



CROMWELL
PROPERTY GROUP

SUSTAINABILITY REPORT 2018

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SUSTAINABILITY REPORT 2018



SUSTAINABILITY
EVERYTHING IS CONNECTED

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Our Chief Executive Officer provides an update on the importance of sustainability to Cromwell.

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Materiality Review

This year Ernst & Young (EY) was engaged to conduct Cromwell's materiality review.

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In recognising the growing concerns of our stakeholders, Cromwell has adopted the Financial Stability Board's Task Force on Climate Related Financial Disclosures recommendations.

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Cromwell is committed to minimising the environmental impact associated with corporate operations.

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In FY18 Cromwell partnered with Qantas to support four worthy offset projects.

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Economic Pillar

FY18 distributions per security meet guidance at

8.34 cps

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Governance Pillar

There were no cases about non-compliance with environmental laws and regulations and therefore no cases that required dispute.

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Community Pillar

\$370,455

direct, indirect or benefit in kind 'value'.

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People Pillar

67% Global engagement score. 2% above the top quartile benchmark.

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Environmental Pillar

Cromwell remains committed to increasing the coverage of sustainability reporting.

[VIEW >](#)

Case studies

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CEO'S LETTER*



Paul Weightman
CEO
Cromwell Property Group

Dear Investor,

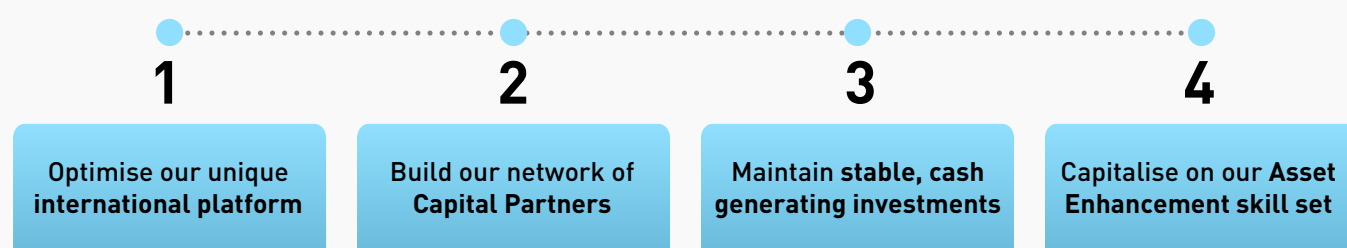
This year is an auspicious one, as it marks Cromwell's 20th anniversary. It has been a remarkable journey from a small Brisbane start-up to one of the top 100 real estate fund managers globally with more than 344 people in 27 offices across 14 countries.

We have taken the opportunity that this anniversary provides to explicitly recognise and re-affirm our purpose, that we exist to look after people, and our vision to be 'globally recognised as the value-driven real estate investor and manager of choice.'

VISION

**TO BE GLOBALLY RECOGNISED AS THE VALUE-DRIVEN
REAL ESTATE INVESTOR AND MANAGER OF CHOICE**

STRATEGIC PRIORITIES



The vision has been distilled into four strategic priorities and reflected in our new 'Invest to Manage' strategy. 'Invest to Manage' means investing where we can leverage returns from additional management revenues and create value, using our balance sheet to co-invest with capital partners into real estate opportunities, particularly those in Europe.

The strategy represents an exciting new growth stage in our journey but the key to successful delivery is that we remain true to our values and remember that a truly resilient and successful business is based on sustainable, ethical governance and socially responsible practices.

To facilitate the delivery of the strategy, Cromwell's Board of Directors has requested that we build-out our Group Leadership Team to ensure all components of the platform are represented at a global level. In recognition of the importance and relevance of sustainability to our success, we have appointed our first dedicated Chief Sustainability Officer, Philip Cowling, to the team.

Phil is responsible for all aspects of sustainability and you can learn more about our strategy, approach and framework, governance, targets and FY18 performance on our global website [here](#).

During the year, a number of key milestones were passed and a material change to the organisation was the successful IPO of the Cromwell European REIT

*based on 2018 reporting boundaries

(CEREIT) in Singapore in November 2017. The opening of our management office in Singapore has broadened our stakeholder group to include locally domiciled institutional and retail investors. Our supply chain remains broadly unchanged on previous years.

Cromwell also issued additional share capital during the year, comprising a \$170 million strategic placement to SingHaiyi Group Ltd and Haiyi Holdings Pte. Ltd. in December 2017, and the follow-up Securities Purchase Plan (SPP) which closed at \$35 million in February 2018.

Total capital raised was \$205 million (excluding the PRP/DRP) and 1,985.3 million (FY17 1,762.4 million) securities were on issue as at 30 June 2018. The IPO, placement and SPP brought a range of new investors to Cromwell and CEREIT.

Over the next three to five years we will focus on executing our 'Invest to Manage' strategy, as well as developing the resilience of our platform to ensure we deliver sustainable returns for our securityholders.

The challenges remain our ability to report across multiple jurisdictions, and influence outcomes in assets or funds over which we do not have full control in an environment in which the performance 'bar' is being raised higher each and every year.

Cromwell's first Sustainability Report was produced in 2009 well before sustainability was considered 'mainstream'. One of the key statements from that year's CEO Letter was:

'The principles of sustainability are an integral part of Cromwell's business. Our existing and potential tenants want it addressed when considering space requirements; our securityholders and investors want to know our business is ethical and economically responsible; and our employees want to work for a business with a conscience.'

This sentiment is as valid today as it was then and sustainability remains at the core of who we are and what we do.

Paul Weightman
CEO
Cromwell Property Group

SCOPE AND REPORTING BOUNDARIES

Cromwell Property Group reports sustainability performance on an annual financial year ending 30 June and in accordance with the GRI for core reporting. For details on GRI please visit www.globalreporting.org. The last previous report produced was dated 30 June 2018

Reporting includes Cromwell Property Group, corporate sustainability activities, balance sheet property assets in Australia, Australian retail funds, and European funds management including assets managed on behalf of the Cromwell European REIT (SGX:CNUU).

Reporting does not cover other operational businesses where Cromwell does not have majority ownership (Oyster Group, Phoenix Portfolios, LDK Healthcare). Additionally, several funds managed by Cromwell do not have a mandate that supports sustainability initiatives and reporting.

Similarly, within some directly owned property assets, tenants hold a lease and full management control over the operations of the entire asset that they occupy. For these assets Cromwell does not have the capacity to set sustainability policy or directly implement change.

Participation and disclosure of consumption and performance data for these assets is wholly dependent upon the willingness and capacity of those investors and tenants to support Cromwell's sustainability reporting objectives. Moreover, different leasing and reporting standards and funds with significant asset acquisition and disposal profiles across countries, further restricts capacity to collect and uniformly disclose comparable operational data.

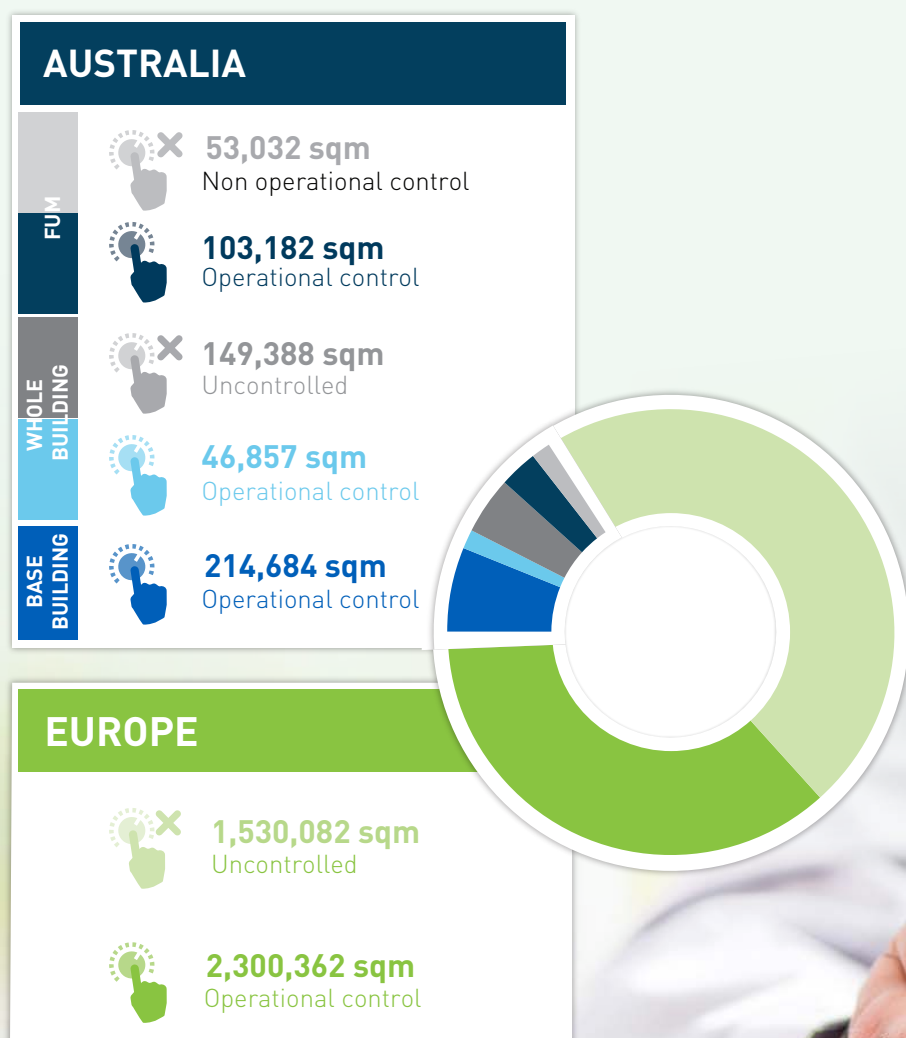
As the breadth of reporting increases, comparability becomes more challenging, particularly across active funds where regular transactions occur. To this end Cromwell continues to collect more data and provide greater transparency on how and where data is collected as well as the policies and risk measures they are applied against. Key indices such as GRESB and DJSI are also used to provide verification on performance as well as benchmarking against peers.

In our efforts to better respond to our stakeholder expectations and information needs we have committed to improve the level of transparency and enhance the reliability of our reporting. As part of this commitment, in the future we will seek third party independent assurance over our non-financial reporting.

