

SUSTAINABILITY REPORT

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' second year of providing data on the Group's environmental footprint from its operations and management and the first year where we have some comparable data. The data comparing our key performance indicators over time has 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. Abacus is an active core plus manager. We acquire assets that we believe are mispriced by the market and fix that mispricing through active management. This strategy may result in mature assets that have been transformed being returned to the market. We believe this strategy has a positive impact on the environment as we extend and rejuvenate the life cycle of assets that may be on their way to becoming obsolete and ultimately end in demolition and rebuilding. This causes a negative impact on the environment and the use of additional natural resources. Unfortunately, the assets that have benefited from these

sustainability initiatives are not captured in our metrics as the asset has been sold at that time.

Typically when a new property is acquired a full assessment of the property would be completed which may entail both functional upgrades and cosmetic changes. We will often upgrade mechanical services before lifecycle replacement (including control systems Cbus 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 below.

Our key performance indicators for environmental sustainability are set out in the table below. 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) and indirect emissions from electricity consumed (scope 2).

Key Performance Indicators - Whole Portfolio

ENVIRONMENTAL MEASURE	KEY PERFORMANCE INDICATOR	YEAR ENDED 30 JUNE 2015	YEAR ENDED 30 JUNE 2014
Total Energy Use	Energy use from electricity, gas and diesel (GJ)	132,292 GJ	144,886 GJ
Energy Intensity	Energy use per square metre of gross lettable area (MJ/m ²)	390 MJ/m ²	571 MJ/m ²
Total Water Use	Water consumption (KL)	245,868 KL	254,685 KL
Water intensity	Water use per square metre of gross lettable area (KL/m ²)	0.7 KL/m ²	1.0 KL/m ²
Carbon Emissions	Carbon emissions (scope 1 and scope 2) associated with energy consumed (Tonnes CO ₂ e)	31,768 tCO ₂ e	26,091 tCO ₂ e



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Key Performance Indicators - Like for like properties (properties owned for the 12 months of FY14 and FY15)

ENVIRONMENTAL MEASURE	KEY PERFORMANCE INDICATOR	YEAR ENDED 30 JUNE 2015	YEAR ENDED 30 JUNE 2014
Total Energy Use	Energy use from electricity, gas and diesel (GJ)	77,263 GJ	95,394 GJ
Energy Intensity	Energy use per square metre of gross lettable area (MJ/m ²)	412 MJ/m ²	524 MJ/m ²
Total Water Use	Water consumption (KL)	133,440 KL	131,010 KL
Water intensity	Water use per square metre of gross lettable area (KL/m ²)	0.7 KL/m ²	0.7 KL/m ²
Carbon Emissions	Carbon emissions (scope 1 and scope 2) associated with energy consumed (Tonnes CO ₂ e)	15,969 tCO ₂ e	15,210 tCO ₂ e

Pleasingly our key performance indicators highlight a reduction across the portfolio in the amount of energy and water consumed in total and also per square metre of gross lettable area. This followed a number of energy performance enhancing initiatives at properties undergoing refurbishment that included:

- Optimisation strategies of the start/stop of the air conditioning systems;
- Optimisation of the domestic water temperature when possible;
- Replacement of fire stairs and carpark lighting with Chameleon LED lighting system;
- Replacement of lighting for all refurbished floors from T8 to T5 or LED when possible; and
- Replacement of obsolete air condition chillers with state of the art powerpax chillers.

We are also very proud that for the past four years Abacus has joined 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.

Our results do show an increase in carbon emissions compared to the prior year. This was due to a larger number of assets in the Victorian state following a number of significant acquisitions during the year which included 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.

These new acquisitions have been assessed under the Group's energy performance initiatives and we will look to enhance the buildings sustainability characteristics and aim to reduce their carbon emission footprint.

We were able to split the analysis to see 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 correlate with the whole portfolio illustrating similar reductions across the same metrics when you exclude water consumption. The increase in water consumption can largely be allocated to two water leaks that were experienced within the portfolio during the year. Unfortunately the leaks were only picked up once an increase in consumption was noticed at the next billing time but were found and fixed immediately. The quantum of increase in carbon emissions has reduced when compared to the emissions of the whole portfolio. The increase was likely due to lower occupancy across a number of properties and a colder winter this year, particularly in Melbourne, all of which contributed to an increased loading to power systems.

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 to.

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 but as we have already indicated it is not appropriate to evaluate Abacus from a sustainability perspective on the basis of NABERS ratings.

