

Centuria

ESG investment approach – Centuria Office REIT

INTRODUCTION

Stakeholders are increasingly valuing how fund managers incorporate environmental, social and governance (**ESG**) themes into their investment approach. Centuria Office (**COF**) Real Estate Investment Trust (**REIT**) recognises the importance of valuing ESG as part of its wider investment approach.

As an externally managed REIT, COF aligns to Centuria Capital Group's active management approach, processes and procedures. An ESG Policy and Sustainability Framework, endorsed by Centuria Capital Group, define the ESG values COF considers throughout its investment approach.

COF seeks to embed ESG themes into its investment approach. COF's ESG Investment Approach outline how COF rationalises these ESG values.

VISION, STRATEGY AND OBJECTIVES

The incorporation of ESG themes assist in guiding COF's vision, strategy, and objectives:

Vision

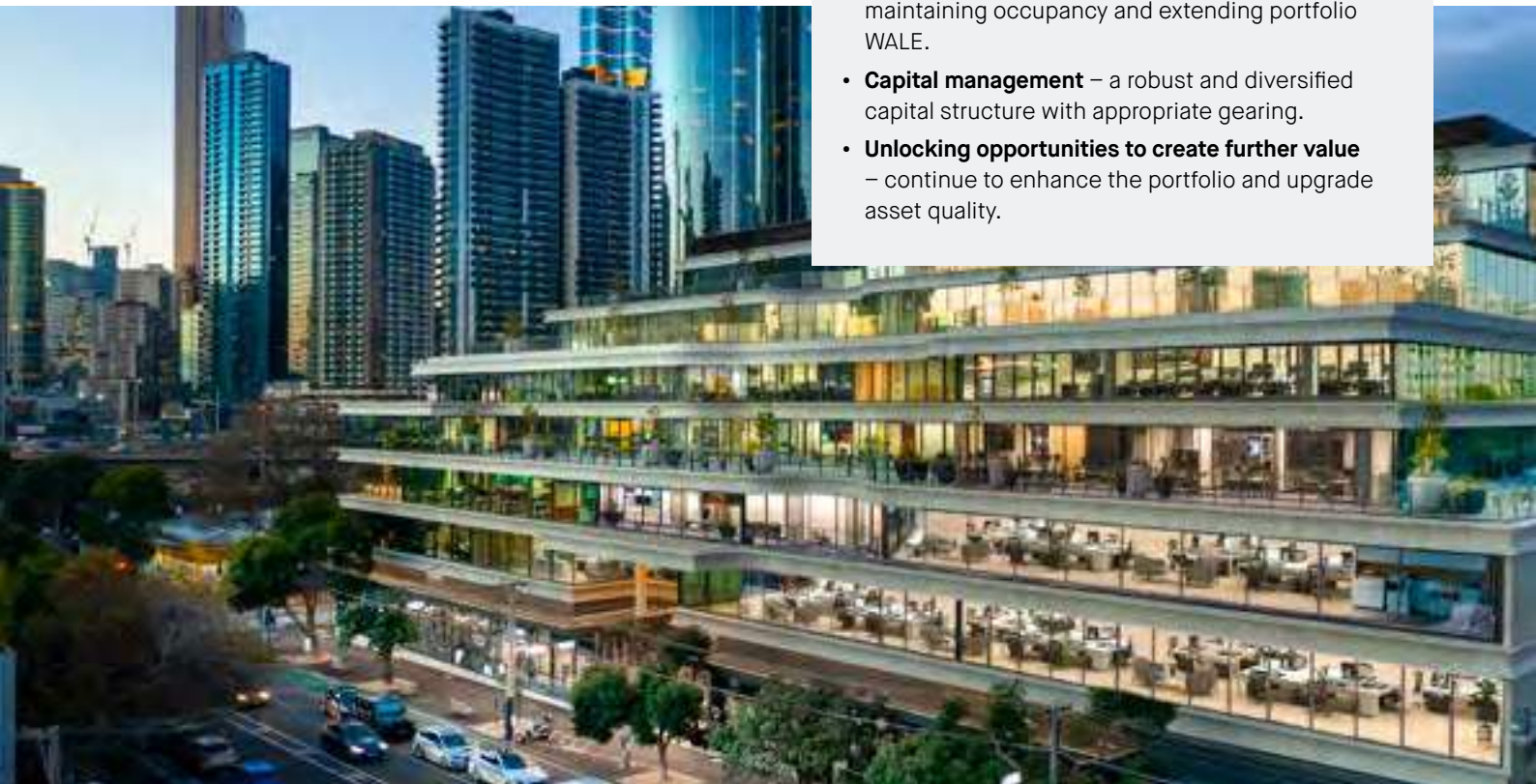
To be Australia's leading pure play office REIT.

Strategy

Focused on generating sustainable and quality income streams and executing initiatives to create value across a portfolio of quality Australian office assets.