To assess the assurance readiness of our non-financial data management, we engaged Ernst & Young (EY) to conduct a pre-assurance advisory engagement to assess a selection of our non-financial indicators and objectives. We asked EY to assess indicators in line with our Pillars (as presented [here](#)).

Although EY was not been engaged to provide assurance on our non-financial disclosures, it identified areas where we can take action to improve our reporting processes, which we hope to implement as we move towards external assurance in the coming years.

COMPOSITION OF GLOBAL PORTFOLIO BY AREA IN SQM



Rating Systems and Measurement



Cromwell uses a variety of rating systems and schemes to measure sustainability performance and identify areas for improvement.

These include;

- Global Real Estate Sustainability Benchmark (GRESB) to benchmark ESG performance;
- Dow Jones Annual Corporate Sustainability Assessment;
- National Australian Built Environment Rating System (NABERS www.nabers.gov.au) to measure the operational impacts from energy and water of properties on the environment and to provide an indication of how well the impacts are managed. The Building Energy Efficiency Certificate is a legislated

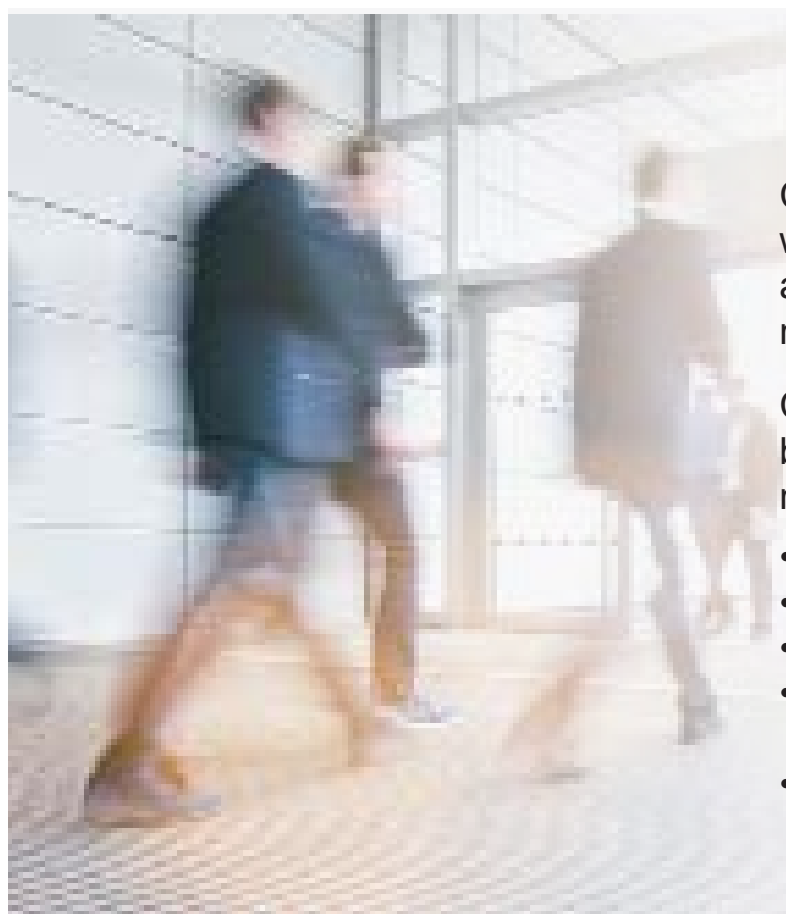
requirement (BEED Act) for building owners to provide a NABERS energy and water rating as well as a separate lighting efficiency assessment when offering to sell a commercial premise or lease any part over 1,000 sqm;

- Green Building Council of Australia (GBCA www.gbca.org.au) Green Star rating scheme, a comprehensive voluntary environmental rating system that evaluates the environmental design and construction of new and refurbished buildings;
- Building Research Establishment Environmental Assessment Method (BREEAM) First published by the Building Research Establishment (BRE) in 1990, BREEAM is the world's longest established method of assessing, rating, and certifying the sustainability of buildings in international markets including the UK.
- Energy Performance Certificates (EPC) are a European-wide reporting requirement, and follow policy set out in the European Energy Directive (EED). EPC's

are mandatory for all properties leased or sold, the supporting policy is however, only a guideline and therefore actual legislation differs in all countries. e.g. the UK version is called the Energy Savings Opportunity Scheme (ESOS); and

- Article 8 of the EED is currently the only other reporting requirement for Europe. It targets large enterprises with over 250 employees, or with a total revenue of more than €50 million a year and an annual balance total of more than €43 million.

Following the publication in June 2017 of the Task Force Recommendations on Climate Related Financial Disclosure (TCFD), Cromwell has commenced an evaluation of the current reporting and disclosure processes to facilitate future reporting to measure, address and disclose future progress against the recommendations.



Memberships

Cromwell contributes to the real estate and funds management industry in which it operates. This includes active corporate participation in industry associations as well as supporting employees in their relevant individual memberships.

Cromwell does not hold a position on the governance body of any industry body or make any significant financial contributions beyond individual memberships. Memberships include:

- Property Council of Australia (PCA) - Corporate Leader
- Global Real Estate Sustainability Benchmark (GRESB)
- Green Building Council Australia (GBCA)
- INREV (European Association for Investors in Non-Listed Real Estate Vehicles)
- ANREV (Asian Association for Investors in Non-Listed Real Estate Vehicles Limited)

CSO UPDATE

Chief Sustainability Officer, Philip Cowling gives an update on Cromwell's FY18 sustainability initiatives and performance.



"I would like to thank everyone who has contributed to our sustainability efforts during the year. I'm proud of the focus and support from the CEO and Executive team and that so many people at Cromwell are contributing to improving our sustainability outcomes."

FY18 Sustainability Initiatives and Performance

We remained focused on delivering against the targets embedded in our five sustainability pillars

VIEW PILLAR PERFORMANCE HERE >

We conducted a materiality review with EY to identify the aspects that are of greatest importance to our stakeholders and business.

VIEW OUR MATERIALITY TOPICS HERE >

We introduced a global sustainability reporting dashboard and automated online reporting for our Australian activities with the implementation of Envizi. We will now begin to use Envizi to collect data for the CEREIT portfolio.



We are adopting the Task force Recommendations on Climate Related Financial Disclosure (TCFD).

READ MORE ABOUT TCFD HERE >

In November 2017 saw the successful IPO of the Singapore listed Cromwell European REIT(CEREIT). CEREIT is an opportunity to establish a sustainability benchmark for Cromwell's property management activities in Europe.

We are also readying ourselves for a range of new obligations relating to our supply chain practices once the Modern Slavery Act obtains assent.

VIEW GOVERNANCE PILLAR OBJECTIVES HERE >

CLIMATE RELATED FINANCIAL DISCLOSURES

In June 2017, the Financial Stability Board published the recommendations of their Task Force on Climate Related Financial Disclosures (TCFD recommendations). TCFD recommendations were published with the objective of establishing a voluntary framework for disclosing the climate-related financial risk of an organisation.

By providing a consistent reporting approach, financiers, investors, insurers and other stakeholders are able to understand the material risks of the organisation and the actions being undertaken to manage their financial implications.

For some time now, Cromwell has reported on the activities and progress that we have been making to address the potential risks and opportunities arising as a consequence of climate change and the transition to a reduced carbon economy. This was recognised in

this year's materiality review and led to the framing of a number of the resulting sustainability objectives.

In recognising the growing concerns of our stakeholders, and in line with the increased expectation for greater disclosure in our Benchmarking Indices, we are adopting the TCFD recommendations and will in subsequent reports, continue to expand on our approach to mitigate the impacts and invest in opportunities to improve the resilience of our assets and our business against adverse weather and the consequences of a changing climate.

[Cromwell's Climate Related Financial Disclosure Statement >](#)



CARBON NEUTRAL OPERATIONS BY 2022

Cromwell is committed to minimising the environmental impact associated with its corporate operations. Last year, Cromwell joined the Qantas Future Planet Partnership Programme to offset 100% of the emissions from corporate flights across the business. This year, Cromwell was able to expand on this commitment and has set further ambitious targets for FY19.

QANTAS FUTURE PLANET PROGRAMME

2018

GHG assessment on
Australian-based
operations

Offset 2,348 tonnes of
emissions from
global air travel and
all Australian-based
Scope 3 emissions

[READ MORE ABOUT
2018 PROGRESS >](#)



2017

Cromwell joins Qantas
Future Planet Partnership

Offset 1,334 tonnes of
emissions from air travel

2019

Undertake GHG assessment
on Global operations

Implement Emissions
Management Plan

Offset emissions

Achieve National Carbon
Offset Standard (NCOS)
certification

2022

CARBON NEUTRAL OPERATIONS BY 2022



FY18 CARBON NEUTRAL OPERATIONS PROGRESS

This year Pangolin Associates, an independent external carbon and energy management specialist, were engaged to complete a comprehensive Greenhouse Gas (GHG) Assessment of Cromwell's Australian-based operations.

The assessment included the measurement of office electricity, waste, paper, catering, as well as conducting an employee commute survey. Based on the assessment, Cromwell offset 2,348.2 tons of emissions associated with the Australian operations to achieve a net zero impact. The offset also included all air travel associated with the Australian and overseas business. For a breakdown of our operational emissions [click here](#).

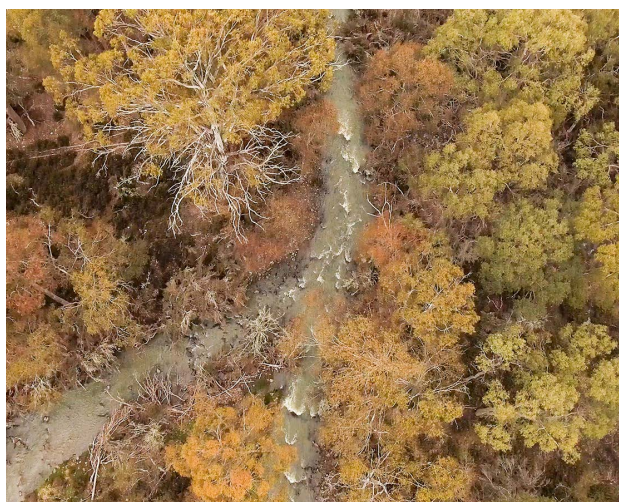


Achieved a Net Zero carbon impact
Offsetting Australian operations



global air travel offset
2,348.2 tCO₂-e

The verified carbon offset projects supported by the Future Planet Program meet strict international standards, including the Verified Carbon Standard and the Gold Standard and deliver a range of positive environmental, social and economic outcomes, as outlined below:



Environmental benefits

Include supporting the maintenance of habitat for native animal and plant species, avoiding clearing of vegetation and re-establishing vegetation on previously cleared areas.



