bwp TRUST

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

As at 30 June 2021

Our commitment

The Board has adopted a set of Sustainability Principles, shown below, for incorporating environmental, social and governance ("ESG") issues into the Trust's policies, practices and processes. These principles are based on the United Nations Principles for Responsible Investment and reflect the Trust's commitment to sustainability and represent the benchmark against which the Trust will report on its activities and achievements.

Our Sustainability Principles

We are committed to acting responsibly and ethically and operating our business in a manner that is sustainable.

We have developed the following principles for incorporating environmental, social and governance ("ESG") issues into our policies, practices and processes.

1. We will consider ESG issues in our investment analysis and decision-making processes.
2. We will address ESG issues in policies and practices regarding our ownership of our assets and our use of resources.
3. We will engage with suppliers and tenants on ESG issues.
4. We will report on the progress of our ESG activities and initiatives.
5. We will continue to build on our knowledge and understanding of ESG and ways of addressing ESG issues in order that we can assess opportunities for improved ESG performance.

Context, content and quality of our sustainability reporting

The scale, domestic scope and relatively passive nature of our operations mean that our impacts on the environment and society are relatively minor in local, national and global contexts. We recognise, however, the interest in sustainability by stakeholders (investors, tenants, suppliers, regulators and the broader community) and their right to understand how and to what extent our business affects them, directly and indirectly, positively and negatively. We also recognise that even modest impacts, taken collectively and over time, can have a meaningful effect on the environment and society. We can also help by promoting a focus on sustainability and contributing to developing better ways to measure and monitor sustainability performance.

With stakeholders' interest in disclosure in mind, we aim to disclose information relating to key aspects of ESG in order to demonstrate the Trust's ESG impacts and risks and our performance in managing these impacts and risks. We consider that key aspects are those areas where ESG impacts and risks are material to our operations or are significantly important to stakeholders in their decision making processes to warrant disclosure. On this basis our primary focus remains on the environment, particularly climate change. We also address relevant social and governance aspects.

We undertake to report both favourable and unfavourable aspects of ESG and will endeavour to provide quantified measures of impact or performance to enable compilation and comparison. We will attempt to use the most accurate and reliable source of data or reasonable estimates and will disclose the basis of calculation or estimation. Where quantified measures are not readily available or relevant we will attempt to indicate some measure of relativity as a guide to materiality and performance. Our reporting is verified internally, not by an external party.

Scale, scope and nature of our operations

The Trust's property business is relatively small by global and national standards.

It owns 74 properties, all in Australia, comprising land and warehouse-style improvements leased to other entities for use primarily for home improvement retailing. The Trust does not typically engage in development work (other than capital expenditure related to the re-positioning of a property where a vacancy has occurred), generally acquiring established properties or developments that pass to the Trust on completion. At 30 June 2021, the total area of land owned by the Trust is approximately 238 hectares, with gross lettable area of approximately 1,038,891 square metres. The total fair value of the Trust's investment properties at 30 June 2021 was approximately $2,636.1 million.

The responsible entity's management team comprises eight full time and part time employees in Melbourne and Perth in shared office space. The current gender make-up of the team is 50 per cent female and 50 per cent male.

Sustainability reporting boundaries

Due to the degree of inter-relationship between the Trust and the responsible entity, where the responsible entity operates solely for the Trust and undertakes all of the activities of the Trust, the operations of both the Trust and the responsible entity are considered collectively from a sustainability perspective and only disclosed separately to the extent that it is relevant.

We confine our reporting to those aspects of our business over which we have operational control. In relation to the Trust's portfolio, most properties are subject to whole-of-site leases and the Trust has no operational control over the properties or the businesses operated at them. Some multi-tenanted properties have common areas that the Trust is responsible for maintaining, being those areas not for exclusive use by the respective tenants, typically car parks and other common access areas.

