

**Growthpoint Properties Australia**

Growthpoint Properties Australia Trust ARSN 120 121 002  
Growthpoint Properties Australia Limited ABN 33 124 093 901 AFSL 316409  
[www.growthpoint.com.au](http://www.growthpoint.com.au)



a window into  
our sustainability  
program and  
performance

# 2016 Sustainability Report

For the year ended 30 June 2016

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## About this Report

This report forms part of the Directors' Report of the Annual Report but is only available on-line to reduce paper and enable fulsome reporting on a range of matters.

This report is as comprehensive as Growthpoint's directors and management consider appropriate following stakeholder feedback and a review of reporting by Growthpoint's peers in relation to sustainability matters. It contains a significant amount of information much of which will be only be relevant to certain users. As a result, a comprehensive index is included at page 49 and this report has been designed to that users can easily navigate between different sections and the full Annual Report. Users are encouraged to consider the environmental impact before printing this report and, where printing is required, limit this to the relevant sections rather than the full report.

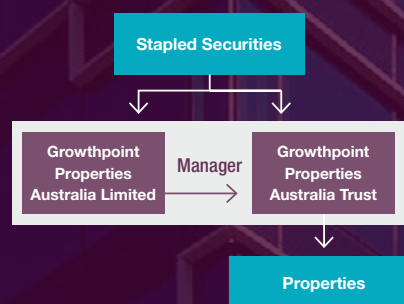
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## What is Growthpoint?

Growthpoint is an ASX-listed landlord with a mandate to invest in Australian office, industrial and retail real property with a portfolio currently worth \$2.8 billion.

Growthpoint is included in the S&P/ASX 200 Index (among other indices).

Owners of Growthpoint's securities own both the real properties and the manager of those properties. All properties are 100% owned by Growthpoint on its balance sheet so Growthpoint's owners have an interest in all of the properties Growthpoint owns.



## Growthpoint's history

Growthpoint commenced in its current form in 2009 with \$650 million of industrial property. It has grown and diversified to now own \$1.6 billion of office property and \$1.2 billion of industrial property in every Australian State and in the Australian Capital Territory.

## What we do

Growthpoint seeks to provide investors with a continually growing income stream with 100% of income derived from rent of properties Growthpoint owns and manages.

## How we do it

Growthpoint acquires modern, well-located properties leased to quality tenants and holds these assets for the medium to long term.

## Introduction from the Chairman and Managing Director

Welcome to Growthpoint's first stand-alone Sustainability Report which has been produced following extensive stakeholder feedback.



**Geoff Tomlinson**  
Independent Chairman



**Timothy Collyer**  
Managing Director



**In general terms, say 10 years ago, it was all about making profit. But nowadays it is becoming more apparent that you will start losing money if you don't consider ESG issues. It is quite important these days and will become more important in the future.**

Internal Stakeholder

Growthpoint's inclusion in the S&P/ASX 200 index in 2015 has resulted in increased requests for information from investors about sustainability and invitations to participate in key sustainability benchmarking, particularly CDP. This report is a response to those requests and invitations. It represents another significant milestone in Growthpoint's evolution into a large A-REIT.

This report includes extended sections of what appeared in previous annual reports and should be read in conjunction with Growthpoint's 2016 Annual Report.

It is intended that the Sustainability Report form part of Growthpoint's annual suite of reporting documents to isolate sustainability for interested stakeholders, reduce the length of the hard-copy annual report and ensure fulsome information is able to be provided.

Growthpoint's sustainability program and reporting is at its initial stages and our approach is evolving in response to stakeholder and community expectations as well as market practice.

### What is Sustainability?

Sustainability refers to considerations beyond Growthpoint's financial statements, historical returns and expected returns for the year ahead. It encompasses environmental, social and governance (ESG) reporting and what is sometimes referred to as "corporate social responsibility" as well as how Growthpoint seeks to ensure its returns are sustainable.

Growthpoint's continued success will depend on a range of sustainability considerations particularly in relation to its properties, people and governance processes as well as the broader economic, physical, commercial property and business environments.

### Importance of sustainability

As a significant investor in real property which is, by its nature, a long-term asset class, Growthpoint must ensure its business has a long term focus. Decisions made by Growthpoint (at all levels) today will affect the business and its returns tomorrow and beyond.

Growthpoint seeks to retain investors, tenants, service providers, directors and employees for the medium-long term. This Sustainability Report is a key method for us to communicate to stakeholders Growthpoint's strategy and impact, including its impact on them, over the medium-long term. Sustainability considerations impact, among other things, the assets we acquire and how our business is run.

Sustainability refers to how Growthpoint seeks to ensure its business, assets, operations and returns to investors are sustainable over the medium-long term.



The Annual Report highlights what Growthpoint has achieved and its position at a point in time; this Sustainability Report focusses on what Growthpoint seeks to achieve in the future. This report also provides a summary of Growthpoint's current impact on the environment, people and communities.

Growthpoint's sustainability program seeks to ensure Growthpoint retains a focus on the future.

### Stakeholder engagement

Growthpoint considers the following its key stakeholders:

1. Current and potential Securityholders.
2. Tenants and tenant representatives.
3. Other users of Growthpoint's properties.
4. Directors and employees.
5. Debt providers.
6. Service providers including (external) property managers, valuers, Moody's, auditors and advisers.

To help determine the content, scope and materiality of this report, Growthpoint engaged the Australian Centre for Corporate Social Responsibility to undertake interviews with external and internal stakeholders. More details of this process are on page 5 and quotes from stakeholders are included throughout this report.

Growthpoint will continue to engage with a range of stakeholders. On remuneration in particular, the Chairman intends to meet with large current and potential institutional investors each year to seek their feedback in the absence of the Managing Director. The first series of these engagement meetings occurred in June 2016 with a summary of feedback provided to the full board. Other Securityholders have the ability to provide feedback on remuneration at or prior to the Company's Annual General Meeting including through voting on the remuneration report. The board will duly consider all feedback provided.

**Economic value provided in FY16<sup>1</sup>**

**\$524.1m**

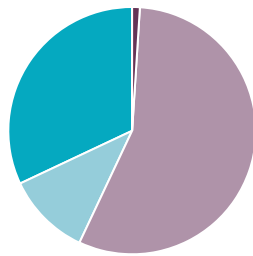
**Comprising:**

**Economic value generated during FY16<sup>1,2</sup>**

**\$221.8m**

**Economic value distributed during FY16<sup>1</sup>**

**\$302.3m**



- Director and employee wages and benefits **\$5.8m**
- Payments to providers of capital **\$169.5m<sup>3</sup>**
- Payments to Australian governments **\$28.8m<sup>4</sup>**
- All other cash expenses **\$98.2m**




**I think it's [sustainability engagement with tenants] a good thing they are doing and a positive thing. I think they are the first of the landlords we have that are doing it. Someone has to be a leader and I think Growthpoint is a leader. They are on the front foot and on the right path.**

External Stakeholder

**GRI Reporting**

Growthpoint's 2016 annual reporting suite has been prepared in accordance with the Global Reporting Initiative (GRI) G4 Sustainability Reporting Guidelines. The following aspects from these guidelines (divided into categories as per the guidelines) are considered material for Growthpoint:

- Economic:
  - Economic performance
- Environmental:
  - Energy
  - Emissions
  - Compliance
- Social:
  - Employment
  - Diversity and equal opportunity
  - Compliance

 Refer to the GRI index on page 44 for more details.

**Reporting periods**

Whilst this report is presented for the year ended 30 June 2016, to align with external benchmarking requirements some reporting is on a calendar year basis. The relevant reporting period is noted as applicable.

**Global sustainability benchmarking**

In FY16, Growthpoint participated in the following for the first time.

**Carbon Disclosure Project (CDP)**

CDP is a global initiative to “transform the way the world does business to prevent dangerous climate change and protect our natural resources”<sup>5</sup>. CDP collects data, primarily in relation to carbon emissions, from a range of primarily listed entities to help reveal risk for investors. Most of the S&P/ASX 200 constituents contribute to the annual survey and Growthpoint received an invitation to participate for the first time in 2016 following its inclusion in the S&P/ASX 200 index in 2015. Results are expected to be released in November 2016. Further details are available at:

 [www.cdp.net](http://www.cdp.net)


**Global Real Estate Benchmarking (GRESB)**

“GRESB is an industry-driven organization committed to assessing the ESG performance of real assets globally, including real estate portfolios and infrastructure assets. More than 200 members, of which about 60 are pension funds and their fiduciaries, use the GRESB data in their investment management and engagement process, with a clear goal to optimize the risk/return profile of their investments.”<sup>6</sup> Growthpoint participated in the annual GRESB survey for the first time in 2016 with the results due in September 2016. Further details available at:

 [www.gresb.com](http://www.gresb.com)

**Global Reporting Initiative (GRI)**

“GRI is an international independent organization that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others.”<sup>7</sup> GRI aims to ensure consistency of ESG reporting across different countries, entities and industries. Growthpoint's FY16 reporting suite has been prepared in accordance with GRI G4 guidelines. Interested readers should refer

 to the GRI index at page 44. Further details are available at:

 [www.globalreporting.org](http://www.globalreporting.org)

**Appointment of sustainability manager**

Growthpoint's manager of projects, Steve Lee, has had his role expanded to include sustainability management. As a large part of Growthpoint's sustainability program involves environmental monitoring and improving performance, Steve's significant experience in these matters will be increasingly important for Growthpoint.

Thank you for your support of Growthpoint Properties Australia.



Geoff Tomlinson  
**Independent  
Chairman &  
Director**



Timothy Collyer  
**Managing  
Director**

Growthpoint Properties Australia Limited

1. Calculated in accordance with GRI methodology. Only cash receipts and payments have been included.  
 2. Cash receipts from customers plus interest received.  
 3. Comprises interest paid, payment for settlement of derivatives and distributions to Securityholders.  
 4. Refer to the table at the bottom of page 8 for more details.  
 5. Source <https://www.cdp.net/en-US/Pages/About-Us.aspx>  
 6. Source: <https://www.gresb.com/about>  
 7. Source: <https://www.globalreporting.org/Information/about-gri/Pages/default.aspx>



## Navigating this report

### Key to symbols



This symbol indicates where to find related information within the **2016 Annual Report**.



