



GPT
Sustainability
Covenant

Sustainability Covenant

This voluntary SUSTAINABILITY COVENANT is a statutory agreement under section 49AA of the *Environment Protection Act 1970* ('the Act') made on the 26th day of February 2008

between:

Environment Protection Authority ('EPA Victoria' or 'EPA'), a statutory authority pursuant to the *Environment Protection Act 1970* (Victoria), of 40 City Road, Southbank in the State of Victoria

-and-

GPT RE Limited ABN 27 107 426 504 ('The GPT Group', 'GPT' or 'Group') of Level 52 MLC Centre, 19 Martin Place, Sydney NSW 2000

in which the parties agree to work together to:

- reduce the ecological impact of GPT's Australian assets and operations
- increase knowledge of the Ecological Footprint in GPT's business operations and supply chain, and GPT's capacity to respond in material ways.
- work towards setting a credible and achievable long-term Ecological Footprint reduction target and stretch target to be achieved by 2020, as measured against a 2008 baseline.

EPA Victoria believes that this sustainability covenant is likely to be effective in increasing the resource use efficiency and reducing the ecological impact of GPT's business operations and accordingly is a signatory to this sustainability covenant.

Background of the covenant

The capital value of listed real estate assets in Australia is in excess of \$140 billion¹, with over 50 per cent of Australians owning these assets through their superannuation funds. This sector plays an important role in the economy, is one of the largest sectors on the Australian Stock Exchange², accounting for seven per cent of GDP, and is one of the most important socio-economic sectors of the Australian economy.

The sector also has significant direct and indirect environmental and social impacts, associated with the inputs into the built assets themselves, the construction process and the operational activities of occupiers.

Direct impacts during construction and operation include: energy (including greenhouse gas emissions) and potable water use; waste generation (including solids); and storm-water quantity and quality (from graded and impervious surfaces).

Indirect impacts include the resource intensity of the built form (including embodied greenhouse), and the products and services that are used in capital formation and throughout the life cycle of the assets themselves.

In recent years significant effort has been focused on improving the sustainability performance of the residential and commercial building sectors. These efforts have resulted in a range of statutory measures, tools and planning instruments to help the sector improve its performance. The development of building environmental ratings has been successful in improving the general awareness of the sector of the need for a more sensitive approach to development

and operations. However, there remain gaps in the available tools. As a fully diversified entity, GPT has a need for metrics that transcend asset classes and provide a macro view of the impact of its assets in their entirety. The parties to this covenant have found the Ecological Footprint concept is of assistance in this regard.

The Footprint provides a single quantitative measure of the resource area of the earth necessary to support an activity. EPA and GPT have worked together under a previous covenant to develop a retail property Footprint measure. This work confirmed the value of the Ecological Footprint as a simple and engaging measure of impact in the retail sector.

This covenant will address the calculation methodologies for application to other property types such as commercial, industrial, and hotels and tourism, as well as mitigation and conservation evaluation.

This covenant aims to advance the application of the Footprint to buildings as well as the understanding of the viable actions and strategies available to deliver meaningful reductions.

¹ Australian Stock Exchange, 2007 (www.asx.com.au/investor/imi/types/property_trusts.htm)

² Property Council Australia Annual Review, March 2007

Parties to the covenant

GPT

GPT is one of Australia's largest diversified listed property groups, with total assets in excess of A\$14 billion as at 30 June 2007. It has been listed on the Australian Stock Exchange since April 1971 and is one of Australia's longest running listed property groups. GPT has a substantial investor base and GPT securities are owned by over 47,000 security-holders, including large Australian and overseas institutional investors.

GPT recognises the interests of its stakeholders and is committed to behaving ethically and operating in a sustainable manner that enhances economic, societal and environmental values, which is an essential consideration to ensure its long-term sustainability.

GPT's commitment to corporate responsibility means that it seeks viable ways to significantly reduce the ecological impact of its assets against a background of the Living Planet Report's conclusions of ecological overshoot. GPT believes that these actions address environmental and economic risks and provide opportunities to enhance social values and long-term wellbeing.

GPT's goal is to viably and materially reduce its Ecological Footprint by 2020 as measured against a 2008 baseline. A fundamental element of this covenant is to assist GPT to determine the meaning of 'materiality' in a quantitative sense.

