



PROPERTY GROUP

Sustainability Report 2014

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1 about this report

This report covers Cromwell Property Group's economic, social and environmental performance for the year ended 30 June 2014. Cromwell reports its sustainability performance on an annual financial year cycle, with the previous report dated 30 June 2013. The report covers Cromwell Property Group and its core property assets. The report doesn't include repositioning assets, unlisted fund assets or tenant controlled assets.

We have been reporting against the Global Reporting Initiative (GRI) sustainability reporting guidelines since 2009. This year, we have transitioned our reporting to the next generation G4 guidelines, marked by significant changes to the sustainability reporting process and the scope and boundary of this report. We have applied the G4 guidelines and G4 Sector Disclosures for the Construction and Real Estate Industry to the preparation of this report. Cromwell self declares that this report is 'in accordance' with the GRI Core option for reporting. For more details of G4, please visit www.globalreporting.org

In contrast to the previous G3.1 framework, G4 puts greater focus on the following:

- **Materiality** – reporting only what is most relevant to the business based on broad input from stakeholders;
- **Where impacts occur** – report where the impacts of each material issue occurs, inside or outside the organisation;
- **New disclosures relating to governance** ('ethics and integrity'); and
- **Supply chain disclosures** – greater disclosure of how environmental, social and societal issues related to the supply chain are managed.

To help us transition our reporting to the new guidelines, Cromwell engaged the Australian Centre for Corporate Social Responsibility (ACCSR) to conduct an assessment of the issues that are most material to our stakeholders and business, and to help prepare the report based on those issues.

In line with the G4 guidelines, we report on our identified material issues where the impacts of those issues occur. However where impacts occur outside of our wholly-owned or managed assets, data may not be available. We will attempt to obtain any such missing data in future years, but recognise that certain data may continue to be difficult to obtain.

We hope that this report will be useful to anyone who wants to understand our performance and the sustainability risks and opportunities that relate to our business, including investors, tenants, employees, contractors, suppliers and various communities.

Sustainability Committee

Cromwell Property Group
Level 19, 200 Mary Street, Brisbane, QLD 4000, Australia
Email: sustainability@cromwell.com.au

Qantas Global Headquarters, Mascot, NSW

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making our report more useful

To help us understand the issues our stakeholders want to see reported, we engage with them throughout the year to understand their expectations of Cromwell economically, socially and environmentally. For more detail about how we engage with our stakeholders, and results of stakeholder engagement surveys, please see Section 9 on page 40.

To prepare this report, our stakeholder consultation asked employees, investors and tenants for their perceptions of our current sustainability report and to identify key issues

they would expect to be covered in this year's sustainability report. The material issues identified were reviewed and prioritised by senior Cromwell staff (including members of the Sustainability Committee).

Table 1 shows the issues that were identified through this process and the priority that they were accorded. Material issues fitted broadly under the following categories: Economic Impacts, Environmental Issues, Employee Issues, Supply Chain, Stakeholders and Governance/ESG.

Table 1: Key material issues for our stakeholders

ISSUE CATEGORY	Material Issues	Page
Economic Impacts	Financial performance and sustainability	11-13
	Climate change impacts and opportunities	23
	Fair market rates	11-13
	Sustainable business growth	11-13
Environmental Issues	Energy	22-24
	GHG emissions	26
	Waste management	23
	Water	25
	Environmental reporting	20-26
	Overall environmental management	16, 21-22
	Building sustainability	21-22
Employee Issues	Occupational health and safety	30
	Training and development	30
	Employee engagement	28, 40
	Diversity and equal opportunity	29
Supply Chain	Responsible and ethical procurement	26, 27
	Reducing negative environmental and human rights impacts in the supply chain	26
Stakeholders	Community engagement	26, 31, 40
	Community investment	31, 40
	Supplier engagement	26, 40
	Investor engagement	40
	Tenant engagement	40
Governance/ESG	Responsible investment	27
	Good corporate governance	16-17
	Risk management and compliance	17
	Sustainability management	16-18

3 chairman's letter

This report highlights what has been a year of achievements for Cromwell, not only financially, but in our understanding and implementation of sustainability in our business.

First and foremost we achieved excellent financial results, which helped us achieve our goal of creating wealth for our investors. We strengthened our financial position, recording a 43% increase in operating profit, with distributions up 5% and gearing reduced. We were able to secure the sale of six non-core assets for \$253 million and, after balance date, also sold 321 Exhibition Street, Melbourne for \$206 million.

During the year the funds management business completed a capital raising for a multi-asset unlisted property trust and also launched two new open-ended investment funds, positioning us well for the years ahead.

The property management business has also completed some impressive projects during the year.

The Ipswich City Heart Building was completed in November 2013 and in April 2014 was recognised for its innovative design and high-quality execution by the Australian Institute of Architects as part of its 2014 Queensland Architecture Awards. The 5 Star Green Star (by design) rated building, and the unlisted trust which holds the asset, are part of Cromwell's Responsible Investment Series and certified by the Responsible Investment Association of Australasia.

In January 2014, the \$131 million Qantas Global Headquarters refurbishment was completed on time and on budget. The project reflects Cromwell's willingness to work with tenants to deliver complex refurbishment projects which transform the aesthetic, usability and environmental performance of assets.

The successful delivery of these projects has a greater impact than just the financial wellbeing of our investors. We are part of local, state and national economies and our success enables the success of others – our employees and contractors, the industry sectors in which we participate or which are impacted by our activities, and the communities of which we form a part.



A highlight this year has been the creation of the Cromwell Property Group Foundation, a not-for-profit initiative to support and manage our community giving and charitable work. This achieves a long-standing ambition of the Board to ensure that this community support is able to flourish independently of the business fortunes of Cromwell.

Good financial performance is underpinned by our robust and effective management practices. I hope this report demonstrates that Cromwell is integrating sustainability considerations into the way in which we manage the business at multiple levels.

Since we first began reporting on our sustainability efforts five years ago, we have progressively expanded the amount of data we capture and present in the report. We also continue to develop our understanding of our impacts and this enables us to manage them more effectively.

I hope this report provides you with the information you need to inform your understanding of Cromwell and its sustainability activities.

A handwritten signature in blue ink, appearing to read 'G. Levy', positioned above the printed name and title.

Geoffrey H Levy, AO
Chairman

Sustainable office transformations

Cromwell has delivered a world class 50,000 square metre campus to serve as the new Qantas Global Headquarters in Sydney. The project demonstrates the substantial environmental benefits and resulting cost savings that are generated from the re-living of existing property assets and highlights what can be achieved when landlords and tenants partner for the greater good.

The newly expanded and refurbished Qantas Global Headquarters at Mascot in Sydney was officially opened by Qantas CEO Alan Joyce and Cromwell CEO Paul Weightman in January 2014.

The \$131 million project, carried out over a three year period, has transformed the Cromwell-owned site into a contemporary campus-style facility.

The refurbishment has enabled Qantas to achieve cost efficiencies by consolidating 3,500 staff into one Global Headquarters and Operations Centre, as well as overhaul the energy efficiency of the facility.

Qantas was able to consolidate their property footprint from seven buildings to four, thereby improving the working conditions and efficiency for employees.

The refurbishment includes a number of Environmentally Sustainable Design elements that are expected to raise the NABERS energy rating of the asset from 1 ½ stars to 5 stars. Foremost among the improvements is one of Australia's largest trigeneration power plants, which is expected to cut carbon emissions by around 14,000 tonnes per year.

Cromwell acquired the asset in July 2010 for approximately \$143 million. It is now estimated to be worth more





than \$320 million and represents approximately 15% of Cromwell's total portfolio.

Cromwell agreed to refurbish and enlarge the asset to create a new interconnected campus-style facility and Qantas, committed to the vision of the asset, extended their lease to 2032.

The Qantas Global Headquarters transformation project perfectly demonstrates the benefit of a long-term relationship between a property owner and management team working in partnership with the tenant to deliver an inspirational workplace.

To commemorate the project, Qantas presented Cromwell with a flying kangaroo plaque, highlighting some of the environmental and construction achievements of the project.

Project highlights included:

- Target to increase the asset's NABERS rating from 1.5 stars to 5 stars
- By retaining various structural elements, the project avoided procuring an estimated 21,500m³ of concrete and 3,500 tons of steel
- Diverted 97% of all building waste from landfill
- Reused over 18,500m² of the existing facade glass and steel
- High efficiency air-conditioning system powered by an on site tri-generation plant that significantly reduces green house gas emissions



4 about us

Cromwell Property Group (ASX: CMW) is an internally managed Australian Real Estate Investment Trust (A-REIT) and one of Australia's leading property investment and funds management groups. We are part of the S&P/ASX 200, with over \$3.7 billion in total assets under management, including:

- \$2.2 billion internal property investment portfolio
- \$1.3 billion in external assets spread across nine investment products.

During the 2014 financial year, Cromwell delivered operating earnings of over \$146.7 million from our property portfolio and funds management business. We primarily lease our buildings to Government and blue-chip tenants, targeting a three-year annualised total return of 11% from our investment portfolio.

Our core business focus is on Australian commercial property with no offshore exposure, which allows us to grow our business and deliver strong returns in a stable and well-managed economy. This also enables us to provide a full suite of property related services, including deal sourcing, due diligence, property management, leasing, asset enhancement and realisation.

Our headquarters are located in Brisbane, with operations spread across Queensland, New South Wales, Victoria, South Australia and the ACT. We employ more than 120 staff and draw on the services of hundreds of Australian contractors and suppliers for delivery of our portfolio products and services.

We believe that one of our key competitive advantages is the internalised property management model that we employ to manage all our property assets in-house. Our property team oversee the strategic management of Cromwell assets to ensure that tenants are happy, space is leased, and buildings operate efficiently. By keeping these functions in-house we ensure that our assets are managed in line with the interests of our investors and expectations of our tenants.