This symbol indicates where to find related information within the **2016 Sustainability Report**.



This symbol indicates a snapshot of the sections' key message(s).



This symbol indicates that further information can be found online at [growthpoint.com.au](http://growthpoint.com.au)

### Interactive table of contents

Contents on page 2 are interactive. Click on a listing to be taken to the relevant page.



### Index

A detailed, index covering both the 2016 Annual Report and the 2016 Sustainability Report is on page 49.



### Glossary

A detailed **glossary of terms** can be found on pages 51-52. Hover over underlined terms for a pop-up definition throughout the report. *Please note, this facility will not work on iOS or Android.*



## 2016 Growthpoint Annual Reporting Suite

<b>2016 Annual Report</b>	An integrated report summarising financial, operational and sustainability performance. Available in hard copy and online at <a href="http://growthpoint.com.au/investor-centre/financial-results/annual-results/">growthpoint.com.au/investor-centre/financial-results/annual-results/</a>
<b>2016 Annual Summary</b>	A concise version of the Annual Report sent to all Securityholders.
<b>2016 Sustainability Report</b>	Provides detailed information on corporate responsibility and sustainability performance and objectives. Available for download at <a href="http://growthpoint.com.au/sustainability/operating-sustainably/">growthpoint.com.au/sustainability/operating-sustainably/</a>
<b>2016 Financial data pack</b>	Provides the financial data from financial and operational performance as excel files for greater flexibility in analysis. Available for download at <a href="http://growthpoint.com.au/investor-centre/financial-results/annual-results/">growthpoint.com.au/investor-centre/financial-results/annual-results/</a>

## Stakeholder engagement

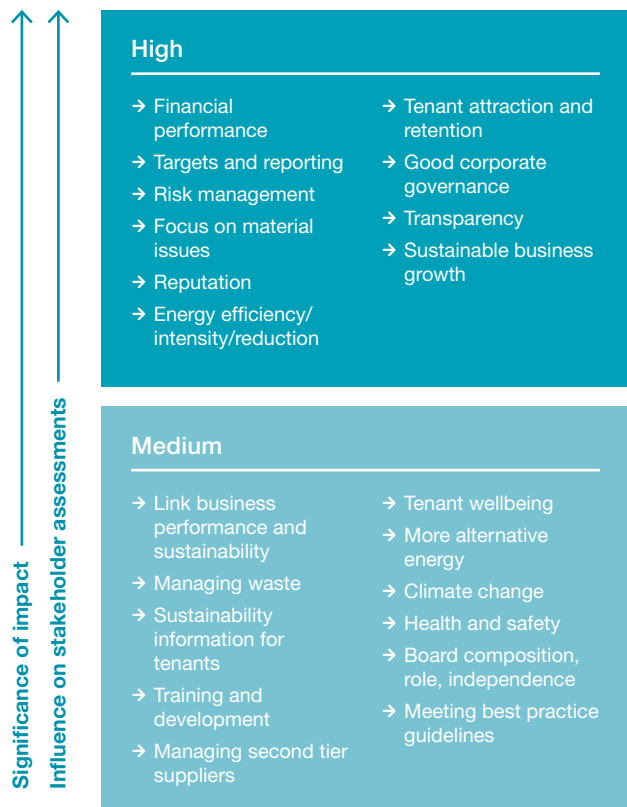
Growthpoint engaged the Australian Centre for Corporate Social Responsibility (ACCSR) to obtain anonymous feedback from external and internal stakeholders on:

1. Growthpoint's current sustainability activities.
2. What Growthpoint should consider material in terms of sustainability.
3. How important sustainability is to them.

ACCSR conducted phone interviews with tenants, services providers, current/potential investors, directors and employees. The results have been used to help determine the content, scope and materiality of this report and will also guide Growthpoint future developments in this space.

A summary of sustainability matters deemed material based on these interviews is below.

### Growthpoint FY16 materiality index

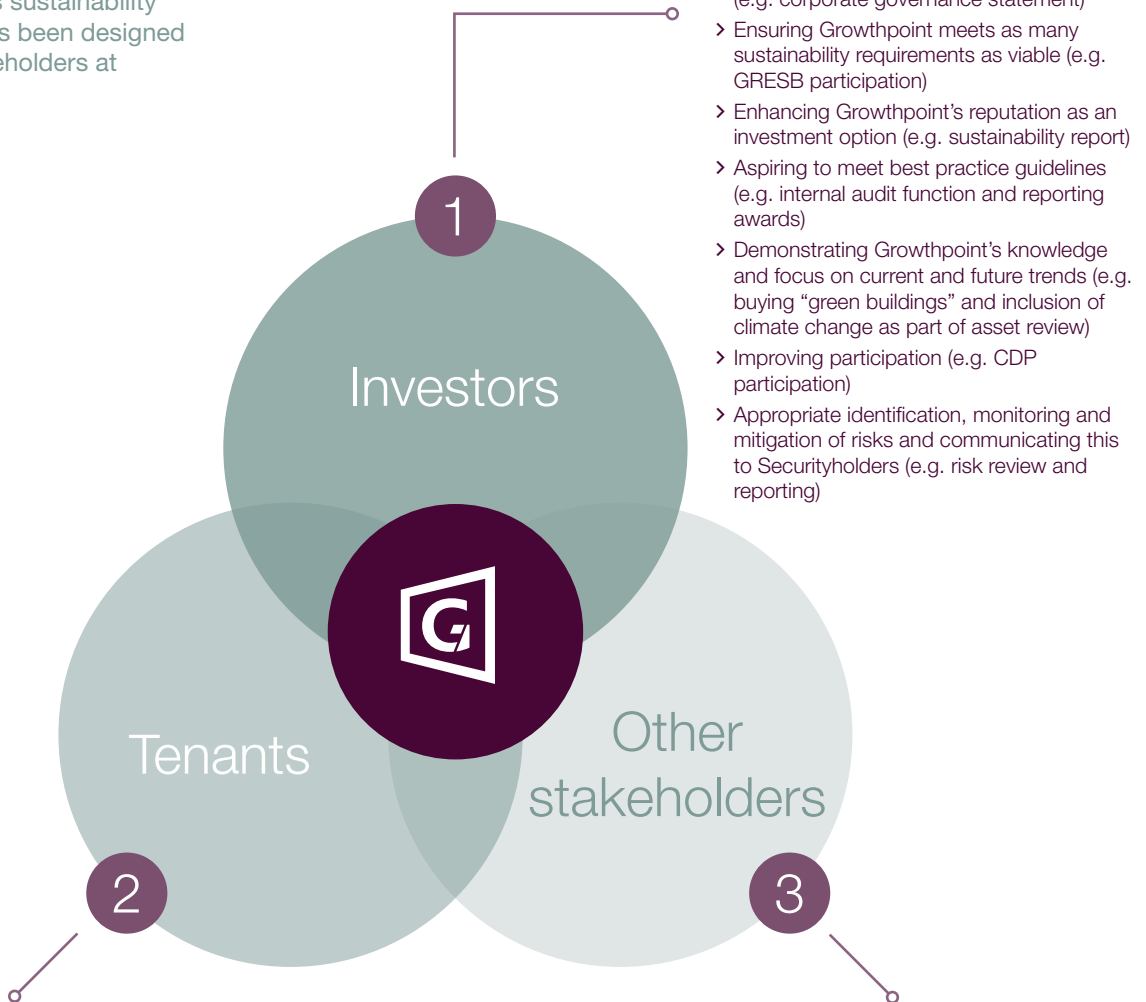


Growthpoint's existing focus was closely aligned with most feedback with the key takeaway for management being to provide explanations of what we are doing and why we are doing it.

Feedback is expected to be sought again in 2-3 years' time to see how Growthpoint has progressed in terms of sustainability from a stakeholder perspective.

## Growthpoint's sustainability framework

Growthpoint's sustainability framework has been designed with key stakeholders at front of mind.



- > Providing sustainable returns (e.g. buying assets which will deliver on Growthpoint's strategy over the medium-long term)
- > Minimising losses (e.g. through conducting thorough due diligence for asset acquisitions)
- > Providing relevant information requested or required by current and potential investors (e.g. corporate governance statement)
- > Ensuring Growthpoint meets as many sustainability requirements as viable (e.g. GRESB participation)
- > Enhancing Growthpoint's reputation as an investment option (e.g. sustainability report)
- > Aspiring to meet best practice guidelines (e.g. internal audit function and reporting awards)
- > Demonstrating Growthpoint's knowledge and focus on current and future trends (e.g. buying "green buildings" and inclusion of climate change as part of asset review)
- > Improving participation (e.g. CDP participation)
- > Appropriate identification, monitoring and mitigation of risks and communicating this to Securityholders (e.g. risk review and reporting)

- > Increasing engagement with tenants (e.g. tenant meetings and surveys, sourcing from tenants wherever possible)
- > Improving desirability of buildings for tenants and their employees (e.g. end of trip facilities)
- > Decreasing tenant costs (e.g. improved NABERS ratings)
- > Decreasing tenant compliance burden (e.g. providing data required for tenants' sustainability reporting)
- > Enhancing Growthpoint's reputation as a landlord (e.g. advising tenants of Growthpoint's sustainability activities)
- > Increasing ease of doing business (e.g. shorter lease documents)

- > Compliance with debt covenants (e.g. compliance framework)
- > Increasing employee engagement (e.g. staff events)
- > Building internal capability (e.g. internal training program)
- > Enhancing Growthpoint' reputation as an employer (e.g. annual staff survey) and a good corporate citizen (e.g. sponsorships and donations)
- > Ensuring compliance with laws, regulations and board directions (e.g. whistle-blower service)
- > Limiting Growthpoint's impact on the environment (e.g. energy reduction initiatives)
- > Limiting Growthpoint's harm to people (e.g. OH&S reviews, employee health checks)
- > Encouraging diversity of directors and employees (e.g. diversity initiatives)
- > Development of the property industry (e.g. PCA membership)

# Sustainability objectives summary

This section provides the key specific ESG objectives that Growthpoint is working towards. Further detail can be found in the relevant sections which follow.