Key impacts

The size and nature of the Trust's operations mean that the actual or potential impacts on the environment and society are considered relatively modest. Social and governance impacts are considered to be limited due to the passive nature and localised scope of the Trust's operations and the regulated environment in which it operates. Environmentally, the Trust's ownership and management of established commercial property is considered to be low intensity in terms of emissions, waste, and use of energy and materials, and low impact on biodiversity.

The main sources of environmental impact over which we have operational control relate to indirect greenhouse gas emissions from: the purchase of electricity for lighting for common areas of some investment properties; business travel; and upstream manufacture of capital goods that are procured directly for the Trust. The estimated emissions from these sources (based on a measure of carbon dioxide equivalent ("CO_2-e") are summarised in the table below.

Estimated emissions by source

Source of emissions	Annual CO_2-e emissions (Tonnes)	Change from previous year
Scope 1 – Direct emissions	0	0%
Scope 2 – Indirect emissions from purchased electricity	176.57	-0.18
Scope 3 – Indirect emissions from:		
> business travel[1]	Nil	100%
> capital goods acquired	N/A	N/A
Total tonnes/*like-for-like weighted average change*	176.57	-36.7*%*

[1] Employees of the Responsible Entity for the Trust are employees of Wesfarmers, seconded to the Responsible Entity, as it is 100 per cent owned by Wesfarmers. All business travel related emissions are reported with Wesfarmers emissions

The Trust has solar installations at two properties in Western Australia, a 100 kilowatt system at Harrisdale and a 200 kilowatt system at Mandurah. For the year ended 30 June 2021, the solar generated from these two systems was 394 mega watt hours, which translates to 268 tonnes of carbon emissions avoided. This more than offsets the indirect emissions from purchased electricity of 176.57 tonnes as shown in the table above.

Scope 1 – Direct emissions within the Trust's operational control

In June 2021, the Trust commissioned a review of the boundaries and calculation methodologies for scope 1 and scope 2 emissions as captured in the Trust's emissions inventory.

Based on the thresholds for reporting emissions from refrigerant gasses in refrigerant systems, the emissions from the systems that exist within the BWP portfolio, do not have a global warming potential ("GWP") above 1,000, nor do they contain more than 100kg of refrigerant per unit and are there for not reportable under the Clean Energy Regulator's "National Greenhouse Energy Reporting Act (2007) ("NGER" or" The NGER Act") Reporting hydrofluorocarbons and sulphur hexafluoride gasses guidelines."

Scope 2 - Indirect emissions from common areas of Trust properties

The Trust retains operational control over re-positioned properties vacated by Bunnings and common areas at its multi-tenanted properties, such as common parking areas and road and pedestrian access ways. The table below provides details of the estimated carbon emissions occurring indirectly, as a result of electricity consumed at re-positioned properties or within the common areas of the multi-tenanted properties.

Property	Annual CO_2-e emissions (Tonnes)[1] 2021	2020	Change from previous year (%)
Bayswater showrooms	0	14.67	-100.00
Browns Plains	12.80	20.75	-38.33
Cairns	0	34.85	-100
Coburg	64.13	21.52	197.95
Dubbo	0	32.64	-100.00
Gladstone	22.80	15.92	43.23
Harrisdale	0	7.75	-100
Hoxton Park	17.86	18.45	-3.17
Mentone	5.06	15.16	-66.61
Pakenham	0	6.65	-100.00
Underwood	7.81	10.22	-23.59
Mandurah	11.20	10.61	5.54
Port Macquarie	14.14	7.10	99.28
Morley	20.76		-
Total/*like-for-like weighted average*	**176.57**	**216.29**	***-0.18***

1 All calculations apply Australian Government National Greenhouse and Energy Reporting ("NGER") conversion factors.

We use estimations based on the quantity of lights, their wattage and estimated hours of use to assess the emissions, where actual emissions are not recorded.