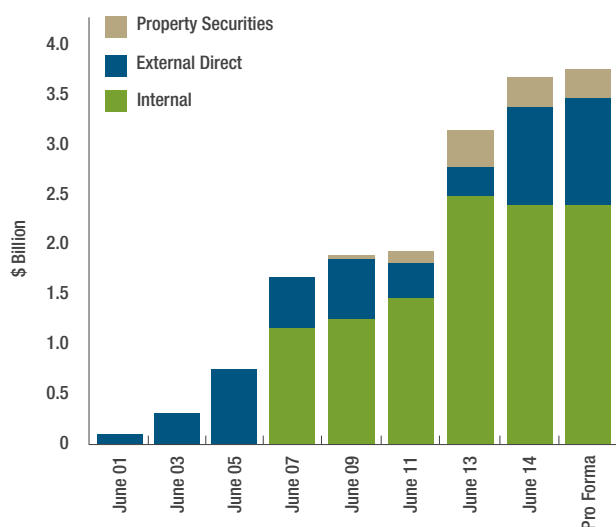
The internalised model combined with our long-standing experience and approach to commercial asset management places us at the forefront of the property industry.

Our key objective remains to continually improve tenant satisfaction, property income returns and capital value.

Key features of the business include:

- 94% of income derived from Cromwell's directly held \$2.2 billion property portfolio
- Security price of \$0.98 at 30 June 2014, representing a distribution yield of 7.9% p.a.
- Australian focus, with exposure to offshore markets
- Defensive portfolio with strong cash flow and long weighted average lease expiry
- Market capitalisation of \$1.7 billion, consisting of \$1,071 million in equity (63%) and \$629 million in debt (37%)
- Experienced and stable executive team
- Award winning funds management business
- In-house property management

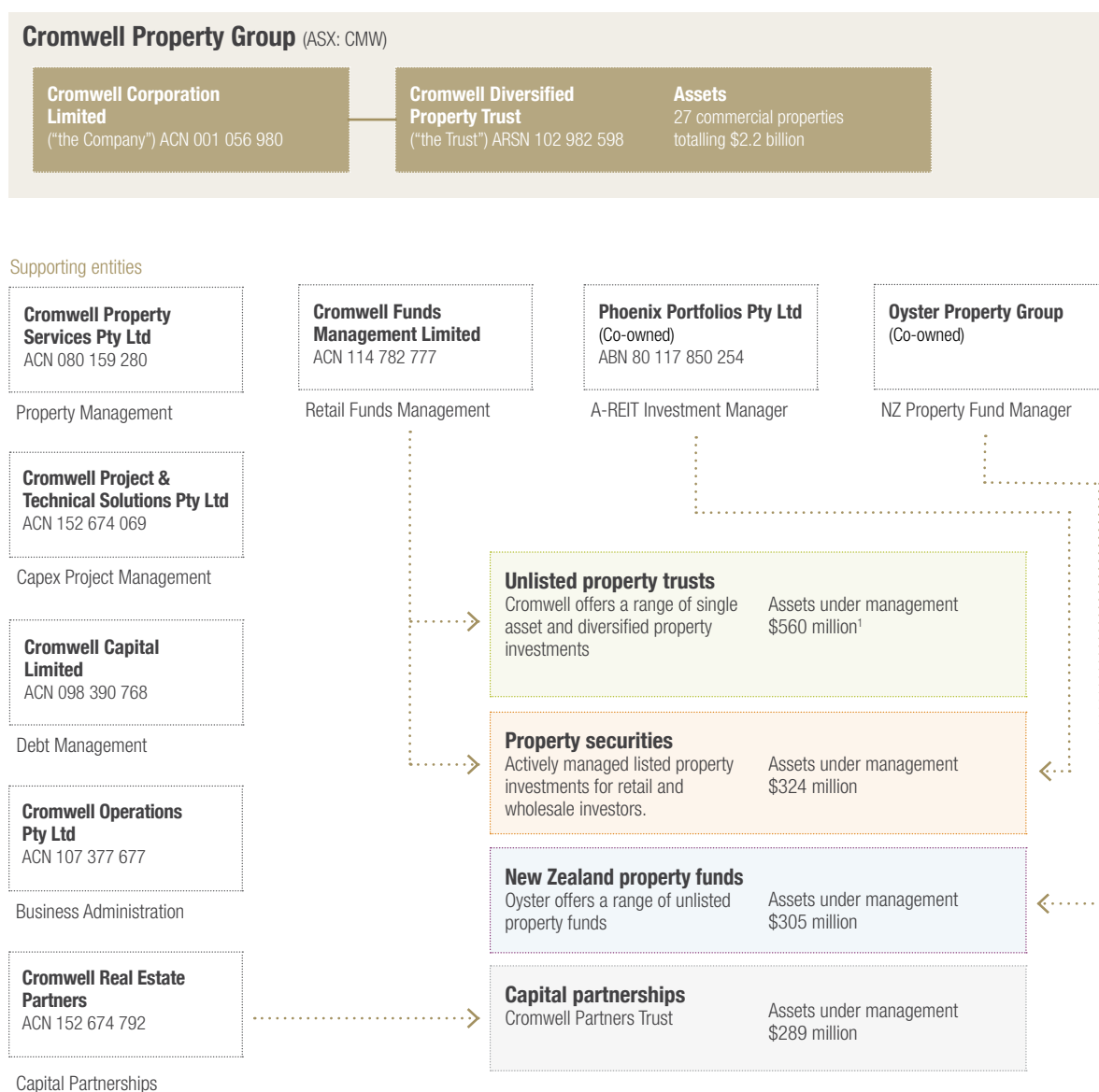
Figure 1: Assets Under Management¹



1. Assumes completion of property currently under construction.

4.1 ORGANISATIONAL STRUCTURE

Figure 2: Cromwell's Organisational Structure

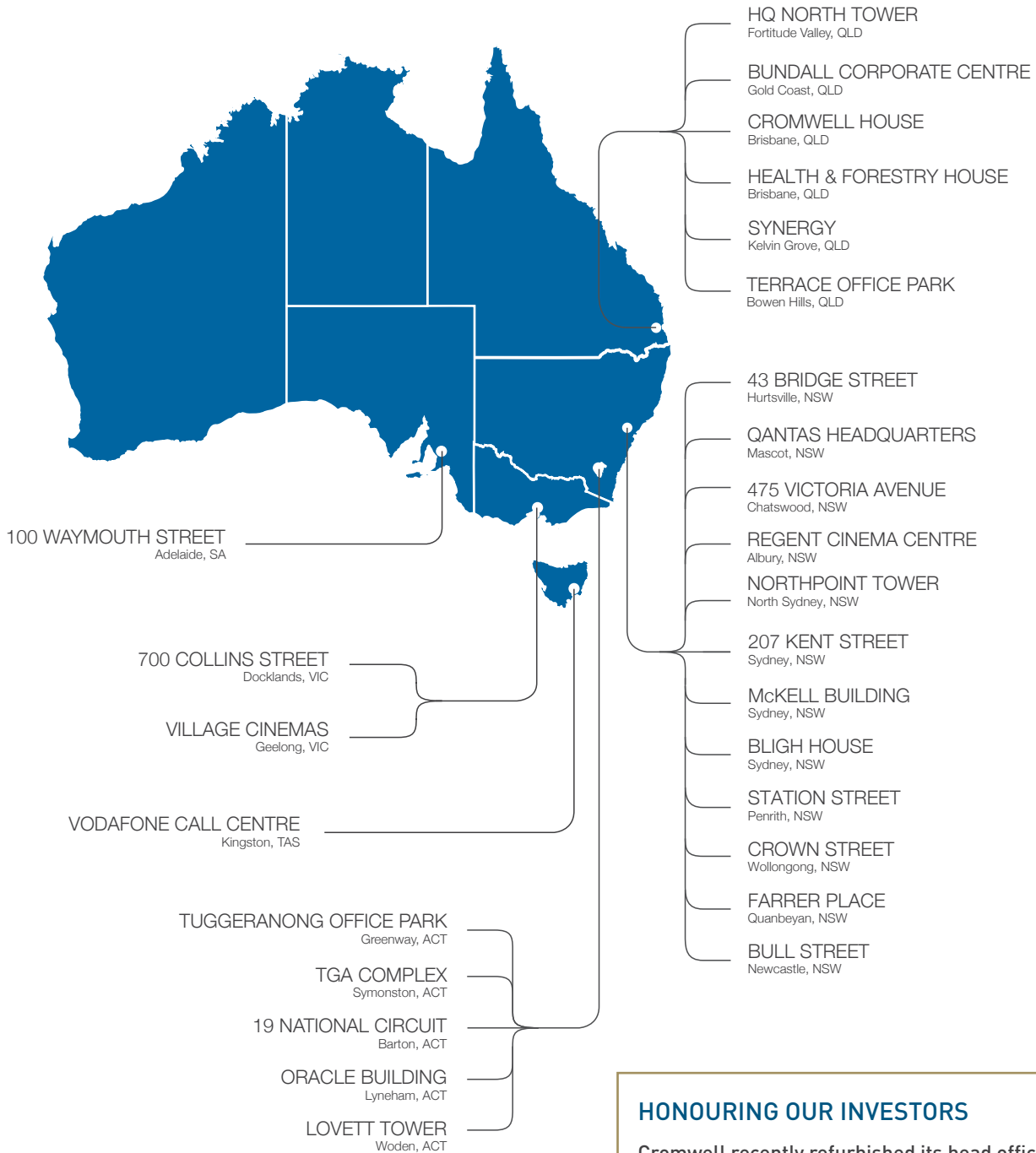


1. Some assets are under construction. Value is based on "as if complete" valuations.

4.2 CROMWELL PROPERTIES

Cromwell owns a portfolio of 27 properties across Australia, which are leased to government and blue chip tenants. The map below excludes assets owned by Cromwell's unlisted funds.

Figure 3: Property Map



HONOURING OUR INVESTORS

Cromwell recently refurbished its head office and wanted to instil the values of the business in the physical environment in which we work.

So to celebrate Cromwell's core commitment to servicing our investors, the public meeting rooms of the fitout were named after long-term supporters.

This serves as a constant reminder of the individuals and families who put their faith in our business.

4.3 CREATING WEALTH

At Cromwell, our primary focus is on delivering superior long term property and investment performance. We are committed to growing the wealth of our investors through well-considered selection, acquisition and management of quality, income-generating properties and portfolios.

Our economic performance is managed by the Board. We report on our economic performance in accordance with ASX Listing Rules and the Corporations Act. Regular updates on our financial performance are reported to our securityholders and investors using Quarterly Reports and Annual Financial Reports, available from www.cromwell.com.au.