## Environmental

Full details provided on 10

Objective	Target	Time frame	Achievement as of date of this report
<b>Decrease environmental impact by reducing energy/water consumption and green house gas emissions across the portfolio</b>	5% reduction in Scope 1 and Scope 2 emissions (i.e. energy use) across Growthpoint's operational controlled like-for-like properties on an absolute basis from a CY14 base year.	2018	Energy / water consumption and GHG emissions (on an absolute basis) have reduced across the portfolio from CY14 to CY15.  Delivered 2.77% energy savings across Growthpoint's operationally controlled like-for-like properties on an absolute basis from CY14 to CY15, which represents 55% of the target to achieve 5% reductions.
<b>Develop program for measuring and reporting environmental impact</b>	Implement program for measuring and reporting environmental impact.	2018	A documented approach for how Growthpoint collects and captures energy and GHG emissions information to meet ESG reporting requirements has been developed. Web-based system in place for capturing energy/water and fuels consumption data.
<b>Implement additional monitoring infrastructure within office properties</b>	Establish base year for energy/water consumption and green house gas emissions.	2017	CY14 has been established as the base year for reporting purposes. CY14 & CY15 resource consumption data has received independent third party assurance.  Additional electrical/water sub-metering and energy monitoring infrastructure has been installed to twelve office assets.
<b>Improve NABERS ratings across office portfolio and enhance buildings for tenants</b>	Achieve a minimum average of 4.0 star NABERS energy rating.	2017	The average NABERS energy rating for office properties has increased to 4.20 stars (up from 3.94 stars in FY15).
<b>Improve sustainability procurement processes and practices for our capital expenditure program</b>	Ensure the majority of third party engagements contain sustainability requirements.	2018	Documented framework yet to be implemented.
<b>No environmental fines or penalties imposed on the group</b>	No environmental fines or penalties imposed on the Group and mitigation strategies in place.	On-going	No environmental fines or penalties have been imposed on the Group.  Due diligence undertaken on new acquisitions to identify and mitigate risks.  Actual / potential risks and hazards reviewed.

### Proud member of




I think there are big opportunities for innovation on the environment side around energy efficiency and intelligent building design and intensive materials and all those aspects. Water efficiency - that type of thing. And water sensitive design. All those building design challenges. And keeping tenants in the buildings.

External Stakeholder

## Sustainability objectives summary continued



## Social (people &amp; community)

Full details provided on  18

Objective	Target	Time frame	Achievement as of date of this report
<b>Donations and workplace giving program</b>	Implementing workplace giving for charitable causes such as Fitted for Work, supporting women re-entering the workforce.	On-going	Growthpoint staff donated ladies' clothing and accessories to "Fitted for Women", an organisation that helps disadvantaged women find and retain employment. The Group also made a donation.
<b>Develop partnerships with community organisation in areas that Growthpoint operates in</b>	To develop partnerships with organisations such as the Fred Hollows Foundation in preventing curable blindness.	On-going	Growthpoint participated in the Melbourne Coastrek in support of The Fred Hollows Foundation. The teams, comprised of at least 50% women, walked for 30km raising significant funds for the Foundation. Growthpoint was the highest corporate fundraiser for this event raising nearly \$40,000.
<b>Employees to undertake volunteering each year</b>	By supporting community organisations such as Try Australia to support kindergartens with low socio-economic backgrounds.	On-going	Employees will undertake volunteering with community organisations in their local areas.
<b>Employees to receive regular work health and safety checks</b>	Growthpoint is committed to providing health and safety checks for employees.	On-going	In March 2016 all employees were given health checks that included basic health screening tests, bone density screening and posture and flexibility assessments and in April 2016 all staff were offered voluntary flu vaccinations.
<b>Providing continuing professional development or training each financial year for employees</b>	Employees will on average receive not less than 20 hours of continuing professional development or training for each financial year.	On-going	Staff are encouraged to undertake personal and professional development through Group-funded education and training that enhances their skills. In FY16 Growthpoint's employees undertook, on average, 42 hours of continuing professional development (up from 28 hours for FY15).
<b>Diversity objectives created and worked towards</b>	Growthpoint is committed to gender diversity which will be monitored and worked towards in future.	On-going	In FY16 around 35% of staff originated from a non-English speaking background with 21% of staff being bilingual. Growthpoint currently employs 17 staff of which six are women (35%).
<b>No workplace injuries</b>	Growthpoint is committed to providing a healthy and safe environment for employees to work in.	On-going	Growthpoint maintained its record of workplace safety with no workplace accidents in FY16.

## Community impact

## tax and community contributions

In FY16 Growthpoint contributed the following to the community:

- **\$28.8 million<sup>8</sup>** in taxes, or 13.8% of revenue<sup>9</sup>
- **\$139,332** in volunteer time
- **\$47,719** in donations<sup>10</sup>

8. Comprises \$15.0 million of stamp duty, \$12.7 million net GST, \$0.6 million income tax, \$0.3 million payroll tax and \$0.2 million mortgage duty.

9. As most of the Group's income comes from the Trust, Securityholders pay income tax on distributions they receive so rather than income tax being paid by Growthpoint it is paid by Securityholders.

10. includes donations raised from third parties for The Fred Hollows Foundation and overheads for contributing to community activities.



## Sustainability objectives summary continued



### Governance

Full details provided on 20

Objective	Target	Time frame	Achievement as of date of this report
<b>Obtain and retain investment grade rating to help secure capital when required</b>	Baa2 or higher.	On-going	Investment grading issued to the Group by Moody's remains Baa2 as of the date of this report.
<b>Introduction of internal audit function using an audit plan by external consultants</b>	To give further assurance in relation to governance and controls to management and the Audit, Risk & Compliance Committee.	FY16	The internal auditor has provided reports and recommendations during FY16 on the following: <ul style="list-style-type: none"> <li>– employee expenses;</li> <li>– Australian Financial Services Licence and Custodian; and</li> <li>– Accounts receivable.</li> </ul>
<b>Comprehensive compliance and risk framework is maintained and is independently audited by external auditors</b>	The audit report is issued with no qualifications.	On-going	KPMG issued non-qualified opinions for the Compliance Plan and Australian Financial Services Licence for FY16.
<b>To improve investor communications</b>	Group's key results and the Annual General Meeting will be webcast.	November 2015	The Annual General Meeting was webcast in November 2015.
<b>Business updates will be provided at least each calendar quarter</b>	Provide investors with details of any significant changes to the business (subject to the ASX Listing Rules and other legal and contractual requirements).	On-going	Investor updates were provided in August 2015 (summary of annual report sent to all Securityholders), November 2015 (quarterly update) February 2016 (half year results) and May 2016 (quarterly update).
<b>No significant breaches of trust compliance plan or the groups policies, procedures or constituent documents</b>	No significant breaches.	On-going	There were no significant breaches identified during the Compliance Plan audit for FY16.

**Proud member of and/or contributor to:**



## Environmental Sustainability

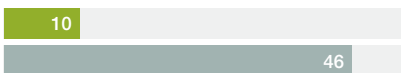
Our focus in FY17 will be to continue to reduce energy, water consumption and GHG emissions across the portfolio, refine current sustainability procurement practices and improve waste management/reporting to deliver future reductions in waste to landfill.



**Steve Lee**  
Manager – Projects & Sustainability

### Operational control (no.)\*

As at 31 December 2015



- Buildings under operational control
- Assets with no operational control

\*Includes Growthpoint head office

**Operational control** is defined as having the ability to introduce and implement operating, health & safety or environmental policies and measures for a facility.

### Resource consumption

Growthpoint has an ongoing commitment to ensure our brand is associated with strong sustainability credentials. This includes our program to increase average NABERS ratings across our portfolio and maintain a high Green Star rating (among other initiatives). Energy efficiency of potential new acquisitions is also considered in our portfolio management decisions.

### Management Approach and Methodology

Growthpoint now has a documented approach to the management, review and record keeping of all energy consumption, water and GHG emissions data. This documented procedure, which will be reviewed and updated annually, has been adopted for collecting and capturing GHG emissions information to meet requirements for voluntary reporting programs such as GRESB and CDP and outlines how Growthpoint:

- determines which facilities and activities should be included in energy and GHG emissions (scope 1 and 2) reporting;
- defines scope 3 emissions reporting boundaries;
- collects energy and GHG emissions data for internal and external reporting;
- ensures that energy consumption and GHG emissions data is robust and calculated according to verifiable methodologies; and
- maintains appropriate data and records through internal review processes, third party audits, and document retention.

Reporting against Growthpoint's 5% energy reduction target by 2018 is on a like-for-like basis for properties which Growthpoint has operational control and data being available for energy and water for the full 24 month period in CY14 and CY15.

### Operational Control

Growthpoint adopts the principles within the National Greenhouse and Energy Reporting Act 2007 and associated guidelines to determine the operational control of its properties.

The following properties which Growthpoint has operational control are included in the CY15 resource consumption data:

- 33-39 Richmond Road, Keswick, SA
- A4, 52 Merivale Street, South Brisbane, QLD
- A1, 32 Cordelia Street, South Brisbane, QLD
- 1231-1241 Sandgate Road, Nundah, QLD

Growthpoint is on track to achieve its 5% waste reduction target by CY18 from CY14. Improvements in sustainable procurement and waste management to be considered.



