



PROPERTY GROUP

# SUSTAINABILITY REPORT 2011

well versed  
well timed  
well considered



|                            |   |                                      |    |
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## Report Scope and Boundary

This report covers Cromwell Property Group's economic, social and environmental activities for the year ended 30 June 2011. Cromwell reports on an annual financial year cycle, with the previous report dated 30 June 2010.

The content of the report has been collected and prepared for Cromwell Property Group ("Cromwell") and its managed property assets unless stated otherwise. The report is limited to assets and entities wholly-owned or managed by Cromwell until such time that relevant disclosures from other related party entities can be integrated into future reports. The impact of other entities related to Cromwell but not included in this report is not considered to be material. All assets and companies are managed and operated solely in Australia.

## Application Level

Cromwell has applied the Global Reporting Initiative (GRI) G3.1 guidelines to the preparation of this report. Cromwell self declares that this report complies with **Application Level C** based on the extent of coverage of the GRI Reporting Framework.

## Audiences

The key target audiences for this report are internal and external stakeholders including employees, tenants, investors and the broader community.

## Measurement

Cromwell reports on its economic performance in accordance with ASX Listing Rules and the Corporations Act. The measurement of the Cromwell-managed properties' impact on the environment is undertaken by independent NABERS assessors, with data consolidated in-house to arrive at a whole of portfolio figure and reported on a like-for-like basis to account for changes to the portfolio between reporting periods. All other reporting adheres to the GRI Indicator Protocol. Details of measurement techniques and the basis of calculation are being reviewed and documented in Cromwell's ESG (Environmental, Social, Governance) Policy.

## Assurance

Cromwell's Sustainability Committee has identified the following targets to implement as future assurance measures for this report:

- request the GRI Secretariat to certify the content of self-declared reports;
- third party verification of the environmental performance indicators relating to Cromwell-managed properties to ensure disciplines are maintained in reporting parameters of the areas of our business with the greatest environmental impact;
- have future reports externally assured.

## Enquiries

Enquiries relating to this Report should be directed to:

### Sustainability Committee

Cromwell Property Group  
Level 19, 200 Mary Street  
Brisbane QLD 4000 AUSTRALIA

Email: [sustainability@cromwell.com.au](mailto:sustainability@cromwell.com.au)

## 2011 Annual Reporting Suite

This Sustainability Report forms part of Cromwell Property Group's 2011 annual reporting suite. The Annual Report and Annual Update can be downloaded from [www.cromwell.com.au](http://www.cromwell.com.au) or by calling 1300 276 639.



\* Cromwell Property Group comprises Cromwell Corporation Limited ABN 44 001 056 980 and Cromwell Property Securities Limited AFS 238052, ABN 11 079 147 809 as responsible entity for Cromwell Diversified Property Trust ARSN 102 982 598, ABN 30 074 537 051.



## CHAIRMAN'S LETTER

The principles of sustainability are an integral part of Cromwell's business.

Our tenants want it addressed when considering space requirements; our investors want to know our business is ethical and economically responsible; and our employees want to work for a business that has a conscience.

With the adoption of the Global Reporting Initiative (GRI) guideline as the framework for reporting on the Group's environmental, economic and social performance, we are providing meaningful reporting on our sustainability performance.

Cromwell's key environmental area of influence is the impact of our properties under management. Since 2007, Cromwell has applied the National Australian Built Environment Rating System (NABERS) to measure the operational impacts of the majority of its properties.

This financial year, the office portfolio has achieved an average 4.2 star NABERS rating. Our aim is to continue to improve this year on year.

The introduction of a price on carbon this year has sharpened the focus on emissions reduction. We consider this to be a positive for the property sector and a priority in 2011 has been to ensure our properties continue to meet the expanded package of measures under the Building Energy Efficiency Disclosure Act.

Cromwell continues to engage with stakeholders across the business to identify their concerns and assist us to determine areas for improvement. I am pleased to report that this year's Securityholder Survey saw a continued upward trend in securityholders' perception of the Group and its management.

To further engage with investors and the broader community, feedback was sought on the introduction of a quarterly seminar series. The response was very encouraging and the initiative will be pursued in 2012.

Cromwell also intends to broaden its Environmental, Social and Governance (ESG) commitments in 2012 by becoming a signatory to the United Nation's Principles for Responsible Investment (PRI) and a member of the Responsible Investment Association of Australasia (RIAA). We look forward to integrating these principles into our business and ESG framework.

Despite the continuing difficult global economic conditions, Cromwell's financial performance and disciplined capital management continues to deliver the best possible distribution yields to investors.

This steady approach has delivered strong returns, with Cromwell reporting full-year operating earnings of 7.1 cents per security earned entirely through recurring income from our investment properties.

This reliable earnings performance has seen Cromwell outperform the S&P/ASX 300 A-REIT Accumulation Index over the past one, three and five years.

During the year, Cromwell continued to take advantage of the constrained market to further improve our portfolio.

The \$144 million acquisition of the Qantas Global Headquarters facility in Sydney has already delivered a return on equity of 38%, with the signing of a new long-term lease and a comprehensive redevelopment agreement.

We also acquired and refurbished 321 Exhibition Street in Melbourne which was awarded a Five Star Green Star (Version 3) rating from the Green Building Council of Australia.

In line with our philosophy of protecting value for existing securityholders, the capital to fund these acquisitions was raised at a slight premium to net tangible asset value (NTA).

Our disciplined capital management has also been shown in the refinancing and hedging of our debt. Following our refinancing of more than \$500 million in debt in May 2011, Cromwell had a weighted average debt maturity of 2.9 years, with no material maturity due until July 2013.

It has been another year of steady portfolio and fiscal improvement for Cromwell. We believe this conservative and sustainable approach to our operations makes the Group more attractive to long-term investment.

I hope you find this report useful and look forward to receiving your feedback.

**Geoffrey H Levy, AO**  
Chairman

# ABOUT US



## Group Overview

Cromwell Property Group is an internally managed Australian real estate investment trust (A-REIT) with a property portfolio valued in excess of \$1.4 billion and a funds management business that promotes and manages unlisted property investments.

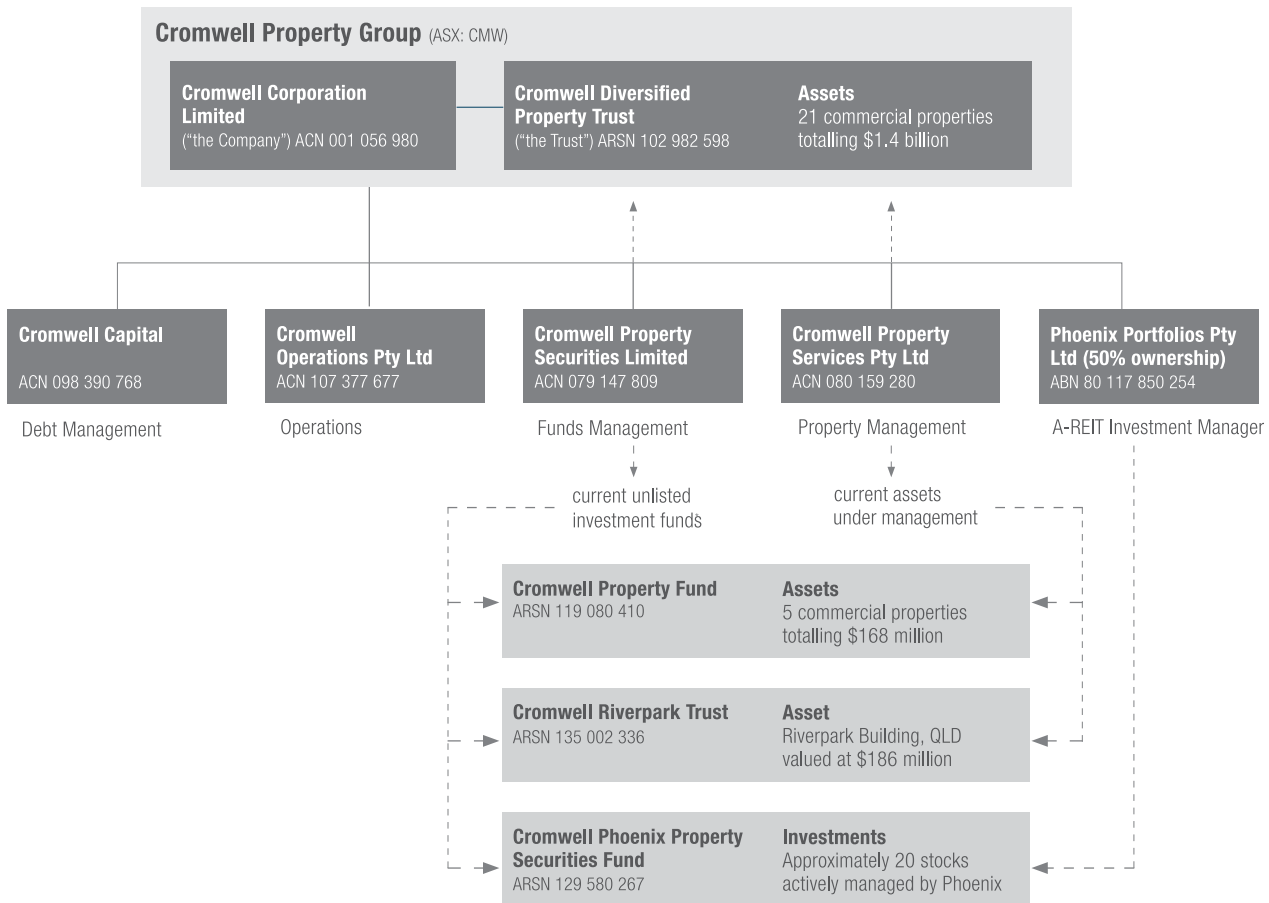
Cromwell's income is underpinned by a focus on quality income producing office properties with strong tenant covenants. We aim for 4% annual growth in 'like for like' property income.