The financial year to 30 June 2014 ("FY14") saw significant growth in our business causing our financial position to strengthen.

FY14 HIGHLIGHTS

- Operating profits up 43% to a record \$146.7 million or 8.5 cents per security (cps), up 12%
- Distributions up 5% to 7.6 cps
- Statutory profit of \$182.5 million, an increase of 295%
- Increase in like-for-like property income of 1.4%
- Funds management contribution increased to \$8.3 million
- External assets under management up 54% to \$1.3 billion
- Sale of six non-core assets for \$253 million
- Sale of 321 Exhibition Street post balance date for \$206 million

FINANCIAL POSITION STRENGTHENED

- Net tangible assets (NTA) per security increased from \$0.70 to \$0.73
- Gearing reduced from 46% to 37% post Exhibition Street sale, within target range of 35-55%
- Consolidated debt platform of \$1 billion with extended term and reduced pricing
- Hedging term extended to 4.7 years
- Weighted average debt expiry extended to 3.9 years
- \$190 million cash available following settlement of 321 Exhibition Street

FY15 GUIDANCE

- Operating earnings expected to be at least 8.3 cps in FY15
- Targeting 3% distribution growth on FY14
- Continued focus on acquiring long-leased office property assets



Long term Cromwell investor Bruce Wallace in front of the Cromwell Head Office meeting room that bears his name.

Table 2: Financial Results Summary

	FY10	FY11	FY12	FY13	FY14	Change
Statutory profit/(loss) (\$'000)	19,053	88,102	23,077	46,156	182,471	295%
Statutory profit/(loss) (cents per security)	2.5	9.6	2.2	3.4	10.6	208%
Property Investment	65,482	65,936	80,425	96,510	138,616	44%
Funds Management	2,920	180	223	6,416	8,330	30%
Development	(3,772)	(819)	(638)	(515)	(225)	56%
Operating profit (\$'000)	64,630	65,297	80,010	102,411	146,721	43%
Operating profit (cents per security)	8.5	7.1	7.5	7.6	8.5	12%
Distributions (\$'000)	60,618	64,988	75,019	97,448	131,394	35%
Distributions (cents per security)	8.0	7.0	7.0	7.3	7.6	5%
Payout Ratio (%)	94%	99%	94%	95%	90%	(5%)

Table 3: Financial Position

	FY10	FY11	FY12	FY13	FY14	Change
Total assets (\$'000)	1,282,828	1,539,428	1,837,601	2,546,110	2,469,940	-3%
Net assets (\$'000)	571,407	705,160	788,989	1,200,852	1,263,998	5.3%
Net tangible assets (\$'000)	570,120	703,636	787,442	1,199,018	1,261,606	5.2%
Net debt (\$'000)	568,117	737,037	905,024	1,106,787	983,894	-11.1%
Gearing	48%	49%	51%	46%	42%	-8.7%
Securities issued (\$'000)	807,835	964,737	1,169,689	1,713,721	1,727,281	-0.8%
NTA per security	\$0.71	\$0.73	\$0.67	\$0.70	\$0.73	4.3%
NTA per security (excluding interest rate swaps)	\$0.71	\$0.73	\$0.71	\$0.72	\$0.75	4.2%

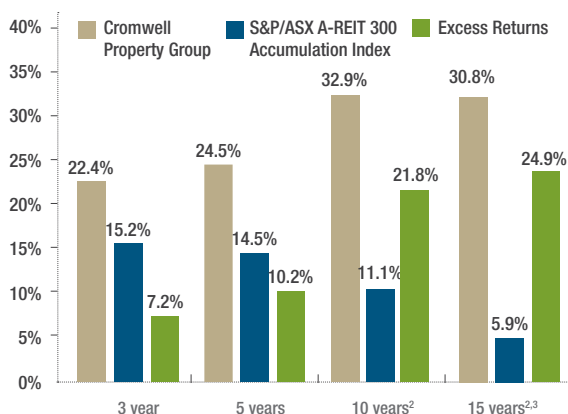
Table 4: Economic Performance

	FY10	FY11	FY12	FY13	FY14	Change
Direct economic value generated (EVG)						
Revenues - net sales plus revenues from financial instruments and sales of assets	137,193,408	147,714,009	186,703,094	230,514,711	333,055,898	44.5%
Economic value distributed (EVD)						
Operating costs	28,497,547	24,473,303	30,019,773	37,405,408	49,040,121	31.1%
Employee wages and benefits	11,101,881	11,679,969	13,347,350	14,858,666	17,569,168	18.2%
Payments to providers of capital	99,278,000	115,713,059	137,873,974	169,373,992	201,419,341	18.9%
Gross Taxes	12,630,031	21,780,959	25,735,252	39,239,361	22,103,887	-43.7%
Community investments & donations	64,986	48,532	67,401	70,464	222,973	216.4%
Economic value retained (EVG-EVD)	(14,379,037)	(25,981,813)	(20,340,656)	(30,433,180)	42,700,408	N/A

4.4 BENCHMARKING OUR PERFORMANCE

Figure 4: Total Securityholder Returns¹

We aim to outperform the S&P/ASX A-REIT 300 Accumulation Index over rolling three and five year periods. This index is considered to be an appropriate benchmark because it broadly captures the total return performance of all major A-REITs, weighted by market capitalisation.

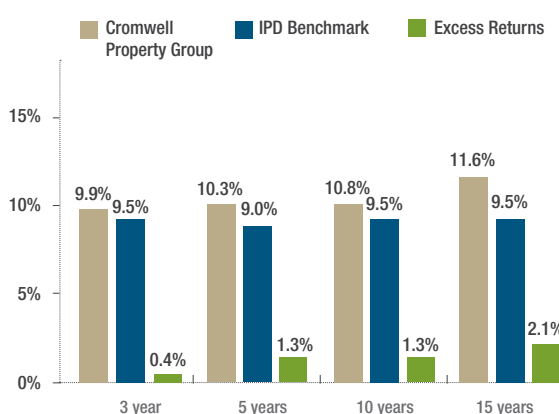


Source: IRESS. Figures as at 30 June 2014 annualised

1. Includes distributions
2. Cromwell return includes period prior to stapling in December 2006
3. 15 year S&P/ ASX A-REIT 300 Accumulation Index return is since inception, which is 31 March 2000

Figure 5: Direct Property Returns

Cromwell's effectiveness as a property manager is measured by comparing total annual returns from all Cromwell managed properties against the IPD Australia All Property Index. Cromwell aims to outperform this index over rolling three and five year periods.



Source: IPD. Figures as at 30 June 2014 annualised

4.5 OUR BROADER ECONOMIC IMPACTS

Our operations provide benefits to the economies and communities in which we operate. These include:

- **Contributing to job creation** – our employees, contractors and suppliers are predominantly local and this has flow-on benefits to the economy from employment.
- Our approach to **building and refurbishing high valued assets** supports long-term growth and revitalisation of our major cities.
- We contribute to **community development** through charitable donations, advisory services and community partnerships throughout the year.
- Our **responsible investment products** encourage our investors to make informed decisions regarding the indirect impacts of their investments.
- By demonstrating industry leadership in **building efficiency and sustainability**, we minimise environmental impacts associated with our properties and encourage our industry-peers to adopt best-practices.
- By **creating modern and attractive work spaces** we encourage work-life balance and support productivity and lifestyle improvements for our tenants.

Formalising

our community commitment

Underpinning the values of Cromwell is a belief that we have a responsibility to build stronger communities. Over the years we have supported dozens of charitable organisations, sporting clubs, schools and hospitals. In 2014 we moved to formalise this culture of giving and established the Cromwell Property Group Foundation.

In 2014, Cromwell established a charitable foundation to support benevolent causes in the areas of health, education, social and community welfare, community benefits and humanitarian efforts.

The objective of the Cromwell Foundation is to support those charities which may not receive much attention, whose valuable efforts would significantly benefit from our funding support.

Driving our corporate citizenship through philanthropic support, funding allocation is determined by the Foundation's board and executed by volunteers within the organisation.

The first distribution made by the Foundation was to Parkinson's NSW and the Trigeminal Neuralgia Association (TNA) Australia, who received \$50,000 each.

The funds donated to Parkinson's NSW will be used to build an interactive online exercise program for Parkinson's patients. The program is developed by the University of Sydney and is expected to greatly improve the quality of life of Parkinson's patients.

Funds presented to TNA Australia will go towards its sixth national conference in 2015; an important platform for local and international experts to work towards preventing and treating chronic pain caused by the condition.

The Cromwell Foundation enables us to align our philanthropic objectives with those of our key stakeholders.



Health



Education



Social
Welfare



Community
Welfare



Humanitarian
Causes



The inaugural recipients of funding from the Foundation are Parkinson's NSW and the Trigeminal Neuralgia Association Australia; both receiving \$50,000 towards their ongoing work in health.

PARKINSON'S NSW

Parkinson's disease is a movement disorder typically presenting with symptoms such as slowness of movement, muscle rigidity, instability and tremor.

There are estimated to be some 80,000 Australians living with Parkinson's disease. A diagnosis can occur at any age with the most common age of diagnosis being 50-60 years of age.

Parkinson's NSW'S vision is to enhance the quality of life for all people living with Parkinson's disease.



TNA AUSTRALIA

Trigeminal neuralgia is a disorder of the fifth cranial (trigeminal) nerve that causes episodes of intense, stabbing, electric shock-like pain in the areas of the face where the branches of the nerve are distributed - lips, eyes, nose, scalp, forehead, upper jaw, and lower jaw.

Trigeminal Neuralgia Association (TNA) Australia's vision is to improve the quality of life and treatment of chronic facial pain sufferers locally, nationally and internationally.



5 our approach to sustainability

We have aimed to integrate sustainability considerations into the way we conduct our business. As an ASX 200 listed business, Cromwell has a strong corporate governance framework in place.

The highest governance body within the organisation is the Board of Directors. The Board consists of nine Directors, including the Chief Executive Officer (CEO) and the Director – Funds Management. The Board is responsible for overall corporate governance of Cromwell, including adopting appropriate policies and procedures to guide all company functions (see Figure 2 on page 9).