- 333 Ann Street, Brisbane, QLD
- CB1, 22 Cordelia Street, South Brisbane, QLD
- CB2, 42 Merivale Street, South Brisbane, QLD
- Building C, 219-247 Pacific Highway, Artarmon, NSW
- 10-12 Mort Street, ACT
- Growthpoint Head Office, L22, 357 Collins Street, Melbourne, VIC

The car park properties at SW1 and 572 Swan Street (Richmond) have been excluded as no material resource consumption is applicable.

Building B, 211 Wellington Road (Mulgrave, VIC) was acquired in December 2015 and has no energy consumption data included for CY15. 255 London Circuit (ACT) and 75 Dorcas Street (South Melbourne, VIC) were acquired during the first half of CY16 and are not included in the CY15 data.

In addition to reporting resource consumption data for operationally controlled properties, Growthpoint captures and monitors energy, water and GHG emissions for all office properties not under the Groups operational control:

- 1 Charles Street, Parramatta, NSW
- 7 Laffer Drive, Bedford Park, SA
- 89 Cambridge Park Drive, Cambridge, TAS
- Buildings 1 & 3, 572 Swan Street, Richmond, VIC
- Building 2, 572 Swan Street, Richmond,

Resource consumption data is also captured and monitored for industrial properties where data is made available by tenants, which includes water consumption (47% by floor area) and energy consumption (5% by floor area). Resource consumption data from our Woolworths tenanted properties (46% by floor area) is not captured or monitored by Growthpoint, however, Woolworths provide separate corporate sustainability reporting. Growthpoint continues to encourage tenants to share resource consumption data with the aim of working together to implement measures to reduce energy, water and GHG emissions.

**NABERS Energy Star Ratings (office portfolio)**

FY16	4.20 Stars
FY15	3.94 Stars
FY14	3.75 Stars
FY13	3.38 Stars

**Growthpoint seeks to acquire properties with high green credentials and has been seeking to improve NABERS ratings across its portfolio as a way of attracting and retaining tenants and reducing environmental impacts.**



**NABERS Energy Star Ratings (office portfolio)<sup>11</sup>**

Address	State	Rating
Buildings 1&3, 572 Swan Street, Richmond	VIC	★
Building 2, 572 Swan Street, Richmond	VIC	★★★★★
75 Dorcas Street, South Melbourne	VIC	★★★★
89 Cambridge Park Drive, Cambridge	TAS	★★★
A1, 32 Cordelia Street, South Brisbane	QLD	★★★★★
A4, 52 Merivale Street, South Brisbane	QLD	★★★★★
CB1, 22 Cordelia Street, South Brisbane	QLD	★★★★★
CB2, 42 Merivale Street, South Brisbane	QLD	★★★★
333 Ann Street, Brisbane	QLD	★★★★
1231-1241 Sandgate Road, Nundah	QLD	★★★★★
33-39 Richmond Road, Keswick	SA	★★★★★
7 Laffer Drive, Bedford Park	SA	★★★★
10-12 Mort Street, Canberra	ACT	★★★★★
255 London Circuit, Canberra	ACT	★★★★★
1 Charles Street, Parramatta	NSW	★★★★★
<b>Average NABERS Energy Portfolio Rating</b>		<b>4.20</b>
<b>Average NABERS Water Portfolio Rating<sup>12</sup></b>		<b>4.50</b>

**Green Star Ratings (office portfolio)**

FY16	4.86 Stars
FY15	4.80 Stars
FY14	4.80 Stars
FY13	4.80 Stars

**Green Star Ratings (office portfolio)**

Address	State	Rating
Building B, 211 Wellington Road, Mulgrave	VIC	★★★★★
89 Cambridge Park Drive, Cambridge	TAS	★★★★★
333 Ann Street, Brisbane	QLD	★★★★
1231-1241 Sandgate Road, Nundah	QLD	★★★★★
33-39 Richmond Road, Keswick	SA	★★★★★
255 London Circuit, Canberra	ACT	★★★★★
Building C, 219-247 Pacific Highway, Artarmon	NSW	★★★★★
<b>Average Green Star rating</b>		<b>4.86</b>


11. Building C, 219-247 Pacific Highway, Artarmon, NSW is excluded – exemption in place until September 2016. Building B, 211 Wellington Road, Mulgrave, Victoria is excluded – rating not currently required for this new building.

12. Only two properties are currently rated (1231-1241 Sandgate Road, Nundah, QLD and 255 London Circuit, Canberra ACT).

## Assurance

Growthpoint has obtained independent third party limited assurance of CY14 and CY15 resource consumption data (as per ISAE3000) to international verification standard ISO14064-3 for:

- Scope 1 & Scope 2 GHG emission sources including all energy sources;
- Scope 3 tenant electricity consumption; and
- All water sources.

 A letter of assurance is included on pages 14-15. Head office Scope 3 emissions are not included in this assurance.

## Voluntary GHG Abatement

Growthpoint intends to reduce its carbon footprint with continued investments in high green credentialed properties that contain renewable and low-carbon technologies such as solar photovoltaic installations, and through the purchase of accredited GreenPower. Growthpoint purchased 1,620KWh of accredited GreenPower in CY15 for 1231-1241 Sandgate Road, Nundah, Queensland, and 14.6% for 1 Charles Street, Parramatta, New South Wales.

## Waste Management

Growthpoint intends to review the current waste management practices across operationally controlled properties in our portfolio with the aim of streamlining the monitoring and reporting of data that will in turn support the implementation of initiatives to deliver reductions in waste to landfill. Setting waste reduction targets will be addressed in future sustainability reporting - CY17 is targeted as Growthpoint's base year for waste diversion from landfill.

## Performance Summary

- CY14 has been established as Growthpoint's base year for energy, water and GHG emissions, which is the earliest relevant point in time for which Growthpoint have reliable, validated data. Growthpoint is on track to achieve its improved commitment to reduce energy usage by 5% by CY18 against a CY14 base year.
- **Scope 1 and 2:** absolute emissions across consistent facility boundaries have reduced by 316 tonnes/CO<sub>2</sub>-e from CY14 to CY15. Netting out the impact of changes in electricity emission factors between 2014 and 2015, this equated to a drop of 2.77%, representing 55% of Growthpoint's overall 5% target.
- **Water consumption** has decreased by 5% from CY14 to CY15, mainly attributable to reduced tenant demand at CB1 & CB2 buildings in South Brisbane. Increased water consumption was evident in other office properties, contributed by tenant demand changes (e.g. leasing of vacant tenancies and new End of Trip Facilities becoming operational).
- **Average office vacancy rate** increased from 4.7% in CY14 to 7.3% in CY15, which accounts for some of the reductions in energy, water and GHG emissions.
- **Energy, water and GHG intensity** for newly acquired properties is expected to reduce in FY17 through Growthpoint's strategies to achieve reductions in energy, water and GHG emissions in line with the existing property portfolio.
- Various energy savings have been achieved through capital improvement initiatives and from operational issues identified through building energy monitoring systems.

## CDP response available online

In FY16 Growthpoint participated in the CDP survey for the first time. Most constituents of the S&P/ASX200 Index participate in this annual survey. Results are due to be released in November 2016.

 [www.cdp.net](http://www.cdp.net)

## Growthpoint Emissions Summary by Scope:

Scope 1, Scope 2 and Scope 3 emissions (as outlined in the GHG Protocol) are included as follows:

- **Scope 1** emissions cover emissions related directly to Growthpoint's operations, released from sites or equipment under the operational control of Growthpoint (i.e. base building natural gas sourced directly from the pipeline consumed by facilities within Growthpoint operational control);
- **Scope 2** emissions cover indirect upstream sources, namely purchased electricity, consumed in sites under Growthpoint operational control (i.e. base building electricity consumed by facilities within Growthpoint operational control; and consumption of electricity at the Growthpoint's Head Office); and
- **Scope 3** emission sources cover indirect upstream and downstream activities used to support Growthpoint business operations (purchased goods and gas and electricity consumption; business travel; and tenant electricity consumption).

Relevant emission sources are assessed and included, according to materiality to Growthpoint. Scope 1 and scope 2 activity materiality is assessed based on the thresholds as outlined in the NGER Measurement Determination. Scope 1 and 2 sources that are relevant to Growthpoint and fall below these thresholds are excluded from GHG and energy reporting. Materiality of scope 3 emission sources relevant to Growthpoint is based on the GHG Protocol Scope 3 Guidance approach to assessing materiality. Scope 3 emissions sources have been included or excluded based on the materiality assessment.

Average of Scope 1 and 2 Emissions Factors from FY15 and FY16 NGER Determinations to match Growthpoint calendar year reporting have been adopted. The National Greenhouse Accounts (NGA) Factors have been adopted for Scope 3 emission, [i.e. average of Dec 2014 NGA Factors and Aug 2015 NGA Factors.]

## Resource Consumption Summary

		CY15 <sup>13</sup>	CY14
<b>Resource Consumption</b>			
Electricity use <sup>14</sup>	MWh	7,961	8,230
Gas use	MWh	1,231	1,116
Water use	cubic metres	32,754	34,175
<b>GHG emissions</b>			
Scope 1	tCO2-e	229	207
Scope 2 <sup>14</sup>	tCO2-e	6368	6,706
Total Scope 1 and 2	tCO2-e	6,597	6,913
Scope 3 <sup>15</sup>	tCO2-e	11,823	12,066
<b>Waste / Recycling</b>			
Data not currently collected in a consistent reportable format	metric tonnes	Not reported	Not reported

The following charts highlight the Group's performance trends on an absolute basis for energy and water consumption and GHG emissions for Growthpoint's operationally controlled properties:

### Energy consumption (MWh)

CY15	9,192
CY14	9,346

### Water consumption (cubic metres)

CY15	32,754
CY14	34,175

### Scope 1 and 2 GHG emissions (tCO2-e)

CY15	6,597
CY14	6,913

### Scope 3 GHG emissions (tCO2-e)

CY15	11,823
CY14	12,066

## Consumption / emissions on an intensity basis<sup>16</sup>

		CY15 <sup>17</sup>	CY14
Energy consumption	KWh/sqm	84.41	85.81
Water consumption	cubic metres/sqm	0.30	0.31
Scope 1 and 2 GHG emissions	kg.CO2-e/sqm	60.57	63.48
Waste diverted from landfill	metric tonnes	Not reported	Not reported

### Energy consumption intensity (KWh/sqm)

CY15	84.41
CY14	85.81

### Water consumption intensity (cubic metres/sqm)

CY15	0.30
CY14	0.31

### Scope 1 and 2 GHG emissions intensity (kg.CO2-e/sqm)

CY15	60.57
CY14	63.48

The above chart represents Growthpoint's performance trends on a like-for-like intensity basis for energy, water and GHG emissions for Growthpoint operationally controlled properties.