Objectives

- **Portfolio construction** – a portfolio of Australian office assets diversified by geography, tenants and lease expiry.
- **Active management** – primarily focused on maintaining occupancy and extending portfolio WALE.
- **Capital management** – a robust and diversified capital structure with appropriate gearing.
- **Unlocking opportunities to create further value** – continue to enhance the portfolio and upgrade asset quality.



1. Centuria Property Funds Limited (CPFL) is the Responsible Entity for the ASX listed Centuria Office REIT (COF) (ARSN 124 364 718). CPFL is a wholly owned subsidiary of Centuria Capital Group (CNI). CNI is an ASX-listed specialist investment manager and offers a range of investment opportunities including listed and unlisted property funds as well as tax-effective investment bonds.

ESG THEMES FORMING PART OF AN INVESTMENT APPROACH

ESG themes as guided by the Centuria Capital Group ESG Policy and Sustainability Framework, which assist COF’s investment approach, are summarised here:

ESG investment approach, aligned by objectives

<p>Portfolio construction A portfolio of Australian office assets diversified by geography, tenants, and lease expiry.</p>	<ul style="list-style-type: none"> • Predominantly focus on metropolitan or near-city commercial assets – seeking markets with significant tenant depth with limited quality supply • Well connected to social infrastructure and amenity such as public transport, with strong walk ability scores – strong connectivity boosts the desirability and utilisation of commercial assets • Diversification by geography – provides resiliency across the wider portfolio • Focus on tenants with strong covenants, including government, listed and multi-national tenants – improves income security and asset desirability
<p>Capital management A robust and diversified capital structure.</p>	<ul style="list-style-type: none"> • Adopts Centuria Capital Groups stringent governance processes – COF is externally managed by Centuria Capital Group. COF leverages Centuria Capital Groups suite of processes to provide strong corporate governance across its operations • Capital sources – diversified debt providers and debt expiries reduce refinancing risk
<p>Active management Primarily focused on maintaining occupancy and extending portfolio WALE.</p>	<ul style="list-style-type: none"> • Modern leasing arrangements, including green, gross and net leases – leasing agreements unlock untapped value, create new revenue streams, improvements in operational efficiency and create deeper collaborative type relationships between landlord and tenant • Annual tenant engagement surveys – ongoing tenant engagement seeks to maintain a level of satisfaction with Centuria’s ongoing asset management • Digital tenant engagement – modernising tenant engagement to improve asset management and improve tenant satisfaction • Proactive supplier engagement – continual supplier engagement, focus on modern slavery and sustainable products/materials
<p>Value creation Continue to enhance the portfolio and improve asset quality where practical.</p>	<ul style="list-style-type: none"> • Continual asset improvement – measuring asset improvement utilising NABERS energy and water ratings, energy audits, tenant engagement surveys and emission reductions • Powered by renewables, focus on on-site solar – recognising the value in transitioning to low carbon operations, seeking to reduce operational emissions through renewables • Conscious of a changing climate – considers probable climate change risks as part of forward-looking risk assessments and seeks to mitigate risks through on-site controls where practical • Transformative positioning of assets to be the offices of tomorrow – inhouse expertise understands the challenges faced by todays commercial assets, focus on repositioning assets to meet the needs of changing tenant priorities • Green Star certification for new developments – lifts the portfolios green credentials, attractive to tenants with strong covenants and institutional investors

ESG INTEGRATION

COF recognises the impact ESG themes can have on investment performance, and COF's ESG investment approach is integrated into current processes, encouraging management to reflect upon ESG themes in operations and through various stages of the investment process, via:

Asset acquisition - due diligence	<ul style="list-style-type: none"> • Technical assessors complete ESG checklists which factor in ESG themes as part of an asset evaluation. • Potential improvements to building credentials (e.g. NABERs ratings) are considered as part of an asset evaluation.
Active management approach – day to day asset management	<ul style="list-style-type: none"> • Centuria has an in-house active asset management team. Asset Managers outline ESG initiatives tied to COFs investment objectives annually. These initiatives are built into Asset Management Plans. • Centuria's management team collaboratively share outcomes for ESG initiatives and where practical seek to create a consistent approach for initiatives which add known value. COFs Management team validate the success of these initiatives by engaging with third parties such as tenants and investors.
Risk management, reporting and governance	<ul style="list-style-type: none"> • Risks and opportunities presented by various ESG themes are regularly communicated to Management and are considered, assessed and reported in accordance with Centuria's Risk Management Framework. • Appropriate escalation and approval processes regarding ESG risks and opportunities are in place.
Funds management and corporate	<ul style="list-style-type: none"> • ESG themes are regularly assessed as part of COFs strategy. Themes identified as value add are integrated into the asset acquisition, asset management and risk management processes. • COF utilises third party ESG services to validate its ESG themes and monitor their performance.