

sustainability report

131-141 church street
hawthorn vic



Introduction

For Abacus, sustainability means considering environmental, social and governance risks and opportunities in our business operations. This covers our investment decision-making process to our asset management and development activities and any asset realisations.

The environment

This is Abacus' third year of providing data on the Group's environmental footprint from its operations and management and the second year where we have some comparable data. The data comparing our key performance indicators over time has helped and will help us manage and hopefully reduce our consumption of natural resources.

Abacus is well positioned to improve the environmental sustainability of our buildings through efficient property management and development and upgrade of buildings which incorporate more efficient plant and equipment. The responsible management of our buildings will also contribute to capital appreciation of those buildings over time.

When reading and utilising the information contained in this report, it is important to remember Abacus's investment philosophy that is the cornerstone for every investment decision we make. Abacus is an active core plus manager of its assets. We like to acquire unloved assets and transform them into attractive core properties. We are very proud of our strategy as we believe we are extending and rejuvenating the life cycle of assets that may be on their way to becoming obsolete and ultimately ending in demolition and rebuilding, causing an adverse impact on the environment and the use of additional natural resources. Our strategy can

lead to a fluid portfolio of properties where mature assets that have been transformed may be returned to the market. An unfortunate side effect can be that strong assets that have benefited from the good work achieved by our sustainability initiatives are not captured in our metrics as assets may be sold before they improve our sustainability metrics.

Typically when a new property is acquired a full assessment of the property is completed that may entail both functional upgrades and cosmetic changes. When we invest in energy projects we seek to balance the short term and long term interest of our building strategies such as financial, environmental and potential impact on the community. We will often upgrade mechanical services before lifecycle replacement (including control systems, air conditioning chillers, boilers, pumps, cooling towers etc.) in order to improve environmental and financial outcomes. These strategies help enhance the properties' NABERS ratings and evidence of this can be seen on page 19.

Our key performance indicators for environmental sustainability are set out in the next table. Total energy use is a measure of electricity, gas and diesel consumed in the management of our properties. Energy intensity identifies the energy use for each square metre of gross lettable area. We have similarly measured our water usage and water intensity at our managed properties. Carbon emissions combine direct emissions from gas and diesel consumed for base building services (scope 1), indirect emissions from electricity consumed (scope 2) and indirect greenhouse gas emissions other than scope 2 emissions that are generated in the wider economy (scope 3).

Key Performance Indicators – Whole Portfolio

Environmental Measure	Key Performance Indicator	Year ended 30 June 2016	Year ended 30 June 2015
Total Energy Use	Energy use from electricity, gas and diesel (GJ)	154,951 GJ	129,553 GJ
Energy Intensity	Energy use per square metre of gross lettable area (MJ/m ²)	455 MJ/m ²	382 MJ/m ²
Total Water Use	Water consumption (KL)	261,298 KL	245,868 KL
Water intensity	Water use per square metre of gross lettable area (KL/m ²)	0.77 KL/m ²	0.73 KL/m ²
Carbon Emissions	Carbon emissions (scope 1 and scope 2) associated with energy consumed (Tonnes CO ₂ e)	28,634 tCO ₂ e	27,770 tCO ₂ e
Carbon Emissions	Carbon emissions (scope 1,2 and 3) associated with energy consumed (Tonnes CO ₂ e)	32,761 tCO ₂ e	31,768 tCO ₂ e

Our key performance indicators highlight an increase across the portfolio in the amount of energy and water consumption in total and also per square metre of gross lettable area. We have also recorded an increase in the carbon emissions produced by our managed properties.

The increases across the portfolio reflect the increase of Group assets on FY15 and the full year contribution of a number of large scale assets that we acquired in FY15. These include the World Trade Centre building and 710 Collins Street, both in Melbourne's Docklands area. Victorian electricity has the highest emission factor in Australia when calculating carbon emissions from energy usage. This year also includes a full 12 months of data for Oasis Shopping Centre, Gold Coast QLD that we acquired in March 2015. The increases also relate to the inclusion of a number of large assets that have substantial common areas that are energy intensive and only partly rechargeable to tenants. The assets acquired in FY16 include 201 Pacific Highway, St Leonards NSW and Lutwyche City Shopping Centre, Brisbane QLD, are assets with higher than average energy intensity. These assets give us an opportunity to enhance their sustainability characteristics and to reduce their energy intensity and carbon emission footprint.