Our Board has embraced the third edition of the ASX Corporate Governance Principles and Recommendations, which requires listed entities to disclose their economic, environmental and social sustainability risks, and how they are managed. We see these principles as useful to give stakeholders a more holistic view of the context in which Cromwell operates.

To implement the ASX Principles, the Board is supported by a number of Board Committees and written Charters, including the Board Charter, Audit & Risk Committee Charter and Nomination and Remuneration Charter.

5.1 MANAGING SUSTAINABILITY

Cromwell is committed to demonstrating industry leadership in sustainability and strives to be a responsible property and investment manager.

In managing sustainability issues, our executive team takes a continuous improvement approach to integrate sustainability, social responsibility and resource management best practice into our operations at all levels.

We have a Sustainability Committee, represented by staff from each area of business, to drive our commitment to Economic, Social and Governance (ESG) reporting. The committee is responsible for setting the organisation's sustainability objectives, regularly reviewing these objectives and outcomes, and reporting to the Board.

We regularly invest in the sustainability of our property assets, recognising that this will help enhance the value of our assets and meet market demand.

We are also committed to transparent reporting of our activities, as we ensure that sustainability remains a constant and visible consideration for management.

5.2 ETHICS, GOVERNANCE AND COMPLIANCE

Our strong corporate governance framework, and the culture and mindset it creates, carries through to our property and funds management businesses and our governance and compliance arrangements. The Board has approved a number of policy statements and procedures surrounding ethical conduct, anti-corruption, and compliance, which are detailed below.

As a financial services licensee and responsible entity, we have a robust compliance regime, including a Compliance Committee. The committee consists of majority external members and reports to the Board on a regular basis.

We have detailed procedures to ensure that our investment products comply with strict disclosure and marketing protocols required by the Corporations Act, the Australian Securities and Investment Commission, and the ASX Listing Rules.

Our Code of Conduct governs policies and practices relating to ethics, honesty and integrity, fair dealings, protection and proper use of assets, and compliance with laws, regulations and policies. We have a Conflict of Interest Policy and Procedure and a Related Party Policy, which require Board approval for all related party transactions.

We assess all Cromwell employees under our anti-corruption policies and procedures. We have an Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) compliance program, against which all employees and investors in our unlisted funds are assessed. AML/CTF requirements also form part of the Distribution Agreement with our distribution network, including financial advisers. During FY14, we did not identify any significant risks related to corruption, and no incidences of corruption were reported.

All our employees are required to attend annual compliance training at which all relevant compliance requirements, including anti-corruption policies, are covered.

“Cromwell often acquires assets and portfolios where significant building recommissioning, tuning and capital works are required to progressively bring them to industry best practice in relation to energy and water conservation and operational efficiency. Transforming the performance of these assets is one of the ways Cromwell adds value for shareholders.”

In part, due to this robust governance and compliance regime, as well as our risk management and customer service approach, no incidences of non-compliance with laws and regulations related to the provision of our products and services were reported in FY14, and no fines have been incurred.

At Cromwell, we pride ourselves on our integrity in the marketplace. There were no legal actions brought against Cromwell for anti-competitive behaviour, anti-trust or monopoly practices in FY14.

5.3 RISK MANAGEMENT

Our Board of Directors recognise the importance of taking a proactive, enterprise-wide approach to managing risks. We have an Enterprise Risk Management Policy and a supporting framework, which applies to all our operations. The objective of the policy is to manage material risks associated with pursuing opportunities that deliver Cromwell's business objectives.

We manage risks in our property and funds management business in a number of ways:

- Our property managers implement and assess OH&S policies throughout the lifecycle of Cromwell-owned properties. They maintain OH&S registers and conduct thorough risk analyses.
- Our relationship management strategy gives our tenants a direct line of communication with property management teams, and our investors are serviced by our funds management team.

5.4 PORTFOLIO CATEGORISATION FOR SUSTAINABILITY

Scope and Boundary

Cromwell reports its sustainability performance on an annual financial year cycle, so assets held between 1 July and 30 June will be included in that financial year's report.

The assets are assessed using an operational control approach which determines the most appropriate like-for-like comparison of Cromwell's portfolio to that of its peers. The parameters for the asset categorisation are *Core*, *Transitional*, *Amending*, *Uncontrolled* and *Unlisted*.

The need for the categorisation is because Cromwell's investment philosophy is materially different to that of other A-REITs. Cromwell often acquires assets and portfolios where significant building recommissioning, tuning and capital works are required to progressively bring them to industry best practice in relation to energy and water conservation and operational efficiency. Transforming the performance of these assets is one of the ways Cromwell adds value for shareholders. Our ability to do so is regarded as a competitive advantage in a sector which is often focused on new buildings. However, the affect these assets have on Cromwell's total sustainability performance would be detrimental until works are completed and efficiencies are realised.

There is currently no single measure to benchmark the positive environmental impact Cromwell makes by undertaking these transformation projects, but it is widely acknowledged that re-living and retrofitting old property stock and retaining the embedded carbon saves up to 40% of the total carbon footprint that would otherwise be associated with construction of a new building. The transformation approach results in appealing outcomes for the environment. For the purposes of the Global Reporting Initiative G4 guidelines and the Global Real Estate Sustainability Benchmark, the data boundary is set around the *Core* assets held by Cromwell Property Group.

The asset categorisations are defined as follows:

- **Core**
Those assets wholly-owned by Cromwell Property Group which have completed their transformation, or acquired as core, and have recorded 12 months consumption data from which to attain a base building NABERS energy rating.
- **Transitional**
Often referred to as Core Plus because of the value which can be realised by addressing operational improvements or repositioning opportunities, these assets are undergoing significant capital works, being re-positioned, re-purposed or are otherwise in a transitional phase in their property lifecycle. The consumption data from these assets is inconsistent with their long term ambition and would distort results if included in a whole of portfolio measurement.

- **Amending**

Often when aging property stock is acquired, the immediate issue is to align the asset's reporting lines with that of the rest of the core portfolio. Amending these reporting issues can be achieved quickly, however it takes 12 months to accurately record consumption data under its new reporting regime.

- **Uncontrolled**

Despite owning the asset, Cromwell has several tenants whose lease agreements require them to run the operational aspects of the asset. Work is being undertaken to establish reporting lines for some of these assets so they can be included in the aggregate sustainability reporting in the future.

- **Unlisted**

As an unlisted property funds manager, Cromwell is responsible for managing the operational performance of various direct property assets owned by independent entities. Because these assets do not directly impact Cromwell Property Group's financial performance, they are not considered core.

Measurement

We assess our commercial assets using various indices and rating systems which allow us to integrate environmental commitments to our business.

We use the National Australian Built Environment Rating System (NABERS) to measure the operational impacts of our properties on the environment and to gauge the achievement of efficiency gains. NABERS rates environmental impacts of commercial office, hotel or residential building operations, providing an indication of how well we are managing these impacts compared with our peers. NABERS ratings can be obtained for energy, water, waste and indoor environmental quality. We have already commenced trial sites to monitor indoor air quality as well as waste stream analysis in anticipation of an industry expectation to commence formal certification against these criteria in the near future.

We also assess new building construction against the Green Building Council of Australia's Green Star rating scheme. This is a comprehensive national voluntary environmental rating system that evaluates the sustainable design and construction of buildings against national and global best practice.

We measure and report our utility usage on the following basis:

- **Electricity**

We report usage for our common (landlord) areas only. This is because tenants have ultimate control over the power and lighting used in the tenanted areas.

- **Water**

The NABERS water assessment is based upon the total use of water in the building. This includes usage by tenants in kitchens and staff facilities as well as toilets, showers and other amenities.

Continuous Improvement

Our objective for all our properties is to target NABERS water and energy ratings that deliver a minimum of 4.5 stars NABERS energy and 3 stars NABERS water and for our Core properties deliver a 5 star NABERS average rating for energy and 4 star NABERS water.

As our portfolio grows and as our Core properties change through time, the NABERS ratings and more importantly the energy intensity in MJ/m²/pa and water consumption in ML/m²/pa provide a continuing benchmark and target. By using these benchmarks regardless of the number of buildings or the increasing area of the respective portfolio, we will be able to continue to gauge our performance targets and demonstrate against Australian and world indices our energy intensity and the emissions that arise as a consequence.

Targets

- NABERS area weighted average:
 - **5 stars Energy**
 - **4 stars Water**
- Energy intensity:
 - **403.43 MJ/m²/pa**
- Water consumption:
 - **0.64 KL/m²/pa**
- Emissions:
 - **86.46 kg CO₂e/m²/pa**

5.5 MEMBERSHIPS OF ASSOCIATIONS

Cromwell holds corporate membership in a number of industry and governing bodies, which allows us to access their high value member services, better manage our assets and make informed investment choices that take into account environmental, social and governance (ESG) considerations. We believe these partnerships help us deliver long term value for our investors.

These industry associations include:

- **Property Council of Australia** - the leading advocate for the property industry in Australia;
- **Facility Management Association of Australia** - the professional membership body which represents facility managers in Australia; and
- **Responsible Investment Association of Australia** - the peak industry body for professionals working in responsible investment in Australia and New Zealand. We have investment products certified under its Responsible Investment Certification Program.

Environmental improvements add value

Cromwell's commitment to enhancing value through sustainability has been highlighted by the success of a wide-ranging program to improve the environmental performance of a portfolio of assets acquired from the New South Wales State Government.

In June 2013, Cromwell Property Group acquired a portfolio of seven office assets from the NSW State Government for \$405 million. Upon completion of the acquisition Cromwell moved quickly to implement a range of Environmentally Sustainable Design (ESD) initiatives that would deliver short and long term value.

The program delivered a 6.1% reduction in electricity usage across the portfolio in the 12 months to June 2014.

The seven assets include Symantec House, McKell Building and Bligh House in Sydney, and government office buildings in Penrith, Wollongong, Newcastle and Queanbeyan.

Initial works on improving efficiency included installing more energy efficient equipment. The McKell Building was fitted with three new chillers, new pumps and controls and Bligh House has been fitted with a new main chiller, including pumps and controls, leading to a 40% energy efficiency improvement.

Symantec House has upgraded to new high efficiency controls and modern lifts, which will provide an estimated 60% energy saving to the high rise building and a 20% saving to the low rise on completion. The lift modernisation has also been implemented at Bull Street in Newcastle, while Crown Street in Wollongong received energy-efficient lighting to all office floors.