Social co-benefits

Include employment for local people through managing the project, reduced social-welfare and providing health and educational improvements.



Economic co-benefits

Arise from the income generated from the sale of offset credits. This income is delivered to the communities in which the project is located through employment and community support.

[View FY18 Supported Projects >](#)

QANTAS FUTURE PLANET PROGRAMME

FY18 SUPPORTED PROJECTS



Revive the Reef Colodan

Located between Gladstone and Bundaberg in Queensland, the Colodan Native Forest Project will regenerate nearly 3,000 hectares of natural woodland, including the endangered Brigalow Forest, as well as around 500 hectares of established native forest. Sustainable management of the property is improving soil health and water retention, helping to reduce erosion and run-off within the Burnett catchment.



Cleaner Cambodia

The New Lao Stove Project in Cambodia has introduced a more efficient cook stove that reduces pollution by 22%. It has also led to the development of a commercialised supply chain which has created employment for more than 300 people.



Conserving Tasmania's Wilderness

Tasmania is home to one of the world's last great tracts of temperate rainforest. This carbon offset project protects over 7,000 hectares of native forest that would otherwise continue to undergo selective logging or clearing for pasture.



Winds of Change

Located in various sites across Tamil Nadu, India, these wind farms avoid greenhouse gas emissions by introducing clean power to the Tamil Nadu Electricity Board which would otherwise be generated by a fossil-fuel fired power plant.

For more information on these projects <https://www.qantasfutureplanet.com.au/#projects>

Next steps

A GHG Assessment for all business operations is targeted for FY19. Cromwell expects to further increase its offset commitment with the Qantas Future Planet Program, as well as seeking certification under the [Australian Government National Carbon Offsetting Standard \(NCOS\)](#).

MATERIALITY REVIEW

This year Ernst & Young (EY) was engaged to facilitate Cromwell's materiality review.

The resulting materiality matrix identified ten key topics that were used to prioritise the sustainability objectives for the business.

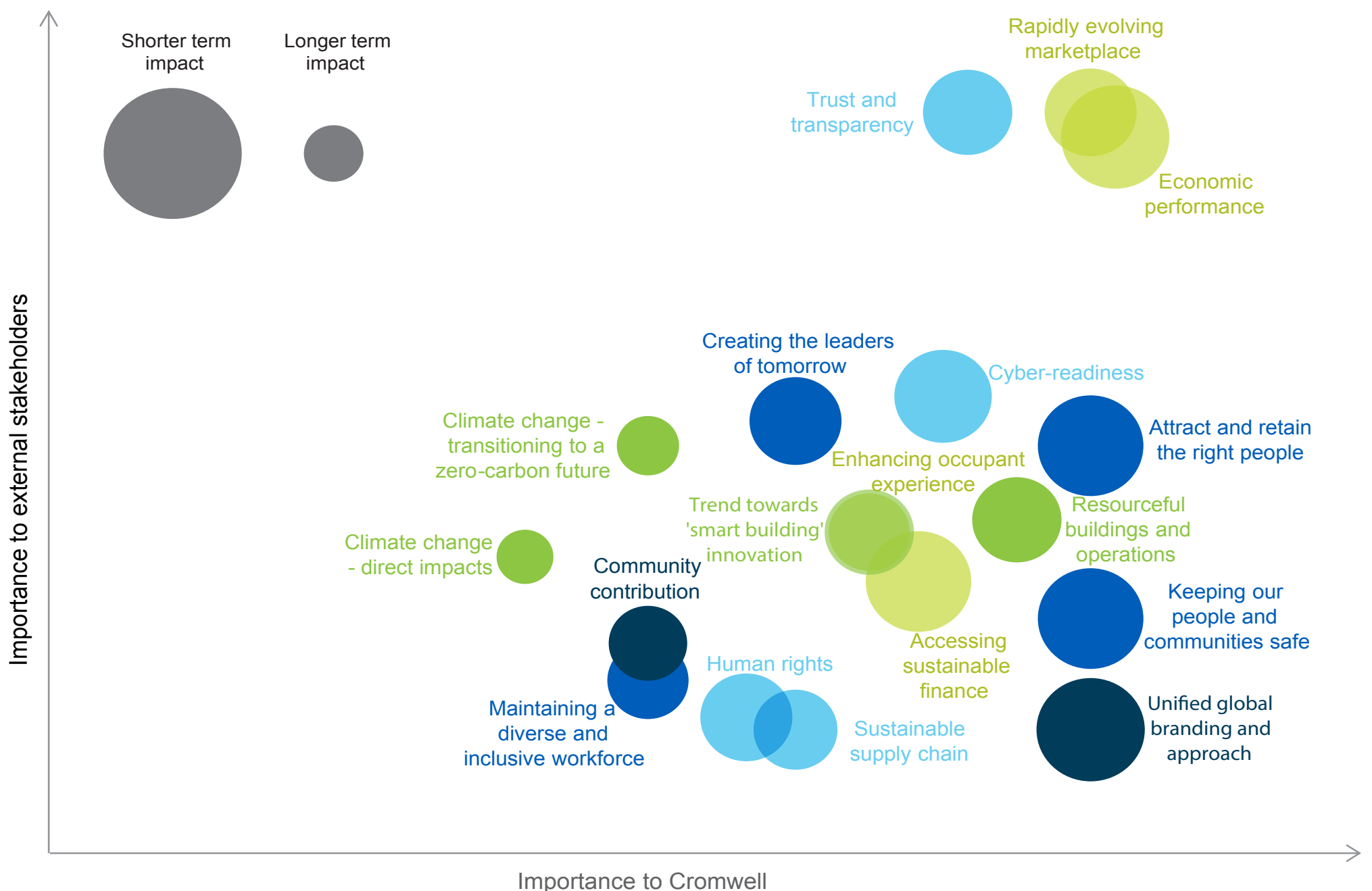
Each topic is set out based on its importance to stakeholders and impact on Cromwell. The size of each circle reflects the long or short-term impact of each of topic.

Each topic is aligned to one of Cromwell's five sustainability pillars. The topic and the issue it describes drive Cromwell's sustainability, governance and reporting activities. Click on the pillar links below for more detail.



SUSTAINABILITY
EVERYTHING IS CONNECTED

- [Economic Pillar >](#)
- [Governance Pillar >](#)
- [Community Pillar >](#)
- [People Pillar >](#)
- [Environment Pillar >](#)

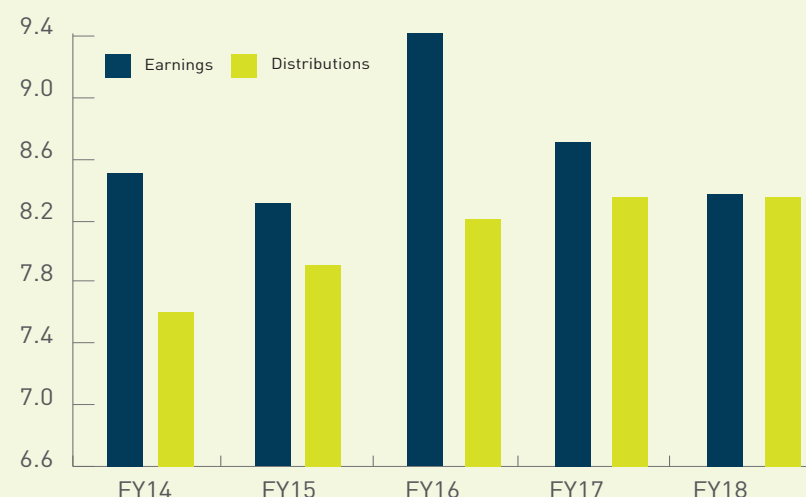


ECONOMIC PILLAR

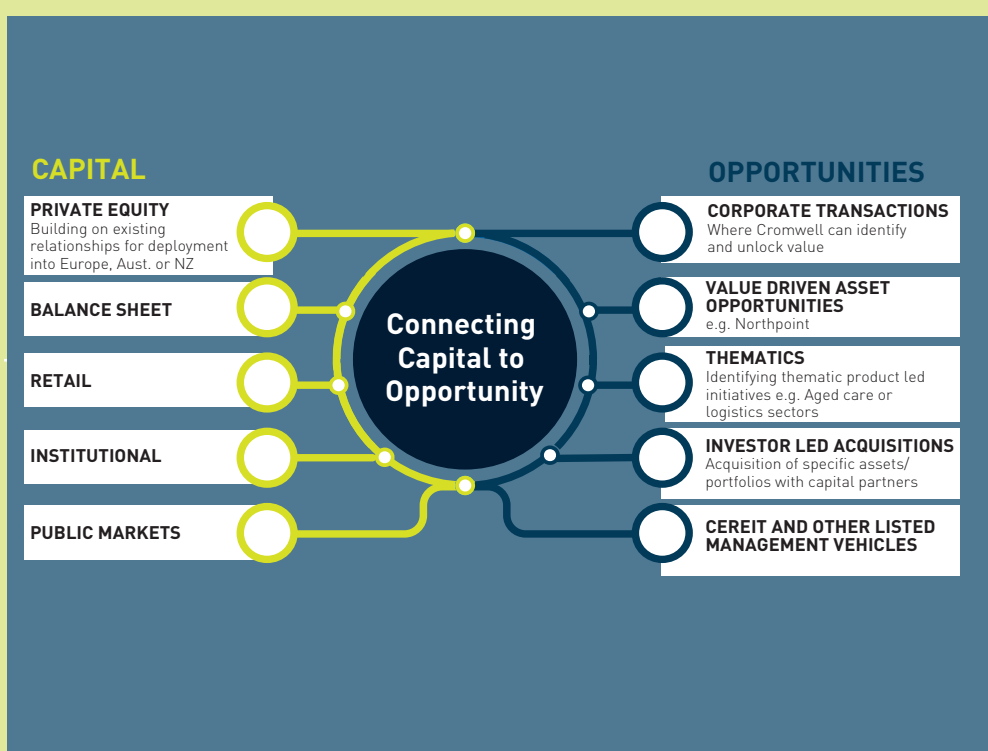
FY18 Performance vs Targets

The FY18 Economic pillar target was to maintain distributions per security. FY18 distributions per security meet guidance at 8.34 cps (FY17 8.34 cps), meaning this target was successfully met.