Cromwell's Australian property focus enables it to provide a full suite of property related services including deal sourcing, due diligence, property management, leasing and asset enhancement.

As a fund manager, Cromwell has acted as responsible entity for more than 20 managed investment products on behalf of thousands of Australian investors.

Cromwell internally manages all of its properties to ensure buildings operate efficiently, projects are delivered on time and on budget, and tenants are managed professionally.

Cromwell employs over 70 staff throughout New South Wales, Victoria, Queensland, South Australia and the ACT and utilises the services of hundreds of contractors and suppliers throughout Australia in the delivery of its products and services.



## Integrated Property Management Model

Cromwell's internalised property management model is one of the Group's key competitive advantages. The property team oversees the strategic management of the assets, ensuring that tenants are happy, space is leased, buildings are operating efficiently and projects are delivered on time and on budget.

By keeping these functions in-house, Cromwell ensures that assets are managed in accordance with the interests of investors and to the expectations of tenants.

Cromwell's experience and approach to commercial asset management puts Cromwell at the forefront of the industry and the internalised model creates a seamless link between investors, the assets and their tenants.

Cromwell's approach is to constantly improve tenant satisfaction, property income returns and capital value.

## Key Features

- Strong security price of \$0.69 at 30 June 2011 represents approximately 10.1% pa yield on distribution guidance for the 2012 financial year of 7.0 cents per security.
- Australian focused with no exposure to offshore markets.
- Defensive portfolio with strong cash flow and minimal short-term lease expiry.
- Risk averse debt profile; all debt facilities with Australian banks and 96% of interest costs hedged for 2012 financial year.
- Experienced and stable executive team.

## Cromwell History

|             |   |             |   |
|-------------|---|-------------|---|
| <b>1998</b> | The Company was recapitalised and the Cromwell brand was established.   | <b>2009</b> | Cromwell undertook a \$91 million capital raising for the unlisted Cromwell Riverpark Trust (CRT) - the largest retail fund raising in Australia in 2 years. The Group also made a placement of \$73.3 million stapled securities (13% of issued capital) to Redefine Australian Investments Limited.   |
| <b>2003</b> | Between 1998 and 2003 Cromwell purchased 14 properties in 5 states for managed funds, with a combined value of more than \$300 million.                                 | <b>2010</b> | The Group raised \$75.4 million via a placement and rights issue and acquired the Qantas Global Headquarters in Mascot, NSW for \$143 million. Cromwell also acquired 2 assets from the Cromwell Property Fund (CPF).   |
| <b>2004</b> | Cromwell's flagship Cromwell Diversified Property Trust (DPT) expanded significantly, purchasing 12 properties totalling \$285 million.                                 | <b>2011</b> | \$37 million was raised via a placement in March 2011. The leasing team signed significant new tenants including Origin Energy and Masters Hardware across 29,835 sqm and 52,364 sqm respectively. Cromwell was also awarded <i>Fund Manager of the Year (Australian Property Securities)</i> by Money Management / Lonsec for the Cromwell Phoenix Property Securities Fund (PSF). |
| <b>2005</b> | Cromwell continued funds management growth, and in 2005 was responsible for 8 trusts and syndicates holding 26 properties valued at more than \$882 million.            |             |   |
| <b>2006</b> | In December 2006, the DPT was merged with 5 smaller syndicates and stapled to Cromwell Corporation Limited creating the \$1 billion Cromwell Property Group.            |             |   |
| <b>2007</b> | Cromwell sold a number of properties for a combined \$231 million at the peak of the market.  |             |   |
| <b>2008</b> | Cromwell purchased Tuggeranong Office Park for \$166 million and established a strategic alliance with Phoenix Portfolios Pty Ltd to launch a Property Securities Fund. |             |   |

\* Units in the DPT, CPF, PSF and CRT are issued by Cromwell Property Securities Limited AFS 238052, ABN 11 079 147 809 ("CPS"). DPT is part of the listed Cromwell Property Group (ASX: CMW). The CPF and CRT are closed to new investments. An investment in the PSF can only be made on an application form accompanying the Product Disclosure Statement ("PDS"). Investors should consider the PDS when making a decision about whether to acquire, or continue to hold, units in the PSF. The PDS is available from [www.cromwell.com.au](http://www.cromwell.com.au) or by calling 1300 276 693.

This document has been prepared without taking into account your objectives, financial situation or needs. Therefore, in deciding whether to acquire or continue to hold an investment, you should consider the relevant offer document available from us and assess, with or without your financial adviser, whether the product fits your objectives, financial situation or needs. Past performance is not indicative of future performance. Certain statements in this document are also forward-looking and are not guarantees of future performance. Actual results could differ materially from those expressed. CPS does receive fees for the CPF, PSF and CRT as set out in their respective PDSs. CPS does not receive any fees in relation to this document or as responsible entity of the DPT.



## OUR APPROACH

## Corporate Governance

The Board of Cromwell Property Group has embraced the ASX Corporate Governance Principles & Recommendations. As a result, best practice corporate governance practices have been introduced at all levels of the organisation which is in keeping with today's securityholder expectations.

To assist with adherence to the ASX Principles, the Board has formally established several Board Committees and written Charters for the Board and those Committees (for example, the Board Charter, Audit & Risk Committee Charter and Nomination & Remuneration Committee Charter).

The Board has also approved a number of policy statements (for example, a Code of Conduct, Market Disclosure Protocol and Conflict of Interest Policy).

As a financial services licensee and responsible entity, Cromwell Property Securities Limited has a robust

compliance regime, including a Compliance Committee comprised of a majority of external members which is overseen by the Board. Day to day responsibility for compliance monitoring rests with the Compliance Manager, supervised by the General Counsel / Company Secretary.

Cromwell adheres to core GRI Indicators regarding Corruption (S03 & S04) by incorporating anti-corruption policies and procedures into its corporate governance regime. There have been no reported instances of corrupt conduct involving Cromwell staff.

Cromwell adopts the ASX Corporate Governance Principles & Recommendations when defining the term 'independent' in relation to directors. A 'non-executive' director is a director who is not involved in the day-to-day management of Cromwell Property Group.



**Geoffrey Levy, AO**

**Chairman**

Solicitor of the Supreme Court of NSW  
Fellow of the Financial Services Institute of Australasia  
Fellow of the Australian Institute of Company Directors



**Paul Weightman**

**Chief Executive Officer**

Solicitor of the Supreme Court of Qld



**Daryl Wilson**

**Finance Director**

Member of the Institute of Chartered Accountants  
Member of the Australian Institute of Company Directors  
Member of the Financial Services Institute of Australasia



**Michelle McKellar**

**Non-Executive Director**

Senior Member of the Property and Land Economy Institute  
Member of the Australian Institute of Company Directors



**David Usasz**

**Non-Executive Director**

Fellow of the Institute of Chartered Accountants



**Richard Foster**

**Non-Executive Director**



**Marc Wainer**

**Non-Executive Director**



**Robert Pullar**

**Non-Executive Director**

Member of the Institute of Chartered Accountants  
Fellow of the Australian Institute of Company Directors



**Michael Watters**

**Non-Executive Director**



**Nicole E Riethmuller**

**Company Secretary**

Solicitor of the Supreme Court of Qld & NSW  
Member of Company Secretaries Association



## Management and its approach

With the majority of Cromwell's income derived from reoccurring commercial office property income, the Group is essentially a conservative A-REIT. Despite pursuing portfolio enhancement opportunities by actively managing its assets, and growth opportunities through its funds management activities, Cromwell's approach is risk averse in nature.

In relation to sustainability issues, management takes a continual improvement approach, embedding social responsibility, sustainability and resource management best practice into our operations at all levels and reviewing policy and outcomes regularly.

Cromwell's Sustainability Committee directs our commitment to Environmental, Social and Corporate Governance (ESG) reporting and has representatives from each area of the business. The Committee meets regularly and has been given authority to set and review the Group's sustainability objectives, reporting to the Board.

Cromwell is committed to demonstrating leadership in sustainability.

We also seek to influence our stakeholders - especially tenants and suppliers - to adopt sustainable practices.

Cromwell regularly makes substantial investments in the sustainability of its property assets in the knowledge that this will help the assets meet market demand while enhancing their value.

To reinforce Cromwell's resolve, we have committed to transparent reporting of our activities, which will ensure sustainability remains a constant and visible consideration for management. It will also help us to objectively measure our progress.

Cromwell has had no legal actions brought against it for anti-competitive behaviour, anti-trust or monopoly practices. Cromwell prides itself on its integrity in the marketplace.

## Product Responsibility

The products and services provided by Cromwell, being property investment products and property management services, are managed in accordance with the Group's risk management framework.

OH&S is a key component of the property management services offered. Throughout the lifecycle of each building owned by Cromwell, OH&S is assessed. The property management team maintain OH&S and incident registers and do a thorough risk analysis in accordance with the Board approved risk management framework. Compliance with these procedures is monitored by senior members in the property team.