Across the portfolio, a new waste management contract was introduced which includes waste segregation to help minimise landfill.

New mechanical electrical services specifications and contracts have been introduced, with an emphasis on providing detailed planned and preventative best practice maintenance. This will help maximise building performance and occupant comfort.

As a result of these wide-ranging initiatives, the NABERS targets have been met for energy across the portfolio with continued savings expected as the ESD program continues to gain momentum.

CASE STUDY: Breathing new life into 207 Kent Street, Sydney

Through assets improvements and strong relations with Symantec and their tenant representative, Cromwell re-signed the internet security company on a seven year lease over 5,410 m², up from 2,993 m².

In addition to the ESD improvements during the year, Cromwell's \$2.6 million building upgrade investment included significantly improving the tenant experience. New bike and locker room facilities were created, a ground floor lobby refurbishment was completed in early 2014 and the bathrooms were upgraded.

Complete:
Active Tenant Facility is a significant addition to the amenity offering of the asset



Complete:
Contemporary lobby refurbishment improves the overall aesthetic of the asset



6 property management

6.1 PROPERTY PORTFOLIO HIGHLIGHTS

Unlike many of our competitors, Cromwell manages its properties internally. This internalised property management model gives us intimate knowledge and understanding of our individual assets, enabling us to manage risks and opportunities more effectively and ensure that our buildings meet tenant expectations.

We are constantly seeking opportunities to acquire new properties and divesting existing assets when the fundamentals indicate it is appropriate.

Portfolio highlights during FY14:

- Acquired four assets for new unlisted funds, raising \$149 million in capital;
- Property valuation for our \$2.2 billion portfolio increased by \$46.2 million during the year;
- Sold seven assets, resulting in a small reduction in property capitalisation rates, from 8.51% in FY13 to 8.20% in FY14;
- Our 5.9 year weighted average lease term remains one of the longest in the sector; and
- We generated 81% of our gross income from government or listed company tenants.

6.2 OUR PROPERTIES AND THE ENVIRONMENT

Our greatest impact on the environment arises from emissions associated with energy, waste and services used by the buildings we manage. We aim to achieve the highest possible environmental standards across our property portfolio, maximising the efficient use of resources, reducing waste and minimising our environmental impact.

Impacts on the environment from Cromwell-managed properties are derived from NABERS audits undertaken by independent assessors. Details of measurement techniques and the basis of calculation are being reviewed and documented in Cromwell's Environmental, Social and Governance (ESG) Policy.

As a result of our strong corporate governance and environmental management systems, during FY14 no monetary fines or non-monetary sanctions were incurred by Cromwell for non-compliance with environmental laws and regulations. There were also no cases that required dispute resolution.

\$2.2 BILLION
PORTFOLIO VALUE

WEIGHTED AVERAGE
LEASE EXPIRY (WALE)
5.9 yrs

97.6%
OCCUPANCY

465K m²
NET LETTABLE AREA

6.2.1 Benchmarking our performance

We assess our commercial assets using a number of indices and rating systems, which allows us to integrate environmental commitments to our business platform.

We use the **National Australian Built Environment Rating System (NABERS)** to measure the operational impacts of a majority of our properties on the environment and to gauge the achievement of efficiency gains. NABERS rates environmental impacts of commercial office, hotel or residential building operations, providing an indication of how well we are managing these impacts compared with our peers.

We also assess Cromwell buildings against **Green Star**, a comprehensive national voluntary environmental rating system that evaluates the environmental design and construction of buildings. The system is managed by the Green Building Council of Australia.

Cromwell often acquires assets and portfolios which require significant capital works to bring them up to industry best practice standard in relation to energy, water and waste efficiency. Transforming the performance of these assets is in fact one of the ways Cromwell adds value for shareholders. Our ability to do so is regarded as a competitive advantage in a sector which is often focused on new buildings.

There is currently no measure to benchmark the positive environmental impact Cromwell makes by undertaking these commercial office rejuvenation projects, but it is widely acknowledged that retrofitting old property stock, and retaining the embedded carbon, is a far better outcome for the environment than demolition and reconstruction.

Figure 6: Geographic Diversification by Gross Income

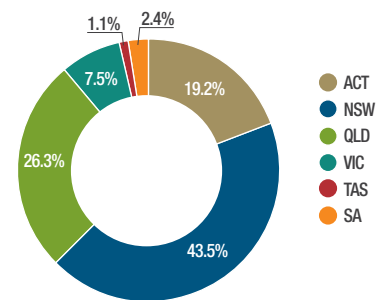


Figure 7: Sector Diversification by Gross Income

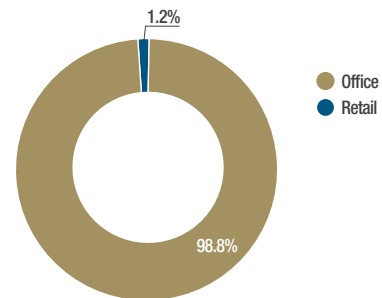


Figure 8: Tenant Classification by Gross Income

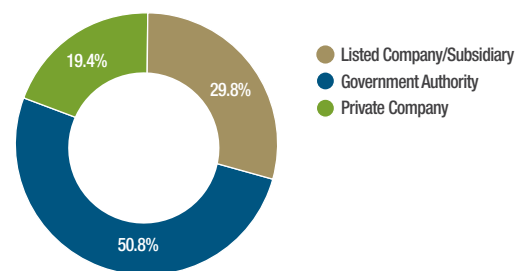
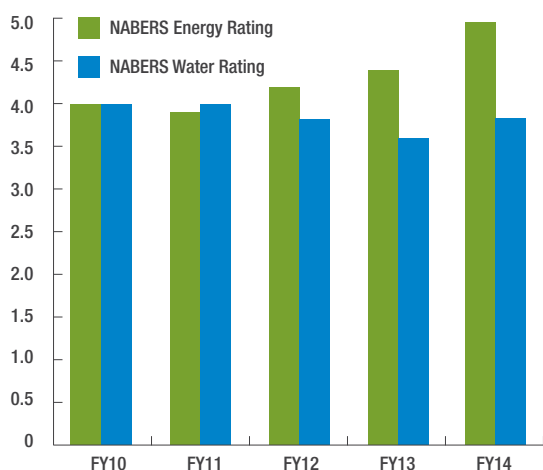


Figure 9: Property Portfolio NABERS Rating



6.2.2 Building efficiency and minimising our environmental impacts

Our key energy efficiency initiatives during the year included:

- Energy improvements at 700 Collins Street delivering a NABERS Energy rating increase from 3.5 to 4.5 Stars;
- The recently completed Ipswich City Heart Building achieved a 5 Star Green Star rating;
- Energex House and HQ North achieved 5.5 Stars NABERS Energy ratings;
- End of trip facilities constructed at 207 Kent Street and 200 Mary Street accommodating 94 and 84 bikes respectively; and
- NSW Government Portfolio assets acquired in FY13 achieved a 6.1% reduction in energy consumption.

Our internal property management team monitors the environmental performance of all Cromwell properties against NABERS indicators. Each property has clear improvement targets, which are supported by staffs' KPIs, designed to ensure accountability for improvement.

Summary of key environmental measures of Cromwell's core properties are presented in Table 5 below. Data for each individual asset is presented in Table 17 on page 42.

CORE PORTFOLIO
4.9 Stars
 AVERAGE NABERS ENERGY RATING

Table 5: Property/Environmental Measures

	FY10	FY11	FY12	FY13	FY14*
NABERS Energy (Stars)	4.0	4.3	4.2	4.4	4.9
Essential Services Compliance	91%	93%	93%	96%	96%
Electricity Consumption (GWh)	17.82	16.49	18.97	21.29	11.27
Water Consumption (ML)	129.6	113.9	163.1	177.1	119.2
Net Lettable Area (m ²)	244,273	274,874	325,306	427,434	182,981

* In FY14, Cromwell revised its portfolio categorisation methodology for sustainability reporting to achieve a more appropriate like-for-like comparison with peers and a more accurate portfolio comparison year-on-year. FY14 reporting is based on the Core properties' performance. The methodology is detailed in Section 5.4 on page 17.

6.2.3 Impacts of climate change

We understand that climate change can impose risks and opportunities that could have potential financial implications for our business. They include:

- **Risks from physical changes** associated with climate change (e.g. changing weather patterns);
- **Regulatory risks** (e.g. cost of activities and complying with new regulations);
- **Innovation opportunities** (e.g. provision of new products and services to address challenges related to climate change); and
- **Competitive advantage opportunities** (e.g. by meeting market appetite for green credentialled property investments and ensuring our portfolio exceeds market expectations for sustainable asset management).

We take a precautionary approach in managing these risks and opportunities. Our Sustainability Committee incorporates climate change considerations into decision making related to various aspects of Cromwell's operations, including management of our assets, compliance with state and federal regulations, and the overall operation of the business.

6.2.4 Waste

Reducing waste generated by our business operations and better managing the life-cycle of our buildings is a key environmental consideration.

We implement a range of recycling initiatives in our offices and buildings to reduce the volume of waste sent to landfill. When it comes to building refurbishment, we recycle and reuse materials removed from old buildings, whenever possible. To learn more about our efforts in this area, see the case study on this page.

Recognising that waste management is a key material issue for our stakeholders, we aim to report on types and volumes of waste generated and disposal methods for our business operations and Cromwell-managed tenancies within the next three years.



CASE STUDY: Waste management in building refurbishment

A part of our strategy to reduce our environmental footprint is refurbishing old assets, instead of demolishing them to construct new buildings.

We apply the innovative "Soft Landings" framework to refurbish old buildings, incorporating a series of building efficiency, waste management and other sustainability initiatives to improve their performance. This framework was published by UK's Building Services Research and Information Association (BSRIA) and Usable Buildings Trust, and Cromwell has been integral in seeing the framework adopted in Australia.

For example, our property development team applied the Soft Landings principles at its 100 Wymouth Street property in Adelaide. Materials removed from the building are recycled and re-used wherever possible. One initiative saw the reuse of internal glass office partitions in the construction of an eco-friendly 'Earthship' home in South Australia designed to a 'Bioteecture' method.

