



Tenant WELL-BEING to the fore

A NEW WAVE OF ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FEATURES IS SWEEPING THE PROPERTY WORLD WITH NEW ZEALAND OWNERS AND INVESTORS PROVING QUICK TO ADOPT THEM.

MOST KIWIS ARE FAMILIAR WITH “green buildings” - reducing their carbon footprint through energy and water efficiency, cleaner air systems, and similar measures.

However, ESG is taking the well-being of tenants and responsibilities of owners to a new level.

Bayleys’ national director property management services Stuart Bent says leading New Zealand corporations are voluntarily taking the high ground, while many others are preparing to comply with various governmental and governance mandates that will soon come into effect.

“ESG is a very broad topic. People have focused on the E rather than S and G until now. We’ll hear more about it at a Property Council forum in July but many of our clients are already reporting these things in their profit results.

“When it comes to the full range of ESG we’re finding that the top-end companies are more interested. They have big tenants with an appetite for buying in. Mid-range building owners and tenants still need more encouragement.

“It used to be about basic rules, but it’s become more sophisticated to embrace procurement for all components, and social and governance criteria,” he says.

Modern slavery is on the social agenda. Bent says property investment and management listed corporate Centuria follows Australian legislation in its operations in New Zealand and elsewhere.

“It extends down to the cleaning staff and use of labour,” he says.

Centuria included its second statement on modern slavery in its 2021 profit report: “Modern slavery is a real yet often hidden industry, built on the exploitation of the vulnerable, for profit. It is estimated around 40 million people live in slavery or slave-like conditions globally, with an estimated 15,000 of



“ESG IS A VERY BROAD TOPIC. PEOPLE HAVE FOCUSED ON THE E RATHER THAN S AND G UNTIL NOW.”

STUART BENT, BAYLEYS’ NATIONAL DIRECTOR PROPERTY MANAGEMENT SERVICES

actions taken by each part of the business to assess modern slavery, acknowledging “there may be modern slavery within our operations yet to be uncovered.”

The Centuria report says it has partnered with Bayleys in 2022, focusing on raising awareness of modern slavery and improving supplier due diligence processes. Bent says there is growing collaboration between landlords and tenants who are insisting ESG components are in place in their workplaces.

“Governance and accountability is about more than talk. NZX-listed Argosy has an ESG committee established by its Board; they’re one of the leaders in New Zealand.”

Argosy has a \$2 billion portfolio, and among its properties are several landmark Auckland buildings such as 82 Wyndham Street.

Argosy’s latest sustainability report has several goals relating to ESG mandates including obtaining NABERS NZ ratings for all its offices by 2023, a waste management target of 75-percent landfill diversion on all major projects,

those in Australia (based on the 2018 Global Slavery Index),” the company stated.

Centuria says it benefits from a group-wide governance approach to slavery through its whistle-blower policy and code of conduct, which have been updated to refer to modern slavery risks in all the places it operates.

The company has more than 350 suppliers and the report says its slavery policy has revealed a lot about its supply chain that it didn’t know, notably that secondary suppliers are often hidden, and Centuria had identified risks such as back-office staff employed in the Philippines, and in the agricultural industry.

Centuria’s chief financial officer and representatives from across the group take part in its Modern Slavery Working Group which meets regularly to discuss

moving to an electric vehicle fleet for staff, reducing air travel, and reducing carbon emissions by 2031.

The commitment of Argosy and other corporations to ESG extends to encompassing the social well-being of employees and wider society with initiatives such as provision of subsidised gym memberships, and access to independent employee assistance programmes for mental health. Permanent employees are provided with health, life and disability insurance cover as part of their employment.

Argosy also supports community initiatives such as surf lifesaving and tree planting programmes.

Many of the more recent ESG features are likely to soon become part of accounting standards, Bent says.