Economic pillar performance over the last five years is shown adjacent.



Identified Material Economic Pillar Issues



Economic performance

Ensuring Cromwell can provide its investors with capital appreciation and secure, growing distributions derived from sustainable business practices has been identified as a material issue. Our new strategy is to invest where we can leverage returns from additional management revenues and create value. We are well positioned to deliver this new, 'Invest to Manage', strategy by utilising existing balance sheet liquidity and asset recycling to fund a range of initiatives that are intended to build enterprise value, add to medium-term earnings and generate higher total shareholder return.



Rapidly evolving marketplace

Cromwell operates in a rapidly changing environment with ever increasing expectations driven by trends such as urbanisation, technology and demographics. Cromwell must continually review and reposition its business to predict, react to, and capitalise on, opportunities driven by these trends.

During FY18 Cromwell updated its corporate strategy to account for these, and other, changes. Further details are available in the FY18 results announcement which can be found here.

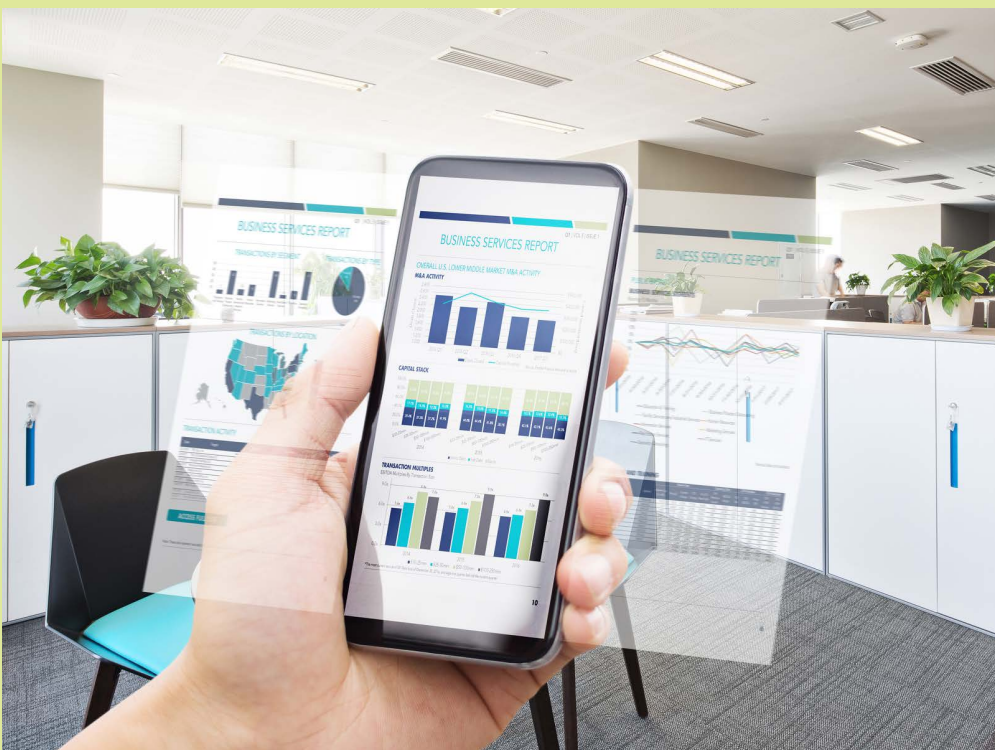
Identified Material Economic Pillar Issues



Accessing sustainable finance

Managing Cromwell's banking and lending relationships, reducing credit risk and ensuring the business can access debt when required, and on the best possible terms, is a key material issue. In turn investors and lenders are increasingly incorporating sustainability criteria into their decision making processes.

During FY18 Cromwell successfully settled €230 million, seven-year convertible bonds due 2025, strengthened its debt profile through a refinance which extended its weighted average debt expiry to 5.2 years, executed a new hedging strategy, with its weighted average interest rate reducing to 3.3% (all as at 30 June 2018).



Trend towards 'smart building' innovation

Cromwell is seeing an emerging trend in 'smart building' development. This involves connected buildings that operate interactively, provide enhanced lifestyle and other services to tenants, with improved energy and other operational efficiencies. Cromwell's property teams continually review the suitable application of smart building applications to the assets we own and manage.

FY19 Targets

During FY19 Cromwell will focus on initiatives across all key material economic issues.

Target 1: FY19 distribution of 7.25 cps

Target 2: Increase European assets under management by €400m

Direct and Indirect Economic Pillar Impacts

Cromwell's core business objective before 30 June 2018 was to provide investors with secure, stable and growing distributions. Cromwell's economic performance was evaluated based on comparisons with the prior financial year and measured in distributions per share (dps).

The Board of Directors oversees economic performance. Cromwell reports on its economic performance in accordance with ASX Listing rules and the *Corporations Act 2001* (Cth).

Regular updates on financial performance are available to securityholders and investors at www.cromwellpropertygroup.com.

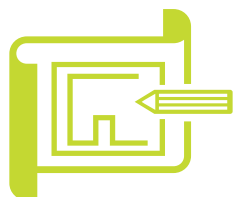
Cromwell creates direct and indirect economic benefits through:



Directly increasing investor wealth through capital growth and increasing distributions per share.



Contributing to job creation – both directly through employing staff as well as indirectly through engaging with contractors and suppliers.



Building and refurbishing high valued assets which then indirectly support the long-term growth and the revitalisation of our major cities.



Directly supporting community development via charitable donations, advisory services and community partnerships throughout the year.



Developing responsible investment products which encourage investors to make informed decisions regarding the impacts of their investments.



Demonstrating industry leadership in building efficiency and sustainability and minimising the environmental impacts associated with our properties.



Creating modern and attractive workspaces which encourage work-life balance and support productivity and lifestyle improvements for our tenant customers.

GOVERNANCE PILLAR

FY18 Performance vs Targets

During the year, Cromwell complied with the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (3rd edition). There were no cases about non-compliance with environmental laws and regulations, and therefore, no cases that required dispute resolution.

[Cromwell's Corporate Governance Statement >](#)

Identified Material Governance Pillar Issues

Trust and transparency

Developing and maintaining a culture of good governance, ethical conduct and continuous improvement, and making sure that this culture is supported by robust systems and processes is important. Cromwell continues to work to ensure all employees understand good governance, what it entails, and the value in 'doing the right thing the first time and then always looking to do it better'.

Cromwell continues to integrate its policy framework and share governance knowledge across the Group. This covers governance and compliance policies as well as continued sharing of governance knowledge, including, for example, how risks are best managed and how continuous improvement measures can be applied across parts of the business.

Cromwell Property Group achieved a GRESB Public Disclosure ranking of A for the second year in a row.

93% of Australian employees participated in annual governance refresher training, covering a range of topics including conflicts of interest, related party transactions, delegation of authority, securities trading, market disclosure, outsourcing, privacy, anti-money laundering/counter-terrorism financing, complaints, breaches, code of conduct, whistleblowing and emerging risks and opportunities.

On an annual basis, all European employees receive and acknowledge receipt of region specific anti-money laundering and anti-bribery and corruption policies and procedures. During the reporting period 91% of employees acknowledged receipt of these policies.

Additionally, 80% of employees in our United Kingdom offices attended biennial training on anti-corruption.





Cyber-readiness

Protecting customer information and maintaining trust and competency in IT systems extends to all areas of Cromwell’s business. Real-time agility in the face of a cyber-attack and resilience against these threats protects Cromwell’s brand and reputation. Cromwell continues to invest in this area and comply with all regulatory requirements.

Building a robust cyber-security posture has been a priority for Cromwell for the past five years. A comprehensive cyber-security architecture based on six principles is maintained, with some associated measures listed below:

1. Identity Protection: Two factor authentication (Duo) – single sign-on (Microsoft ADFS) – password change policy and complexity requirements (via Active Directory)
2. Network Protection: Continually monitored perimeter protection architecture (Cisco Meraki) - hardened Netscalers for remote access (Citrix)
3. Data Protection: Encryption at rest and in transit (Bitlocker and TLS) – strong data usage policy - database servers extracted from Application and DMZ network tiers (AWS architecture)
4. Vulnerability Protection: Targeted email threat protection (Mimecast) – end-point and intrusion detection measures (Trend micro)
5. Social Engineering: Simulated phishing and staff education programme (Infosec)
6. Logging and alerting: Regular event log audits – SIEM tool to be implemented in FY19

Cromwell’s comprehensive Cyber Security incident response plan is reviewed and updated annually.



Human Rights and Supply Chain Management

Cromwell will comply with its obligations under modern slavery legislation in relation to the potential human rights risks from business partnerships (including contractors, agents, suppliers and other partners).

Being a responsible business means extending commitments on sustainability to suppliers. Cromwell is developing and implementing a global compliance framework to promote robust supply chain management practices across the business, including assessing and reducing environmental and other impacts associated with Cromwell’s supply chain including planners, designers, architects, builders and developers through to agents and other real estate related suppliers and contractors.

FY19 Targets

- 01 Continue to comply with the ASX Corporate Governance Council’s Corporate Governance Principles and Recommendations (3rd edition).
- 02 Maintain a clean compliance record against the targets that are set out in the [Analyst Data Pack](#).
- 03 Maintain an effective Business Continuity Plan and Crisis Management Plan, ensuring key personnel are trained regularly and that each plan is tested annually.
- 04 Achieve 100% public disclosure as measured by GRESB.



COMMUNITY PILLAR

Stakeholders are selected on the basis for their importance and contribution to Cromwell's ability to deliver on its goal of generating sustainable returns for securityholders from the dynamic allocation and deployment of resources and capital.

Our key identified stakeholders are investors, tenants, employees (who are specifically captured as part of the People Pillar) and the wider real estate and funds management industry.