Cromwell's relationship with its customers is managed in-house. Tenants benefit from having a direct line of communication with Cromwell's property management team

and investors are serviced by the Group's investor/adviser service team.

All Cromwell investment products must adhere to strict disclosure and marketing protocols as required by the Corporations Act and the Australian Securities and Investments Commission. Cromwell has detailed procedures in place to ensure compliance with these requirements. In addition, all disclosure and marketing documents require legal sign-off prior to release. The Legal and Compliance team conduct regular independent reviews to ensure the procedures are followed.

It is thanks to this diligent approach to Cromwell's customer service responsibilities that there were no fines for non-compliance with laws and regulations concerning the provision of products and services in 2011.

## Feedback

The Board values feedback from its stakeholders. Staff are able to provide feedback via internal management channels and confidential employee surveys.

More formal mechanisms are in place for the Board to take feedback from securityholders including, a complaints handling policy, statutory meetings (for example, AGM) and an annual survey. The Board also receives monthly investor relations reports.

.....  
If you have feedback or comments for the Board, please write to:

### Company Secretary

.....  
Cromwell Property Group  
PO Box 1093  
Brisbane QLD 4001  
.....

.....  
Feedback or comments relating to investments and funds management should be directed to:

### Investor Relations

.....  
Phone: 1300 276 693  
Email: invest@cromwell.com.au  
.....

.....  
Feedback or comments relating to tenancy, leasing and property management should be directed to:

### Property Services

.....  
Phone: 1800 005 657  
Email: property@cromwell.com.au  
.....

## Benchmarking our Performance

In addition to internally measuring our performance on a continuous basis we look to external benchmarks for an independent assessment of our performance against our competitors in the property industry.

In 2011 we used the following indices and rating systems:

### Building Sustainability

- **NABERS** (the National Australian Built Environment Rating System) is a performance-based rating system for existing buildings. NABERS rates a commercial office, hotel or residential building on the basis of its measured operational impacts on the environment and provides a simple indication of how well we are managing these environmental impacts compared with our peers.
- **Green Star** is a comprehensive, national, voluntary environmental rating system that evaluates the environmental design and construction of buildings. Green Star is managed by the Green Building Council of Australia.
- **Commercial Building Disclosure Act** is a national program designed to improve the energy efficiency of Australia's largest office buildings.

### Investment Performance

- Cromwell benchmarks its portfolio against the **PCA/IPD All Fund Universe (excl. Super & Major Regional Shopping Centres)**. PCA/IPD direct property indices are the benchmark series for commercial property performance in Australia, based on the performance of over 470 commercial properties.
- **The S&P/ASX 300 A-REIT Accumulation Index** is a sharemarket index managed by international ratings agency Standard & Poor's. Cromwell uses this to benchmark its performance against a group of other listed real estate investment trusts.

### Corporate Social Responsibility Performance

- The **Global Reporting Initiative (GRI)** sets out the principles and indicators that organisations can use to measure and report their economic, environmental, and social performance. The cornerstone of the framework is the Sustainability Reporting Guidelines. Version 3.1 of the Guidelines was published in 2011 and has been adopted by Cromwell.

## Memberships

Cromwell holds corporate membership in the following industry and governing bodies:

- Property Council of Australia (National Member)

### Cromwell to become a signatory to the UNPRI

Cromwell has made the decision to become a signatory to the United Nations Principles for Responsible Investing (UNPRI) in the 2012 financial year.

The United Nations-backed initiative is a network of international investors working together to put the six Principles for Responsible Investment into practice.

The Principles were devised by the investment community. They reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios and therefore must be given appropriate consideration by investors. The Principles provide a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices and so better align their objectives with those of society at large.

The Initiative is managed by the PRI Secretariat and supports investors by sharing best practice, facilitating collaboration and managing a variety of work streams. The Initiative is incorporated as a not-for-profit company limited by guarantee. Details of the Principles and the UNPRI can be found on their website at [www.unpri.org](http://www.unpri.org)

## Supply Chain

Cromwell is committed to supporting local businesses and residents by buying and hiring locally. In 2011, less than 1% of Cromwell's suppliers were overseas based. Cromwell aims to have local suppliers tender for greater than 95% of contracts.

All of Cromwell's building contractors are required to complete induction programmes and are regularly assessed to ensure our supply chain supports our social and environmental objectives, while adhering to OH&S expectations.

Cromwell recruits staff from the local labour market wherever possible and this is reflected in the fact that only one of our current employees has been sourced from outside the local labour market. All of our senior managers have been sourced from within Australia.

## Key Stakeholders

Cromwell has determined the following stakeholders to be those most impacted by Cromwell's operation and performance. At several levels, Cromwell engages with these stakeholders throughout the year to garner their expectations of Cromwell economically, socially and environmentally.

| Stakeholders   | Engagement <sup>1</sup>   |
|--|---|
| <b>Securityholders</b>   |   |
| We run a profitable and financially prudent business with best practice corporate governance.  | Cromwell conducts an annual Securityholder Engagement Survey to ensure the goals, objectives and conduct of the Group are in line with the expectations of securityholders. The survey is also used to gauge our performance relative to our peers.   |
| <b>Employees</b>   |   |
| We recognise that our employees are central to the success of our business and strive to foster a culture that enhances employee satisfaction, wellbeing and professional development. | Proactive engagement ranges from a Employee Engagement Survey and formal management structures such as performance reviews, monthly all-group meetings and internal surveys, through to informal activities including fundraising, sporting events, health initiatives and social functions.  |
| <b>Environment</b>   |   |
| The environment as a stakeholder benefits from initiatives undertaken to reduce the use of resources.  | Cromwell has created several programs to help staff reduce the use of water, waste and electricity. However, a greater result is achieved through Cromwell's management of the environmental impact of its property portfolio and encouragement of suppliers and tenants to consider environmental improvement.   |
| <b>Investors</b>   |   |
| We offer a range of property investment products to meet the needs of the Australian investment community.   | Via Cromwell's professional network of dealer groups, investment platforms, financial advisors and direct retail investors, Cromwell benefits from significant insights into the expectations of Australian investors. Investors in Cromwell-managed funds also receive quarterly reports to keep them up to date with the progress of their investments. |
| <b>Tenants</b>   |   |
| We manage safe, efficient and comfortable workplaces that meet the needs of a wide variety of businesses.  | Cromwell is particularly accessible to tenants, with dedicated property and facility managers, to ensure issues are addressed quickly. In 2010, Cromwell initiated a tenant survey as a more formal mechanism to engage with this stakeholder group.  |
| <b>Community</b>   |   |
| We are committed to contributing to the communities in which we operate.   | Cromwell supports several charities and sporting groups, with the view that they play a vital role in building stronger communities. To promote staff involvement in charity work, Cromwell has established a paid Employee Volunteer Program.  |

1 No stakeholder engagement was undertaken specifically as part of the Sustainability Report preparation process in FY11.

## Key Engagement Outcomes

This year's Securityholder Engagement Survey saw continued improvement in the overall perception of Cromwell, with a 1% increase in 2011 over 2010, and a 9% increase since the initial study was conducted in February 2009, with a total of 72% of the respondents indicating they were positive about Cromwell.

One of the most significant areas of improvement for 2011 was the change in the perception of Cromwell's risk profile from 2010. A total of 24% (35% in 2010) said that they perceived Cromwell's risk to be above average, compared to 39% (23% in 2010) who perceived it to be below average. The balance of 27% said they perceived it to be in line with the market average. The risk profile perception was affected during recent years of market volatility. Cromwell management believe this risk perception to be reflective of securityholders' broader perception of the share market and not isolated to Cromwell. However it has prompted Cromwell to be more conscious of communicating the Group's achievements in capital and portfolio management to reassure investors that Cromwell's risk-averse strategy is being maintained.

This year, securityholders were also quizzed on their perception of Cromwell's benevolence activities. Most felt Cromwell's charitable contributions would be best directed to Mental Health, Medical Research and Healthcare. In the coming year, Cromwell intends to direct additional funding towards charities aligned to our securityholders' preference.

# ECONOMIC PERFORMANCE

- Statutory accounting profit of \$88.1m or 9.6 cents per security
- Operating profit of \$65.3m, in line with guidance
- Operating earnings per security of 7.1 cents
- Distributions per security of 7.0 cents

## Financial Results Summary

|                                    | FY10 Actual | FY11 Actual |   | Change |
|------------------------------------|-------------|-------------|---|--------|
| Statutory accounting profit (\$m)  | 19.1        | <b>88.1</b> | + | 361%   |
| Operating earnings (\$m)           | 64.6        | <b>65.3</b> | + | 1%     |
| Operating EPS (cents)              | 8.5         | <b>7.1</b>  | - | 16%    |
| Distributions (\$m)                | 60.6        | <b>65</b>   | + | 7%     |
| Distributions per security (cents) | 8           | <b>7</b>    | - | 13%    |
| Payout Ratio (%)                   | 94%         | <b>99%</b>  | + | 5%     |

|                                       | Dec-10 Actual | Jun-11 Actual |   | Change |
|---------------------------------------|---------------|---------------|---|--------|
| Net Tangible Assets (\$m)             | 640.3         | <b>703.6</b>  | + | 10%    |
| Securities on issue (m)               | 911           | <b>964.7</b>  | + | 6%     |
| NTA per security (\$)                 | \$0.70        | <b>\$0.73</b> | + | 4%     |
| Gearing (%) <sup>1</sup>              | 53%           | <b>49%</b>    | + | 4%     |
| Look-through gearing (%) <sup>1</sup> | 53%           | <b>50%</b>    | + | 3%     |