This covenant is structured to reflect the parties' expectations that increasing knowledge and skills will lead to an increase in actions and opportunities and is therefore flexible in its approach over a three-year period.

Aim of the covenant

The overarching aim of the Covenant is to work together to establish a realistic and viable Ecological Footprint target and stretch targets for GPT's Australian assets by 2020, as measured against its 2008 baseline, through the following commitments:

- further enhancement and promotion of the relevant support tools
- development of the Ecological Footprint methodology to apply to all asset classes
- building the capability and knowledge of GPT's management, employees and key stakeholders (including co-owners and external property service providers) to apply the Ecological Footprint to real estate assets
- Promoting the benefits achieved in using the Ecological Footprint to assess and reduce the ecological intensity of GPT's Australian portfolio of assets.

Life of the covenant

This Sustainability Covenant will be in place for a period of three years, with yearly agreed actions and targets to be established (see **Management of the covenant**). This period may be extended if agreed by both parties.

EPA Victoria

EPA Victoria is a statutory body that was established under an Act of the Victorian Parliament in 1970 in response to community concern about pollution.

EPA's vision is *The Victorian community living sustainably*.

A community living sustainably knows the impacts of the decisions it makes and the actions it takes on the environment and:

- **efficiently** uses and renews resources
- **understands** how what is good for the environment is good for the economy and society
- **lives in a healthy environment** that provides clean air, water and land
- **meets the needs of today** without compromising the ability of future generations to meet their needs.

EPA's purpose is to protect, care for and improve our environment.

EPA's values are collaboration, innovation, integrity and respect.

EPA's objectives are to increase resource efficiency, reduce emissions impact, enhance our reputation and benefit the economy.

Coverage of the covenant

GPT's Australian asset base and operations are covered within the scope of this covenant. GPT's Australian asset base accounts for 85 per cent of the total value of assets. Offshore investments and operations are excluded from this Covenant.

Figures 1 to 4 overleaf outline the locations and assets covered by this covenant at the time of signing. It is possible that assets may be acquired, disposed of or developed through the term of the covenant. Providing operations or assets are Australian based they will be included within the coverage of this covenant.

Section 49Ac of the *Environment Protection Act 1970* enables the Authority to be a signatory to a sustainability covenant for an industry if, in the opinion of the Authority:

- a. the covenant is, or is likely to be, effective in increasing the resource use efficiency or reducing the ecological impact of the industry
- b. the covenant will be readily accessible to the public and will be published on the internet
- c. the covenant authorises the copying of all or any part of the covenant by any person who wishes to do so and also authorises the use by such person of any copies made by that person.

A key challenge for the covenant is to address the different needs of the diverse set of stakeholders covered. GPT and EPA have agreed that the development of calculators and tools needs to recognise the difference between 'operational/pre-existing' assets (where actions taken are limited to retrofits and small-scale renovation) and 'development' assets where a far more comprehensive approach to Footprint mitigation is possible. Moreover, there is a clear need for recognition of 'base building' versus 'tenancy' and how the covenant outcomes are reported.



Figure 1: Australian retail portfolio



Figure 2: Australian office portfolio



Figure 3: Australian industrial portfolio



Figure 4: Australian hotel/tourism portfolio

Commitments of the covenant

The following commitments are intended to achieve the aims of this covenant. The proposed actions are examples of how the commitments will be met.