Approximately 2% of the total 4.6% decrease in GHG emissions intensity on a lettable floor area basis was due to energy efficiency activities across the operated portfolio. The remainder was due to the drop in electricity emission factors between CY14 and CY15.



[Sustainability is] very important. For lots of reasons. I think firstly because it makes economic sense ... it's a tangible area which adds value to business. Your social licence to operate can be crucial for a business. It's important from the economic perspective. If you have a good policy in place, efficient environment policies in place, you'll have lower expenses and that makes sense. The other reason is reputation, so many stakeholders have this expectation that [Growthpoint] would be operating in a sustainable manner.

External Stakeholder

13. CY15 emissions data excludes assets purchased in first half of CY16 (255 London Circuit, ACT and 75 Dorcas Street, South Melbourne).

14. Includes Growthpoint's Head Office.

15. The tenant consumption data component of Scope 3 emissions has received independent third party assurance.

16. Intensity data is based on lettable floor area and the figures have not been normalised for factors such as changes in tenant vacancies, seasonal temperature fluctuations, etc.

17. CY15 emissions data excludes assets purchased in first half of CY16 (255 London Circuit, ACT and 75 Dorcas Street, South Melbourne).



# Assurance Statement



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2 August 2016

Steve Lee  
Manager - Projects & Sustainability  
GROWTHPOINT PROPERTIES AUSTRALIA  
TEL: +61 3 8681 2917  
FAX: +61 3 8681 2910  
Mobile: +61 409 952 050

Dear Steve

**WSP Letter of Assurance for Growthpoint Properties Australia Limited**

WSP has conducted an independent third party review of the greenhouse gas, energy, and water inventories for the 2014 and 2015 calendar years, for Growthpoint Properties Australia Limited, with the intention of providing limited assurance of its accuracy and completeness. The scope of the review includes:

- Scope 1 and Scope 2 greenhouse gas emission sources including all energy sources
- Scope 3 tenant electricity consumption
- All water sources

WSP has provided feedback during the review of GHG, energy, and water inventories with specific areas that have been flagged for clarification or improvement. Growthpoint has addressed all requests for clarification and has completed all necessary corrective actions.

Given that there are no verification standards specific to water, principles of GHG verification were adapted and applied.

**Assurance Finding**

Based on these review processes and procedures, WSP has no evidence that the 2014 and 2015 GHG, energy, and water inventories are not materially correct, are not a fair representation of the corresponding data and information, or have not been prepared in accordance with the Greenhouse Gas Protocol.

**Professional Conduct**

WSP has conducted this limited assurance review in its capacity as an independent third party in accordance with the ISO 14065 International Standard, *Greenhouse gases — Requirements for greenhouse gas validation and verification bodies for use in accreditation or other forms of recognition*. ISO 14065 specifies the principles and requirements employed by WSP to make this GHG assertion. Members of the WSP Assurance Team have not contributed to the compilation of the 2014 and 2015 GHG, energy, or water inventories and are not working with Growthpoint's 2014 and 2015 GHG, energy, or water inventories beyond what is required of this assignment.

The details of the scope of this assurance review can be found in Table 1.

**Table 1: Assurance Scope**

Assurance Parameter	Relevant Inventory	Specification
Calculation and Reporting Protocol	GHG and Energy	The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)
	Water	Guidance adapted for water from:

Assurance Statement continued



Assurance Parameter	Relevant Inventory	Specification
		The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition)
<b>Verification Standard</b>	GHG and Energy	ISO 14064-3
	Water	Verification guidance adapted for water from: ISO 14064-3
<b>Type of Assurance</b>	GHG, Energy, and Water	Limited (as per ISAE3000)
<b>Organizational Boundary</b>	GHG, Energy, and Water	Properties under Growthpoint operational control (Managed Assets & Head Office)
<b>Geography</b>	GHG, Energy, and Water	Australia
<b>Inventory Period and Emissions Covered</b>	GHG, Energy, and Water	January 1, 2014 to December 31, 2015
		<b>2014</b> <b>2015</b>
<b>Scope 1</b>	GHG	206.7 tCO <sub>2</sub> e                      228.7 tCO <sub>2</sub> e <i>Tonnes CO<sub>2</sub>-e (all Scope 1 sources)</i>
<b>Scope 2</b>	GHG	6,706.4 tCO <sub>2</sub> e                      6,367.8 tCO <sub>2</sub> e <i>Tonnes CO<sub>2</sub>-e (all Scope 2 sources)</i>
<b>Total Scope 1 and 2</b>	GHG	6,913.1 tCO <sub>2</sub> e                      6,596.5 tCO <sub>2</sub> e <i>Tonnes CO<sub>2</sub>-e</i>
<b>Energy</b>	Electricity	8,230 MWh                      7,961 MWh
	Gas	1,116 MWh                      1,231 MWh
<b>Water</b>	Water	34,175 m <sup>3</sup> 32,754 m <sup>3</sup>
<b>Supporting Documents Reviewed</b>	GHG, Energy, and Water	<ul style="list-style-type: none"> <li>• Site-level inventories for energy and water</li> <li>• Corporate inventory for GHG, Energy, and Water</li> <li>• Energy (electricity and natural gas) invoice data</li> <li>• Water invoice data</li> <li>• National Greenhouse and Energy Reporting (Measurement) Determination 2008: Amendments July 2013, July 2014</li> <li>• National Greenhouse Accounts Factors: December 2014, August 2015</li> </ul>
<b>Date Review Complete</b>	29th June 2016	

Yours sincerely

**Brendan Tapley**  
 Associate Director - Sustainability  
 WSP Parsons Brinckerhoff  
 246 Bourke Street  
 Melbourne VIC 3000, Australia  
 D.+61 3 8663 7890  
[Brendan.Tapley@wspgroup.com](mailto:Brendan.Tapley@wspgroup.com)

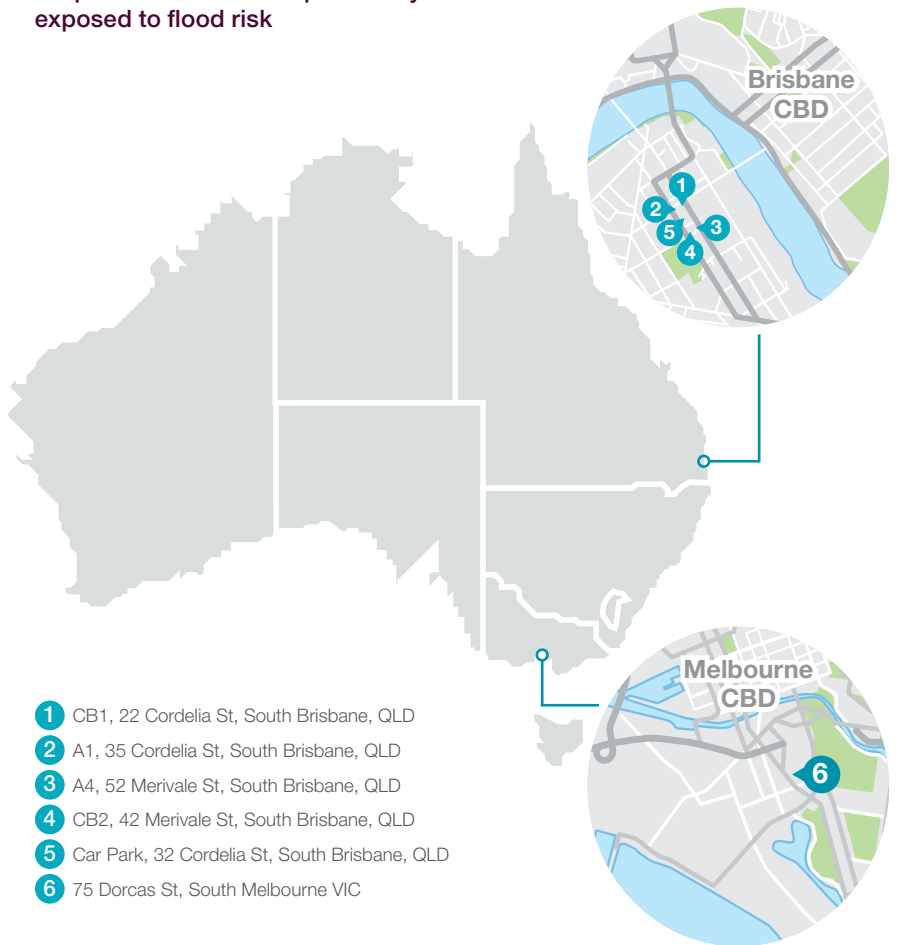
Note: Separate assurance document provided by WSP for Scope 3 tenant electricity consumption.

## Climate change risk mitigation: Flood zones

Physical impacts of climate change are considered as a potential risk for the Growthpoint business and consequently properties within the portfolio are subject to assessment on their likely ability to withstand physical impacts from climate change.

A significant flood in Brisbane in 2011, which impacted two of our South Brisbane properties (52 Merivale Street and 32 Cordelia Street), identified the need for a greater focus on climate change risk mitigation. Several properties within Growthpoint's portfolio have been identified as exposed to flood risk and, as a result, mitigation strategies have been developed. Properties identified at potential risk from future flooding include the A1, A4, CB1 & CB2 buildings in South Brisbane and 75 Dorcas Street, South Melbourne.

