

Sustainability Report 2020



Sustainability Report

The objective of our sustainability program is to operate our business in a way that is ethical, responsible and sustainable in the long term and in alignment with our values, strategy and the expectations of our employees, the communities in which we operate, and our external stakeholders. As part of this program, we also seek to support our tenants in their transition to a low-carbon future. This year we advanced our sustainability reporting by identifying the key focus areas that underpin our sustainability program and mapping them to the United Nations' Sustainable Development Goals (UN SDGs). We have also established an environmental, social and governance (ESG) working group to coordinate and direct our priorities in this area.

Approach

Waypoint REIT considers ESG as an integral part of its corporate philosophy.

We are committed to:

- 1. The continuous improvement of the ESG aspects of our business.**
- 2. Managing, minimising and mitigating (to the extent 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.**
- 4. Being transparent about progress in this regard.**

Our approach to sustainability considers the structure of our business and the passive nature of our business model as an investment trust. Specifically, our investment focus on leasing sites to fuel and convenience retailers presents additional specific ESG challenges associated with those

sectors. However, this is also tempered by our predominant Triple Net leases, which limit our role in addressing these challenges relative to the role of our tenants. Our own direct ESG impacts are both relatively modest and local in their scope.

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.

Governance structure

Our sustainability governance framework is designed to provide effective direction and oversight for our sustainability program. In 2020, Waypoint REIT expanded its governance structure to include an ESG Working Group with direct reporting responsibility to the Board. The ESG Working Group is responsible for bringing Waypoint REIT's ESG strategy to life and for actioning ESG goals set by the Board.



ESG strategy

In 2020, our annual strategy review included a comprehensive review of ESG matters. The Board has adopted an ESG strategy focusing on the most material ESG topics facing Waypoint REIT today. The key focus areas covered in this sustainability report reflect the outputs of this materiality assessment. All of these focus areas are also considered as part of Waypoint REIT's broader risk management framework, and as appropriate, are reflected in our risk appetite statement.








To date, Waypoint REIT has identified four key focus areas and will look to add further focus areas over time.

These key focus areas are aligned to six of the United Nations' 17 Sustainable Development Goals. 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.

This approach is consistent with that adopted by our main tenant, Viva Energy Australia, who we will be working with closely to further our ESG efforts. Viva Energy Australia aligns its focus areas to UN SDGs and some focus areas are common to both of our ESG strategies.

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

A summary of our ESG strategy is set out in the table below.

| Focus area | Key matters | Impact | Stakeholders | UN SDGs ⁹ | Actions to date |
|---|--|---------------------------------|--|--|---|
| Ethical conduct and transparency | Governance Compliance Risk Management | Direct | Employees Communities Business partners Securityholders |  | <ul style="list-style-type: none"> Strong corporate governance and risk management models. No significant governance incidents. Adopted new corporate values that underpin our approach and response to sustainability focus areas. Established ESG Working Group which reports to the Board. Adopted Supplier Code of Conduct and Human Rights policy, including focus on modern slavery provisions. |
| Our people | Diversity and inclusion Flexible working Health and wellness Remuneration | Direct | Employees Securityholders |   | <ul style="list-style-type: none"> 33% of Board and 67% of Executive KMP are female. 44% of staff on flexible work arrangements (pre COVID-19). Successful working from home protocols during the pandemic. Implemented Charitable Giving and Employee Assistance programs. New LTI scheme encouraging performance, alignment of interests and staff retention. |
| Climate change and energy | Climate risks and opportunities Energy efficiency | Direct Direct/ Indirect | Tenants Employees Securityholders |   | <ul style="list-style-type: none"> Climate impact assessment performed across property portfolio. Updated Corporate Investment Policy and acquisition checklist to specifically consider climate change impacts. Sustainable design elements adopted across 15 developments. 5+ NABERS office leases entered in Sydney and Melbourne. |
| Safety and environment | Personal and process safety Spill prevention | Direct/ Indirect Indirect | Employees Tenants Contractors Communities Government |   | <ul style="list-style-type: none"> Zero work-related injuries in 2020. Under majority of lease terms, maintenance of fuel tanks and associated environmental responsibility resides with tenants. 96.8% of portfolio leased to Viva Energy Australia with strong corporate governance model around safety and the environment. Reporting and appropriate oversight arrangements regarding Health, Safety and Environment in place with key tenants and contractors. |

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

Values

Focused on delivering long-term sustainable returns for our investors

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



The majority of the actions completed in 2020 have been in relation to forming frameworks, policies and procedures to better govern and monitor ESG matters going forward. Some of the key actions and accomplishments are described in further detail below.