1] Calculated as (total borrowings less cash)/(total tangible assets less cash)

## Statutory Profit

|                                      | FY10 (\$m)  | FY11 (\$m)  | Change        | FY10 EPS (cps) | FY11 EPS (cps) | Change        |
|--------------------------------------|-------------|-------------|---------------|----------------|----------------|---------------|
| Operating Earnings                   | 64.6        | <b>65.3</b> | + 1%          | 8.5            | <b>7.1</b>     | - 16%         |
| <b>Adjustments</b>                   |             |             |               |                |                |               |
| Fair Value - investment properties   | -32.1       | <b>33.7</b> | + 205%        | -4.2           | <b>3.7</b>     | + 188%        |
| Fair Value - interest rate swaps     | -1.3        | <b>-1.9</b> | - 46%         | -0.2           | <b>-0.2</b>    | - 0%          |
| Fair Value - equity acc. investments | -2.6        | <b>-1.6</b> | + 38%         | -0.3           | <b>-0.2</b>    | + 33%         |
| Write downs - development inventory  | -6.3        | <b>-3.7</b> | + 41%         | -0.9           | <b>-0.4</b>    | + 56%         |
| Other items                          | -3.2        | <b>-3.7</b> | - 15%         | -0.4           | <b>-0.4</b>    | - 0%          |
| <b>Net Profit after tax</b>          | <b>19.1</b> | <b>88.1</b> | <b>+ 361%</b> | <b>2.5</b>     | <b>9.6</b>     | <b>+ 284%</b> |

## Composition of Operating Earnings

|                           | FY10 (\$m)  | FY11 (\$m)  | Change      | FY10 EPS (cps) | FY11 EPS (cps) | Change       |
|---------------------------|-------------|-------------|-------------|----------------|----------------|--------------|
| Property Investment       | 65.5        | <b>65.9</b> | + 1%        | 8.6            | <b>7.2</b>     | - 16%        |
| Funds Management          | 2.9         | <b>0.2</b>  | - 93%       | 0.4            | <b>0</b>       | - 100%       |
| Property Development      | -3.8        | <b>-0.8</b> | + 79%       | -0.5           | <b>-0.1</b>    | + 80%        |
| <b>Operating Earnings</b> | <b>64.6</b> | <b>65.3</b> | <b>+ 1%</b> | <b>8.5</b>     | <b>7.1</b>     | <b>- 16%</b> |

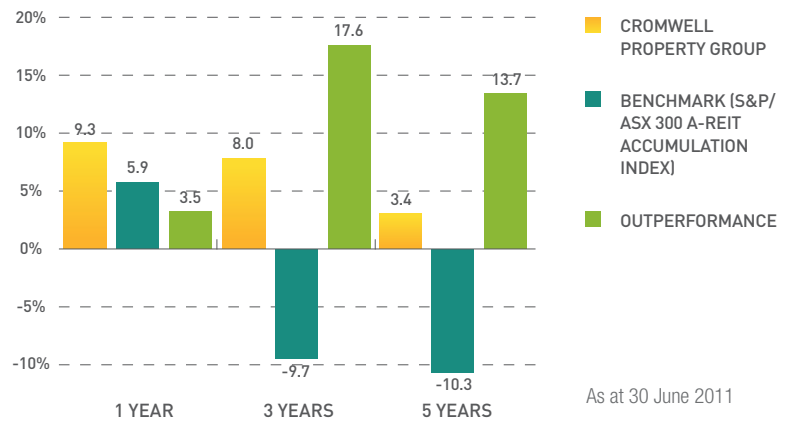
- No material debt maturity until July 2013
- Raised \$184m in equity since December 2009 at NTA to acquire quality assets for medium term accretive growth
- Weighted average debt maturity of 2.9 years
- Gearing of 49% down from 53% at 31 December 2010
- Operating earnings expected to be 7.3cps in FY12
- Distributions expected to be maintained at 7.0cps in FY12

## Total Securityholder Returns

Over the long-term, a key measure of performance is a company's total securityholder returns (a measure of the change in security price plus distributions).

Cromwell has significantly outperformed the S&P/ASX 300 A-REIT Accumulation Index since listing. Outperformance of 3.5%, 17.6% and 13.7% per annum over 1, 3 and 5 years respectively.

Cromwell was also one of the few A-REITs not to undertake a heavily discounted equity raising during the financial crisis.



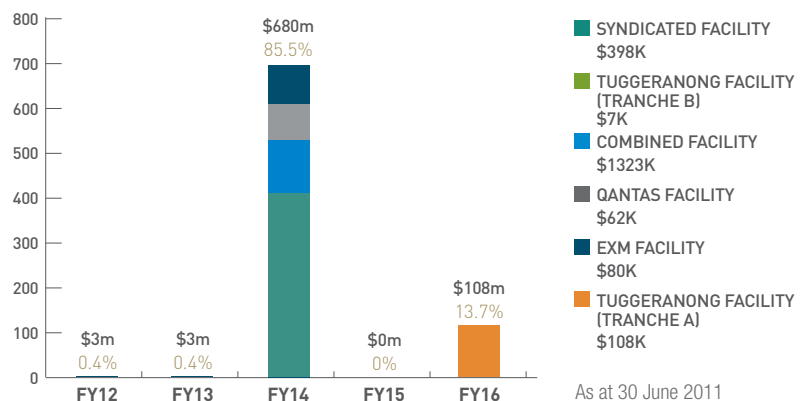
## Strong Debt Profile

As a risk averse property investor and fund manager, Cromwell practices disciplined capital management.

Cromwell took the opportunity during 2011 to secure its debt arrangements for the next three years. This was done by refinancing existing debts and extending hedging. The refinancing means Cromwell enjoys an excellent debt position, with no further debt facility expiries until July 2013.

The Group's gearing sits at 49%, down from 53% at 31 December 2010.

Since December 2009, Cromwell raised \$184 million in equity at net tangible asset value (NTA) to acquire quality assets for medium term accretive growth.





# PROPERTIES & THE ENVIRONMENT

## Impact of Climate Change

Cromwell acknowledges that commercial property activity can have an adverse impact upon the environment. However, by embracing innovation and striving to improve building efficiency, Cromwell hopes to make a real difference.

Climate change does pose risks and opportunities which could have potential financial implications for Cromwell, including:

- Risks due to physical changes associated with climate change (e.g., impacts of modified weather patterns);
- Regulatory risks (e.g., the cost of activities and systems to comply with new regulations);

- Innovation opportunities (e.g., provision of services to address challenges related to climate change); and
- Competitive advantage opportunities (e.g., by meeting market appetite for highly green credentialed property investments and ensuring our portfolio exceeds market expectation for sustainable asset management).

The Cromwell Sustainability Committee's decisions relating to climate change have influenced the operation of the business, including the management of assets and compliance with state and government regulations.

## Portfolio Strategy

Cromwell has a focused and defined investment portfolio strategy: to invest in defensive, high quality office assets in predominantly CBD and core fringe markets.

The Group delivers over 95% of earnings from its property portfolio.

The portfolio is diversified by geography, tenant and lease expiry profile.

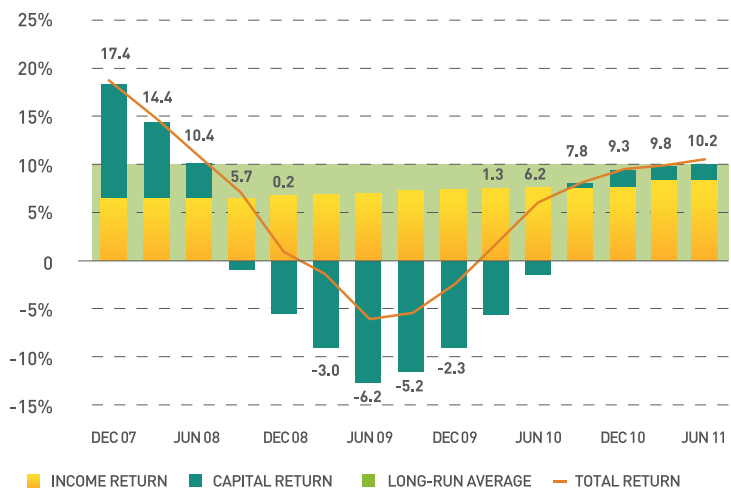
It is made up of 21 quality commercial property assets spread across 6 Australian States and Territories. The portfolio is 99.6% leased with one of the longest weighted-average lease terms in the A-REIT sector at 6.8 years.

Each year, Cromwell works to strengthen the portfolio by investing in assets that offer the potential for superior returns through active asset management, disposing of non-core assets and repositioning properties which present structured growth potential.

This consistent improvement of the portfolio is reflected in the Direct Property Outperformance chart, which shows Cromwell's managed properties consistently outperform the benchmark.