Despite the addition of new properties impacting the overall performance, we continued to deliver on our strategic objectives with our existing portfolio of properties which entails the following energy performance enhancing initiatives as properties are undergoing refurbishment:

- Optimisation of building management systems and strategies for the start/stop of the air conditioning systems to avoid running plant when not required;
- Optimisation of the domestic water temperature when possible;
- Replacement of fire stairs and carpark lighting with Chameleon LED lighting systems;
- Replacement of lighting for all refurbished floors from T8 to T5 or LED when possible; and
- Replacement of obsolete air conditioning chillers with state of the art powerpax chillers.

We are also very proud that for the past five years Abacus continued to support the global movement to combat climate change by taking part in Earth Hour. We joined millions around the world by turning off the lights in our properties for an hour and taking collective action against global warming. We also, when possible, engage with our tenants to also participate by switching off their lights and ensuring ongoing light management in the evenings.

Key Performance Indicators – Like for like properties (properties owned for the 12 months of FY15 and FY16)

Environmental Measure	Key Performance Indicator	Year ended 30 June 2016	Year ended 30 June 2015
Total Energy Use	Energy use from electricity, gas and diesel (GJ)	75,329 GJ	76,064 GJ
Energy Intensity	Energy use per square metre of Gross lettable area (MJ/m ²)	394 MJ/m ²	398 MJ/m ²
Total Water Use	Water consumption (KL)	109,803 KL	124,302 KL
Water intensity	Water use per square metre of Gross lettable area (KL/m ²)	0.57 KL/m ²	0.65 KL/m ²
Carbon Emissions	Carbon emissions (scope 1 and scope 2) associated with energy consumed (Tonnes CO ₂ e)	13,417 tCO ₂ e	14,273 tCO ₂ e
Carbon Emissions	Carbon emissions (scope 1,2 and 3) associated with energy consumed (Tonnes CO ₂ e)	15,507 tCO ₂ e	16,441 tCO ₂ e

To illustrate the achievements we have delivered across our existing portfolio we have extracted the key performance indicators on a like for like basis, capturing data on assets we have owned for a full two year period. The results illustrate that when we focus on the stabilised portfolio we have achieved strong reductions in water consumption and water intensity. While energy use and energy intensity fell slightly over the two year period, pleasingly we were able to reduce the level of carbon emissions across scopes 1, 2 and 3, delivering improvements of over 6% across all levels. The initiatives we mentioned above have assisted across the like for like portfolio and particularly instigated a decline in the electricity usage at properties like 14 Martin Place, Sydney NSW and Liverpool Plaza, Liverpool NSW. The fitting of energy efficient lights in common areas and new air conditioning chillers delivered a drop in energy consumption by 29% and 10% respectively on FY15 usages. The drop in consumption contributed to a total fall in all emissions across these two properties of 21% and 13% respectively.

Another example of the projects we activated during the year delivered a 92% saving in energy consumption with the replacement of a variety of old style single and twin T8 fluorescent batten fittings in the fire stairs & undercover carpark. The 92% energy savings in the affected common areas were achieved by replacing fluorescent lighting with no controls operating 24 hours a day for 7 days a week with award winning energy saving lights. The new Chamaeleon III ceiling mount models have an inbuilt microwave motion sensor, which operates on full light

output when a presence is detected in the area, before gradually fading to standby light output, consuming just 4-5 watts.

Our processes for capturing information are constantly being developed and expanded. We are looking into increasing the key performance indicators to include waste management once we are able, but it is challenging to obtain accurate data from our contractors.

Key performance indicators are measured for properties under our operational control as defined in the National Greenhouse and Energy Reporting Act 2007 where Abacus has the authority to introduce and implement any or all of operating policies, health and safety policies or environmental policies for the property.

The NABERS rating is a tool that we use that assists in the identification of properties that could benefit from energy efficiency capital improvements which in turn may improve the prospects for leasing vacant space or renewing leases with tenants who may otherwise have vacated. This is an important metric. It is not, however, appropriate to evaluate Abacus from a sustainability perspective on the basis of NABERS ratings alone. The core plus nature of our business is to acquire and manage properties that may present lower than average ratings specifically to exploit the opportunity to upgrade and enhance assets and ultimately enhance capital values.