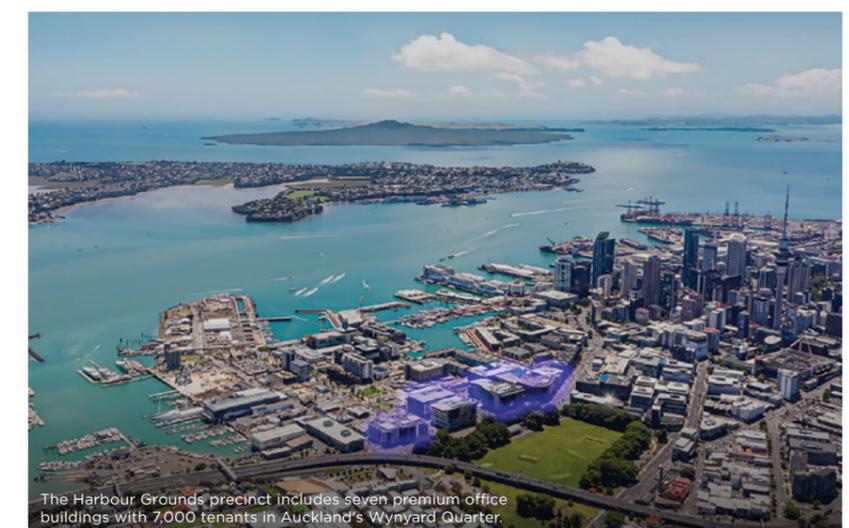
When it comes to building a precinct such as Harbour Grounds in Wynyard Quarter, managed by Bayleys, the experience is enhanced by “place making” – music, markets, food trucks, and guest speakers, Bent says.

Bayleys Property Services’ Auckland-based head of retail management Michael Gillon says he is working closely with tenants to ensure their ESG ambitions align with landlords.

“Some great work has been done so far with buildings already awarded the New Zealand Green Building Council’s Green Star ratings for design and performance.

“We’re making good headway with the NABERS NZ accreditation for many buildings we manage. However, there are a number of different sustainability accreditations we’re working on including the Global Real Estate Sustainability Benchmark (GRESB),” Gillon says.

One of Bayleys’ clients, 151 Property, has committed to carrying out a full ESG assessment on the property assets it acquires.



The Harbour Grounds precinct includes seven premium office buildings with 7,000 tenants in Auckland’s Wynyard Quarter.



Beehives being installed on top of the Air New Zealand building in the Harbour Grounds precinct.

In a recent ESG report, 151 Property chief executive Chris Chapple highlighted the value of a diverse and inclusive team: “We want to encourage freedom of opinion, freedom of voice and freedom of choice in our community.”

“Through the work of our Diversity and Inclusion committee, we aim to raise awareness of a range of initiatives, including PRIDE, Wear It Purple Day, and Mental Health Month.”

Gender equality is a top priority for 151 Property, with 40-percent female representation in the executive leadership group, and workplace initiatives, such as its flexible working policy.

The report also highlights Bayleys Property Services, which manages 151 Property’s New Zealand office portfolio, for developing a customised engagement programme at its Harbour Grounds at Wynyard Quarter in Auckland. The report states this programme “not only helps connect the spaces they manage, but supports retention and attraction of high calibre customers.”

The report states the programme for Harbour Grounds “was a key priority focused on developing strong partnerships with our customers, moving beyond the traditional property management relationships to gain a deeper understanding of their core values and their people. By working together, Bayleys has been able to deliver engagement activities that not only activate the

“GIVEN ONE THIRD OF A PERSON’S LIFE IS SPENT AT WORK, BUSINESSES HAVE A RESPONSIBILITY TO CREATE WORKSPACES THAT SUPPORT AND PROMOTE THEIR TEAM’S PHYSICAL, EMOTIONAL AND MENTAL WELL-BEING.”

151 PROPERTY, ENVIRONMENTAL, SOCIAL & GOVERNANCE ANNUAL REPORT

precinct but also support our customers, their business, their people and their values, with a shared focus on building a community, supporting our environment and creating a culture that is unique.”

In 2020, Bayleys hosted an eco market in partnership with KPMG. The event featured stalls from local operators who produce environmentally friendly products, as well as a variety of food trucks and live music.

“This was truly a community-led event that helped promote environmental sustainability within the precinct, as well as foster a sense of community amongst customers. Given the success of the event, Bayleys has decided to make it a key fixture and aims to grow the stall line-up,” the report says.

“Given one third of a person’s life is spent at work, businesses have a responsibility to create workspaces that support and promote their team’s physical, emotional and mental well-being. Our commitment to this is exemplified through our flexible working policy, provision of fresh fruit and healthy snacks, dedicated wellness room, free annual flu vaccinations and implementation of activity-based working in 2018.”

151 Property has also undertaken various partnerships with various wildlife and social support groups.

Gillon says initiatives by companies like 151 Property demonstrate how corporates are starting to focus on social impacts and governance.

“The social side looks at a wide variety of elements including how the property is contributing to the community it’s located in, health and well-being of staff and supply partners, commitment to living wages, with suppliers treated as equals rather than a master and servant relationship.

“It extends to how happy people are in our buildings and why they would want to occupy them,” Gillon says.

“As we hopefully make our way out of the end of the pandemic, the question will be asked as to what tenants and their commercial landlords will do to entice staff back to buildings. If you have a decent health and well-being strategy it will certainly help.