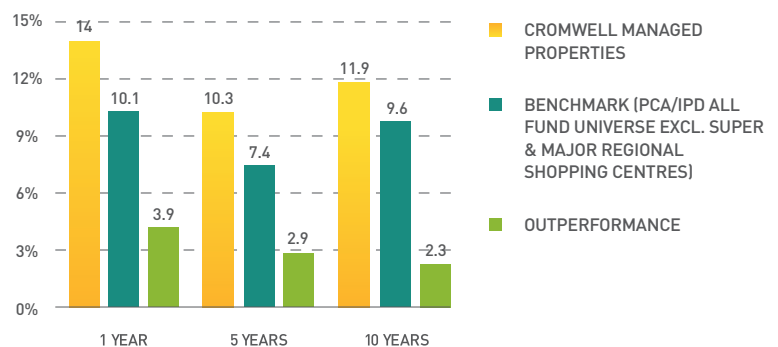
## Total Rolling Annual Returns for Direct Commercial Property

PCA/IPD Australian Property Index



## Direct Property Outperformance

to 30 June 2011





## Queensland Floods

In January 2011, Brisbane experienced a 'one in 100 year' flood event. During the floods two major assets were affected – Cromwell's headquarters at 200 Mary Street and the Energex Building at 33 Breakfast Creek Road, Newstead.

The outstanding response from Cromwell's property team, including implementation of existing contingency plans meant there was no material effect on the value of the assets and minimal impact on the tenants.

At 200 Mary Street flooding meant that, like hundreds of other CBD businesses, Cromwell's head office was inaccessible during the peak of the floodwaters.

The asset required some minor works to restore power and lift operation but Cromwell's onsite property managers got the asset fully operational by Monday 17 January just a couple of days after the water receded.

The effort to protect the Energex Building was especially important because anchor tenant Energex is a key infrastructure provider to the city, supplying electricity to more than 1.3 million South-East Queensland residents.

Cromwell responded quickly by implementing the building's contingency plans. The Energex Building was completed in late 2010 and, being designed to cope with flood emergencies, was well equipped to deal with a major flood event.

Pumps were used to remove over 10 million litres of water from the basement shortly after the peak flood level and the asset was operational again on Monday 17 January.



This outstanding result for the affected assets was achieved using a workforce of six Cromwell employees and 15 contractors including electricians, plumbers, mechanical services, security and cleaners.

It was also achieved in spite of Cromwell's headquarters being inaccessible after power to the city centre was cut.

Cromwell maintains Business Continuity Plans for all properties which are designed to allow it to respond effectively to any major event, protecting assets like Energex House which provide vital services.

The smooth functioning of these plans during the Brisbane floods was a matter of great satisfaction to the Cromwell team who felt their work had made a real contribution to minimising the effect of the flood on the assets, tenants and other stakeholders.

## Essential Services Compliance

Essential services compliance is monitored by independent consultants AESC Pty Ltd. AESC review contractors' service and certification reports against over 500 tests and inspections undertaken annually to the Cromwell portfolio.

## Ecologically Sensitive Sites

A few of Cromwell's property assets are in close proximity to protected areas and areas of high biodiversity. These include:

- TGA Building (Site area 173,500m<sup>2</sup>), 136 Narrabundah Lane, Symonston, ACT
- Centenary House (Site area 6,657m<sup>2</sup>), 19 National Circuit, Barton, ACT
- Altona Land (Site area 15.22ha), 210-238 Maidstone Street, Altona, VIC

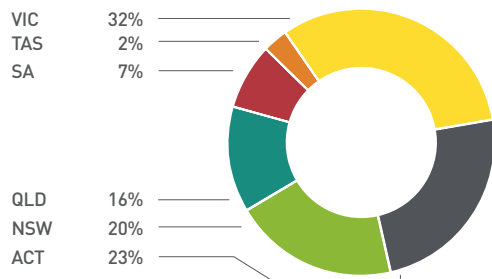
In June 2010 Cromwell entered into an enforceable undertaking with the Department of the Environment, Water, Heritage and the Arts (DEWHA) in relation to the removal of rocks and disturbance of approximately 0.4Ha of Natural Temperate Grassland of the Victorian Volcanic Plain (NTGVVP) at the Altona Land site.

The works were undertaken to facilitate slashing of the grassed fire break to protect adjacent residential dwellings.

In commencing the works, a series of large rocks were removed which in the opinion of DEWHA could lead to a breach of the Environment Protection and Biodiversity Conservation Act. Whilst not conceding that a breach occurred, Cromwell acknowledged that the activities could have resulted in a loss of habitat for certain threatened species and agreed to pay a contribution to DEWHA for the purposes of offsetting the native vegetation lost and threatened species that were considered to have been damaged and could be lost as a consequence of the rocks being disturbed.

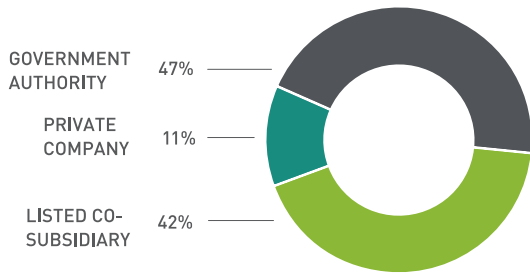
The site is zoned for business and industrial development and has an approved planning consent over part of the land for the construction of an industrial warehouse. A master development plan is also being prepared as a prelude to an offset application to DEWHA and a planning and development application over the entire site.

In the interim, Cromwell have an approved ecological management plan in place and have subsequently agreed and obtained approval to slash the fire break on a regular, as required basis, to meet obligations to the local council.



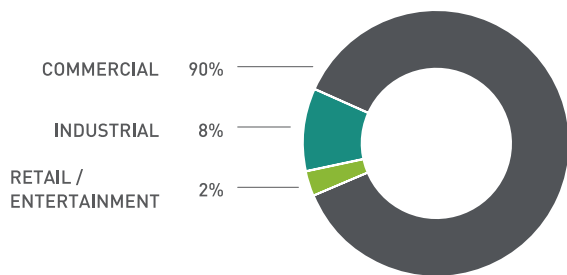
### Geographic Diversification by Income

The acquisition of the Qantas Headquarters has increased the Group's portfolio exposure to the Sydney market.



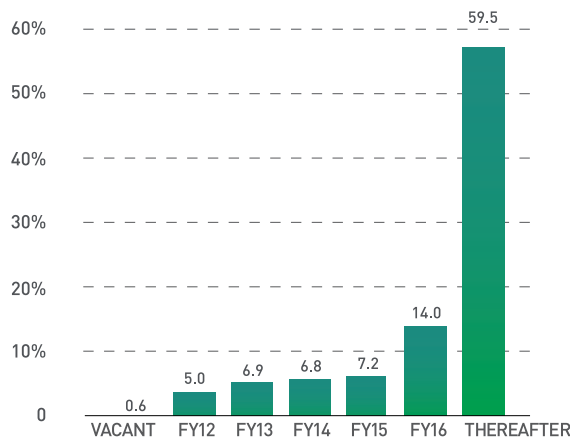
### Tenant Classification by Income

Cromwell continues to improve the quality of its tenancy profile, reducing the proportion of private company tenants in favour of Government or listed companies and their subsidiaries.



### Sector Diversification by Income

During the financial year, the sale of several smaller assets and the acquisition of the Qantas Headquarters have reduced Cromwell's overall exposure to the retail and industrial sectors. An investment in Cromwell at 30 June 2011 represented a 90% exposure to high quality Australian commercial office properties.



### Lease Expiry Profile

% Gross Income by Financial year

The lease expiry profile of Cromwell's portfolio has significantly improved, with close to 60% of leases expiring after FY16. The weighted average lease expiry (WALE) at 30 June 2011 extends beyond 6 years, one of the highest amongst Cromwell's A-REIT peers.



## Queensland Development of the Year

Energex House is a six-star Green Star v2 by design asset in the Brisbane riverside suburb of Newstead, just 2km from the CBD. It reached practical completion in August 2010 and was occupied on time and on budget.

In 2011, the property was awarded Best Development in Queensland by the Property Council of Australia (PCA).

Under the Green Building Council of Australia's Green Star rating tool, Six Stars is the highest rating and represents "World Leadership". The building is a benchmark in environmentally-sustainable development and workplace design, responding to the major tenant's requirements and delivering a purpose-built, long-term, flexible working environment in a landmark location.

Its environmentally-friendly features include saving energy through passive solar control in relation to its orientation and a high-performance façade with low-emissivity double glazing which reduces the transfer of heat and cold through glass.

The building also supplements mains water use with harvested rainwater from the roof and low-flow water fittings.

The PCA award is the latest in a series of accolades for the Energex House development for its excellent design. These include being shortlisted for the Corporate Design category of the Australian Interior Design Awards, recognised in the Best Office Development and Best Sustainable Development categories at the national Innovation and Excellence Awards and being nominated for the Built Environment category of the Queensland Premier's ClimateSmart Sustainability Awards.

## 6 star rating



This rating represents World Leadership



## 5 Star Green Star Refurbishment

321 Exhibition Street is a commercial office building located in the popular north-east corner of the Melbourne CBD.

In 2011, Cromwell undertook a significant refurbishment of the building, improving the reliability of the energy supply and achieving the first 5-Star Green Star rating for a refurbishment in Victoria awarded under the new Green Star Office Design rules Version 3.

The rating followed the installation of a 1,165 KW gas-fired cogeneration plant which reduced peak demand on electricity infrastructure by 76%, far exceeding the 30% reduction required by Green Star.

Waste heat from the co-generation plant is used to heat domestic hot water and chilled water via an absorption chiller.

During the refurbishment Cromwell also installed a fully-upgraded Building Management System and air-conditioning economy cycle, T5 lighting on all tenant floors and solar water heating systems.

The refurbishment was designed to achieve a 4.5 Star NABERS rating, with water efficiency measures including rainwater harvesting and water-efficient sanitary fittings in toilets, bathrooms and kitchens.