NABERS ratings are not required or appropriate for all the managed properties in our portfolio. Our properties that currently have a NABERS energy or NABERS water rating are:

Property	2016 NABERS Energy	2015 NABERS Energy	2014 NABERS Energy	2016 NABERS Water	2015 NABERS Water	2014 NABERS Water
8 Station Street, Wollongong, NSW	Sold	3.5	3.5	Sold	4.0	4.0
32 Walker Street, North Sydney, NSW	3.5	3.5	3.0	1.0	3.0	n/a
14 Martin Place, Sydney, NSW	3.5	3.0	2.5	3.0	2.0	2.0
169 Varsity Parade, Varsity Lakes, QLD	4.0	1.0	2.5	3.5	4.0	n/a
1 Bellvue Drive, Varsity Lakes, QLD	Exempt	Exempt	Exempt	Exempt	Exempt	n/a
35 Boundary Street, Brisbane, QLD	3.0	3.5	2.5	6.0	6.0	6.0
51 Allara Street, Canberra, ACT	5.0	5.0	5.0	4.5	4.5	4.5
91 King William Street, Adelaide, SA	4.0	4.0	4.0	2.5	3.0	n/a
World Trade Centre, Melbourne, VIC	4.0	2.5	-	n/a	n/a	-
710 Collins Street, Melbourne, VIC	Exempt	3.5	-	Exempt	n/a	-
201 Pacific Highway, St Leonards, NSW	3.0	-	-	n/a	-	-
99 Bathurst Street, Hobart, TAS	4.5	-	-	n/a	-	-
33 Queen Street, Brisbane, QLD	0.0	-	-	2.0	-	-

These performance metrics indicate that there have been some strong improvements to our energy and water ratings across a number of our properties during the year. Importantly, we saw improvements across the properties that showed lower than average energy ratings. On a like for like average energy rating we improved the portfolio from a 3.2 star average to a 3.9 star average NABERS energy rating. Energy saving improvements to 14 Martin Place, Sydney were due to the initiatives mentioned earlier in this report while 169 Varsity Parade, Varsity Lakes, QLD improved following a substantial increase in the property's occupancy. World Trade Centre's NABERS energy rating improved from 2.5 stars to 4 stars during the year as a result of the introduction of efficient lockout strategies for the boiler and air conditioning systems combined with optimising our air handling units

and the installation of variable speed drives where possible. We also initiated a program across the property to replace quartz halogen fittings with LED fittings in lights across all public areas.

We did experience a downgrade in energy rating at 35 Boundary Street in Brisbane, QLD as a result of a short term vacancy of 20% during the rating period. 33 Queen Street, Brisbane also experienced significant vacancy of over 40% during the rating period which led to a zero energy rating. 32 Walker Street, Sydney suffered from a faulty water meter which led to a drop from 3 stars water rating to 1 star during the year. Sydney Water has now replaced the water meter and we anticipate the rating will revert to 3 stars or higher in FY17.

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The workplace

Social issues of potential material implication to Abacus' business encompass a wide range of areas including health and safety, human capital management and human rights. For Abacus, the most material social issues are workplace health and safety.

Health and safety is important for all businesses, and Abacus has a Workplace Health and Safety Policy to ensure we provide a safe environment for all employees and others accessing our owned and managed properties.

Our Board Charter, Code of Conduct, Diversity Policy, Audit and Risk Policy, Risk Management Framework and Employee Handbook demonstrate our commitment to human capital management.

Work health and safety management

Abacus strives, through effective consultation and a process of continuous improvement, to integrate safety and health into all aspects of our activities. We:

- have adopted a health and safety management system to systematically manage health and safety throughout all Abacus work environments
- set objectives and targets aimed at measuring our health and safety performance
- provide our staff and contractors with appropriate supervision and training to make them aware of and accept their responsibility to achieve a safe work environment
- have implemented a system that enables and encourages effective communication and consultation
- maintain procedures and practices that enable a systematic and effective approach to identifying, reporting, assessing and controlling risk
- allocate financial, human and physical resources to meet our commitments

Work health and safety performance

We aim to achieve zero harm in the workplace. Abacus recognises the fundamental right of all workers and those affected by our undertaking to a safe and healthy environment. Through the application of our workplace health and safety principles, we endeavour to provide a safe and healthy working environment for all our employees, contractors, customers and visitors.

