



Governance



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Embed a high standard of ethics into our actions

There is a growing demand for strong governance and increased transparency.

Charter Hall's approach aligns with the United Nations Sustainable Development Goal (SDG) 16: Peace, justice and strong institutions. This SDG seeks to address peace, stability, human rights and effective governance. To support this goal we are focused on:

- promoting the rule of law at the national and international levels and ensuring equal access to justice for all
- being an effective, accountable and transparent institution
- promoting and enforcing non-discriminatory laws and policies for sustainable development
- ensuring public access to information and protecting fundamental freedoms, in accordance with national legislation and international agreements.

The 2019 Australian Financial Services Royal Commission, highlighted the need for all companies to take proper steps to assess their culture and

governance measures; to identify and deal with any problems and determine whether the changes made have been effective.

This year we undertook a culture survey and refreshed our purpose and values to help clarify and explain how we create long-term value for all stakeholders, including local communities, tenants, employees, shareholders and suppliers. We have reviewed our governance frameworks, including our supplier and employee codes of conduct, in line with our new values. Our employees are also provided with regular training in ethical behaviours and standards.

In March 2019, Charter Hall became a signatory to the UN Global Compact, supporting the ten principles on human rights, labour, environment and anti-corruption. Our commitment extends these principles into the strategy, culture and day-to-day operations of our company and we are mindful that mutually beneficial partnerships are at the heart of our approach to investment. This report forms our inaugural report on progress.

Our commitment to human rights is reflected in the management of our operations in line with the UN Principles for Responsible Investment (PRI), UN Guiding Principles, international legislation and the Australian Modern Slavery Act (2018), which reflects our corporate values, business needs and the expectations of our customers and key stakeholders. Charter Hall is committed to maintaining ethical, environmental, and social standards and to continuously improving their application throughout our operations, practices and our supply chain. We are key contributors in a range of Australian property industry initiatives in addressing modern slavery.

Our alignment with national and international governance frameworks has also involved a review of the Taskforce on Climate-Related Financial Disclosures (TCFD) framework, with a view to alignment with its recommendations in the future.

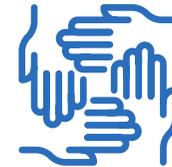


Alignment with SDG16: Peace, justice and strong institutions

FY19 HIGHLIGHTS



Became a signatory to the **UN Global Compact**



Developed a **human rights** framework



Contributed to the Property Council of Australia's efforts to tackle **modern slavery**



Investigated alignment with the **Taskforce for Climate-related Financial Disclosures** (TCFD) Framework



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Issues	Achievements for FY19	FY20 Target	FY25 Target
<p>Strengthening business ethics and compliance</p> <p>According to the Society for Human Resource Management, the stock price of the 100 most ethical US firms outperformed their peers by 300% from 1998 to 2011. Embedding a high standard of ethics and compliance into our actions is an opportunity to build an even stronger and more prosperous business.</p>	<ul style="list-style-type: none"> - Developed and launched new purpose and values. - Aligned corporate strategy and governance policies to new purpose and values. - Risk Culture Index of 81%. 	<ul style="list-style-type: none"> - Monitor and maintain high ethical standards and establish benchmarks for improvement. - Build on our Risk Culture Index of 81%. 	<ul style="list-style-type: none"> - Monitor and maintain high ethical standards and align with benchmarks for improvement. - Build on our Risk Culture Index.
<p>Engaging a responsible supply chain</p> <p>Supply chains represent 50% to 70% of the sustainability footprint of most major global companies (Ecovadis). Implementing strict supplier and employee codes of conduct helps us manage the ESG impacts that extend beyond our direct operational control.</p> <p>Our supply chain is diverse, supporting both the operational management and development functions of our business.</p> <p>Significant suppliers for Charter Hall include suppliers of services required to operate our building portfolio such as cleaning, security and facilities management.</p> <p>Our development supply chain consists of construction companies we contract to build new developments, and suppliers of materials used in our new builds.</p>	<ul style="list-style-type: none"> - Became a Signatory to the UN Global Compact. - Human rights and modern slavery framework resulted in: <ul style="list-style-type: none"> - Supplier risk assessment - Development of Supplier Code of Conduct - Implementation plan developed to address Australian Modern Slavery laws. - Participated in Property Council of Australia Sustainability Roundtable development of a supplier pre-qualification platform. - Participated in the Cleaning Accountability Framework pilot building certification scheme. 	<ul style="list-style-type: none"> - Human rights framework implemented across Charter Hall assets, developments and operations. - Engagement with our supply chain on Australian Modern Slavery risks and legislative requirements. - Publish annual UN Global Compact and Modern Slavery Statement. 	<ul style="list-style-type: none"> - Integrate sustainable and equitable supply chain management into assets and developments.