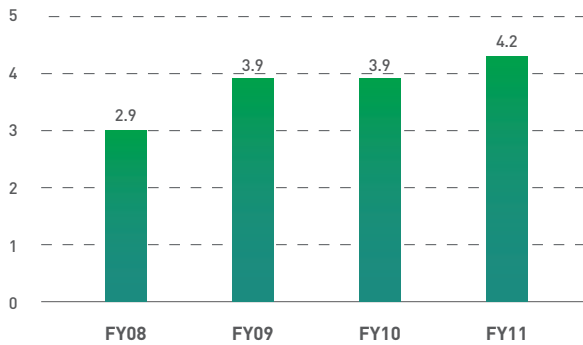
Environmentally-sustainable design criteria were used in the selection of all materials in the building with a focus on Low-Volatility Organic Compounds.

To promote cycle commuting, more than 200 bike racks were installed in the basement along with 22 showers and associated lockers.

## 5 star rating



Green Building Council of Australia



## Emissions reduction

By far, Cromwell's greatest impact on the environment arises from the emissions related to energy, waste and services used by the commercial office buildings we manage.

This is because Cromwell, as landlord, is responsible for managing the "base building" or "common area" which supports the tenants in their workplaces. In commercial offices these areas typically include a building's power plant, air-conditioning, hot water and waste disposal, but exclude the power consumed by our tenants in undertaking their business operations.

For the majority of our industrial and retail sites and at some offices, the tenant is responsible for the entire premises and for the emissions generated from them as part of their business. For these premises, where Cromwell has no effective control over resources used by a tenant, we have not included their emissions in our reporting.

As such, we believe that our greatest contribution to the reduction of emissions can be achieved by influencing the way our tenants use resources in the buildings we directly manage. Providing safe and comfortable work environments while minimising the environmental consequences is one of our key business priorities.

The remaining 0.4% of Cromwell's measured CO<sub>2</sub> emissions comes from our own offices and business operations. These emissions include energy use, paper and other by-products such as our employees' business travel. In subsequent reports our targets are to increase the detail of our reporting to further record and understand ways in which we can minimise impacts from our business operations. These will include measuring waste, company business mileage and staff commuting.

Cromwell has also made the decision to supplement its efforts to reduce the business operations impact on the environment in 2012 by acquiring carbon credits. A quantitative estimate on the financial implications of this has been completed in association with a carbon credit provider and Cromwell's approach will be finalised in 2012, with the goal of being a carbon neutral business operation by 2014.

## NABERS Energy Rating (portfolio weighted)

Since 2007, Cromwell has applied the National Australian Built Environment Rating System (NABERS) to measure the operational impacts of the majority of its properties on the environment. When the Building Energy Efficiency Disclosure Act 2010 took effect in November 2010, the Group was already compliant.

In 2011, the office portfolio had an average 4.2 star NABERS rating<sup>1</sup>.

<sup>1</sup> Weighted average for office properties where NABERS certified ratings have been received. Excludes properties under tenant control.

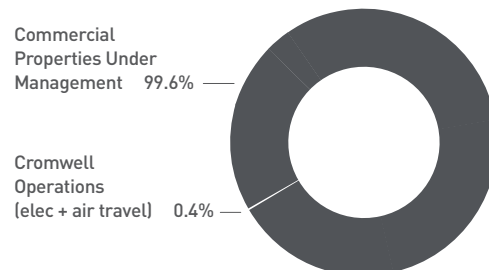
## Key Statistics

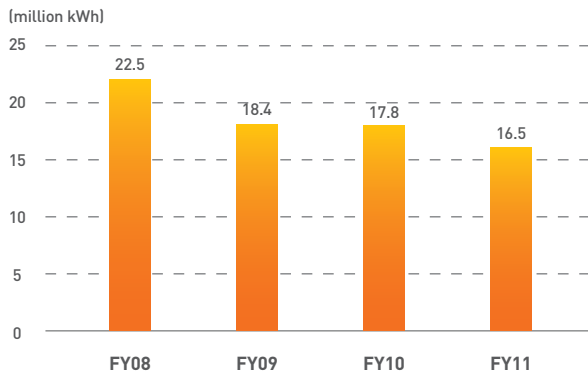
|                   | FY10       | FY11              | % Change from FY10 |
|-------------------|------------|-------------------|--------------------|
| Electricity (kWh) | 17,823,747 | <b>16,487,054</b> | -8%                |
| Gas (Mi)          | 23,869,813 | <b>26,185,581</b> | +9%                |
| Water (Kl)        | 129,609    | <b>113,898</b>    | -14%               |
| Paper (sheets)    | 695,000    | <b>695,042</b>    | 0%                 |
| Air Travel (mi)   | 710,606    | <b>810,422</b>    | 12%                |

## Property/Environmental Measures

|                                 | FY09  | FY10   | FY11          |
|---------------------------------|-------|--------|---------------|
| NABERS Energy                   | 3.9   | 3.9    | <b>4.2</b>    |
| Essential Services Compliance   | 95%   | 91%    | <b>93%</b>    |
| Electricity Consumption (M kWh) | 18.35 | 17.82  | <b>16.49</b>  |
| Water Consumption (K kl)        | 134   | 129.61 | <b>113.90</b> |

## Source of CO<sub>2</sub> Emissions

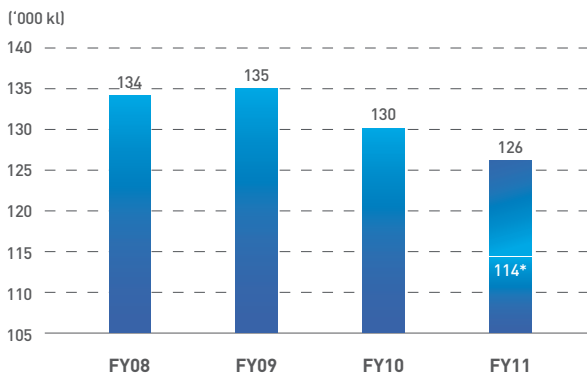




## NABERS Electricity Consumption (kWh)<sup>1,2</sup>

Not to be confused with a complete NABERS Energy Rating, simple electrical consumption as measured by kilowatt hours is a measure of an asset's use of the specific resource.

In 2008, Cromwell commissioned an extensive energy review from Energetics, a leading Australian energy specialist. Energetics identified 128 separate Energy Conservation Measures (ECM's) for implementation. Since the review, the majority of the ECM's have been implemented. The ongoing reduction in energy usage is a testament to Cromwell's facilities managers who have made fine-tuning their buildings an important part of their contribution to the portfolio.



## NABERS Water Consumption (kl)

The conservation of water continued to be a focus in 2011.

Initiatives during the period included continuing compliance with Water Efficiency Management Plans (WEMPS) in Queensland and building water maps in Victoria.

Most of Cromwell's water targets were based around the NABERS water rating system, and we succeeded in significantly improving the average water rating over the period.

1. FY08 to FY11 portfolio total electricity consumption comparison included the addition of Synergy and Energex House and excluded Marcus Clarke which was sold.
  2. FY11 total consumption included 321 Exhibition St, however this was only partly occupied. 2011 included Energex which was not previously occupied.
- \* FY11 water consumption was measured at 114,000 kl due to 321 Exhibition St being partly vacant due to capital works. Estimated like-for-like consumption is 126,000 kl.

### Reducing Electricity & Water Consumption

Originally constructed in 1974, Lovett Tower is the tallest building in Canberra, with 22 levels of office accommodation. In 2011, Cromwell finalised plans to install a new 1800KW chiller in the building which will save approximately 227,000 kWh of energy per year. When fully operational this will reduce greenhouse emissions by approximately 236 tonnes of carbon dioxide per annum.

During the period, the building was awarded one of the first 5.5 Star ratings for water conservation in Australia following several initiatives to reduce water wastage.

Cromwell also plans to install energy-efficient boilers in 2012 as part of a strategy to lift the base building NABERS rating from 4 Stars to 4.5 Stars.

The tower is yet another example of Cromwell's commitment to reducing assets' reliance on natural resources and delivering value for investors.



# STAFF & COMMUNITY

## Corporate Citizenship

As a major property group in Australia we believe we have a responsibility to build stronger communities. Core to Cromwell's success as a business is its workforce and the tenants that occupy our buildings. However, we also recognise that broader community participation is a central part of sound corporate citizenship.

Cromwell has been involved in supporting the communities it operates in since its inception, donating to dozens of charitable organisations, sporting clubs, schools and hospitals on an ad hoc basis since 1998. Cromwell does not donate to political parties, or engage in public policy development or lobbying.

In 2008 these ad hoc charitable donations were in excess of \$50,000, prompting Cromwell to develop a more structured approach to its benevolence strategy in 2009, in-line with the Group's increased size. The new strategy saw the creation of a Community Relations Guiding Committee which oversees the following aspects of our community engagement:

## Corporate Charity

Although Cromwell continues to support several small charities via the Employee Volunteer Program, Adviser Charities and Staff Related Charities (detailed below), we also make several major donations each year.

In 2011, Cromwell pledged \$10,000 to the Premier's Disaster Relief Appeal following the devastating floods that affected South East Queensland in January 2011. Cromwell also directly assisted staff whose homes were affected by the floods in Brisbane.

This year Cromwell continued its support of Parkinson's NSW as a \$5,000 Platinum Sponsor of their annual Golf Classic.

## Sporting Sponsorship

As part of its strategic commitment to involvement in the local community, Cromwell has an annual renewed agreement as naming rights sponsor of the Easts Tigers Rugby Union Club.