Activities and outcomes throughout FY16 have continued to build on the successes achieved during FY15, enabling Abacus to continue on our journey towards our primary goal. Our work during the year has led to positive recognition from the industry.

During FY16 we recorded zero fatalities, disabling injuries, occupational illnesses or other reportable injuries. There were however a number of incidents:

- 16 employee lost time incidents resulting in 24 lost working days. This was an increase of 23% on lost time incidents but a reduction of 20% in lost working days on FY15.
- This is illustrated by a 35% fall in the severity rate from 2.3 to 1.5
- 11 medically treated injuries, a 10% increase on FY15.
- 23 high-potential near misses, an increase of 44% on FY15.

Incident reporting continues to improve and demonstrates a marked decrease in both the frequency and severity of worker incidents. Anecdotal evidence from a significantly greater quantity of incidents requiring only first treatment or no treatment at all, as well as an increase in the number of near hits being reported, support claims of early identification of incident risks by workgroups occurring and the early intervention of workplace incidents when harm occurs, both minimising the occurrence, or exacerbation, of harm.

The above data illustrates the improvements the Group has achieved as the increase in reporting of incidents, and confirms that the strong frameworks and training implemented across the Group has been successful. In FY17 we remain committed to maintain our training and management of risks across the Group and envisage a continuing improvement in our main reporting metrics as a result.

Our people

We have a strong commitment to our people and focus on providing an engaging work environment that creates a foundation that supports their personal and business development. We encourage people to exercise their entrepreneurial spirit within the collaborative culture of Abacus to deliver the

Group's business goals. We actively encourage and support a diverse workforce where gender, age, ethnicity can contribute positively in the workplace. Gender diversity continues to be a key focus and we implement initiatives to maximise opportunities for women across the business and in management, supporting flexible working arrangements and prevent harassment in the workplace.

Workplace metrics

Gender composition										
	2016 Female		2015 Female		2016 Male		2015 Male		2016 Total	2015 Total
	No.	%	No.	%	No.	%	No.	%	No.	No.
Board	1	17%	1	17%	5	83%	5	83%	6	6
Workforce	26	41%	25	44%	38	59%	32	56%	64	57
Executive	0	0%	1	11%	6	100%	8	88%	6	9
Management	4	27%	3	33%	11	73%	6	67%	15	9

Female salaries as a percentage of male salaries						
	2016			2015		
	Female No.	Male No.	male salary %	Female No.	Male No.	male salary %
Entry	7	2	102%	6	2	101%
Intermediate	4	4	87%	5	2	93%
Experienced	9	5	113%	7	4	108%
Specialist	2	10	130%	3	10	117%
Manager	2	4	98%	2	3	79%
Senior Manager	2	7	97%	1	3	84%
Executive	0	5	N/A	1	7	88%
MD	0	1	N/A	0	1	N/A

Full time / Part time										
	2016 Female		2015 Female		2016 Male		2015 Male		2016 Total	2015 Total
	No.	%	No.	%	No.	%	No.	%	No.	No.
Full time	24	41%	21	41%	35	59%	30	59%	59	51
Part time	2	40%	4	67%	3	60%	2	33%	5	6
Proportion of females by job level										
Entry	7	78%	6	75%	2	22%	2	25%	9	8
Intermediate	4	50%	5	71%	4	50%	2	29%	8	7
Experienced	9	64%	7	64%	5	36%	4	36%	14	11
Specialist	2	17%	3	23%	10	83%	10	77%	12	13
Manager	2	33%	2	40%	4	67%	3	60%	6	5
Senior Manager	2	22%	1	25%	7	78%	3	75%	9	4
Executive	0	0%	1	13%	5	100%	7	87%	5	8
MD	0	0%	0	0%	1	100%	1	100%	1	1

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Metrics illustrating women's pay as a percentage of male salaries continued to show improvement across 5 out of the 6 brackets in which women are employed. This illustrates the Group's commitment to ensuring equality for all our employees. Further analysis illustrates that the improvements across the five categories where women's pay as a percentage of their male peers pay shows that they are either paid at similar levels or more than their male peers. Each bracket has a number of pay scales that relate to different levels of experience and responsibilities. The movement in the numbers of female employees in the executive and senior manager categories are highlighted in the remuneration report. 41% of our workforce is female.