Scope 3 - Other indirect emissions

Other indirect emissions are associated with the supply-chain of services and products used by the Trust and responsible entity (other than purchased electricity). The main sources of these other indirect emissions result from the purchase of capital goods.

Indirect emissions from business travel relate predominantly to air travel for the purpose of managing the Trust. The Responsible Entity for the Trust is 100 per cent owned by Wesfarmers. The Responsible Entity seconded employees from Wesfarmers, as such business related travel emissions incurred by the Responsible Entity are reported by Wesfarmers.

Capital goods acquired predominantly relate to repairs or improvements to investment properties. At present we have regard to capital improvements over which we have direct control of procurement and management. The relevant activities for the last financial year are summarised in the Summary of performance and future priorities table below.

Key risks and opportunities

Identification and assessment process

As part of our annual corporate planning process and risk review we consider a broad range of factors that may impact our operations and the long-term sustainability of our business. In addition to this more general assessment we have also undertaken detailed reviews of climate change related risks and opportunities. No material risks or opportunities arising from ESG issues have been identified, having regard to the current scale, scope and nature of our operations.

Risk mitigation

From a broad perspective, ESG risks are mitigated by the following factors: the solely domestic scope of the Trust's activities; the relatively passive nature of the Trust's business (essentially, leasing out established commercial property for retail use); its relatively uncomplicated and transparent structure; and the highly regulated framework under which the Trust and responsible entity operate.

Environmentally, the Trust's direct sourcing of materials, use of water and energy and generation of waste is relatively limited and the risks associated with these activities can be readily identified, monitored and managed within the Trust's normal operations. However, climate change is considered a key aspect of ESG due to its relevance to our operations and the imperative placed on this issue by stakeholders and for this reason it is discussed in more detail later in this section.

Social and governance issues under the Global Reporting Initiative ("GRI") encompass labour practices, human rights, society, and product responsibility. The responsible entity is subject to a number of formal policies and processes which address those aspects directly relevant to the Trust's activities. Policies and processes cover areas such as health and safety, ethics and conduct, diversity, continuous disclosure, whistleblowing, anti-bribery, remuneration and conflicts management. The Corporate governance section provides more detail. In addition to this governance regime, the social and governance implications of each individual investment are expressly considered as part of the assessment and approval process, for example the likely impact on the local community of the investment and appropriate approach to conflicts of interest and related party issues. This allows us to consider potential ESG risks and opportunities at an individual asset level.

The Trust recognises the significant importance of ensuring that people's health and safety is not put at risk by its activities and operations. It has in place policies and practices to help identify health and safety risks and to manage those risks appropriately. The responsible entity is currently engaging and working with suppliers to assess and address the Trust's modern slavery risks.

Climate change

The most material ESG issue relevant to the Trust is climate change. A review of risks and opportunities is conducted annually as part of our response to the Carbon Disclosure Project. No major risks have been identified to date, the main opportunities relate to the increasing of energy efficiency in our properties.

Regulatory changes to address climate change are considered manageable within the existing business model. For new developments, increased capital costs due to design or construction requirements to address energy efficiency or emissions reduction should be factored into commencing rents. For existing buildings, compulsory changes to address climate change are considered to be less likely and would probably be triggered by and incorporated into a redevelopment or upgrade. Legislative requirements for increased collection, monitoring and reporting of climate change related data are able to be managed through existing compliance and reporting frameworks.

The physical impacts of climate change, such as severe weather events, may increase the risk of damage or impairment to properties. The geographic spread of the Trust's properties means that the potential impact is likely to be confined to individual properties, reducing the likely per event loss. For most of the Trust's properties the tenant is responsible for insuring the building and improvements against risk of physical loss or damage on a replacement or reinstatement basis.

The Trust is progressing with the implementation of relevant Task Force on Climate-related Financial Disclosure recommendations.

