causes us to believe that the selected subject matter within the Waypoint REIT Sustainability Report 2021 has not been prepared, in all material respects, in accordance with the Reporting Criteria. This conclusion is to be read in the context of what we say in the remainder of our report.

### What we did

Waypoint REIT (**Waypoint**) engaged us to perform a limited assurance engagement on the selected subject matter within the Waypoint REIT Sustainability Report 2021.

### Subject matter

The scope of our work was limited to assurance over the selected subject matter within the Waypoint REIT Sustainability Report 2021. The selected subject matter and the Reporting Criteria against which it was assessed is summarised below. Our assurance does not extend to information in respect of earlier periods or to any other information included in the Waypoint REIT Sustainability Report 2021.

- Total Scope 1 greenhouse gas emissions in aggregate: 0.00 tCO<sub>2</sub>e;
- Total Scope 2 greenhouse gas emissions in aggregate: 6.70 tCO<sub>2</sub>e
- Direct Scope 3 greenhouse gas emissions:
  - Category 3: Fuel and energy related emissions: 0.65 tCO<sub>2</sub>e
  - Category 5: Waste generated in operations: 0.45 tCO<sub>2</sub>e
  - Category 6: Business Travel: 3.33 tCO<sub>2</sub>e
  - Category 7: Employee commuting: 1.83 tCO<sub>2</sub>e
  - Category 8: Upstream Leased: 7.67 tCO<sub>2</sub>e

### Reporting Criteria

The Selected subject matter needs to be read and understood together with the Reporting Criteria, being the boundaries, definitions and methodologies disclosed within the *Basis of Preparation: GHG emissions*, which Waypoint is solely responsible for selecting and applying and is included as Appendix C to the Waypoint REIT Sustainability Report 2021. The absence of a significant body of established practice on which to draw to evaluate and measure non-financial information allows for different, but acceptable, measurement techniques and can affect comparability between entities, and over time.

### Our Independence and Quality Control

We have complied with relevant ethical requirements related to assurance engagements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Responsibilities

#### PricewaterhouseCoopers

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected subject matter is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the Directors of Waypoint.

#### Waypoint REIT

Waypoint's management are responsible for:

- preparing the Selected subject matter as well as the Waypoint REIT Sustainability Report 2021 in its entirety;
- the prevention and detection of fraud and error in relation to the Selected subject matter;
- the design and operation of controls to ensure the completeness and accuracy of information within the Waypoint REIT Sustainability Report 2021, including but not limited to the Selected subject matter; and
- Determining suitable reporting criteria for reporting the Selected subject matter within the Waypoint REIT Sustainability Report 2021 and publishing those criteria such that they are available to expected users of the report.

### What our work involved

We conducted our work in accordance with the Australian Standard on Assurance Engagements (ASAE) 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information (Revised)* and ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements*. These Standards require that we comply with independence and ethical requirements and plan the engagement so that it will be performed effectively.

### Main procedures performed

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected subject matter. Our procedures included:

- Enquiring of relevant management of Waypoint regarding the processes and controls for capturing, collating, calculating and reporting the Selected subject matter, and evaluating the design and operational effectiveness of selected controls;
- Testing the classification of incidents included within the calculation of the Selected subject matter, on a sample basis, to relevant underlying records including incident reports;
- Testing the activity data used within the calculation of the Selected subject matter, on a sample basis, to relevant underlying financial, operational and swipe card records;
- Testing the arithmetic accuracy of a sample of calculations of the Selected subject matter;
- Assessing the appropriateness of the greenhouse gas emission factors and methodologies applied in calculating the Selected subject matter;
- Agreeing the Selected subject matter to underlying data sources and calculations; and
- Undertaking analytical procedures over the performance data utilised within the calculations and preparation of the Selected subject matter.

We believe that the information we have obtained is sufficient and appropriate to provide a basis for our conclusion.

John Tomac

John Tomac  
Partner  
30 March 2022

PricewaterhouseCoopers

PricewaterhouseCoopers  
Sydney

### Inherent limitations

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally, non-financial data may be subject to more inherent limitations than financial data, given both its nature and the methods used for determining, calculating and sampling or estimating such data.

### Restriction on use

This report, including our conclusions, has been prepared solely for the Board of Directors of Waypoint REIT in accordance with the agreement between us, to assist the Directors in reporting Waypoint's sustainability performance and activities. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of Directors and Waypoint for our work or this report except where terms are expressly agreed between us in writing.

We permit this report to be disclosed in the Waypoint REIT Sustainability Report 2021 to assist the Directors in responding to their governance responsibilities by obtaining an independent assurance report in connection with the Selected subject matter.