With an increasing focus on Stakeholder Engagement we have reset our Community Pillar to better cover wide range of issues that matter to the stakeholders we engage with, including tenants, retail investors, institutional investors, industry and the broader community.

For FY19 Cromwell's community pillar will be reframed as the 'Stakeholders' pillar. A key objective for the year will be to develop a global stakeholder engagement policy and strategy which will consider how we engage with our key identified stakeholders and identify all material issues, not just community or philanthropic related, which impact them.



STAKEHOLDER PILLAR



[View the FY18 Community Pillar Performance, Material Issues and FY19 Targets >](#)

COMMUNITY PILLAR



\$350,000

FY18 Performance vs Targets

Cromwell set a community pillar target of \$350,000 in the form of direct or indirect benefit-in-kind value via funds raised or donated, corporate sponsorships, volunteering or other employee driven activity.

The total value contributed in FY18 was \$370,455 or 6% ahead of target.

Identified Material Stakeholder Pillar Issues



Community Contribution

Cromwell contributed \$370,455 in the form of direct or indirect benefit-in-kind value via funds raised or donated, corporate sponsorships, donations or volunteering hours in FY18. This equates to \$1,076 per employee within the operating boundary scope.

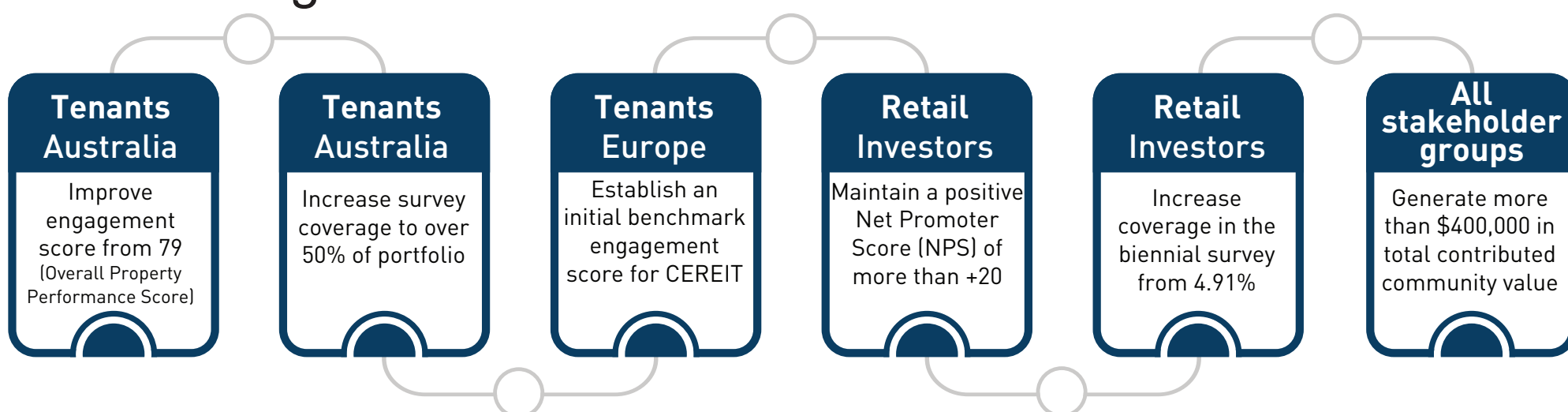
During FY19, Cromwell's philanthropic programme and activities will be aligned with the updated stakeholder approach whilst continuing to contribute to the local communities in which Cromwell operates. Cromwell is targeting \$400,000 in contributed value, equivalent to an 8% increase on FY18.



Unified Global Branding and Approach

Cromwell is a Real Estate Investor and Manager with 344 people with 27 offices in 14 countries across Australia, Singapore and Europe. Operating under a single global brand, except in New Zealand, Cromwell continually looks at initiatives to align our business strategy, structure, processes and brand activity to ensure our approach to our stakeholders is globally consistent.

FY19 Targets



GLOBAL COMMUNITY ACTIVITY

In FY18, Cromwell set a baseline target for its community pillar of \$350,000 in the form of direct or indirect benefit-in-kind value via funds raised or donated, corporate sponsorships, events, donations or volunteering hours. The actual value contributed was a little over \$370,455, 6% ahead of the target. Some of the community activity that contributed is listed below.



Germany

For the fourth consecutive year, our German team organised an annual event with BOLLE Kids. This year the team invited 30 children to Beach Berlin to play volleyball, complete the MountMitte high ropes course, and participate in a number of other fun activities.



Netherlands

After the success of the 2017 event, the Netherlands team again participated in HomeRide, the charity bike ride in support of Ronald McDonald House. In total, ten members of the Benelux team competed in the 500-kilometre relay ride, raising €22,240 in the lead up to their journey.



France

In November 2017, the French team partnered with Organe de Sauvetage Ecologique (O.S.E), a charity focused on environmental protection through clean-up operations on riverbanks, waterways and forests. Throughout the morning, the French team cleaned up 1,000 kilograms of waste and raised €1,800.



Poland

The Polish team again participated in JLL's Charity Real Estate Beach Volleyball Tournament. The event supported Fundacja Spełnionych Marzeń (The Foundation of Fulfilled Dreams), which provides support for children with cancer. On the day, more than 1,500 people attended to watch 48 teams compete, with a total of €86,913 raised.

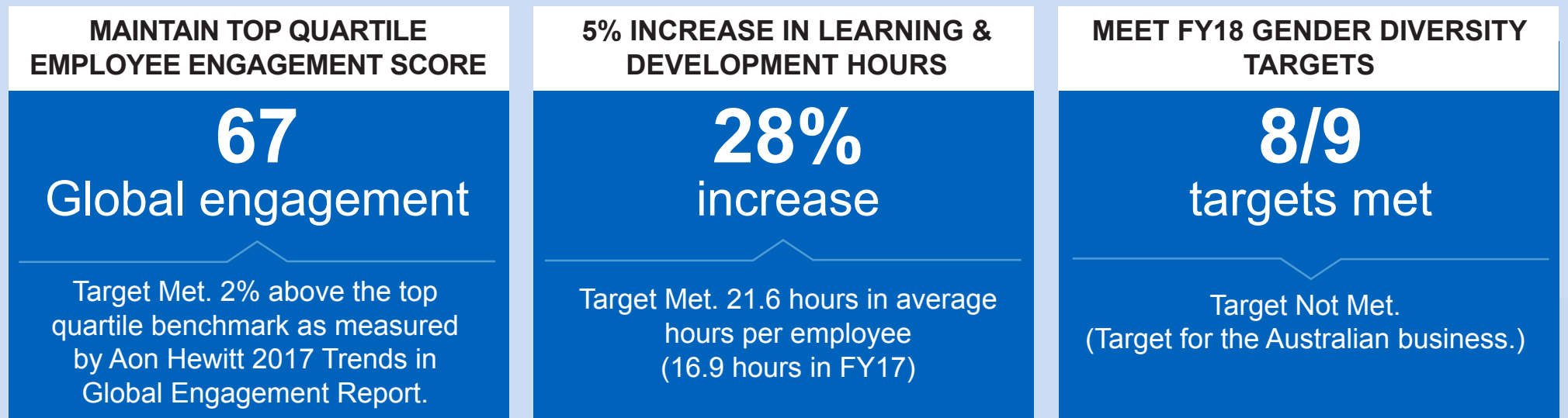
Australia

In August 2017, the Cromwell Property Group Foundation held its inaugural fundraising dinner which generated \$57,000 in donations. The event was held six metres below ground in Brisbane's Spring Hill Reservoir, where attendees were treated to a performance by the Underground Opera Company.



PEOPLE PILLAR

FY18 Performance vs Targets



Identified Material Stakeholder Pillar Issues



Attract and Retain the Right People

Employee Engagement

Cromwell has prioritised the attraction, retention and development of people who are aligned with our corporate values and who have the skills and capability to help us execute our strategy. We recognise that a strong Employer Brand, built on our values and purpose, is key to attracting talent and that an effective Learning & Development strategy will retain and develop individuals while increasing our organisational capability.

Cromwell will continue to measure engagement via the annual employee engagement survey, with our primary objective being to maintain top quartile benchmark performance, high levels of participation and quality feedback that we can use to drive our people agenda. Employee turnover will also be targeted for reduction in FY19.



Health and Wellbeing

The Living Well Programme, introduced in April 2017, was deemed a success and will continue to build awareness of and encourage physical, mental and financial wellbeing within the Australian business.

During FY18, the Australian business amassed 57,278,869 steps during three challenges. The highest recorded steps took place in the 'Sara Tait Commonwealth Games Challenge' where we went head-to-head with para-triathlete Sara Tait in her gruelling pre-games training regime.



Recognition, Remuneration and Reward

Cromwell's Global Awards Programme is lined to our Corporate Values and continues to encourage and enable our people to recognise their peers for their outstanding contribution to our success, culture and working environment. We recognise those who are committed to sustainability, continuous improvement and individuals and teams who inspire others with their passion.

The Cromwell Sustainable Practices Award went to Chris Eske (Regional Manager, Facilities, Brisbane) and Sophie Durand & Aziz Boulahyane (Property Managers, Paris).



Creating the Leaders of tomorrow

Cromwell values continuous improvement and aspires to create a learning culture in which all of our people are constantly developing their skills and knowledge but also identifies those with leadership potential, and develops them.

Cromwell comprises a global group of people who strive to uphold the same nine values. In particular, the 'Committed' value reinforces our dedication to sustainable business practices. As such, throughout all operations, we continuously measure, benchmark, learn and improve.

Cromwell is committed to its target of consecutive 5% increases in Learning and Development hours. FY19 will be the third year for this target.



Keeping people and communities safe

Keeping people and communities safe forms an important focus for Cromwell. As a result, a comprehensive Workplace Health and Safety Management System (WHSMS) has been implemented with the assistance of GreenCap. This has been implemented to comply with our Workplace Health and Safety obligations to minimise risk and ensure best practice.



Maintaining a diverse and inclusive workforce

Diversity of thought, perspective and experience is increasingly viewed as a baseline feature of well-managed and leading organisations. Cromwell is committed to creating and maintaining a cognitively diverse and inclusive workforce.

During FY19, Cromwell will engage with an Diversity and Inclusion specialist to assist us to consult with a broad range of our people to provide us with an understanding of how diverse and inclusive our business currently is. This will provide us with a baseline from which we can identify priority diversity and inclusion initiatives.