Commitments to 2010	Proposed actions in 2008
<p>Further enhancement and promotion of the relevant support tools through increasing awareness of the Ecological Footprint, and competency in its use and applications across GPT.</p>	<ul style="list-style-type: none"> ● EPA and GPT will develop a case study of the Rouse Hill Town Centre Retail Ecological Footprint Calculator (REFC) trial (base building and tenants) and communicate this within GPT. ● EPA will support the development of training programs for GPT employees and alliance partners. ● GPT will continue to engage its tenants in sustainability through the Ecological Footprint Calculator (www.gpttreadslightly.com.au) and seek ways to incorporate sustainability into leasing agreements ('Green Leases') across GPT.
<p>Development of the Ecological Footprint methodology to apply to all asset classes, through establishing a baseline Footprint target and further enhancement and development of tools.</p>	<ul style="list-style-type: none"> ● GPT will develop a baseline Ecological Footprint calculation and a selection of potential pathways towards viable and stretch 2020 targets. ● EPA will support the engagement of external services to develop GPT's baseline calculation. ● EPA and GPT will facilitate the development of appropriate tools and resources, including documentation of the REFC methodology, to enable the extension of the application of Ecological Footprint to other GPT asset classes. These may include, for example, a suite of calculators for all GPT asset classes or a single calculator that enables all asset classes to be addressed. ● GPT and EPA will measure, using the Ecological Footprint, and report on how further ecological intensity improvements have been achieved in GPT's assets. ● GPT will communicate ecological intensity improvements and any improvement made to the tools to stakeholders. ● GPT and EPA will document and disseminate case studies of Footprint reduction pathways. ● GPT will identify mechanisms to incorporate principles and initiatives into general asset management practice. ● GPT and EPA will continue to work with the Ecological Footprint community, such as the Global Footprint Network and others, in order to continue the advancement of the Ecological Footprint methodology (including participating in, for example, standards and methods development, and the consideration of biodiversity and carbon offsets).
<p>Building the capability of GPT's management, employees and stakeholders to apply the Ecological Footprint to real estate assets.</p>	<ul style="list-style-type: none"> ● GPT will establish an internal Covenant Steering Group, where knowledge of initiatives is shared across the portfolios to enable property managers and other key staff to contribute to the development and implementation of GPT's sustainability initiatives. ● EPA will contribute to GPT's knowledge development and communications activities (internal and external). ● GPT will incorporate sustainability KPIs into management and individual performance goals for each year. ● EPA and GPT will facilitate relevant training sessions for GPT staff and alliance partners. ● GPT will identify and promote opportunities for staff to be involved in environmental sustainability initiatives and outreach programs. ● GPT will upgrade the GPT intranet and internet website to include sustainability information across the portfolios for interested stakeholders. ● GPT and EPA will develop a knowledge collection, monitoring and reporting framework and system for all sustainability initiatives undertaken within GPT.
<p>Promoting the benefits achieved in using the Ecological Footprint to assess and reduce the ecological intensity of GPT's retail portfolio.</p>	<ul style="list-style-type: none"> ● GPT and EPA will promote, through a variety of means, the benefits of the Ecological Footprint as an indicator of environmental impact. This will include promotion of the REFC in the property development and asset management sectors and to other GPT stakeholders. ● EPA and GPT will promote the covenant outcomes through a variety of media.

Management of the covenant

Steering Committee

A Covenant Steering Committee has been established to manage the overarching performance of the Covenant Goal. The Committee includes the following representatives from each party.

The GPT Group

Head of Corporate Responsibility
Retail Sustainability Catalyst
Office Fund Manager
Industrial Development Manager
Tourism Fund Manager

EPA Victoria

Manager – Life Cycle Unit
Project Manager – GPT Sustainability Covenant

Agreed action setting

The Covenant Steering Committee will meet at the start of each year of the covenant's operation to set the year's agreed action, along with performance indicators and targets to measure the progress and success of each commitment. Additionally, the allocation and resourcing for each agreed action will be set between the covenant parties.

Review

The Covenant Steering Committee will meet quarterly to:

- review the progress of the covenant commitments and the implementation of the agreed actions for that year
- identify any additional and/or replacement actions and targets required to achieve the aims of the covenant, along with the allocation and resourcing required.

A more detailed review will be undertaken annually by the Covenant Steering Committee to assess the progress of the covenant aims, commitments and agreed actions for the relevant year and to set the agreed actions for the following year, including the setting of performance indicators and targets, allocation and resourcing of each action.

The final annual review will compare the actual performance of the covenant against the initial aims objectives to measure success.

Report

The parties to the covenant will report following each annual review covering the achievements against each commitment, along with any lessons learned and anticipated future actions to be undertaken. These reports will be made available to all stakeholders via the websites of the covenant parties after the other party to this covenant has approved the material.

Stakeholder involvement of the covenant

It is envisaged that the sustainability covenant will provide an opportunity for increased stakeholder engagement and involvement, and provide a basis on which the benefits of these relationships can be enhanced over time.

Stakeholders in this context include: the community; customers; guests; authorities and government; tenants; investors; employees; alliance partners and suppliers.