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	2015 NABERS ENERGY	2014 NABERS ENERGY	2015 NABERS WATER	2014 NABERS WATER
8 Station Street, Wollongong, NSW	3.5	3.5	4.0	4.0
32 Walker Street, North Sydney, NSW	3.5	3.0	3.0	n/a
14 Martin Place, Sydney, NSW	3.0	2.5	2.0	2.0
50 – 52 Pirrama Road Wharf 10, Pyrmont, NSW	Sold	3.0	Sold	n/a
169 Varsity Parade, Varsity Lakes, QLD	1.0	2.5	4.0	n/a
1 Bellvue Drive, Varsity Lakes, QLD	Exempt	Exempt	–	n/a
35 Boundary Street, Brisbane, QLD	3.5	2.5	6.0	n/a
51 Allara Street, Canberra, ACT	5.0	5.0	4.5	4.5
91 King William Street, Adelaide, SA	4.0	4.0	3.0	n/a
484 St Kilda Road, Melbourne, VIC	Sold	3.0	Sold	n/a
World Trade Centre, Melbourne, VIC	2.5	–	n/a	–
710 Collins Street, Melbourne, VIC	3.5	–	n/a	–

The performance metrics indicate that we have been able to successfully increase a number of our properties energy and water ratings during the year. Pleasingly a number of these improvements were as a direct result of sustainability initiatives that were put in place during the year. This included the replacement of a low load chiller with a new state of the art energy efficient powerpax chiller at 14 Martin Place in Sydney NSW. We also reconfigured the main air conditioning system at 35 Boundary Street in Brisbane, QLD which provided a more efficient use of the building's air conditioning system. We did record a fall in the NABERS rating of 169 Varsity Lakes as a result of an increase in vacancy.

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 principals, we endeavour to provide a safe and healthy working environment for all our employees, contractors, customers and visitors.

During FY15 we recorded zero fatalities, disabling injuries, occupational illnesses or other reportable injuries. There were however a number of incidents:

- 13 employee lost time incidents resulting in 30 lost working days. This was a reduction of 21% on FY14.
- 10 medically treated injuries
- 16 high-potential near hits
- 123% increase in reporting of incidents requiring first aid or no treatment
- 320% increase in early intervention activities

The above data illustrates the improvements the Group has achieved with a significant increase in reporting of incidents as a result of the training and frameworks implemented across the Group.

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710 COLLINS STREET
MELBOURNE VIC

Activities into FY16 will see the further streamlining and integration of the health and safety management system with business and operational processes that should provide further improvements in health and safety performance across the Group. In all the Board have committed to 20 key objectives to ensure that the Group's work, health and safety practices are integrated into all processes conducted by the business and improve our performance.

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 has been a key focus and we continue to implement initiatives to maximise opportunities for women across the business and in management, supporting flexible working arrangements and prevent harassment in the workplace.

Metrics illustrating women's pay as a percentage of male salaries showed slight movements across a number of levels. This was largely due to a higher turnover of staff in 2014. Importantly the changes at manager and senior manager levels were due to the promotion of a female employee into a more senior pay bracket. Each bracket has a number of pay scales that relate to different levels of experience and responsibilities.

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. 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. In FY14 our total workforce turnover was 24%. This was largely as a result of the sale of Birkenhead Point Shopping Centre and Marina in Sydney and the acquisition of Oasis Shopping Centre on the Gold Coast where centre staff were transferred or employed along with the asset. This is typical of our active management business that can deliver a higher turnover in staff as assets and projects are transferred.

WORKPLACE METRICS

	2015 FEMALE		2014 FEMALE		2015 MALE		2014 MALE		2015 TOTAL	2014 TOTAL
GENDER COMPOSITION	NO.	%	NO.	%	NO.	%	NO.	%	NO.	NO.
Board	1	17	1	20	5	83	5	80	6	5
Workforce	25	44	25	45	32	56	30	55	57	55
Executive	1	14	1	13	6	85	7	87	7	8
Management	4	36	4	36	7	64	7	64	11	11

FEMALE SALARIES AS A PERCENTAGE OF MALE SALARIES

	2015			2014		
	FEMALE NO.	MALE NO.	% OF MALE SALARY	FEMALE NO.	MALE NO.	% OF MALE SALARY
Entry	6	2	101	5	1	101
Intermediate	5	2	93	3	2	103
Experienced	7	4	108	7	2	131
Specialist	3	10	117	5	11	100
Manager	2	3	79	4	3	85
Senior Manager	1	3	84	0	4	N/A
Executive	1	7	88	1	6	87
MD	0	1	N/A	0	1	N/A

FULL TIME / PART TIME

	2015 FEMALE		2014 FEMALE		2015 MALE		2014 MALE		2015 TOTAL	2014 TOTAL
	NO.	%	NO.	%	NO.	%	NO.	%	NO.	NO.
Full time	21	41	20	42	30	59	28	58	51	48
Part time	4	67	5	71	2	33	2	29	6	7

PROPORTION OF FEMALES BY JOB LEVEL

	2015 FEMALE		2014 FEMALE		2015 MALE		2014 MALE		2015 TOTAL	2014 TOTAL
	NO.	%	NO.	%	NO.	%	NO.	%	NO.	NO.
Entry	6	75	5	83	2	25	1	17	8	6
Intermediate	5	71	3	60	2	29	2	40	7	5
Experienced	7	64	7	78	4	36	2	22	11	9
Specialist	3	23	5	31	10	77	11	69	13	16
Manager	2	40	4	57	3	60	3	43	5	7
Senior Manager	1	25	0	0	3	75	4	100	4	4
Executive	1	13	1	14	7	87	6	86	8	7
MD	0	0	0	0	1	100	1	100	1	1