### Properties identified as potentially exposed to flood risk



- 1 CB1, 22 Cordelia St, South Brisbane, QLD
- 2 A1, 35 Cordelia St, South Brisbane, QLD
- 3 A4, 52 Merivale St, South Brisbane, QLD
- 4 CB2, 42 Merivale St, South Brisbane, QLD
- 5 Car Park, 32 Cordelia St, South Brisbane, QLD
- 6 75 Dorcas St, South Melbourne VIC



### Case study: SW1 Complex, South Brisbane, QLD

**As a result of the 2011 Brisbane floods, risk mitigation measures have been implemented at all five of the Growthpoint office properties in South Brisbane.**

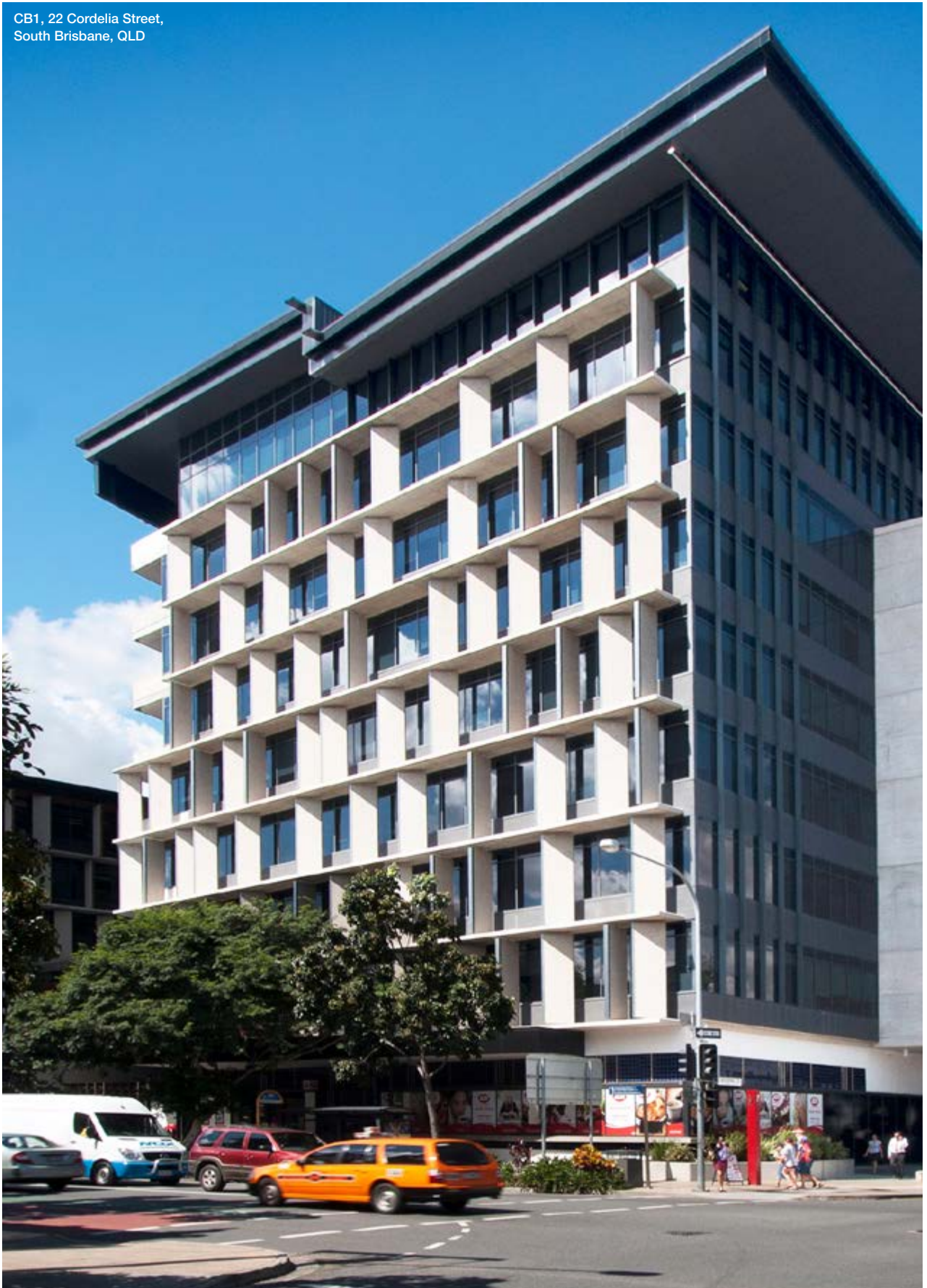
This included relocation of sensitive electrical switchboards to areas outside potential flooding zones, installation of back-up diesel generators to serve the four office buildings, shared car park and the storm-water pumps in basement areas.

If future weather events / storms results in prolonged power outages to the precinct, the back-up diesel generators are designed to enable continued operation of the properties and car park whilst maintaining operation of the storm water pumps to extract any storm water that may enter the basement car park areas.

Growthpoint also increased its insurance cover.



CB1, 22 Cordelia Street,  
South Brisbane, QLD



Overview

Environmental

Social

Governance

Additional information

## Social Sustainability – people and communities

Growthpoint strives to create and maintain a nurturing environment which respects the interests of all involved: Securityholders, tenants, employees, and other stakeholders.



**Anelia Blane**  
Executive Assistant,  
Compliance & HR  
Coordinator

Investment in the professional development and personal wellbeing of all employees helps with motivation, teamwork and well-informed decisions. It is considered one of the keys to maintaining Growthpoint's competitive advantage.

The Group's annual anonymous survey of all staff (except for the Managing Director), was undertaken in May 2016. Of note, all employees reported feeling respected and valued, enjoyed their work and were proud to be Growthpoint employees.

In addition, Growthpoint's high standards are driven by a Code of Conduct that applies throughout the organisation, ensuring that:

- all actions are governed by the highest standards of integrity and fairness;
- all decisions conform with the letter and spirit of all applicable laws, and
- all staff apply their best skill and judgement to conduct the Group's business honestly and ethically for the benefit of Securityholders, employees and other stakeholders.

### Diversity

From recruitment through all facets of employment, Growthpoint recognises the importance of finding and retaining people who best fit the nature of both the work and the organisation, regardless of gender or background.

An affirmed equal opportunity employer, the Group acknowledges the value of a diverse workforce and benefits from the creativity and innovation that arises from different experiences, cultures and perspectives. Of particular note, in FY16 around 21% of staff originated from a non-English speaking background.

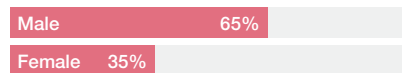
Growthpoint's commitment to gender diversity is exemplified in its provision of work experience for female graduates and undergraduates, and its recruitment policy of interviewing at least one qualified female and male candidate for every available position. Growthpoint's 17 staff includes six females – the Group's legal counsel (a member of senior management), investor relations administrator, an accountant, HR coordinator and two executive assistants.

### Staff training and engagement

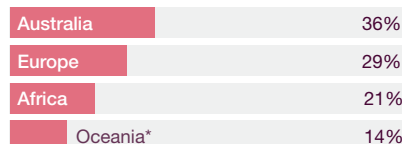
Where possible Growthpoint promotes from within. Staff are encouraged to undertake personal and professional development through Group-funded education and training that enhances their skills and understanding of the property market, and adds significant value to their decision-making. In FY16 employees undertook, on average, 42 hours of continuing professional development.

## Employee diversity 2016

### Gender (%)

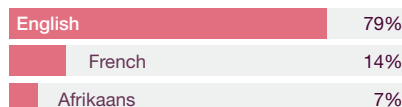


### Place of birth

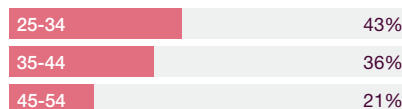


\*Other than Australia

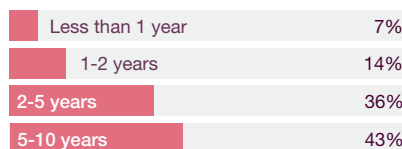
### Language spoken at home



### Employee age



### Time worked at Growthpoint



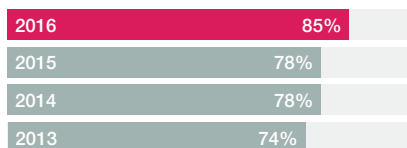
### Team building

In June 2016 all staff attended a two-day conference to undertake team building through a combination of business plan reviews and challenging physical activities. This year Growthpoint invited Futurist, Peter Ellyard, to present "Work in the year 2050" and representatives of the Australian Investor Relations Association (AIRA) to provide insight on sustainability.

Team building activities encouraged participants to embrace new collaboration skills and revealed hidden qualities of themselves, their colleagues and the Group's business. This regular event continues to have a positive impact on the team's performance.

### Employee Survey (%)

Average satisfaction achieved per year





## Melbourne Coastrek

Growthpoint staff members took part in the 30km **Melbourne Coastrek** in November 2015, in support of the Fred Hollows Foundation. Total fundraising for the event was \$1.2 million with Growthpoint teams raising an impressive \$38,219.



The Fred Hollows Foundation

WALK FOR BUSH ON TOP  
melbourne coastrek

Growthpoint has a small but growing and diverse staff base. Employee retention is very high with only two employees having resigned since 2009.



Growthpoint has had the same executive management team since its inception in 2009.

## Working environment

Growthpoint's open plan office environment contributes to the Group's success by encouraging open communication and collaboration between employees.

Flexible working arrangements help staff to maintain a healthy balance between work and family life. Growthpoint particularly values family support of staff and encourages staff to take advantage of parental leave which is available to all staff members. During FY16 two male employees undertook one week of paid parental leave each and worked part-time, with one working out-of-office for three months and returning to full-time work. One female member of staff undertook parental leave in FY14 and remains employed following her return to work.