FY19 Targets

TARGET 1
Employee engagement

Maintain top quartile employee engagement score

TARGET 2
Attract & retain the right people

Refresh / strengthen Employer Brand across the platform

TARGET 3
Learning & development

Increase global L&D hours by 5%, increase coverage of sustainability-specific training from 39% to over 50% globally

ENVIRONMENT PILLAR

Target 1: 5% improvement in GRESB scores.

Fund	CY16 Actual	CY17 Target	CY17 Actual	Target outcome Result
AU Direct Property	65	68	61	Not met
AU Ipswich City Heart Prop Trust	69	72	72	Met
AU River Park Prop Trust	67	70	71	Met
AU Direct Property Fund	55	58	53	Not met
AU C12 Property Fund	N/A	N/A	57	N/A
AU Cromwell Northpoint Trust	N/A	N/A	60	N/A
EU Polish Retail Fund	48	50	57	Met
EU Hummingbird	35	36.75	34	Not met
Cromwell European Value Add Fund	30	31.5	34	Met
CEREIT	N/A	N/A	47	N/A

Further progress was made to increase participation and data coverage across the portfolio in FY18. With the support of our tenants, coverage increased to over 99% of the Australian portfolio, and resulted in Cromwell obtaining an 'A' rating from GRESB against the public disclosure assessment.

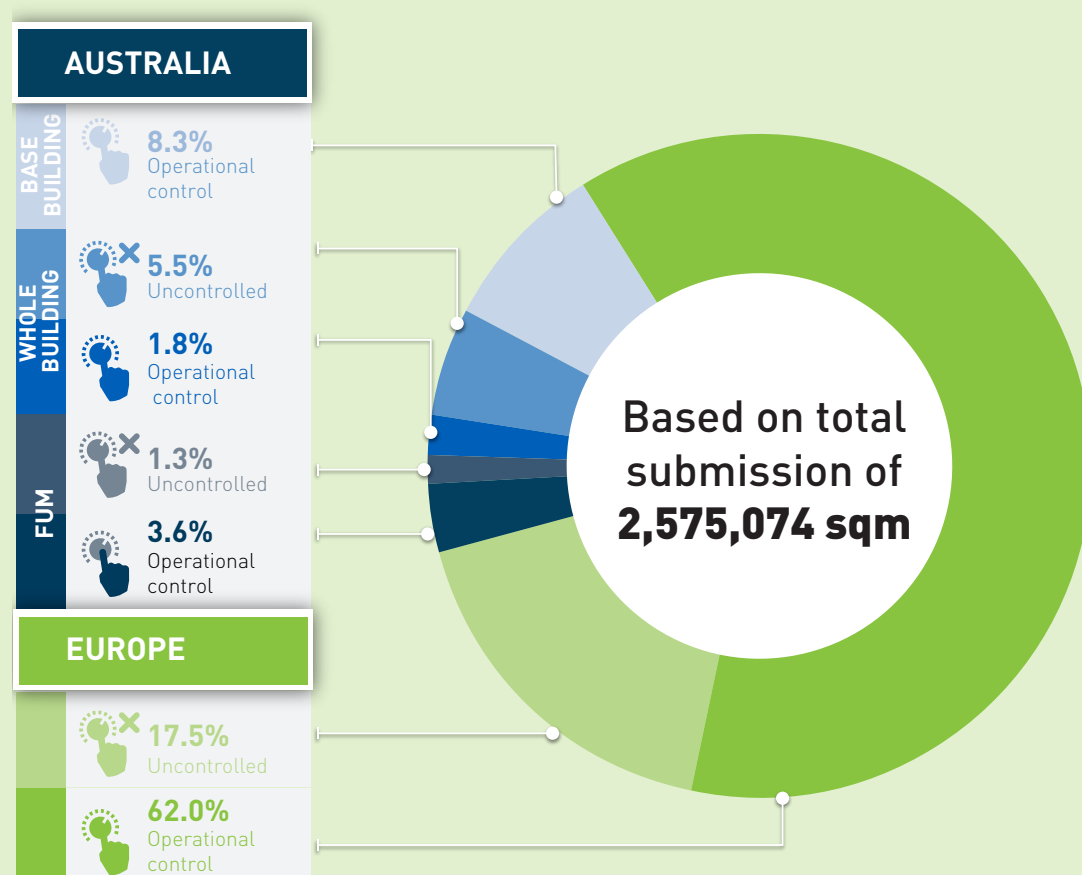
Cromwell's successful commitment, to report all of its Australian portfolio however has raised a new challenge. There are a number of assets in which the tenant has full operational control which means that the provision of consistent data and ability to execute successful sustainability initiatives is entirely reliant upon each tenant's ongoing support and their capacity to source information. This has hampered our ability to increase the GRESB scores by 5% in a number of portfolios as shown above.

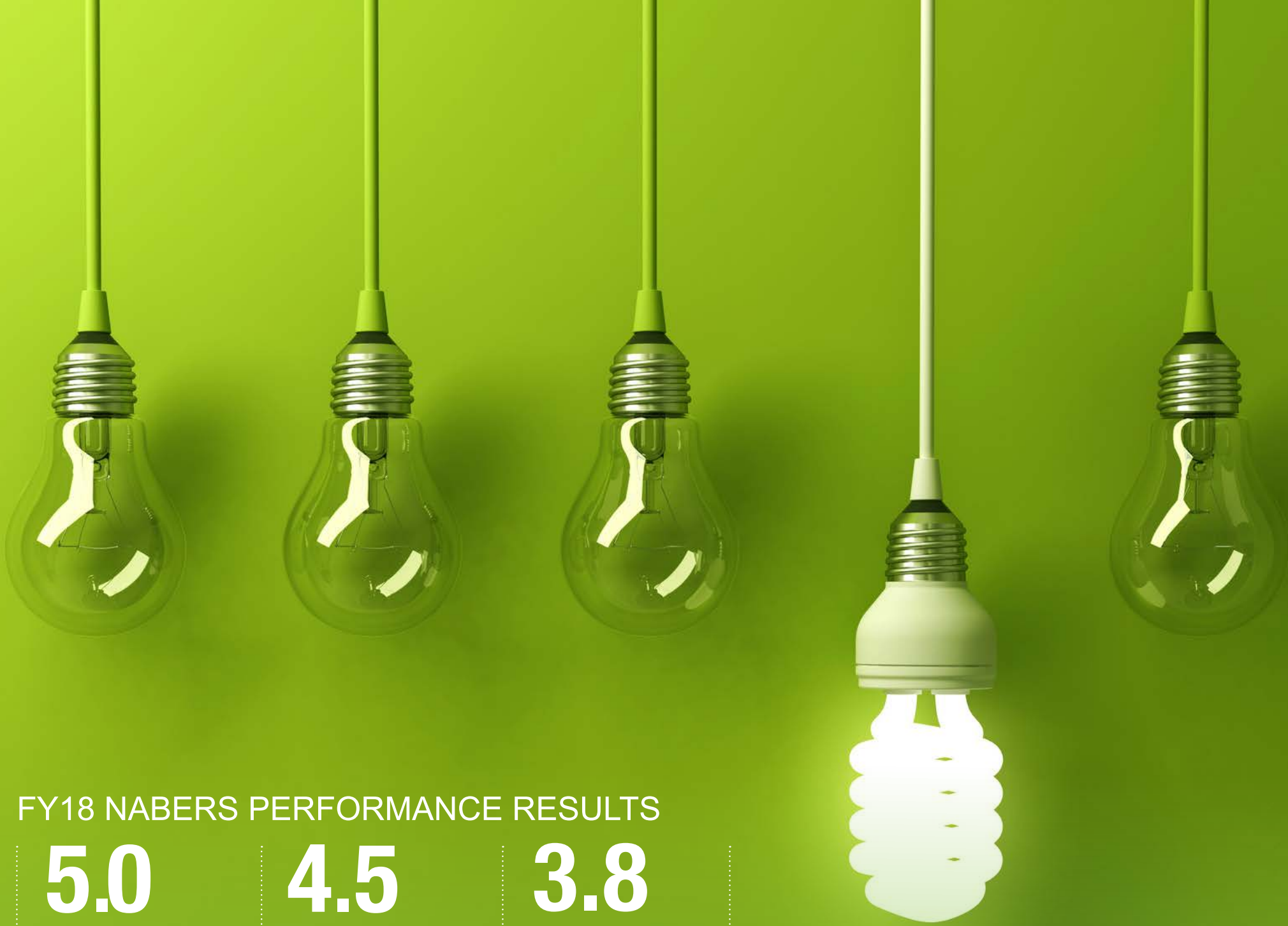
Target 2: Increase GRESB participation = Not Met

Across the Australian portfolio, 31 properties and 99% of the qualifying assets were submitted to GRESB. However the participation of European funds was dramatically affected by the significant acquisitions and disposal activities that occurred during the year.

Five funds that had previously been submitted to GRESB reached maturity in the year and were closed. One other Fund was more than 90% sold down during the year, and it was not possible to obtain reportable data for two others. CEREIT, which was in part an amalgam of a number of assets from closing funds, participated in GRESB for the first time, achieving a respectable score of 47.

Despite failing to increase the target gross area, participation across all funds remained at 77% by value and fell marginally to 68% by area.





FY18 NABERS PERFORMANCE RESULTS

5.0

★★★★★
star

AVERAGE NABERS
ENERGY RATING

Whole building

4.5

★★★★☆
star

AVERAGE NABERS
ENERGY RATING

Base building

3.8

★★★★☆
star

AVERAGE NABERS
WATER RATING

Target 3: NABERS average weighted rating of 5 Star Energy and 4 Star water for the Australian directly owned property

In 2018, Cromwell reported an average NABERS area weighted performance for its directly owned Australian properties as 4.5 Star Energy (base building), 5 Star Energy (whole building – where base building ratings were not applicable), 6 and 3.8 Star NABERS Water.