Focus area 1: Ethical conduct and transparency

Waypoint REIT is committed to operating our business in a way that is ethical, responsible and sustainable in the long term.

Values

Post the internalisation of management completed on 30 September 2020, the Board approved a refreshed statement of Waypoint REIT Values. These Values reflect what Waypoint REIT stands for and underpin our business and behaviours.

Code of Conduct

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 goal is to provide lasting social, environmental and economic benefits to society. We strive towards the implementation and maintenance of management systems for sustainable development that drive continual improvement.

Waypoint REIT's key commitments to our community and the environment include:

- contributing to making the communities in which Waypoint REIT operates better places to live and do business;
- being sensitive to local communities' cultural, social and economic needs;
- endeavouring to support ethical trade in our purchasing practices;
- operating a Charitable Giving Policy to assist the communities in which we operate; and
- protecting the environment in terms of Waypoint REIT's use of resources and minimisation of waste and pollution.

Our goal is to provide lasting social, environmental and economic benefits to society. We strive towards the implementation and maintenance of management systems for sustainable development that drive continual improvement.

By adopting high standards we not only ensure our commercial success for our investors, but also earn the respect of our stakeholders, business partners and the communities in which we operate.

Transparency

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

- Anti-Bribery and Corruption and Anti-Terrorism Financing Policy;
- Whistleblower Policy;
- Securities Trading Policy;
- Diversity Policy;
- Disclosure Policy; and
- Investor Communications Policy.

All Directors and employees are required to complete awareness training on these policies, with more advanced training provided depending on their role within the organisation. You can find more information on the above at www.waypointreit.com.au/investors.

2020 Corporate Governance Statement

We are also subject to several ESG corporate ratings and respond to information requests from such rating organisations where appropriate and feasible.

In addition, we continue to support the recommendations of the Taskforce for Climate-related Financial Disclosure (TCFD) and intend to thoughtfully transition our reporting over time to be consistent with the TCFD framework.

New in 2020

In 2020, Waypoint REIT adopted a Supplier Code of Conduct. Waypoint REIT encourages its suppliers and contractors to abide by and we endeavour to procure goods and services from those organisations demonstrating good ethical practices.

Our commitment is to manage our operations and investments in line with the UN SDGs and the Australian Modern Slavery legislation. This commitment extends to our Directors, employees, contractors, sub-contractors, consultants and our suppliers, who we expect to comply with all applicable laws, regulations and standards when conducting business. Waypoint REIT adopted a Human Rights Policy in 2020 demonstrating this commitment.

Modern slavery is a common umbrella term used to describe a range of extreme labour rights abuses, including slavery, servitude, human trafficking and forced or compulsory labour. Procuring goods ethically is not only a socially responsible business practice, it is now a regulatory requirement in Australia, following the enacting of the Commonwealth's *Modern Slavery Act 2018*. In 2020, we reviewed our own labour practices and initiated a review of our supply chain and all Directors and senior management personnel attended a modern slavery training session delivered by a third-party provider. We will publish our Modern Slavery Statement on or before 30 June 2021 in accordance with our legislative obligations.

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Focus area 2: Our people

Diversity

Waypoint REIT's Diversity Policy describes our approach to diversity and the importance of diversity in contributing to growth, 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 its scope extends beyond gender and includes, but is not limited to, issues of gender, age, language, ethnicity, religious beliefs or cultural background, sexual orientation or preference, and family responsibilities.

Waypoint REIT has adopted a methodology to establish measurable objectives for achieving gender diversity and, on an annual basis, to review these objectives and Waypoint REIT's progress in achieving them.

Our performance in 2020 reflects no change from the previous year. Both performance and targets for 2021 are summarised in the table above.

We are committed to Board renewal and will actively seek well-qualified female candidates through a diverse interview panel whenever a Board vacancy becomes available. Please see our Corporate Governance Statement for further information on diversity www.waypointreit.com.au/investors.

Culture and engagement

Both the Chief Executive Officer and Chief Financial Officer joined Waypoint REIT shortly before the COVID-19 pandemic and worked with senior management to successfully cultivate a team culture focused on governance, risk management and inclusiveness, all while working remotely. Culture is reviewed periodically by the Board in conjunction with senior management, and given the small size of the team, the Board had the unique opportunity to interact with the majority of staff directly in some capacity during the year.