Cromwell's efforts come at a time where there is an increased push in Australia to reduce our energy and resource use by improving overall performance of new and existing buildings.

Recognising that our greatest impacts on the environment are generated by the commercial properties we manage, we constantly seek innovative solutions to use our resources in a more responsible and efficient way, generating beneficial outcomes for our tenants and the environment at large.

ENERGY INTENSITY

436.7 MJ m² p.a.

6.2.5 Energy

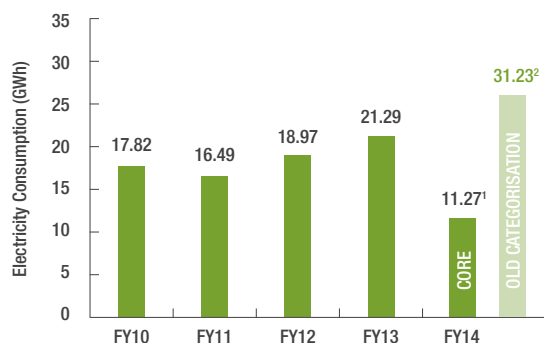
This year, Cromwell has revised its portfolio categorisation methodology for sustainability reporting to achieve a more appropriate like-for-like comparison moving forward. FY14 reporting is based on the performance of Cromwell's core properties, whereas previous years' performance was based on all Cromwell-owned assets, without taking into account net lettable area, acquisition date, metering discrepancies, lifecycle considerations and other factors which result in inconsistent year-on-year comparisons.

Figure 10 illustrates aggregate electricity consumption of the assets included in the calculation for each year. Due to the new categorisation methodology, the reported electricity consumption is significantly reduced and should not be used as a year-on-year comparison of performance.

In this transition year, an FY14 column using the old reporting methodology is provided, to ensure transparency in reporting to our stakeholders.

To demonstrate the inconsistent nature of the old categorisation methodology, a significant increase in electricity consumption in FY14 is shown under the old categorisation. This primarily resulted from the acquisition of the New South Wales State Government Portfolio (GPNSW) less than a month prior to the end of the FY13 period. This meant that the GPNSW was included in the consumption calculations; increasing the net lettable area of the reported portfolio without taking into account data collection issues for GPNSW.

Figure 10: Electricity Consumption



- 1 This year, Cromwell has revised its portfolio categorisation methodology for sustainability reporting to achieve a more appropriate like-for-like comparison moving forward. FY14 reporting is based on consumption figures for Cromwell's core properties. The methodology is detailed in Section 5.4 on page 17.
- 2 Consumption measure for FY14 under the old categorisation is provided to enable comparison to previous years as we transition to improved reporting.

Table 6: Cromwell's renewable and non-renewable energy consumption (Core Properties)

Energy source	Amount purchased / consumed in FY14
Non-renewable energy	
Electricity consumption	11,277,116 kWh
Steam consumption	N/A
Renewable energy sources	
Solar energy	N/A
Total Energy Consumption	11,277,116 kWh



Active Tenant Facility Opening

WATER INTENSITY

0.65 m³ m² p.a.

6.2.6 Water

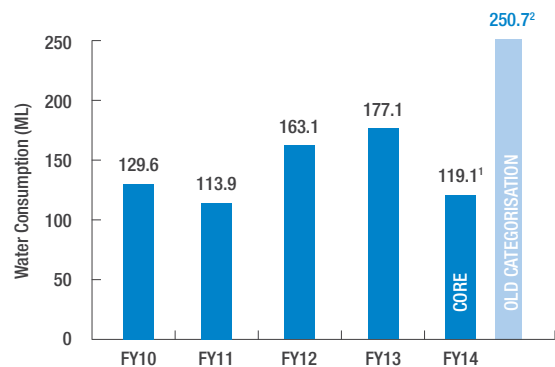
Water conservation is a key consideration in our efforts to improve the resource efficiency of our buildings. In FY14, we continued to implement water reduction programs such as rain and recycled water capture and storage.

Aggregate water consumption by Cromwell's core properties (119.1 ML) is presented in Figure 11, alongside consumption figures under the old categorisation (250.7 ML).

Water consumed by Cromwell properties is primarily sourced from municipal water supplies. Of the total volume of water withdrawn, the percentage recycled and reused during FY14 was 5.9% (7,056 kL). Table 7 presents water consumption by source for Cromwell's core properties.

Our current levels of water consumption corresponds to a building water intensity of 0.65 cubic metres per square metre per year.

Figure 11: Water Consumption



- 1 This year, Cromwell has revised its portfolio categorisation methodology for sustainability reporting to achieve a more appropriate like-for-like comparison moving forward. FY14 reporting is based on consumption figures for Cromwell's core properties. The methodology is detailed in Section 5.4 on page 17.
- 2 Consumption measure for FY14 under the old categorisation is provided to enable comparison to previous years as we transition to improved reporting.

Table 7: Cromwell's Water Usage

Water source ¹	Amount withdrawn FY14
Water withdrawn	
Municipal water supplies or other water utilities	119,150 kL
Rainwater collected and directly stored by the organisation	7,056 kL
Total consumption	126,206 kL

CASE STUDY: Active Tenant Facilities' impact on water usage

In December 2013, Cromwell opened a state-of-the-art 'Active Tenant Facility' at 200 Mary Street, Brisbane, as a to improve the amenity of the building and encourage our tenants to lead healthier lifestyles.

The facility makes it easier for commuters to leave their cars at home and choose a more active way to get to work, such as cycling or running.

The added amenity helped to attract and retain tenants and Cromwell has installed similar facilities in all new and renovated assets in the last two years.

The 200 Mary Street facility contains 126 lockers, 84 bicycle secure parking stations, showers (with efficient showerheads), drying racks and ironing stations.

This initiative is also aligned with the Brisbane City Council's own efforts to reduce congestion and provide sustainable transport options for the city's residents.

Collectively, initiatives like this will provide an effective way to reduce our carbon footprint, improve air quality, and ultimately improve public health.

These facilities do however have an impact on the recorded water usage of the building. Approximately 30% of people's daily water usage is associated with showering, and we are essentially transferring that water usage from their home to their office building. Cromwell believes that the environmental, social and flow-on economic impact of offering Active Tenant Facilities to tenants outweighs the on-paper deficit to water usage benchmarks.

6.2.7 Emissions

Over 99% of Cromwell's CO2 emissions are related to energy, waste and services used for our commercial property operations. The remaining emissions arise from our own offices and business operations. Therefore, influencing the way our tenants use resources in the buildings we manage is key to achieving business-wide emission reductions.

As a landlord, we are responsible for managing 'base building' services such as electricity that powers common areas (building lights and elevators), air conditioning, water and waste disposal, but excludes power consumed by our tenants in carrying out their business operations.

Our stakeholders identified GHG emissions reporting per asset, as well as for Cromwell business operations, as a key material issue in sustainability reporting. Recognising this priority, we are now working with consultant, WT Sustainability, to roll out a carbon reporting plan in FY15. We aim to report on Scope 1, 2 and 3 emissions from our key operational areas within the next three years.

6.3 CUSTOMER HEALTH AND SAFETY

Occupational Health and Safety (OH&S) is an important component of our property management services to ensure safety and security of our tenants.

We evaluate OH&S risks and impacts throughout the lifecycle of all Cromwell-managed buildings. Our property management team maintains OH&S and incident registers. Senior managers in the team regularly monitor compliance with OH&S procedures.

The property management team also maintains regular and frequent contact with tenants at various levels within their organisation to ensure that we provide safe and satisfactory work environments for our tenants.

6.3.1 Essential services compliance

Essential services compliance ensures our buildings are compliant with national, state and council safety maintenance codes on safety issues such as fire alarms, emergency exits, lift safety, air-conditioning and sprinkler systems.

Our essential services compliance is monitored by independent consultants AESC Pty Ltd. AESC reviews service and certification reports from contractors against over 500 tests and inspections that are undertaken annually on the Cromwell portfolio.

6.4 SUPPLY CHAIN AND SUPPLIER IMPACTS

We understand that being a responsible business means extending our commitments on sustainability, including environmental performance, human rights and labour practices to other organisations in our supply chain.

In running our day to day business operations, we procure products and services from a range of contractors – which include builders, design teams, consultants, material contractors and suppliers. All of our building contractors are required to complete induction programmes. We regularly assess our contractors to ensure their adherence to our OH&S expectations and to ensure our supply chain is aligned with our ESG objectives.

We aim to have local suppliers tender for over 95% of our contracts, and wherever possible, recruit staff from the local labour market. Efforts to buy and hire locally reflects our commitment to support local businesses and residents.

While we do not assess our suppliers for their labour practices and impacts on society, for large projects, we procure the services of reputable suppliers who have strong quality assurance systems.

For small contracts, it is difficult to track practices of second-tier subcontractors; but we try to engage with them, wherever possible, to ensure our own quality assurance requirements related to environmental and social aspects are met.

6.5 COMMUNITY ENGAGEMENT

For large building projects, we engage with the local communities where our projects are implemented in order to understand their priorities and issues, and to address any adverse impacts the projects may incur. For such projects, our principle contractors are responsible for implementing the community engagement process.

While we do not have formalised grievance mechanisms, our property development team remains conscious of any grievances brought forward and take necessary actions to address them. In the FY14 reporting period, Cromwell did not receive any formal grievances regarding our labour practices.

7 funds management

7.1 FUNDS HIGHLIGHTS

Cromwell have established a comprehensive suite of investment products with various levels of exposure to listed and unlisted property.

Earnings from our funds management business increased from \$5.8 million in FY13 to \$8.3 million in FY14, reflecting our continued success in delivering new products to the market and the resulting increase in recurring revenue.

Highlights of our funds management business during the year include:

- External assets under management now exceeds \$1.3 billion;
- External funds management earnings increased by 65% to \$5.5 million;
- 3 new funds were created during FY14; and
- Purchased 50% stake in the New Zealand property fund manager, Oyster Group.

7.2 RESPONSIBLE INVESTMENT SERIES

We have adopted the Responsible Investment Australasian Association (RIAA) Charter on responsible investing. This was done to broaden our ESG focus and demonstrate that sustainability can be a pathway to profitability, not just in our property management business, but also when investing in commercial property funds.