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Compliance

Issues	Achievements for FY19	FY20 Target	FY25 Target
<p>Training all employees in ethical behaviour and standards</p> <p>The Ethics Research Centre highlights that effective ethics and compliance programs can help safeguard a company's integrity and improve key measures of workplace behavior. We are committed to conducting our business activities in line with the highest ethical standards, as well as complying with all relevant regulations.</p>	<ul style="list-style-type: none"> – 100% of employees participated in Risk and Compliance training, including integrity and compliance. – Simplification of compliance processes and increased accountability through self-certification and compliance verification. – Updated our purpose and values and new Code of Conduct to define what we expect of our people. 	<ul style="list-style-type: none"> – Automation of routine compliance monitoring. – Governance policy rationalisation. – Compliance control reviews completed and aligned to business strategy. – Revised compliance program implemented across all Charter Hall operations. – Refresh of compliance training and 100% employee engagement in compliance training. 	<ul style="list-style-type: none"> – Integrated, comprehensive and flexible approach to maximising compliance. – 100% employee engagement in compliance training.
<p>Protecting the privacy of individuals and companies</p> <p>Data security and privacy is a growing concern for individuals, organisations and governments, and a major risk across the financial and property industries. We recognise the issue as a priority within Charter Hall.</p>	<ul style="list-style-type: none"> – Continued employee training and engagement on privacy, data security and governance. – Ongoing management of our information security practices in alignment with the ISO 27001 framework and regulatory requirements. 	<ul style="list-style-type: none"> – Continue understanding of the changing regulatory and threat landscape and evolving our information security practices accordingly. 	<ul style="list-style-type: none"> – Continued monitoring and alignment.

Values that we are proud to own

This year we reframed our purpose and values to more accurately express our aspirations and ambitions.

Our business has changed significantly over the last eight years. With \$30 billion of property under management and 546 employees, we now have a clear and inspiring story to tell. We are also operating in an external environment that has changed significantly.

To help reframe our thinking, we partnered with our external brand agency to undertake a comprehensive research process.

The findings reinforced that our financial goals were clear, our property investments were well recognised, and we had established excellent partnerships across the business. But they also highlighted our task-oriented nature. We needed to articulate a bigger purpose and reflect attributes such as our tempo and drive, how genuine and authentic we are and the way we listen and always go further.

Our newly created values now focus on four areas that define us:

Active partnership celebrates the broader thinking that we invest in the win:win nature of our mutually successful relationships. It also

reflects our role as guardians of people’s capital, and therefore, their futures.

Genuine insight captures not just the skills we have but the ways in which we actively use our experience, knowledge, honesty and understanding to build insights that are trusted by those we do business with.

Inventive spirit refers to the innovative way we connect people, capital and opportunities. It is a reminder that we must continue to use what we know to rethink what we can do with others. Recent examples of this include the funds we’ve created with Bunnings, Telstra and Coles.

Finally, **powered by drive** expresses our willingness to go further, our authenticity, ability to listen and deliver on promises. These are characteristics that we are proud of and that are often commented on in the feedback we receive.

Our executive team also examined how we could make our purpose more explicit. Front and centre for us is our role as guardians of other people’s capital over the long term. That’s why our purpose, developed with input from investors, tenants and employees, is about achieving better futures and mutual success through bringing aspirations to life.

“Our values ensure we remain strong as we grow and are our constant in this time of technological, environmental and societal change.”

David Clarke, Chair



Active Partnership
We believe if everyone benefits, we benefit



Genuine Insight
We use expertise to unlock resilient growth



Inventive Spirit
We create with purpose and discipline



Powered by Drive
We put our passion into action

Modern slavery

This year we developed a human rights framework to uncover and eliminate potential modern slavery risks within our operations and supply chains. We were also a key contributor to the Property Council of Australia’s efforts to implement industry-wide collaboration on addressing modern slavery risks – an approach that other sectors have looked to emulate.

Embedding a high standard of ethics into our actions and decision-making is a strategic priority for the Group. Within this context, our Board and senior management are focused on our responsibilities in relation to modern slavery.

When the Australian Modern Slavery Act came into effect on 1 January 2019, we were already 12 months into our modern slavery journey.

Our human rights framework forms the basis of our response. It aligns with the *Modern Slavery Act 2018*, which requires companies with consolidated revenue of at least \$100 million over their reporting period

to report on efforts to address modern slavery within their operations and supply chains. The framework includes a human rights policy, a supplier code of conduct and a modern slavery working group.

The working group is focused on the three key areas of procurement, governance and education, and comprises representatives from risk and compliance, procurement, operations, people and sustainability teams across each of our three sectors.

Charter Hall has also been an early adopter of the Cleaning Accountability Framework (CAF), designed by Australian Super. One of our general managers sits on its Advisory Committee.

CAF uses an asset-level approach to assess remuneration and working conditions across the cleaning supply chain – one of the property sector’s highest-risk segments. Among our assets, 55 King Street first piloted this framework and has just completed its three-year renewal. 333 George Street is also participating in the program.

Initial results have validated our approach to this important issue by showing our contractors were following most steps required by the framework. An additional two Charter Hall assets in Victoria are now seeking certification.

“Our involvement with the Property Council’s Modern Slavery initiative has created an approach and resources to really make a difference in addressing modern slavery. It’s a great example of an industry-wide collaboration.”

Margot Black, Head of Sustainability and Community



Charter Hall offices, 1 Martin Place, Sydney NSW

Despite these efforts, we recognise that the broader issue of modern slavery is too big to address single-handedly. That’s why we were determined to play a central role in the Property Council of Australia’s collaborative platform to address the issue in our industry.

The platform includes a prequalification process for suppliers, with fifteen property companies currently trialling the initiative. It will also include educational programs to help

suppliers better manage their business risks in relation to modern slavery.

Two Charter Hall representatives have taken up co-chair positions on the Property Council Sustainability Roundtable in 2019. Their efforts reflect our absolute commitment to help eliminate modern slavery, and our continuing determination to secure collaborative, industry-wide outcomes that benefit all Australians.