The significant investment of \$35,000 aligns Cromwell with a large junior program supporting an active lifestyle in a team environment.

## Adviser Charities

From time to time financial advisors, who recommend Cromwell investment products, ask us to contribute to charities they have an association with.

Cromwell views these contributions as an opportunity to generate goodwill and strengthen our relationship with these business supporters while also contributing to the communities in which they operate.

## Staff Related Charities

Each year, Cromwell allocates \$10,000 for charities nominated by our staff. As well as helping the recipient directly, this initiative has the added benefit of encouraging staff involvement in charitable causes. In 2011, contributions were made to:

- Staff participation in a 21km bike ride for Cystic Fibrosis Queensland
- Staff participation in Bridge to Brisbane charity run
- Staff participation in Lung Foundation corporate run
- Staff participation in Gold Coast Half Ironman team
- Donation of IT hardware to Arthritis Queensland

## Employee Volunteer Program

Cromwell grants two paid days to each staff member to participate in charitable works each year. We have established a partnership with Volunteers Queensland to assist individual employees and groups to identify placements in charities that interest them.

The program gives employees the opportunity to provide material support to organisations that are important to them. Employees who volunteer will benefit by having the opportunity for personal development through exposure to new experiences. It provides a forum for staff to share their professional knowledge, skills and experiences for the betterment of the community.

This aspect of Cromwell's Community Relations is evolving and is expected to have more resources dedicated to it in 2012.

## Corporate Culture

Cromwell believes it has a unique culture. Cromwell approaches staff as individuals, tailoring jobs where possible to their lifestyle requirements and seeking to develop each employee to their full potential. To this end we support the following employment policies. Cromwell has had no cases of harassment formally brought against it. Cromwell's internal employee engagement survey has seen a positive improvement in our employees feeling of safety by 9.5% in 2011.

## Family Friendly

Cromwell believes there is a link between a secure and fulfilling home life and workplace performance. Employees are supported where possible with flexible working hours to accommodate family requirements and we meet all legislative requirements for parental leave.

## Social Engagement

Cromwell has introduced an Employee Volunteer Program where employees can take two days paid leave from work each year to donate their services to a charity. Cromwell also gives financial support to sporting clubs, community organisations and employee nominated charities through its Staff Benevolence Policy.

## Employee Retention

Cromwell continues to focus on its employee retention strategies. We strive to achieve less than 14% annual turnover.

## Professional Development

Cromwell supports employees financially and through flexible work arrangements to help them undertake tertiary education, continuing professional education and task-oriented courses.

## Remuneration

Cromwell has always remunerated employees appropriately so that we attract, retain and motivate the highest calibre employees. Remuneration is reviewed annually.

## Occupational Health & Safety

Cromwell applies an integrated-systems approach to Occupational Health and Safety including when tendering our services contracts, auditing premises and managing our people and our suppliers. We strive to create and reinforce a culture of continuous workplace health and safety improvement.

Workplace initiatives, such as seasonal flu vaccinations, are offered to all staff free of charge to reduce absenteeism and protect our people and their families from infectious disease.

## Training

Cromwell assigns the equivalent of \$2,000 per employee for training each year. This is not utilised evenly but is structured in a way that supports each employee's individual development plan and cross referencing with succession planning at Cromwell.

A return of service is required from employees where training is spent for a tertiary course.

## Performance Management

All employees received at least one performance and remuneration review in 2011 (100%). Cromwell has implemented an electronic performance system to standardise the process. This process has eliminated duplication, provided a consistent format and ensured that the process is completed. Another advantage of the electronic system is the reduction in the use of paper.

## Support Services

To assist in supporting our staff's wellbeing, Cromwell uses an Employee Assistance Program (EAP). This confidential service was utilised on three occasions in 2011. Due to the confidentiality of this service, Cromwell is not aware of who contacted the outsource provider or as such what the outcome was.

The EAP is used for counselling in both professional and personal situations to fully support each individual employee at work and at home.





## Staff Turnover

Cromwell has increased turnover in 2011. This includes managed and unmanaged turnover. This result should be considered in light of tight labour markets in the mining sector in Queensland. Cromwell believes that for the purposes of innovation and performance that some turnover is healthy. However, it will be aiming to reduce turnover in 2012 to below our target level of 14%.

| Region   | Started<br>FY11 | Terminated<br>FY11 | Employed<br>FY11 | %<br>Rate  |
|----------|-----------------|--------------------|------------------|------------|
| QLD      | 10              | 14                 | 56               | 25%        |
| ACT      | 1               | 1                  | 2                | 50%        |
| NSW      | 1               | 0                  | 6                | 0%         |
| VIC      | 0               | 1                  | 6                | 17%        |
| SA       | 0               | 0                  | 2                | 0%         |
| Overseas |                 |                    | 1                | 0%         |
|          | <b>12</b>       | <b>16</b>          | <b>73</b>        | <b>22%</b> |

| Age Group | Started<br>FY11 | Terminated<br>FY11 | Employed<br>FY11 | Turnover<br>Rate |
|-----------|-----------------|--------------------|------------------|------------------|
| 18-25     | 3               | 0                  | 8                |                  |
| 26-35     | 2               | 5                  | 19               | 26%              |
| 36-45     | 1               | 4                  | 19               | 21%              |
| 46-55     | 1               | 5                  | 14               | 36%              |
| 56+       | 5               | 2                  | 13               | 15%              |
|           | <b>12</b>       | <b>16</b>          | <b>73</b>        | <b>22%</b>       |

| Gender | Started<br>FY11 | Terminated<br>FY11 | Employed<br>FY11 | %<br>Rate  |
|--------|-----------------|--------------------|------------------|------------|
| M      | 4               | 6                  | 42               | 14%        |
| F      | 8               | 10                 | 31               | 32%        |
|        | <b>12</b>       | <b>16</b>          | <b>73</b>        | <b>22%</b> |

## Workforce Statistics

| Employment Type        | #M        | #F        | Total     |
|------------------------|-----------|-----------|-----------|
| Non-executive Director | 6         | 1         | 7         |
| Senior Executive       | 3         | 1         | 4         |
| Executive Committee    | 6         | 1         | 7         |
| Manager                | 7         | 4         | 11        |
| Professional/Technical | 18        | 18        | 36        |
| Other                  | 2         | 6         | 8         |
| <b>Total</b>           | <b>42</b> | <b>31</b> | <b>73</b> |

| Region       | #M        | #F        | Total     |
|--------------|-----------|-----------|-----------|
| QLD          | 26        | 29        | 55        |
| NSW          | 6         | 0         | 6         |
| VIC          | 5         | 1         | 6         |
| ACT          | 2         | 0         | 2         |
| SA           | 2         | 0         | 2         |
| Overseas     | 1         | 1         | 2         |
| <b>Total</b> | <b>42</b> | <b>31</b> | <b>73</b> |

| Employment Type        | %M         | %F         |
|------------------------|------------|------------|
| Senior Executive       | 75%        | 25%        |
| Executive Committee    | 86%        | 14%        |
| Manager                | 64%        | 36%        |
| Professional/Technical | 50%        | 50%        |
| Other                  | 25%        | 75%        |
| <b>Total</b>           | <b>55%</b> | <b>45%</b> |

| Employment Type        | % Employees |            | Average Salary   |                  |
|------------------------|-------------|------------|------------------|------------------|
|                        | M           | F          | M                | F                |
| Senior Executive       | 75%         | 25%        | \$547,500        | \$290,775        |
| Executive Committee    | 86%         | 14%        | \$273,425        | \$211,075        |
| Manager                | 64%         | 36%        | \$182,970        | \$120,715        |
| Professional/Technical | 50%         | 50%        | \$105,697        | \$ 83,891        |
| Other                  | 25%         | 75%        | \$56,860         | \$ 56,622        |
| <b>Average</b>         | <b>55%</b>  | <b>45%</b> | <b>\$233,290</b> | <b>\$152,615</b> |

### Absenteeism

|                                       |            |
|---------------------------------------|------------|
| Total workforce hours per year        | 17,200.0   |
| Total workforce hours absent per year | 1,891.8    |
| <b>Absentee rate</b>                  | <b>11%</b> |

| Employment Contract     | #M        | #F        | Total     |
|-------------------------|-----------|-----------|-----------|
| Full time               | 33        | 21        | 54        |
| Part time               | 1         | 8         | 9         |
| Casual/Contractor       | 2         | 1         | 3         |
| Non-executive Directors | 6         | 1         | 7         |
| <b>Total</b>            | <b>42</b> | <b>31</b> | <b>73</b> |

## Diversity & Equal Opportunity

We believe in selecting the best candidates possible, regardless of age, gender, ethnicity, culture or disability.

We have robust policies in place to ensure incidents of discrimination do not occur within the workplace.

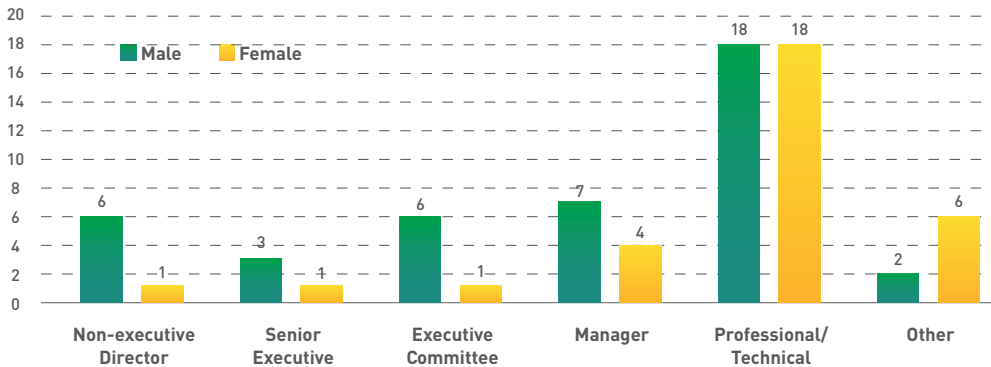
As a result, there have been no incidents of discrimination brought forward against Cromwell in 2011.