We have created a series of ESG-based criteria against which our potential direct property investments and their investment vehicles are evaluated. If the investment vehicle meets our ESG criteria and acquires a suitable property, the investment vehicle will become a part of the Cromwell Responsible Investment Series ("CRIS").

We submit our CRIS investment products to the RIAA to be considered for their Responsible Investment Certification Program. Through this mechanism, we make smart investment choices that take account of environmental, social, ethical and governance issues, as well as our financial objectives.

FUNDS UNDER MANAGEMENT
GROWING TO **\$559** MILLION



CASE STUDY: Oyster Group

Cromwell grew its funds management network in FY14 acquiring a 50% stake in New Zealand property syndicator Oyster Group.

Oyster has in excess of \$NZ650 million of property assets under management through a combination of 24 private property syndicates and institutional property management mandates.

The business has a very capable and experienced management team that is culturally and philosophically aligned to Cromwell. This, combined with the New Zealand economy entering a new period of strong sustainable growth, made the strategic stake an attractive proposition.

The International Monetary Fund (IMF) has forecast that the New Zealand economy will grow at a rate of 3.5% this year, well above its historical average.

8 operations and the community

8.1 OPERATIONAL HIGHLIGHTS

Key operational highlights during FY14 are as follows:

- Formed the Cromwell Property Group Foundation and provided \$100,000 in donations;
- On-boarded over 30 new employees showing an increase from 89 to 121 employees;
- Re-structured management and executive teams to support future growth and strategic goals;
- Head office refurbishment commenced in March 2014 and is scheduled for completion in February 2015; and
- Enhanced training opportunities for staff was approved to be rolled out in FY15, including a leadership development program for current and emerging leaders.

8.2 EMPLOYEE RELATIONS

At Cromwell, it is one of our utmost priorities to provide a supportive workplace for our staff. We endeavour to attract and retain high quality people, provide an environment that encourages them to achieve their career and personal objectives and support continual growth and improvement.

Annually, we conduct an Employee Engagement Survey to gather feedback from our employees about various aspects of their roles and Cromwell as an employer. This year the overall engagement score was 2.67 out of 3.

Table 8: Employee Engagement

	FY12	FY13	FY14
Overall Engagement Score (/3)	2.69	2.75	2.67

This year, employees accorded high scores to having a good understanding of their roles and responsibilities, satisfaction with their teams, work life balance, Cromwell being a good employer, and having a workplace free of bullying and harassment.

8.2.1 Workforce Statistics

As at 30 June 2014, we employed 121 employees on either a permanent, casual or contract basis. This represents a 26% increase in employment from the previous year. Our employees consisted of 108 permanent employees, of which 96 were full-time and 12 were part-time.

All employees in FY14 were based domestically, in Australia. Self-employed individuals did not perform a significant proportion of our work.

In 2014, 1.6% of our employees were covered by a collective bargaining agreement.

Table 9: Workforce statistics by type of employment

Employment Contract	M	F	TOTAL
Casual/Contract	1	3	4
Full time	56	40	96
Part time	0	12	12
Non-Executive Directors	7	2	9
TOTAL	64	57	121

Employees and Supervised Workers

	M	F	TOTAL
Employees	64	57	121
Supervised workers	2	0	2
TOTAL	66	57	123

8.2.2 Diversity and Equal Opportunity

We believe that diversity in the workplace is important and we want to select the best candidates possible, regardless of their age, gender, ethnicity, culture or disability.

At Cromwell, 47% of employees are women. Within the leadership group (Board and executives), 14% of members are women.

Table 10: Diversity in leadership and in the whole organisation

Leadership Group	By Gender		By Age Group		
	Male	Female	<30	30-50	>50
Board	9	1	0	1	9
Executives	9	2	0	11	1
TOTAL	18	3	0	12	10

Cromwell Employees	By Gender		By Age Group		
	Male	Female	<30	30-50	>50
All Cromwell	64	57	33	54	34

We have a Diversity Policy to guide the selection, remuneration and planning for our Board, senior executives and broader workforce. We implement the policy to ensure that incidents of discrimination do not occur in the workplace. During FY14, no incidents of discrimination were reported. Therefore, no corrective action was required.

8.2.3 Employee Retention

At Cromwell, we are determined to attract high quality new employees, and focus on a range of employee retention strategies. Our goal is to achieve less than 14% annual turnover. During FY14, Cromwell hired 33 new employees, all sourced domestically.

Table 11: New hires

Age Group	New Hires		
	M	F	TOTAL
<30	2	9	11
30-50	8	6	14
>50	8	0	8
TOTAL	18	15	33

Table 12: Staff turnover

Age Group	Total Staff Turnover	
	M	F
<30	9%	8%
30-50	7%	3%
>50	10%	0%

During 2014 nine employees left their employment at Cromwell. This reflects a turnover rate of 6.9%.

8.2.4 Family-friendly

We understand that work-life balance is important for Cromwell employees. Realising the link between a balanced personal life and workplace performance, we try to provide our staff with flexible work arrangements, whenever possible.

We also meet Australian regulatory requirements related to parental leave and flexible work arrangements. During FY14, 53 female staff members were entitled to parental leave with three female employees taking parental leave. One staff member has returned to work, while two others remain on parental leave. Cromwell had a 100% return to work rate, however, retention rate cannot be determined at this time, as the returned employee has not yet completed 12 months after her return.

8.2.5 Occupational Health and Safety

Cromwell has an integrated system in place for OH&S that covers our employees, suppliers, auditing premises and services contract tendering. We strive to create a culture of continuous improvement for workplace health and safety.

Cromwell reports incidents to the relevant regulators, government departments and insurers as per the Workplace Health and Safety Act 2011. Minor incidents and near misses are recorded in accordance with the Workplace Health & Safety Policy.

During FY14, there were three minor injuries and no major incidents, occupational diseases, fatalities, or lost days. The absentee rate for 2014 was 1% for male staff members and 2% for females.

Workplace initiatives, such as seasonal flu vaccinations are offered free of charge to all staff to reduce absenteeism and protect the spread of infectious disease.

8.2.6 Employee Development

Cromwell proactively supports our employees to engage in various training and professional development programs to improve their skills. We provide our staff with both financial support and flexible work arrangements to undertake tertiary study. Throughout the year, our employees partake in Continuing Professional Development (CPD), leadership coaching, mentoring and other task-specific short courses.

Table 13: Training and development hours by employment category

Employment Category	Average Female	Average Male	Total
Director	0	43.2	43.2
Executive	1.3	9.6	10.9
Manager	23.0	9.7	32.7
Professional/Technical	21.3	10.0	31.3
Administrative	4.2	0.0	4.2

All of our permanent (non-director) employees received a performance review in 2014. Temporary employees, directors and employees who are still within their probationary period do not receive a performance review.



8.2.7 Remuneration

Cromwell has always aimed to remunerate our employees fairly in order to attract, retain and motivate the highest calibre of people. Remuneration is reviewed and benchmarked annually.

8.2.8 Support Services

We provide an Employee Assistance Program (EAP) to support the personal and emotional well-being of our staff members. Employees can use this service for counselling related to both professional and personal situations. The program is provided by Access Programs and offers personal and family support services, education, critical incidents response and a manager support program.

8.3 COMMUNITY ENGAGEMENT

As a major property group in Australia, we believe that Cromwell has a corporate responsibility to support our community. Therefore active participation in the community is a vital part of our corporate citizenship.

Since 1998, our company has been supporting the communities we operate in by making philanthropic donations to dozens of charitable organisations, sporting clubs, schools and hospitals.

We do not make any form of donation to political parties, or engage in public policy development or lobbying.

8.3.1 Employee Volunteer Program

We have an Employee Volunteer Program, granting two days of paid leave to our employees to engage in community activities each year. The program provides our employees an opportunity to support causes that are important to them, and in turn, an opportunity for personal development and exposure to new experiences. It also provides a platform for our staff to contribute their professional knowledge, skills and experience towards the betterment of society.

8.3.2 Charitable Donations

Cromwell Property Group Foundation

We established the Cromwell Property Group Foundation this year to channel our major philanthropic donations. Through the Foundation, we made two donations of \$50,000 each to support Parkinson's NSW and the Trigeminal Neuralgia Association Australia. For more information see pages 14-15 in this report, or visit www.cromwellfoundation.org.au.

Corporate Sponsorship and Donations

We also support several small charities via the employee volunteer program and staff related charities.

Sporting Sponsorship

As a part of our strategic involvement in the local community, we continued our annual sponsorship of the Easts Tigers Rugby Union Club in Brisbane, contributing \$57,000 to their junior development program and administration costs in FY14.

Staff Related Charities

Each year, Cromwell donates funds for charities nominated by our staff. This year, \$800 was donated to staff-nominated charities. In addition to helping recipient charities, this initiative also encourages our staff to get involved in philanthropic causes.

GRI Content Index →



This Content Index provides an overview of the G4 Standard Disclosures based on the selections made. Cromwell has not sought external assurance on any of the disclosures in this report.