Providing an encouraging environment that empowers people to grow and develop is critical to the delivery of our business goals. It is Abacus' policy that all staff receive appropriate training for their responsibilities. This includes introductory training for new staff, internal training seminars and suitable external training. The head of each department in Abacus is directly responsible for the training (initial and continuing) of the staff in their department.

On an annual basis, each responsible manager must complete a training plan for the next 12 months which covers the responsible manager's responsibilities in relation to the financial service(s) for which it is responsible. A training register is maintained and updated monthly for all staff.

All staff are subject to an annual appraisal process with the heads of each department. For executive staff this incorporates performance reviews against the achievement of defined key performance indicators. This process delivers transparency and facilitates discussion on an individual's goals and performance.

We recognise that as we expand the business through acquisitions and sales and the delivery of projects our workforce will evolve and can exhibit higher volatility of staff turnover levels. This is typical of our active management business that can deliver a higher turnover in staff as assets and projects are transferred. Pleasingly, in FY16 our total workforce turnover fell to 16% from 24% in FY15. Importantly the average tenure of employed staff is over 5 years, with 51% of staff employed for longer than 5 years.

Community

We also recognise that there is an essential need for community engagement and actively work to give back to the community through our projects, properties and corporate giving and volunteering programs. We strongly believe that a proactive employee program engaged in charitable and community based activities builds a better workforce that can deliver greater benefits to the Group and the communities it serves while fostering a stronger working environment.

As a result, we established a Corporate Philanthropic Committee (CPC) to quantify the level of activities that were already occurring at an individual staff level as well as implementing a more structured review of the Group's charitable activities. Following a group wide philanthropic survey engaging all staff members, the CPC was very pleased to find that, aside from the Group's established donation matching program, many employees were undertaking charitable activities and volunteering in their own time. It was also pleasing to understand that the Group was also already involved in charitable donations at a corporate and property level. It became clear that part of the CPC's role was also to ensure that all employees are made aware of the level of charitable activity already occurring.

One of the community initiatives we support across our property operations is assisting and supporting local charities and community groups. We typically achieve this through the utilisation of vacant space and casual leasing arrangements at Abacus owned properties where we providing free casual mall leasing space to enable local charities to run fundraising and other activities free of charge or at highly discounted rates. We have supported numerous charities through this initiative including the Salvation Army's Red Shield Appeal and Kids with Cancer.

The Group's donation matching continues to be a very popular option for employees with a wide variety of achievements including trekking the Kokoda Trail for Network Kokoda, Oxfam 100 km Sydney Trail Walk, Starlight Foundation's Tour de Kids from Melbourne to Canberra, Vinnies CEO Sleep Out, and Abseil for Angelicare to name a few.

As a Group, donations across all activities for the Group increased over five times on funding raised in FY15, with employees' own donations further increasing these funding levels. The Group is proud of its achievements in FY16.



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The CPC's main goal was to expand the existing programme extensively and to set up an active corporate philanthropy programme where all of our staff can participate, if they want to, and be involved in, contributing to the wider community. The CPC's first actions were to investigate all corporate giving and volunteering initiatives available and select the initiatives that could be achievable at this early stage and be actively embraced by our staff. The CPC will be fully involved in implementing and maintaining the programme. From the staff philanthropic survey, it became clear that one of the best ways in which employees wanted to engage with its communities would be through a corporate volunteering program that provides additional support and funding to community initiatives. The CPC is currently assessing a number of suitable initiatives with the goal of initiating the first of many volunteering days to take place before the end of 2016 calendar year.

We are also investigating options for partnership opportunities with a national charity and how Abacus could provide support and resources to further assist in the charity's programme.

Outlook

Abacus takes its reporting responsibilities seriously; we are constantly working towards consistent improvement in our ability to meet best practice reporting expectations for all our stakeholders. We have committed to deliver a more comprehensive sustainability report which will continue to report on many of our existing reporting processes but also align these processes against globally accepted frameworks. As part of this commitment we have set a target to deliver our FY17 sustainability report prepared in accordance with the Global Reporting Initiatives (GRI) G4 'Core' requirements, including a set of robust policy documents to support this reporting. This approach will entail a robust materiality assessment process of key issues in our business and gap analysis between what we currently report and what we should report in the future ensuring the relevance of the information reported. This transition will involve an extensive review across all aspects of the business and will be facilitated by an independent specialist.