## Health and safety

Growthpoint is committed to providing a healthy and safe working environment for all staff both on and off site, and maintained its proud record of workplace safety with no workplace accidents in FY16. Thorough inductions for new staff and regular information sessions ensure all staff are well informed on the use of equipment and the hazards that may be encountered when visiting construction sites.

In April 2016, all employees were given health checks that included basic health tests, skin cancer screening, and anxiety and depression assessments. Staff were also offered voluntary flu vaccinations. All employees undertook basic first aid training

The Group provides life, total permanent disability (TPD) and income protection insurance for all staff. The Growthpoint offices are a smoke-free environment, and

provide a workplace free of any kind of harassment or discrimination.

## Community contribution

As a responsible corporate citizen, the Group actively supports the communities in which it operates.

Growthpoint staff donated ladies' clothing and accessories to "Fitted for Work", an organisation that helps disadvantaged women find and retain employment.

More broadly, Growthpoint encourages staff to become involved with community activities and professional organisations for their own development. In FY16 the Group and/or its employees were actively engaged with and/or members of many organisations including:

### Professional

- Association of Chartered Certified Accountants
- Australasian Investor Relations Association
- Australian Institute of Company Directors
- Australian Property Institute
- CPA Australia
- Financial Services Institute of Australasia
- Governance Institute of Australia
- Royal Institution of Chartered Surveyors
- Law Institute of Victoria
- Property Council of Australia

### Community and Charitable

- Anglicare Emergency Relief Fund
- Care Australia
- Midsumma Festival
- Multiple Sclerosis Society

- Property Industry Foundation
- St Vincent de Paul
- The Fred Hollows Foundation

## Property Council Gala and other events

Growthpoint staff and their partners attended the 2015 Property Council annual gala ball. Funds raised through this event, including a donation from the Group, provided ongoing support for the Lighthouse Foundation's "PIF House" in Melbourne. In 2016, two staff members attended the Property Leaders Dinner in Canberra to honour doyens of the industry.

## Remuneration

Growthpoint's remuneration framework is designed to attract and retain suitably qualified, experienced and skilled directors and employees to fulfil its mission and strategies. The remuneration framework includes both long and short term performance measures and incentives to ensure Growthpoint operates sustainably, and to align the interests of directors and employees with those of Securityholders.

**39** Refer to pages 39 to 47 of the 2016 Annual Report for more details about Growthpoint's remuneration.

## Governance

The Governance section of this Sustainability Report includes an overview of Growthpoint's:

1. governance;
2. due diligence process for property acquisitions;
3. approach to risk;
4. strengths, weaknesses, opportunities and threats;
5. approach to challenges and uncertainties;
6. directors including:
  - detailed biographies;
  - a matrix of board expertise;
  - details of directors' independence; and
  - diversity of directors;
7. executive management;
8. reporting and management structure including details of key outsourced providers; and
9. property management outsourcing.

It also contains Growthpoint's Corporate Governance Statement in response to the ASX Corporate Governance Council's recommendations dated 22 August 2016.

### Overview of Growthpoint's governance

Growthpoint has an extensive corporate governance program in place managed by the Chief Operating Officer and the Compliance and Risk Manager.

It includes:

1. A Compliance Plan which is lodged with ASIC, audited semi-annually and monitored quarterly covering all material aspects of Growthpoint's operations.
2. A comprehensive Compliance Manual and other policies and procedures.
3. Monthly reporting to the Board on all material compliance measures, breaches and complaints via email.
4. Quarterly reporting of all material compliance measures, breaches and complaints to the Audit, Risk & Compliance Committee.
5. Compliance with Growthpoint's Australian Financial Services License including-
  - monthly monitoring of prescriptive financial and non-financial licence conditions;
  - a semi-annual audit; and
  - strict protocols for the maintenance, record keeping and transfer of assets particularly in cash.
6. Quarterly monitoring of compliance with requirements of Growthpoint's lending facilities.
7. Half- yearly financial assessment of all tenants.
8. Monthly monitoring of all insurance claims.
9. Quarterly monitoring of the risk management framework.
10. Annual review of all key service providers.
11. A recently established internal audit function.

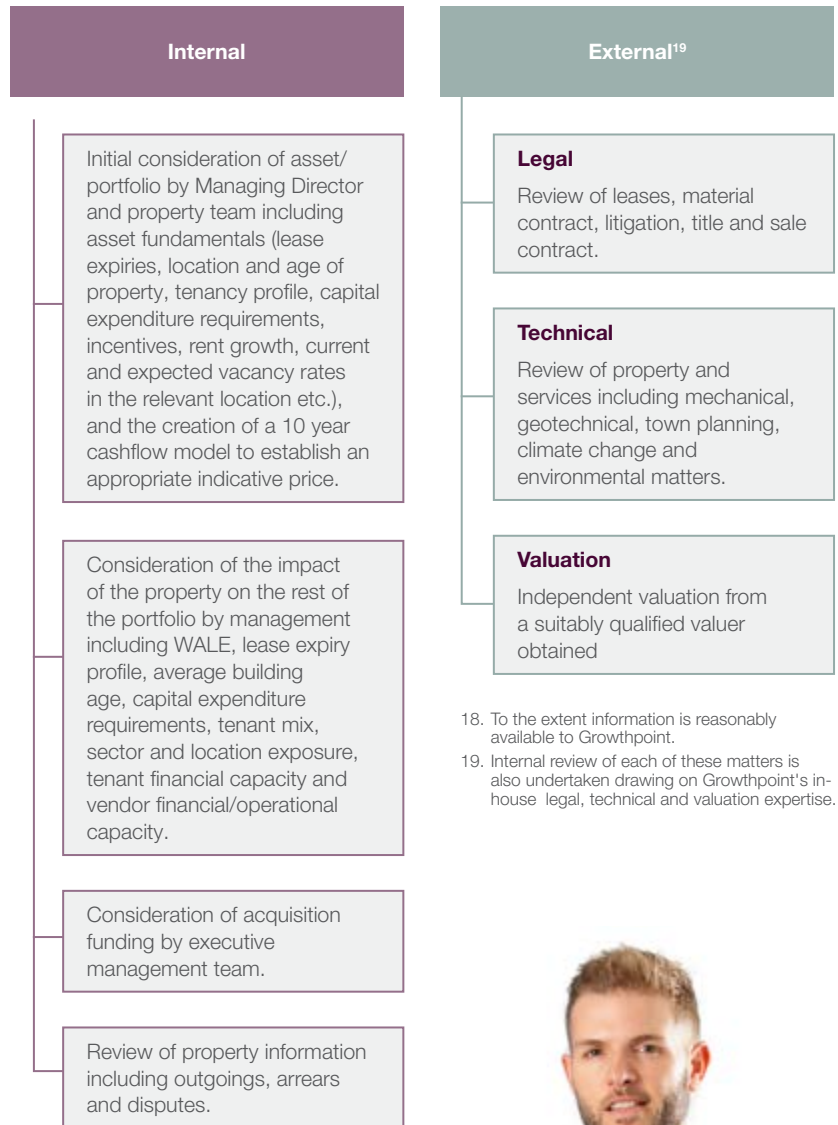


A1, 32 Cordelia Street,  
South Brisbane, QLD

## Due diligence process – property acquisitions

Growthpoint carefully considers potential property acquisitions before submitting any indicative offer to purchase. If indicative terms are accepted by a vendor, Growthpoint typically undertakes extensive due diligence<sup>18</sup> before entering binding transaction documents.

### Summary of due diligence process



18. To the extent information is reasonably available to Growthpoint.  
19. Internal review of each of these matters is also undertaken drawing on Growthpoint's in-house legal, technical and valuation expertise.



**Michael Green**  
Head of Property



**Aaron Hockly**  
Chief Operating Officer

## Approach to risk



**Michael Davy**  
Compliance & Risk Manager

**Growthpoint seeks to integrate the management of risk into all levels of its business processes, be they strategic, operational or daily functions. From Board level down, risk is assessed and managed on a continual basis.**

Growthpoint does not seek to eliminate all risk as this would remove opportunities as well as downside risk. Instead, Growthpoint seeks to minimise the downside risk required to achieve the following outcomes:

- zero harm to people;
- maintenance of capital value of real property assets;
- consistently growing distributions to Securityholders;
- no or reduced harm to property and the environment;
- compliance with laws and regulations including ASX Listing Rules; and
- maintenance of the Group’s brand and reputation.

### How Growthpoint identifies, manages and mitigates risk

Growthpoint has a risk identification, management and mitigation regime in place which is overseen at many levels of the Group including the Board, the Audit, Risk & Compliance Committee and executive management. The focus of this regime is to identify risks to Growthpoint, its assets, reputation, profit and personnel, manage and mitigate risks, monitor the success of the management and mitigation arrangements, and ensure awareness of those risks which cannot be effectively managed or mitigated.

### Key components of the risk management regime

#### Board

The Board is ultimately responsible for setting the risk appetite of the Group and adopting internal controls and risk management processes. The Board receives and considers reports from the Audit, Risk & Compliance Committee, the Managing Director, the external auditors and management in relation to opportunities and risks. The Board also has an annual planning day where it conducts a risk analysis for each of its property assets.

#### Audit, Risk & Compliance Committee

Growthpoint has established an ‘Audit, Risk & Compliance Committee’ to oversee its financial reporting, risk monitoring and mitigation and compliance activities. The Committee primarily considers the adequacy of management’s approach to risk identification, monitoring and management and reports on the same to the Board.

### A brief look inside:



- Growthpoint has a developed risk identification, management and mitigation framework covering all significant aspects of its business
- The Board, External Auditor, Audit, Risk & Compliance Committee and management all have clearly defined roles within this framework.
- Due to its aim of continually increasing distributions solely from rent, Growthpoint has a lower risk appetite than many of its competitors.