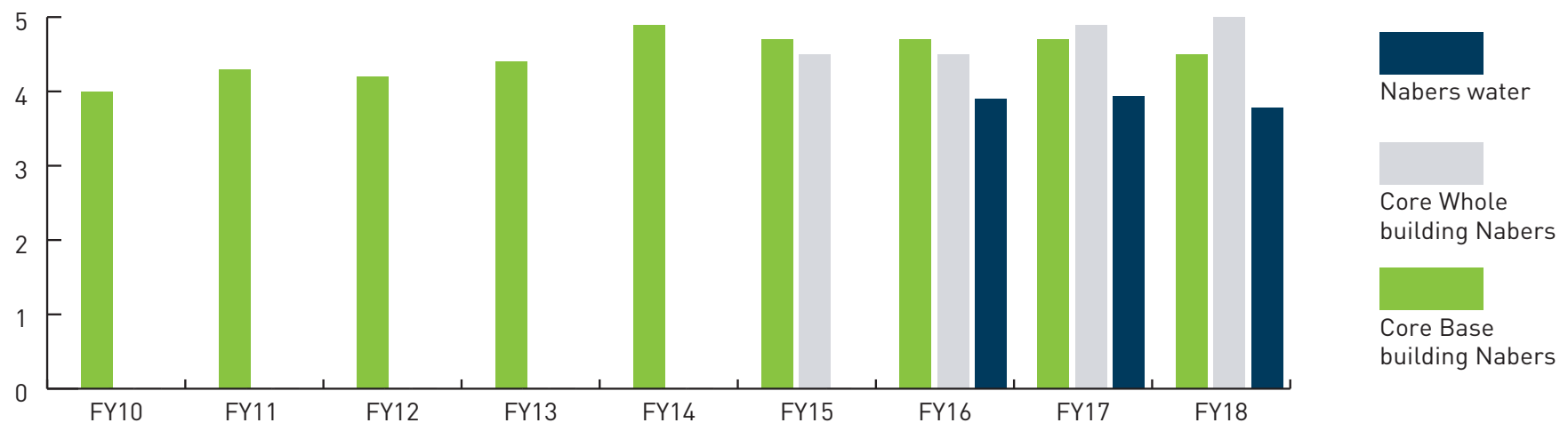
Dow Jones Sustainability Index (DJSI)

Cromwell has a target to obtain inclusion onto the index. Whilst there is no stated assessment level at which listing is assured, we continue to work toward a target of 65 for the Asia Pacific classification.

In 2018, DJSI adjusted the scoring methodology, resulting in a reduction in overall scores for all applicants. The adjusted comparison for FY17 was reset from 47 marks to 40. For FY18 Cromwell obtained a score of 39. A full overview table is available in our [Analyst Pack here](#).

Identified Material Stakeholder Pillar Issues

Weighted Average Nabers Rating



Resourceful buildings and operations

Cromwell's buildings consume resources and produce waste throughout their lifecycle. Cromwell seeks to understand these impacts and manage the resulting environmental footprint in order to enhance future building competitiveness.

Implementation of the Envizi environmental and data management system commenced in 2018. The Envizi platform was selected to streamline our data capture, improve data accuracy, integrate and share data and simplify the audit and assurance process for our data disclosure. The system is targeted for full implementation across Australia by the end of 2018, collecting and analysing approximately 4.2 million readings per annum. Implementation for CEREIT will follow in 2019.

Within Australia, Cromwell measures the energy and water performance of its commercial offices utilising the National Australian Built Environment Rating Scheme (NABERS) for energy and water.

Cromwell's performance target is to achieve a 5-Star weighted average NABERS Energy and 4-Star weighted average NABERS Water rating across properties where Cromwell has operational control and can undertake a base building or whole building rating.

In 2018, Cromwell reported an average NABERS area weighted performance for its directly owned Australian properties as 4.5-Star Energy (base building), 5-Star Energy (whole building – where base building ratings were not applicable), 6 and 3.8-Star NABERS Water.

The minor reduction in the NABERS Energy rating from 4.7 to 4.5 occurred due to the sale of several high performing assets and vacancy at Lovett Tower. Removing that particular asset would have meant the weighted average results were maintained at a 4.7-Star average.



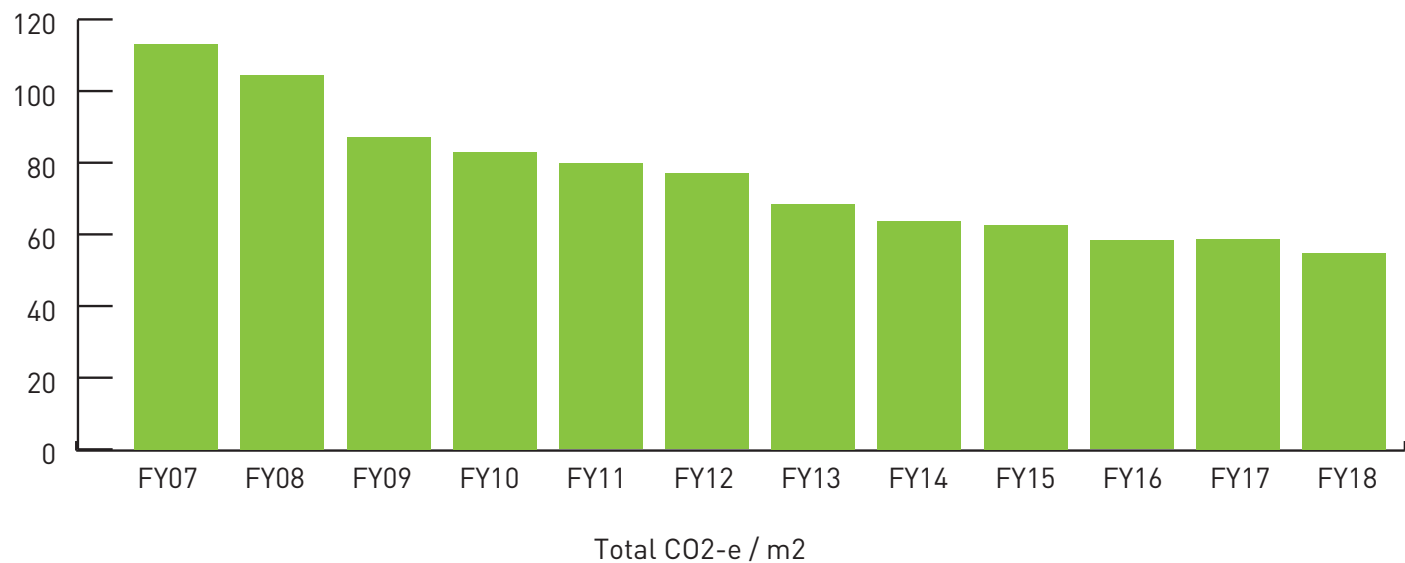
Climate change - direct impacts

Cromwell acknowledges the UN principle 15 approach in applying a precautionary principle to considering the physical impacts of a changing climate. Where there are threats of serious or irreversible damage, including severe weather events, rising sea levels and shifting temperature zones, a lack of full scientific certainty will not be used as a reason for postponing cost-effective measures to prevent environmental degradation.

Cromwell apply the precautionary principle to assist in identifying threats and seeking opportunities to reduce the impacts of properties. The direct impacts are examined as part of each property's strategic asset plan. These plans are updated annually and details of how the process works are included in Cromwell's Task Force on Climate-related Financial Disclosures (TCFD) policy statement.

Identified Material Stakeholder Pillar Issues

Cromwell Emissions Intensity C02e/sqm/p.a



Emissions calculated for directly owned commercial offices where Cromwell had operational control and for which base building energy and gas data was available for a full 12 months. Emissions factors for the relevant State and year were applied from the National Green House accounts factors against recorded utility bill data

Climate change - transitioning to a net zero carbon future

In June 2017, the Financial Stability Board's TCFD published their recommendations. Cromwell has committed to adopt the recommendations and will move to introduce formal policy to address these risks in future reports. Cromwell's TCFD statement can be found here.

For the Australian assets where Cromwell has operational control, energy consumption and emissions intensity has been tracked over ten years. Emissions intensity is an established metric for reporting emission efficiency of property assets. It is calculated by determining the emissions produced from electricity and gas consumption each year and dividing this by the floor area in square metres.

Whilst the total emissions reported have risen, this was a consequence of the additional reporting and the effort to increase disclosure to cover 99% of all assets. For the assets where Cromwell has operational control, emissions intensity has been on a downward trajectory and has decreased by more than 51% over the last ten years.

Cromwell will continue to report against the property intensity and NABERS performance of its directly owned property assets and its progress towards reducing emissions and a net zero carbon future.



Trend towards 'smart building' innovation

As cities become more urbanised, buildings become more than just a place to live or work. Cromwell seeks to understand and respond to the changing needs and demands of the occupants creating modern and attractive workspaces which support their productivity and lifestyle requirements.

Cromwell keeps up to date with industry trends through a range of engagement methods. An annual tenant survey is also conducted so feedback can be directly integrated into annual business plans.

FY19 Targets

Target 1:

Australia - improve GRESB scores as follows:

Fund	CY17	Target CY18
Cromwell Diversified Property Trust	61	64
Cromwell Ipswich City Heart Trust	72	74
Cromwell Riverpark Trust	71	74
Cromwell Direct Property Fund	53	56
Cromwell Property Trust 12	57	60
Cromwell Northpoint Trust	60	63

Target 3:

Europe - improve GRESB scores as follows:

Fund	CY17	Target CY18
Cromwell Polish Retail Fund (VPRF)	57	60
Hummingbird	34	36
CEREIT	47	49

Target 2:

Europe - improve participation from 68% of portfolio by area

Target 4:

DJSI - Increase score from 39 to 41

Energy Performance of Buildings Directive (EPBD)

Within Europe, building energy performance is assessed under the Energy Performance of Buildings Directive (EPBD). The directive requires that Energy Performance Certificates (EPCs) are issued when a building is sold or rented. EPCs are rated from A to G, ranking energy performance from best practice to least efficient.

The EPBD is a European Directive and requires each country within the union to adopt into legislation the measures which are broadly:

- All new buildings must be nearly zero-energy buildings by 31 December 2020 (public buildings by 31 December 2018);

- Energy performance certificates must be issued when a building is sold or rented, and they must also be included in all advertisements for the sale or rental of buildings;
- EU countries must establish inspection schemes for heating and air conditioning systems or put in place measures with equivalent effect;
- EU countries must set cost-optimal minimum energy performance requirements for new buildings, for the major renovation of existing buildings, and for the replacement or retrofit of building elements (heating and cooling systems, roofs, walls and so on); and
- EU countries must draw up lists of national financial measures to improve the energy efficiency of buildings.