During the financial year ended 30 June 2021 the Trust undertook scenario analyses to better understand the impacts, risks and opportunities related to climate risk. Two climate change scenarios, a two degree and four degree, were evaluated, with 11 risks and three opportunities identified. When assessed under the Trust's risk management framework, the 11 identified climate-related risks did not meet the threshold of a material business risk. Material risks for the Trust are considered to be those which are assessed as being of a substantive financial or strategic nature under the Responsible Entity's risk management framework.

The Trust undertakes detailed due diligence on property acquisitions to fully understand levels of site contamination, as well as potential for exposure to climate related events, prior to committing to purchase.

Operationally, increased costs and charges relating to energy, water, materials and waste for the Trust's properties would generally be borne directly by the tenant or could be recovered in part or whole from tenants under the lease arrangements. For this reason, increased costs associated with the implementation of a carbon pricing scheme are not considered to be a material risk for the Trust. Incorporating renewable energy sources at some properties may provide a modest longer-term source of revenue and we are currently assessing this as an opportunity. Tenants' businesses do not appear vulnerable to climate change induced shifts in consumer behaviour or demographic changes, with tenants likely to be able to change product and service offerings to meet any such changes (potentially providing some new product category opportunities).

Implementing our approach to ESG

To promote an ongoing focus and priority on ESG issues, sustainability has been expressly incorporated into the Trust's strategies, objectives and investment criteria. ESG initiatives are included in action items in the annual corporate plan and responsibility for achieving these are included in annual performance objectives for individuals within the management team. Progress of the action items in the corporate plan is reviewed at each board meeting, and reported in the annual report. Progress on individual performance objectives is monitored periodically during the year and achievement of performance objectives contributes towards 50 per cent of the individual's short-term remuneration incentives. In assessing proposed acquisitions and upgrades of existing investment properties we consider what features are to be or may be incorporated to enhance the sustainability and lessen the environmental impact of the improvements and the property overall.

Targets

Our focus is on achieving outcomes to improve the energy efficiency of our properties and our understanding, measurement and reporting of ESG issues.

Disclosure

The Trust discloses its sustainability related actions, progress and future priorities in each annual report. It also participates annually in the Carbon Disclosure Project survey.

Key sustainability actions

During the year the Trust focused on the energy efficiency of its properties and the replacement of ozone depleting air conditioning units in some of our older properties.

PROPERTY IMPROVEMENTS
Progress during the year

- A further 12 air conditioning units were replaced to phase out ozone depleting refrigerant models and initiatives introduced to improve efficiency of air conditioning units. New non ozone depleting refrigerants were also retrofitted into larger air conditioning systems in one store owned by the Trust
- New energy efficient LED lights were installed internally in eight stores during the year. As at 30 June 2021, 96 per cent of the Trust owned stores had LED lighting in one or more of the car park, nursery trading area, canopy trading area, or in the main store
- Solar power generation was installed at three properties, bringing the total installations to 23
- A Tesla Battery has been installed and continues to collect surplus energy from the solar installation which is used on site at one property
- 91 per cent of the Trust-owned stores have in place water tanks for the recycling of roof collected rain water

Priorities

- Continue programme for phasing out ozone depleting air conditioning systems
- Continue to work with our major customers to roll out energy efficient LED lighting into existing properties, as and when appropriate, and also to install roof based solar panels on buildings where the energy saving benefits are significant

CUSTOMER AND SUPPLIER ENGAGEMENT

Progress during the year

> Continued dialogue with Bunnings regarding its sustainability initiatives, particularly in relation to reducing energy consumption through the upgrade of lighting in existing stores to energy efficient LED technology, and the installation of solar power generation

Priorities

> Continue to engage with the Trust's customers for a co-operative approach to sustainability initiatives, particularly in relation to LED lighting, and solar energy capture

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING

Progress during the year

> Participating in the 2021 Carbon Disclosure Project survey

Priorities

> Continue reporting on our progress in improving the energy efficiency of the Trusts properties reducing operational carbon emissions and implementation of TCFD recommendations