Flexible working

44% of staff were on flexible work arrangements (i.e. reduced days and/or hours, working remotely) before the COVID-19 pandemic. As a result, Waypoint REIT's small

| Staff category | Males | Females | 2021 target for females |
|---------------------|-------|---------|-------------------------|
| Waypoint REIT Board | 67% | 33% | 33% |
| Senior management | 50% | 50% | 50% |
| Employees | 45% | 55% | 50% |

team successfully navigated the challenges posed by the COVID-19 pandemic, in terms of both Waypoint REIT's business and the impact on day-to-day working conditions, with flexible working arrangements quickly adapted as required and no redundancies or reduced working hours required.

Focus area 3: Climate change and energy

Our profits depend on the financial viability of our tenants, who predominantly operate in the fuel and convenience retail sectors, and on the ongoing lending capacity of our financiers.

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) can all in turn impact our business as well.

As the landlord of manufacturers and suppliers of hydrocarbon-derived products, we recognise that we have an important 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 'Projections for small-scale embedded technologies' report issued by the CSIRO in June 2020 and other forecasts and projections reviewed, we do not consider these to present material short-term risks to our business. Given the systemic nature of such risks, however, we consider that these should be prudently monitored and assessed so that we can best prepare our business for the medium to long term.

Waypoint REIT's property portfolio has a weighted average lease expiry of 10.8 years, and the majority of leases have multiple option periods in place. This, coupled with 91.4% (by income) of our leases being on Triple Net terms provides a secure income stream to securityholders but limits management's 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 environmental, social and governance 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 (see page 21). Effective risk management is a core component of Waypoint REIT's corporate governance. Waypoint REIT has a Risk Management Framework to identify, assess, manage and 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 communicated to the Audit and Risk Management Committee and the Board. Climate-change risk is broadly divided into two categories below.

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



A. Transition risk strategy

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

EV charging stations

Waypoint REIT has provided land-owner support to Viva Energy Australia with respect to the installation of 350kw ultra-fast electric vehicle charging stations at selected sites. The pilot sites are expected to be constructed in the first half of 2021 and will enable Viva Energy Australia to further understand the development of charging infrastructure, customer uptake trends and behaviours.



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B. Physical risk strategy

To better understand and address the physical risk of our portfolio, Waypoint REIT undertook the following activities in 2020:

Climate change Impact assessments

A consultant was engaged to undertake a Climate Change Impact Assessment to understand the physical and transition climate risks of the existing property portfolio as well as to inform about 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. While assets located in extreme temperature zones may experience shorter useful lives or higher maintenance costs, these costs are largely borne by our tenants given 91.4% of leases are Triple Net.

Investment and due diligence

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

Sustainable development assessments

Over the two-year period since Waypoint REIT commenced its sustainability reporting, it has invested \$50 million across 15 fund-through development projects predominantly located in regional New South Wales, Queensland, Victoria and Western Australia. In 2020, we completed an assessment of sustainability design elements for each of these development projects focusing on the following key criteria:

- Environmental protection;
- Energy efficiency;
- Water efficiency; and
- Waste management.

Waypoint REIT is pleased to confirm all 15 developments 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 sites have drought-tolerant landscaping, six sites have solar panel installations and 13 sites offer bio-fuels as part of their fuel offering.

Office premises

Waypoint REIT has corporate offices based in Sydney and Melbourne. Both office buildings have NABERS 5+ ratings, which assist to minimise Waypoint REIT's direct carbon footprint.

Focus area 4: Safety and the environment

Safety

Waypoint REIT carefully considers the safety credentials of the tenants and parties with whom it deals with across its 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 requires 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, and a summary of reported incidents is also reviewed by the Audit and Risk Management Committee on a minimum quarterly basis.

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 respect of the status and remediation of those properties. The main environmental risk associated with service stations is soil and groundwater contamination caused by fuel leaks. However, the lease attaching to the majority of sites requires the tenant 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 fuel and convenience property 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 its properties and on other properties that may consequently be impacted.

To minimise Waypoint REIT's potential exposure, it ensures its fuel tenants are strong operators with a focus on environmental protection and personal safety. As at 31 December 2020, 96.8% of Waypoint REIT's income was derived from Viva Energy Australia.

Viva Energy Australia is a sophisticated and experienced operator of service station infrastructure and has policies and procedures in place to minimise the risk of harmful fuel leaks, with a focus on early fuel-leak detection. Viva Energy Australia has in place a comprehensive Work, Health, Safety and Environment control framework and management system. Viva Energy Australia 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.¹⁰

10. Viva Energy Australia Annual Report 2019.