### Limited assurance

This engagement is aimed at obtaining limited assurance for our conclusions. As a limited assurance engagement is restricted primarily to enquiries and analytical procedures and the work is substantially less detailed than that undertaken for a reasonable assurance engagement, the level of assurance is lower than would be obtained in a reasonable assurance engagement.

Professional standards require us to use negative wording in the conclusion of a limited assurance report.

**PricewaterhouseCoopers, ABN 52 780 433 757**

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Liability limited by a scheme approved under Professional Standards Legislation.

# Appendix C: Basis of Preparation: GHG Emissions

## Basis of preparation

### Reporting boundaries

- GHG emissions boundaries have been established with reference to the *WRI/WBCSD, 2004: The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard*, *World Business Council for Sustainable Development* and the *World Resources Institute and WRI/WBCSD, Corporate Value Chain (Scope 3) Accounting and Reporting Standard, Supplement to the GHG Protocol Corporate Accounting and Reporting Standard* (together, the **GHG Protocol**).
- Scope 1 and 2 emissions reported for facilities under operational control of Waypoint REIT (as defined within the *National Greenhouse and Energy Reporting Act 2017*).
- Direct Scope 3 emissions reported consists of the following GHG Protocol categories: Fuel and Energy-related Activities (category 3), Waste Generated in Operations (category 5), Business Travel (category 6), Employee Commuting (including working from home) (category 7) and Upstream Leased Assets (category 8).
- Indirect Scope 3 emissions not reported consists of the following GHG Protocol categories: Purchased Goods and Services (category 1), Capital Goods (category 2), and Downstream leased assets, including but not limited to in-store and pump electricity consumption, shop refrigerant use and fugitive emissions (category 13).
- All other GHG Protocol categories: not deemed relevant.

### Emissions calculations

- Scopes 1, 2 and 3 emissions are calculated in accordance with the GHG Protocol methodology using available emission factors, in order of priority, from the *National Greenhouse Accounts Factors 2021* (Department of Industry, Science, Energy and Resources (Fed))(**NGA Factors**), *Greenhouse gas reporting: conversion factors 2021* (Department for Business, Energy & Industrial Strategy (UK)) (**BEIS**) and other industry-based methodologies. Emission factors including well-to-tank emissions and radiative factoring have been utilised where applicable where BEIS factors have been applied.
- Activity data for emission calculations is actual data where available, supplemented by management estimates, spend-based consumption data and relevant industry information and/or research, as set out opposite:

- Direct Scope 3 emissions reported consists of the following GHG Protocol categories:
  - (a) **Scope 2 emissions and Scope 3 emissions: Fuel- and Energy-related Activities (category 3)** – Total fuel and energy consumption at facilities under the operational control of Waypoint REIT is based on third-party invoices supplemented by management estimates.
  - (b) **Scope 3 emissions: Waste Generated in Operations (category 5)** – Total waste generated, including both waste recycled and waste sent to landfill, is based on waste amounts for each office building where Waypoint REIT leases office space reported by relevant property managers within the most recent annual reporting for these buildings.
  - (c) **Scope 3 emissions: Business Travel (category 6)**
    - (i) **Air travel domestic** – Total distance travelled and class of travel are based on travel data provided by Waypoint REIT's corporate travel providers.
    - (ii) **Car hire/taxi** – Total distance travelled is based on total spend on taxis and other car travel (Uber, etc.) converted with reference to the *2014 State & Territory Taxi Statistics from the Australian Taxi Industry Association (ATIA)*, adjusted for inflation.
    - (iii) **Public transport** – Total distance travelled is based on spend on public transport converted using an assumption of \$7.50 per trip and 10kms travelled per trip.
    - (iv) **Accommodation** – Total nights' accommodation based on actual spend on accommodation and meals whilst travelling converted to nights of accommodation using an estimated average spend per night. Accommodation is assumed as 4-star accommodation.
  - (d) **Scope 3 emissions: Employee Commuting (including working from home) (category 7)** – Days working from home/office are based on actual office attendance records for Waypoint REIT employees. Travel distances and methods of travel are based on data from employee surveys undertaken by Waypoint REIT.

Working-from-home emissions have been calculated with reference to the *Greenhouse Gas Emissions Calculator from the United Nations Climate Change (UNCC)*.
  - (e) **Upstream Leased Assets Emissions (category 8)** – Includes all base building emissions for offices where Waypoint REIT leases office space. Emissions are based on actual data provided by the building managers for the most recent annual reporting period and/or management estimates.
- Indirect Scope 3 emissions not reported consists of the following GHG Protocol categories: Purchased Goods and Services (category 1), Capital Goods (category 2), and Downstream leased assets (category 13).