“When it comes to governance, it’s about how transparent the organisation is, compliance and accountability.”

Gillon says Kiwibank is another company that has come to the fore on these issues.

Kiwibank cites its core principles as respect for individuals speaking out and challenging discriminatory or bias behaviour whether on purpose or not. There are also ethical guidelines for appropriate acceptance of rewards from clients, such as recording all gifts and offers of entertainment on the company’s gifts register.

Studies such as the McKinsey report of 2019 found, “companies in the top quartile for gender diversity on executive teams were 25 percent more likely to have above-average profitability than companies in the fourth quartile - up from 21 percent in 2017 and 15 percent in 2014”.

McKinsey says greater gender and ethnic diversity in corporate leadership doesn’t automatically translate into more profit, but they are establishing a correlation rather than causation, and acknowledging the importance of an inclusive fair environment in determining a company’s success.

Leading corporates are now highlighting their ESG agenda, Gillon says.

In its half-year result ending December 2020, Precinct Properties chief executive Scott Pritchard announced that the company had set up a dedicated ESG board. He said GRESB accreditation was the most relevant ESG measure for real estate entities and Precinct had recently scored 82 for its buildings compared with a global average of 73.

Other companies such as Kiwi Property have partnered up with Be.Lab carrying out initiatives to improve accessibility at shopping centres to better cater to a range of customer health conditions.

“Bayleys has also picked up the baton in recent years with its BCREW (Bayleys Commercial Real Estate Women) network, and our property managers carrying out environmental initiatives such as installing beehives on rooftops and planting trees to help clean up New Zealand waterways polluted by farm runoff,” Gillon says.

“It’s all building a business case for investment. There’s already a green premium on certain buildings and it feeds through to investment criteria. How well you want to stand out from competitors will affect how much money will be invested as a result of these initiatives. Many commercial landlords are also linking employment bonuses to ESG improvements.



“IT EXTENDS TO HOW HAPPY PEOPLE ARE IN OUR BUILDINGS AND WHY THEY WOULD WANT TO OCCUPY THEM.”

MICHAEL GILLON, BAYLEYS PROPERTY SERVICES’ HEAD OF RETAIL MANAGEMENT

“ESG can be integrated into the investment process when deciding where to place funds under management,” Gillon says.

One of the largest organisations in New Zealand to step up with ESG strategies is Auckland Council. Its lead corporate sustainability advisor Kirk Archibald says Auckland Council views sustainability holistically.

“The Auckland Plan focuses on leveraging a compact urban form to deliver environmental and social improvements within the city. Alongside the Auckland Plan, Auckland Council recently adopted Te Tāruke-ā-Tāwhiri: Auckland’s Climate Plan and has separate plans and targets to address specific sustainability challenges like minimising waste to landfill, reducing potable water use, preserving and enhancing our urban ngahere (forest) and maintaining our natural environment,” Archibald says.

“Our Sustainable Procurement Guide ensures that Auckland Council’s purchasing and investment contributes to these goals.

“The council’s development arm, Eke Panuku Development Auckland sets strong environmental standards.

These include requiring a minimum of 6 Homestar rating for residential development and 5 Green Star rating for other buildings with requirements for energy efficiency, reducing potable water use and minimising construction and demolition waste,” Archibald says.

Auckland Council’s Environment and Climate Change Committee recently endorsed a sustainable asset policy for community facilities. This requires new buildings to have net-zero operational emissions and for existing facilities to be decarbonised.

“Within our corporate property portfolio, Auckland Council’s Corporate Property Strategy has seen office space consolidated to three hubs in Manukau, Central Auckland and Albany and smaller spokes in community facilities around the region.

“Our minimum standard for new office builds is designed to 5 Green Star standards and our new Albany Hub will be a certified 6 Green Star designed base building and internal fitout. Like the other hubs in our new office portfolio, the Albany Hub is located near public transport and features quality end-of trip facilities for walking, cycling and micro mobility and EV charging,” Archibald says.

Legislation currently before Parliament will require some of New Zealand’s largest companies and organisations to make climate-related disclosures in the 2022 financial year.

This mandatory reporting will apply to about 200 large organisations including all registered banks, credit unions, and building societies with total assets of more than \$1 billion; all managers of registered investment schemes with more than \$1 billion under management, all licensed insurers with more than \$1 billion total assets under management, and all equity and debt issuers listed on the NZX, and Crown financial institutions with more than \$1 billion total assets under management.



The Harbour Ground eco market hosted by Bayleys in partnership with KPMG.