Community

Community stakeholders are considered to be those groups who reside in each real estate asset's local area and can be either users or non-users of GPT assets. GPT hopes to provide positive leadership and contributions that support outcomes for each community that are healthy and positive over the long term. Consultation is essential with these groups to ensure GPT keeps abreast of issues that the community sees and believes to be relevant and responds to these as necessary.

Customers and guests

Customers and guests are those who regularly interact with and use GPT's assets. GPT's aim is to build awareness to enable customers to act more sustainably and make more sustainable consumption choices in their day-to-day activities. Building a strong and lasting propensity to use its assets will enable GPT to contribute to the ongoing development and management of sustainability objectives.

Authorities and governments

Authorities and governments include local, regional and national-level government organisations. GPT aims to provide leadership and support to these groups to enable them to

achieve their long-term goals in the area of sustainable communities and economy. GPT hopes to gain a clearer appreciation of their drivers and constraints, enabling GPT to act more proactively than has traditionally been the case.

Tenants

Tenants are those who lease space within the assets, including all staff and employees of those businesses. GPT aims to build the knowledge and sustainability capacity to enable tenants' business management and interactions with GPT to be in a manner consistent with the assets' sustainable investment principles and objectives. GPT aims to create stronger relationships through this shared vision and provide a means by which input and suggestions from tenants can be regularly integrated into sustainability decision-making.

Investors

Investors are the unit holders that own units in the GPT Funds. GPT's aim is to ensure that it provides high-quality assets that are sustainable over the long term, reduce risks and provide an attractive, responsible investment choice. GPT aims to gain insights into what is driving the market for responsible investment choice and ensure that GPT is meeting those needs.

Employees

Employees are those who work within The GPT Group. GPT hopes that this covenant will provide inspiration and motivation to employees and empower them to identify ways to contribute to reducing ecological impacts and maximising benefits.

Alliance partners

Alliance partners are all the organisations within GPT's supply chain, including property managers, project and construction managers, service providers and suppliers. GPT's aim is to build

capacity to enable these groups to manage their businesses and interactions with GPT in a manner consistent with GPT's sustainable investment principles and objectives. GPT hopes that its alliance partners will provide insights and suggestions on ways to work together to optimise outcomes on all sides.

Covenant glossary and explanation

Corporate responsibility

Recognising the interests of stakeholders and committing to behaving ethically and operating in a manner that enhances economic, societal and environmental values, GPT believes that a healthy environment and society is essential to long-term sustainability.

Ecological Footprint

The Ecological Footprint is a measure of how much biologically productive land and water an individual, population or activity requires to produce all the resources it consumes and to absorb the waste it generates, using prevailing technology and resource management practices. The Ecological Footprint is usually measured in global hectares. Because trade is global, an individual or country's Footprint includes land or sea from all over the world. Ecological Footprint is often referred to as 'Footprint'

Ecological Footprint tools

These are tools that help GPT and its stakeholders' measure their Ecological Footprint, e.g. the Retail Tenant Ecological Footprint Calculator.

Ecological intensity

This term refers to how intensive (impacting) an activity or structure is on the environment. In other words, how much something contributes to an Ecological Footprint.

The Rouse Hill Town Centre

GPT is developing and will own the \$470 million Rouse Hill Town Centre. It is in joint venture with Lend Lease to develop a number of commercial sites and the residential component of this large-scale project, which is located on a 120-hectare site in Sydney's fast-growing north-west.

Sustainability has always been at the core of developing The Rouse Hill Town Centre and GPT has used the Ecological Footprint as a means to demonstrate the 'amount' of environmental benefit associated with its sustainability approach. At the bid phase, compliance with the minimum requirements would have resulted in an approximately eight per cent reduction in impact as compared to a standard shopping centre of similar size. GPT set an internal target of 19 per cent of impact reduction and estimates that it has improved this to about 24 per cent.

The environmental impact categories considered in the assessment of the footprint include: the developed area of land disturbed; the greenhouse impact of operational energy use; the embodied greenhouse and biological service of materials of construction; water use and greenhouse impacts of transport to the centre by staff and customers.

More information

An annual report on covenant progress will be posted on EPA and GPT's websites and include a forward plan for the following year.



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