As part of the technical DD undertaken for CEREIT all properties were reassessed and new EPC's were issued. In addition, the property management team actively manage and track performance to increase performance (EPC rating across Funds). From 2014, EPC ratings across our Dutch assets increased from 33% rated in the A, B and C to over 91% in 2018.

Where properties are transitioning into major redevelopment or for the first two years following acquisition, we do not include these to enable suitable control and building performance measures to be established before they are considered as core properties for reporting purposes. Scores for FY18 were impacted by the Keltie Street, Woden, office tower, which will transition into a value add opportunity by next year.



CASE STUDY:

TRANSLOCATION OF SPINY RICE-FLOWER AT ALTONA, VIC

When the Developer and Tenant of a pre-approved development application declared bankruptcy, Cromwell picked up the pieces on an abandoned land block that had become another casualty of the GFC.

Despite the 14.04 hectare site at Jordan Close, Altona in Victoria being zoned for industrial use and located within an existing, heavily developed industrial zone, the presence of Spiny Rice-flowers was identified during an onsite audit.

The plants had become re-designated as critically endangered¹ due to the plummeting number of the species, which have been lost to development, urbanisation and weed infestation. This began a decade-long journey of continuous learning and constant change to meet the unfolding environmental legislation and new rules introduced by a number of different government agencies.

During this time, Cromwell introduced environmental protection and management plans to protect the site flora and fauna and, in particular, the Spiny Rice-flower plants, ensuring they survived fire break burning, fly tipping and maintenance works to overhead powerlines whilst working with ecologists and government agencies to identify a solution for translocation.

As part of the approval requirements, offset sites were procured with the assistance of Trust for Nature (TFN), a not-for-profit organisation that protects endangered plants and habitats. After exhaustive searches, three appropriate sites were identified as meeting the required offset targets and agreements with each of the landowners was brokered by TFN to set aside in perpetuity, protected land blocks with grasslands and flora and fauna of an equivalent environmental quality.

The final step was to translocate the Spiny Rice-flowers, relocating them to a special reserve that has been fenced, removed from title and is now protected and cared for by the Hobson Bay environmental team.

After years working with the Department of the Environment, Water Land & Planning (DEWLP) as well as representatives from Hobson Bay, VCAT and TFN, planning approval was finally obtained to translocate the Spiny Rice-flower plants in mid-2017.

¹The SRF is critically endangered under the Australian Government Environment Protection and Biodiversity Conservation Act 1999. This classification has been given due to a number of combining factors, including weed invasion and grazing. Isolated to grassland in the North and West of Melbourne, the SRF has a patchy and restricted area of occupancy, estimated to be 5.7 square kilometres.





Successful Translocation

The translocation took place between 20 and 26 June 2017. Salvage consisted of using two large tree spades to excavate individual or multiple Spiny Rice-flower plants for direct replanting into a pre-excavated hole in the newly-designated reserve adjacent to the original site.

Two operational teams, each consisting of a project ecologist and a tree spade operator, were responsible for the translocation process. The project ecologist would advise the tree spade operator of the location of each Spiny Rice-flower, any critical features in the operation – such as the location of any nearby plants – and guidance when entering and exiting the recipient planting area.

Following the translocation, the team undertook an intensive care program to protect the plants, removing invasive grasses or weeds and ensuring they had the greatest chance for re-establishment. As at January 2018, 45 plants (78%) had survived and the translocation process was considered a success.

ABOUT THE SPINY RICE-FLOWER

The Spiny Rice-flower is a small shrub that grows up to 30 centimetres in height. It has small, green leaves that produce clusters of pale yellow flowers in mid-winter, and gains its name from the spine-like tips on older branches.

The Spiny Rice-flower is suspected to live up to 100 years and is known to be highly affected by local soil conditions. Until recently translocation has been difficult and success relies on plants not being relocated far from where they are found.

Due to the deterioration of its grassland habitat, it is estimated that the population size of the Spiny Rice-flower has declined by as much as 30% over the past 20 years, and is likely to experience similar declines in the future without intervention. The long-term objective set out by the Australian Government is to ensure that the Spiny Rice-flower can survive, flourish and retain its potential for evolutionary development in the wild.

For further information on the Spiny Rice-flower conservation see <https://www.trustfornature.org.au/pimelea-conservation-trust>



Figure 1: *Pimelea spinescens* or Spiny Rice-flower

CASE STUDY: DEPARTMENT OF SOCIAL SERVICES

Summary

After two decades in occupation at Tuggeranong Office Park, the Department of Social Services (DSS) elected to go to tender for a new headquarters that responded to their changing operations and workforce.

Cromwell subsequently proposed a new building to be built on surplus land on the Tuggeranong office park site. The new design, prepared in collaboration with FDC Construction and Fitout and Richard Crooks Construction, not only responded to the Department's performance aspirations, but further committed to 5-Star Green Star certification for design and construction.

Description

The state-of-the-art building comprises six levels of integrated space, anchored around a soaring 800 sqm glass atrium through the centre of the building, which provides an abundance of natural light to each floor. Each of the 4,500 sqm open plan floors span around the central atria, which includes a series of circulation stairs and

cantilevered balconies to promote inter-floor connectivity. The layout supports the original aspiration to deliver exceptional vertical and horizontal integration for the 2,000 occupants.

Fundamental to the design of the new space was delivering a resilient, highly flexible solution that could support growth and interdepartmental changes across the 15 years of the Department's occupation. All aspects of the building were designed to support increases in occupation density and building loads.

In addition, the sustainable design, construction and performance for the commercial office and tenant fitout were set to provide solutions that outperformed environmental and energy requirements. Testament to its thoughtful design, the building received a 5-Star Green Star Office Design v3 rating, with NABERS ratings set to exceed aspirations for both base building and tenancy.

Soft Landings Framework

Focused on long-term building performance and tenant-centric outcomes, Cromwell has embraced the Soft Landings Framework supported by Building Services Research and Information Association (BSRIA) in the United Kingdom and adopted by the UK Government for government-based development projects.



CASE STUDY: DEPARTMENT OF SOCIAL SERVICES - CONT.

Soft Landings recognises the importance of engaging with stakeholders to develop a framework to critically appraise all aspects of design and construction. The approach involves and engages stakeholders to deliver building solutions that respond to the needs of all users and ensure they are supported throughout all phases of occupation and use.

At the core of the Soft Landings Framework is an obligation for all key consultants, contractors and suppliers to commit to a long-term aftercare plan that extends beyond practical completion and the defects liability period. This means they take a real responsibility and interest in the long-term success of the project.

The Australian version of Soft Landings was formally released in 2015, although Cromwell had informally applied its principles since 2010. The Soft Landings Framework was utilised extensively throughout the DSS project.

Commitment to sustainability

Guided by the Soft Landings Framework, Cromwell undertook a number of sustainability initiatives throughout the design, construction and post-occupancy stages.

Design

Throughout the design process, an area of major complexity was the central atrium. Despite 800 sqm of glass roof, no direct sunlight was to enter the office space. This was achieved through extensive seasonal sun modelling and incorporation of individually tuned roof louvres which maximise natural daylight, but minimise direct sunlight.

Unsurprisingly, such a large space with a glass roof created the challenge of maintaining internal temperature and comfort conditions. This was overcome by precise positioning of air conditioning outlets within the space, utilising high performance double glazing with a ceramic frit to assist with shading, and tempering the space with in-slab hydronic heating.

Construction

Delivering a building that demonstrated high quality construction was of utmost importance to Cromwell and the Department. The use of robust and durable materials that reflected a standard expected for a contemporary and

professional organisation underpinned the unified vision to create a vibrant workplace.

To meet local planning requirements and to compliment the surrounding Tuggeranong Town Centre, the external envelope made use of terracotta patterned precast to the vertical cores of the building. In addition, horizontal spandrels utilised acid etched off white precast panels. Not only did the use of precast minimise wastage on site and improve program durations, it provided a finish that was both durable and of high quality by being manufactured off site in a controlled environment.

The remainder of the building façade utilised high performance glass manufactured in Europe, and the curtain wall system performed to a level similar to a thermally broken solution. The quality of the façade was critical given the Canberra climate of extreme hot and cold, but was also imperative to ensure the building operates efficiently to meet NABERS initiatives.



CASE STUDY: DEPARTMENT OF SOCIAL SERVICES - CONT.

The façade was pressure tested on site for air-tightness by a specialist consultant to ensure that the building did not leak conditioned air and suffer from inefficiency due to energy loss.

Other key features of the Department's brief were the environmental aspirations, including a significant focus on energy efficiency. Encompassed by the 5-Star Green Star and 4.5 Star NABERS rating framework, it was these sustainability objectives that initiated some of the innovative solutions that resulted in the building design and construction outcomes. These are outlined below:

- Hydronic in-slab heating wasn't limited to the atrium, but was also implemented in the end-of-trip facilities. This was an energy efficient way to address the comfort requirements of two large, open spaces;
- Prefabricated column and lift shaft reinforcement, as well as preformed column formwork was used throughout the project, which reduced material wastage, increased site productivity, and resulted in a safer and less congested worksite;
- Spare capacity provisions were enforced for future expansion in the electrical and mechanical infrastructure;
- Interactive Energy Monitoring Dashboard within the public entry which displays real-time energy usage and energy saving tips for the occupants;

- Use of LED light fittings throughout; and
- Grey water and rainwater reuse systems. The building has a 200,000-litre water tank located in the basement, which is filled by the 5,000 sqm of harvestable roof space. The system provides feeds for toilets, cooling towers and the grey water system.

Ongoing improvements

Since practical completion, Cromwell has worked to increase building operational efficiency by undertaking a number of initiatives.

The control strategy for the chillers and cooling towers, which work together to condition the air of the building has been tuned to match occupancy and operating profiles, further reducing the energy consumption and emissions.

While the LED lighting throughout the building already responds to daylight levels and switches off lights when occupants are not detected, Cromwell's Facilities team developed a night time lighting program to further reduce the lighting required outside of normal operating hours. External lighting has been placed on an astronomical timeclock to ensure that it is activated only when required at sunset and turned off at sunrise, as well as automatically shutting down between midnight and 6am each night.