Cromwell encourages diversity in its recruitment, succession planning and leadership thinking. In accordance with the ASX Corporate Governance Guidelines, Cromwell has implemented a gender diversity policy to encourage female inclusion at all levels of the business hierarchy.

Cromwell has had no reports of discrimination and no incidents involving rights of indigenous labour and therefore no corrective action was required.

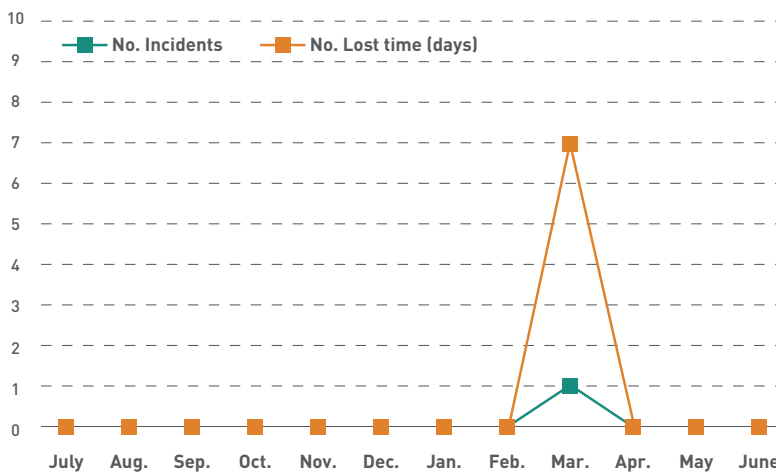
| Diversity                         | Total |
|-----------------------------------|-------|
| Born in Australia                 | 73%   |
| Born Overseas                     | 27%   |
| % Involved in External Committees | 38%   |
| % Work from Home in FY11          | 45%   |

## Employment Type by Gender



Cromwell has outlined a strategy in its Gender Diversity Policy that both sexes be represented in greater than 75% of all recruitment opportunities.

## Cromwell Incidents/Lost time



Cromwell had one injury in 2011. This injury occurred with a Brisbane based employee whilst travelling overseas. This is Cromwell's first workplace injury since 2008.

## GRI Indicators

Listed below are the GRI Standard Disclosures and Performance Indicators addressed in this Report. In applying the G3.1 Guidelines, Cromwell Property Group's 2011 Sustainability Report is a self-declared Application Level C.

|             |  |
|-------------|--|
| <b>KEY:</b> | ● Addressed  |
|             | ◐ Partially addressed  |
| <b>AR</b>   | Information provided in Cromwell Property Group's 2011 Annual Report |

| Disclosure  | Description   | Status | Reference |
|---|---|--------|-----------|
| <b>STANDARD DISCLOSURES PART I: Profile Disclosures</b> |   |        |           |
| <b>1.</b>   | <b>Strategy and Analysis</b>  |        |           |
| 1.1   | Statement from the most senior decision-maker of the organisation.  | ●      | p3        |
| <b>2.</b>   | <b>Organisational Profile</b>   |        |           |
| 2.1   | Name of the organisation.   | ●      | p2        |
| 2.2   | Primary brands, products, and/or services.  | ●      | p5        |
| 2.3   | Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.   | ●      | p5        |
| 2.4   | Location of organisation's headquarters.  | ●      | p2        |
| 2.5   | Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.  | ●      | p2        |
| 2.6   | Nature of ownership and legal form.   | ●      | p5        |
| 2.7   | Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).  | ●      | p5        |
| 2.8   | Scale of the reporting organisation.  | ●      | p5        |
| 2.9   | Significant changes during the reporting period regarding size, structure, or ownership.  |        |           |
| 2.10  | Awards received in the reporting period.  | ●      | p6        |
| <b>3.</b>   | <b>Report Parameters</b>  |        |           |
| 3.1   | Reporting period (e.g., fiscal/calendar year) for information provided.   | ●      | p2        |
| 3.2   | Date of most recent previous report (if any).   | ●      | p2        |
| 3.3   | Reporting cycle (annual, biennial, etc.)  | ●      | p2        |
| 3.4   | Contact point for questions regarding the report or its contents.   | ●      | p2        |
| 3.5   | Process for defining report content.  | ●      | p2        |
| 3.6   | Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.  | ●      | p2        |
| 3.7   | State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).  | ●      | p2        |
| 3.8   | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.   | ●      | p2        |
| 3.9   | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. Explain any decisions not to apply, or to substantially diverge from, the GRI Indicator Protocols. | ●      | p2        |
| 3.10  | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).   |        |           |
| 3.11  | Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.   |        |           |
| 3.12  | Table identifying the location of the Standard Disclosures in the report.   | ●      | p27       |
| 3.13  | Policy and current practice with regard to seeking external assurance for the report.   | ●      | p2        |

Continued over page

| Disclosure | Description  | Status | Reference |
|------------|--|--------|-----------|
| <b>4.</b>  | <b>Governance, Commitments, and Engagement</b>   |        |           |
| 4.1        | Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.   | ●      | p8        |
| 4.2        | Indicate whether the Chair of the highest governance body is also an executive officer.  | ●      | p8        |
| 4.3        | For organisations that have a unitary board structure, state the number and gender of members of the highest governance body that are independent and/or non-executive members.  | ●      | p8        |
| 4.4        | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.  | ●      | p9        |
| 4.5        | Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).  |        |           |
| 4.6        | Processes in place for the highest governance body to ensure conflicts of interest are avoided.  | ●      | p8        |
| 4.7        | Process for determining the composition, qualifications, and expertise of the members of the highest governance body and its committees, including any consideration of gender and other indicators of diversity.  | ◐      | p26       |
| 4.8        | Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.   | ●      | p8        |
| 4.9        | Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.                 | ●      | p8        |
| 4.10       | Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.  |        |           |
| 4.11       | Explanation of whether and how the precautionary approach or principle is addressed by the organisation.   |        |           |
| 4.12       | Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.  | ●      | p8        |
| 4.13       | Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic. | ●      | p10       |
| 4.14       | List of stakeholder groups engaged by the organisation.  | ●      | p11       |
| 4.15       | Basis for identification and selection of stakeholders with whom to engage.  | ●      | p11       |
| 4.16       | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.  | ●      | p11       |
| 4.17       | Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.  | ●      | p11       |

#### STANDARD DISCLOSURES PART II: Disclosures on Management Approach (DMAs)

| <b>Economic</b>      |     |   |          |
|----------------------|-----|---|----------|
| Economic performance | EC1 | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. | ● p13-14 |
|                      | EC2 | Financial implications and other risks and opportunities for the organisation's activities due to climate change.   | ● p16    |

| Disclosure                                     | Description | Status   | Reference |
|--|-------------|--|-----------|
| <b>Environmental</b>                           |             |  |           |
| Energy   | EN3         | Direct energy consumption by primary energy source.  | ● p20     |
| Water  | EN8         | Total water withdrawal by source.  | ● p20     |
| Products and services                          | EN26        | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.   | ● p20     |
| Compliance                                     | EN28        | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.   | ● p17     |
| <b>Social: Labor Practices and Decent Work</b> |             |  |           |
| Employment                                     | LA1         | Total workforce by employment type, employment contract, and region, broken down by gender.  | ● p25     |
|  | LA2         | Total number and rate of new employee hires and employee turnover by age group, gender, and region.  | ● p25     |
| Labor/management relations                     | LA7         | Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.   |           |
| Occupational health and safety                 | LA8         | Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.                          | ● p25-26  |
| Training and education                         | LA12        | Percentage of employees receiving regular performance and career development reviews, by gender.   | ● p24     |
| Diversity and equal opportunity                | LA13        | Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.                        |           |
| Equal remuneration for women and men           | LA14        | Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.  | ● p24     |
| <b>Social: Human Rights</b>                    |             |  |           |
| Investment and procurement practices           | HR4         | Total number of incidents of discrimination and actions taken.   |           |
| Non-discrimination                             |             |  |           |
| Indigenous rights                              | HR9         | Total number of incidents of violations involving rights of indigenous people and actions taken.   |           |
| Remediation                                    | HR11        | Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.  |           |
| <b>Social: Society</b>                         |             |  |           |
| Corruption                                     | S03         | Percentage of employees trained in organisation's anti-corruption policies and procedures.   | ● p24     |
|  | S04         | Actions taken in response to incidents of corruption.  |           |
| Public policy                                  | S05         | Public policy positions and participation in public policy development and lobbying.   |           |
|  | S06         | Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.   | ● p8      |
| Anti-competitive behavior                      | S07         | Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.  | ● p8      |
| Compliance                                     | S08         | Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.   | ● p23     |
| <b>Social: Product Responsibility</b>          |             |  |           |
| Customer health and safety                     | PR1         | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. | ● p9      |
| Product and service labelling                  | PR6         | Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.   | ●         |
| Marketing communications                       |             |  |           |
| Customer privacy                               | PR9         | Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.  | ●         |
| Compliance                                     |             |  |           |







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