Table 14: GRI Content Index

GENERAL STANDARD DISCLOSURES

Indicators	Description	Reference
STRATEGY AND ANALYSIS		
G4-1	Chairman's letter	5
ORGANISATIONAL PROFILE		
G4-3	About this report	3
G4-4	About us	8
G4-5	About us	8
G4-6	About us	8
G4-7	About us	8-9
G4-8	Cromwell properties	10
G4-9	About us	8, 10
G4-10	Employee relations - workforce statistics	28
G4-11	Employee relations - workforce statistics	28
G4-12	Supply chain and supplier impacts	26
G4-13	Property portfolio highlights, Operational highlights	20, 28
G4-14	Our properties and the environment - Impacts of climate change	23
G4-15	Our properties and the environment - Benchmarking our performance	21
G4-16	Memberships of associations	18
IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES		
G4-17	Annual Financial Report 2013	Online
G4-18	Cromwell's material issues	
G4-19	Cromwell's material issues	41
G4-20	Cromwell's material issues	41
G4-21	Cromwell's material issues	41
G4-22	No restatements were made	
G4-23	About this report	3
STAKEHOLDER ENGAGEMENT		
G4-24	Engaging with our stakeholders	40
G4-25	Engaging with our stakeholders	40
G4-26	Engaging with our stakeholders	40
G4-27	Results of stakeholder engagement survey, Cromwell's material issues	40-41
REPORT PROFILE		
G4-28	About this report	3
G4-29	About this report	3
G4-30	About this report	3
G4-31	About this report	3
G4-32	About this report, GRI content index	3, 33
G4-33	External assurance not sought	

Indicators	Description	Reference
GOVERNANCE		
G4-34	Our approach to sustainability	16
G4-41	Ethics, governance and compliance	16-17
ETHICS AND INTEGRITY		
G4-56	Ethics, governance and compliance	16-17

SPECIFIC STANDARD DISCLOSURES

DMA and Indicators	Description	Identified Omission(s)	Reason(s) and Explanation for Omission(s)	Reference
CATEGORY: ECONOMIC				

MATERIAL ASPECT: ECONOMIC PERFORMANCE

G4-DMA	Creating wealth			11
G4-EC1	Creating wealth			12
G4-EC2	Our properties and the environment - Impacts of climate change			23

MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS

G4-DMA	Creating wealth, Our broader economic impacts, Managing sustainability			11, 13, 16
G4-EC7	Our broader economic impacts			13
G4-EC8	Our broader economic impacts	b. Report the significance of the impacts in the context of external benchmarks and stakeholder priorities, such as national and international standards, protocols, and policy agendas.	The information is currently unavailable - Cromwell will report more comprehensively on this aspect during the next financial year.	13

CATEGORY: ENVIRONMENTAL

MATERIAL ASPECT: MATERIALS

G4-DMA	Our properties and the environment - Benchmarking our performance, Waste, Case Study: Waste management in building refurbishment			20-23
G4-EN1	Not reported		The information is currently unavailable - Will report within three years	
G4-EN2	Not reported		The information is currently unavailable - Will report within three years	

DMA and Indicators	Description	Identified Omission(s)	Reason(s) and Explanation for Omission(s)	Reference
MATERIAL ASPECT: ENERGY				
G4-DMA	Our properties and the environment - Benchmarking our performance, Building efficiency and minimising our environmental impacts, Energy			20-22, 24
G4-EN3	Our properties and the environment - Energy			24
G4-EN4	Our properties and the environment - Energy			24
G4-EN5	Our properties and the environment - Energy			24
CRE 1	Our properties and the environment - Energy			24
MATERIAL ASPECT: WATER				
G4-DMA	Our properties and the environment - Benchmarking our performance, Building efficiency and minimising our environmental impacts, Water			20-22, 25
G4-EN8	Our properties and the environment - Water			25
G4-EN10	Our properties and the environment - Water			25
CRE 2	Our properties and the environment - Water			25
MATERIAL ASPECT: EMISSIONS				
G4-DMA	Our properties and the environment - Benchmarking our performance, Building efficiency and minimising our environmental impacts, Emissions			20-22, 26
G4-EN15	Not reported		The information is currently unavailable - Will report within three years	
G4-EN16	Not reported		The information is currently unavailable - Will report within three years	
G4-EN17	Not reported		The information is currently unavailable - Will report within three years	
G4-EN18	Not reported		The information is currently unavailable - Will report within three years	
G4-EN19	Not reported		The information is currently unavailable - Will report within three years	
CRE 3	Not reported		The information is currently unavailable - Will report within three years	
MATERIAL ASPECT: EFFLUENTS AND WASTE				
G4-DMA	Our properties and the environment - Benchmarking our performance, Building efficiency and minimising our environmental impacts, Waste, Case Study: Waste management in building refurbishment		The information is currently unavailable - Will report within three years	20-23
G4-EN23	Not reported		The information is currently unavailable - Will report within three years	

DMA and Indicators	Description	Identified Omission(s)	Reason(s) and Explanation for Omission(s)	Reference
MATERIAL ASPECT: PRODUCTS AND SERVICES				
G4-DMA	Our properties and the environment - Benchmarking our performance, Building efficiency and minimising our environmental impacts			20-22
G4-EN27	Not reported		The information is currently unavailable - We are considering options to provide this in the future.	
MATERIAL ASPECT: COMPLIANCE				
G4-DMA	Our properties and the environment			20
G4-EN29	Our properties and the environment			20
MATERIAL ASPECT: TRANSPORT				
G4-DMA	Not reported		The information is currently unavailable - Will report within three years	
G4-EN30	Not reported		The information is currently unavailable - Will report within three years	
CATEGORY: SOCIAL				
SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK				
MATERIAL ASPECT: EMPLOYMENT				
G4-DMA	Employee Relations			28
G4-LA1	Employee relations - Employee retention			29
G4-LA3	Employee relations - Family-friendly			29
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY				
G4-DMA	Employee relations - Occupational health and safety			30
G4-LA6	Employee relations - Occupational health and safety			30
MATERIAL ASPECT: TRAINING AND EDUCATION				
G4-DMA	Employee relations - Employee development			30
G4-LA9	Employee relations - Employee development			30
G4-LA11	Employee relations - Employee development			30
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY				
G4-DMA	Employee Relations Diversity and Equal Opportunity, Diversity Policy FY2014 Gender Diversity Objectives			28
G4-LA12	Employee relations - Diversity and equal opportunity			29

DMA and Indicators	Description	Identified Omission(s)	Reason(s) and Explanation for Omission(s)	Reference
MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES				
G4-DMA	Supply chain and supplier impact			31
G4-LA15	Not reported		The information is currently unavailable - We are considering options to provide this in the future.	
SUB-CATEGORY: HUMAN RIGHTS				
MATERIAL ASPECT: NON-DISCRIMINATION				
G4-DMA	Employee relations - Diversity and equal opportunity			29
G4-HR3	Employee relations - Diversity and equal opportunity			29
SUB-CATEGORY: SOCIETY				
MATERIAL ASPECT: LOCAL COMMUNITIES				
G4-DMA	Community engagement			26
G4-S01	Community engagement	Quantitative data (percentage) of projects implemented with community engagement.	The information is currently unavailable - we will report percentage-based data in the next financial year.	26
MATERIAL ASPECT: ANTI-CORRUPTION				
G4-DMA	Ethics, governance and compliance			16-17
G4-S03	Ethics, governance and compliance			16-17

DMA and Indicators	Description	Identified Omission(s)	Reason(s) and Explanation for Omission(s)	Reference
G4-S04	Ethics, governance and compliance	The total number and percentage of employees, business partners, governance body members that have received training on anti-corruption, broken down by employee category	The information is currently unavailable - Cromwell will report percentage-based data in the next financial year.	16-17
G4-S05	Ethics, governance and compliance			16-17
MATERIAL ASPECT: COMPLIANCE				
G4-DMA	Enterprise Risk Management Policy Compliance Committee Charter			Online
G4-S08	Ethics, governance and compliance			16-17
MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY				
G4-DMA	Community engagement			26
G4-S010	Not reported		The information is currently unavailable - We are considering options to provide this in the future.	
MATERIAL ASPECT: GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY				
G4-DMA	Community engagement			26, 31
G4-S011	Community engagement			26
SUB-CATEGORY: PRODUCT RESPONSIBILITY				
MATERIAL ASPECT: CUSTOMER HEALTH AND SAFETY				
G4-DMA	Customer Health and Safety			30
G4-PR1	Customer Health and Safety			30
MATERIAL ASPECT: MARKETING COMMUNICATIONS				
G4-DMA	Market Disclosure Protocol			Online
G4-PR7	Ethics, governance and compliance			16-17
MATERIAL ASPECT: COMPLIANCE				
G4-DMA	Enterprise Risk Management Policy Compliance Committee Charter			Online
G4-PR9	Ethics, governance and compliance			16-17

Supplementary Information →



9.1 ENGAGING WITH OUR STAKEHOLDERS

Cromwell engages with our stakeholders throughout the year in order to understand their expectations of Cromwell economically, socially and environmentally. Our key stakeholders and our approach to engagement is presented in Table 15.

Table 15: Stakeholders

Stakeholders	Engagement
Cromwell Securityholders We run a profitable and financially prudent business with best practice corporate governance.	We conduct an annual Securityholder Engagement Survey to ensure the goals, objectives and conduct of the Group are in line with expectations of securityholders, and to gauge our performance relative to our peers.
Cromwell Investors We offer a range of property investment products to meet the needs of the Australian investment community.	We gain insight into Australian investors through a professional network of dealer groups, investment platforms, financial advisers and direct retail investors. Investors in Cromwell funds receive quarterly reports on progress of their investments.
Tenants We manage safe, efficient and comfortable workplaces that meet the needs of a wide variety of businesses.	With dedicated property and facility managers, we make ourselves particularly accessible to our tenants, to ensure their needs and issues are addressed quickly.
Employees Employees are central to the success of our business, so we strive to foster a culture that enhances employee satisfaction, wellbeing and professional development.	We pro-actively engage with our employees through the Employee Engagement Survey, Sustainability Survey, performance reviews, quarterly all-group meetings and through to informal activities such as fundraising, sporting events, health initiatives and social functions.
Community We are committed to contributing to the communities in which we operate.	Through both Cromwell and the Cromwell Foundation, we support several charities and sporting groups, to play our part in building stronger communities. We also have a paid Employee Volunteer Program to promote staff engagement in the community.
Suppliers / Service Providers To successfully deliver high quality products and service, we partner with various business to support our operations.	We regularly review contracts and service provisions to maintain our relationships, and to ensure that our suppliers support our environmental and social objectives.
Regulators Cromwell operates in a highly regulated industry and prides itself on best practice corporate governance and compliance.	Relationship with regulators is managed at the highest level; from the board level, compliance committee and flowing through to senior executives responsible for business operations.

9.2 RESULTS OF STAKEHOLDER ENGAGEMENT SURVEYS

9.2.1. Securityholder Engagement Survey

This year, we interviewed 370 of our securityholders to understand their perceptions of Cromwell. The study found a strong endorsement of Cromwell's management and communication. Our annual Retail Securityholder Study revealed that satisfaction with our senior management was up to 88%, the highest level since the survey began.

Satisfaction with our communications, which was up from 81% last year to 88% this year, contributed to another sizeable lift in Cromwell being recognised as 'property experts.' Similar to previous years, we found that securityholders continue to invest in Cromwell primarily for the stability of capital and income stream.