### Managing Director

The Managing Director provides a quarterly report to the Board in relation to risks and opportunities for the business.

### Risk Identification Committee

A Risk Identification Committee comprising management, and from time-to-time directors and external advisers, meets to consider the significant risks facing the business. Meetings are held not less than twice a year.

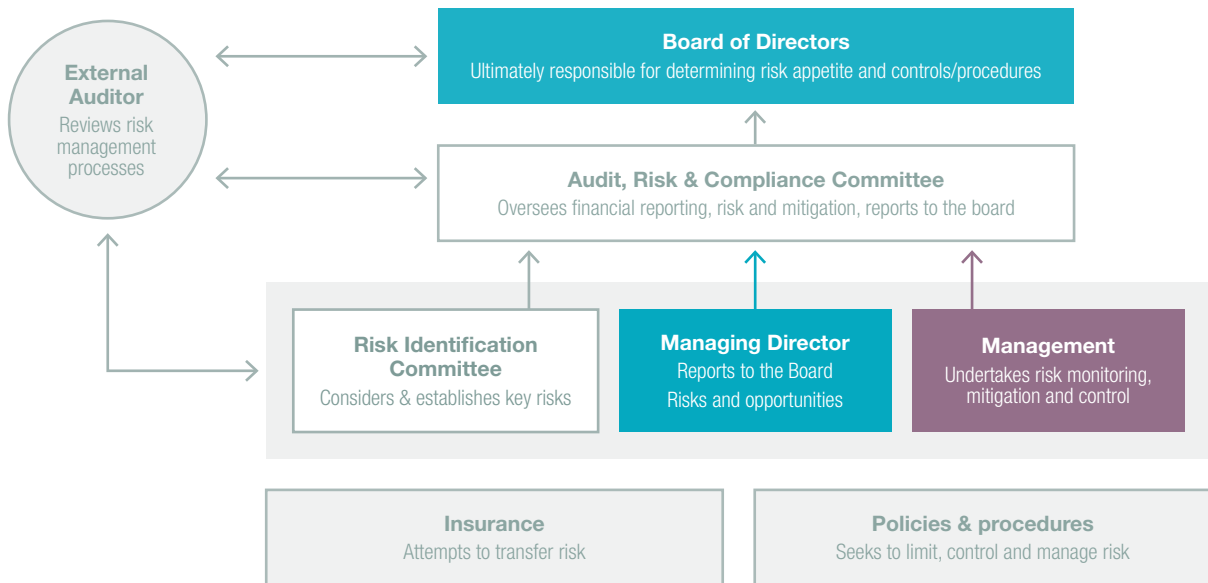
### Management

Management reports to the Audit, Risk & Compliance Committee every six months in relation to the top 10-15 identified key risks, the control and/or mitigation measures in place and the key performance indicators for these risks. Risks are assessed on a 1-5 scale based on their likelihood (rare to almost certain) and their impact (insignificant to extreme). Impact is assessed on the basis of impact to reputation, financial impairment, operating ability and/or effect on stakeholders (Board, employees, Securityholders, debt providers, tenants and contractors). The current top 15 assessed risks which are monitored and reported on as part of this process are:

1. Unable to refinance debt at maturity on reasonable acceptable commercial terms.
2. Material Regulatory & Legal non-compliance (AFSL, ASX, OH&S, Corps Act, etc.).
3. Material loss of Personnel.
4. Material inaccuracy in financial forecasts and statutory accounts.
5. Prolonged property vacancy due to weakened tenancy demand.



## Managing and mitigating risk



6. Reducing lease term of leasehold interests.
7. Significant weakening of property valuations.
8. Breaching financial covenants (loan to value and interest cover)
9. Material fraud.
10. Overpayment for assets leading to dilution of future returns.
11. Growing too fast for resource base.
12. Inability to raise equity when required.
13. Building obsolescence.
14. Low rental growth.
15. Major or multiple tenants going into liquidation, particularly where multiple premises are occupied.

Significant attention and resources are devoted to mitigating these risks which are reviewed, monitored quarterly and reported to the Audit, Risk & Compliance Committee semi-annually. More details in relation to specific risks appear at the end of this section.

### External Auditor

The Group's external auditor, currently KPMG, reviews the Group's risk management process not less than annually and reports on the adequacy of the same to the Audit, Risk & Compliance Committee.

### Insurance

Growthpoint has insurances in place covering significant risks to the business including property insurance, directors and officers' cover, crime and fraud cover, professional indemnity and public liability. As most of the value of the Group is in the underlying real estate, adequate property insurance from reputable insurers is considered fundamental to mitigating risk.

### Policies and Procedures

Key policies and procedures which contribute to risk management include:

- **Compliance Plan** – in accordance with the Corporations Act and AFSL requirements, this plan sets out all of the key compliance requirements for the group primarily from a Securityholder level (reviewed by KPMG, approved by the Board, lodged with ASIC and audited annually) including a significant focus on risks and external service providers (e.g. property managers).
- **Operational Compliance Manual** – contains specific day-to-day information on how to practically comply with Growthpoint's policies and procedures and the compliance plan (reviewed by KPMG and approved by the Audit, Risk & Compliance Committee).
- **Breach Escalation Procedures** – ensures breaches of the Compliance Plan are dealt with promptly and appropriately including escalation to

the Board and reporting to ASIC, if significant.

- **Business Continuity Plan and Disaster Recovery Policy** – ensures that significant disasters are able to be appropriately managed and limit the impact on the operations of the business.
- **Valuation Policy** – sets limits for when and how properties must be independently valued.
- **Committee Charters** – sets requirements and limits of authority for Board committees.
- **Delegations of Authority Policy** – sets limits on entering into financial commitments and the making of payments by directors and employees.

The diagram at the top of this page shows the interaction between these components.

### Internal Audit

An internal audit function was established in 2015 based on an internal audit plan prepared by external consultants, Deloitte.

Internal audits conducted during FY16 identified minor control gaps and resulted in recommendations for control mitigation processes. These have been adopted by management.



## Key risks

Each of Growthpoint's key assessed risks is plotted on a risk matrix (see diagram at right). Control activities are then carried out in relation to each risk and the risks monitored.

### Risk rating methodology

Likelihood	Impact				
	1. Insignificant	2. Minor	3. Moderate	4. Major	5. Extreme
5. Almost certain	Moderate	High	High	Extreme	Extreme
4. Likely	Low	Moderate	High	High	Extreme
3. Possible	Low	Low	Moderate	High	High
2. Unlikely	Very Low	Low	Moderate	Moderate	High
1. Rare	Very Low	Very Low	Low	Moderate	Moderate


Rank	Description of key risk	Likelihood	Impact	Rating	Control activity
1	Unable to refinance debt at maturity on reasonably acceptable commercial terms	2	5		<ol style="list-style-type: none"> <li>1. Ensure no significant portion of debt becomes short term (typically less than 12 months) in the absence of a board approval strategy or contractual alternative (e.g. roll-over rights).</li> <li>2. Maintenance of diversified funding in place.</li> <li>3. Ensure that gearing is at an acceptable level for refinance.</li> <li>4. Different maturities on debt by discrete facilities.</li> <li>5. Maintain investment grade and rating.</li> </ol>
2	Material Regulatory & Legal non-compliance (AFSL, ASX, OH & S, Corps Act, etc.)	2	5		<ol style="list-style-type: none"> <li>1. Comprehensive compliance plan and operational compliance manual</li> <li>2. Imbed and maintain compliance culture in organisation.</li> <li>3. Contract reviews and due diligence undertaken.</li> <li>4. ASX Listing Rules and Corporations Act compliance considered as part of all major transactions, change circumstances and public statements.</li> </ol>
3	Material loss of Personnel	3	4		<ol style="list-style-type: none"> <li>1. Established Nomination, Remuneration &amp; HR Committee to fix remuneration packages of individual directors and members of senior management with the objective of attracting and retaining people of the required calibre.</li> <li>2. Continue Employee Share Plan to assist in the retention of personnel.</li> <li>3. Confirm that GRT can provide human resources at short notice if required.</li> <li>4. Deploy succession planning.</li> <li>5. Expand staff to reduce reliance on individuals.</li> </ol>
4	Material inaccuracy in financial forecast & statutory accounts	3	4		<ol style="list-style-type: none"> <li>1. External verification of financial models for equity raisings where public disclosure documents are issued.</li> <li>2. Monthly review of actual expenses/revenue compared with budget.</li> <li>3. Annual budget prepared by management and signed off by board</li> <li>4. Use of financial model constructed by an external specialist for budgeting, forecasting and management reporting.</li> </ol>
5	Prolonged property vacancies due to weakened tenancy demand	4	3		<ol style="list-style-type: none"> <li>1. Conclude lease agreements with tenants for upcoming vacancies for optimum length of time.</li> <li>2. Maintain dialogue with any tenant whose lease expires within two years</li> <li>3. Aim to have a spread of lease expiries within the portfolio to avoid a large number of leases becoming vacant at once.</li> </ol>
6	Reducing lease term of leasehold interests	5	2		<ol style="list-style-type: none"> <li>1. Lease extension to maintain property valuation.</li> <li>2. Leasehold property less attractive to tenants and impact on rental stream.</li> </ol>
7	Significant weakening of property valuations	2	4		<ol style="list-style-type: none"> <li>1. Economy and property markets.</li> <li>2. Property portfolio valuations and diversification.</li> </ol>

Rank	Description of key risk	Likelihood	Impact	Rating	Control activity
8	Breaching financial covenants (loan to value and interest cover)	2	4		<ol style="list-style-type: none"> <li>1. Monthly monitoring through Board Reporting and a statement of effect on financial covenants produced when considering any significant transaction.</li> <li>2. Quarterly reporting of financial covenant compliance to financiers.</li> <li>3. Maintain balance sheet gearing with the target approved by the board.</li> </ol>
9	Material Fraud	2	4		<ol style="list-style-type: none"> <li>1. A minimum of two authorised signatories required to sign all payments.</li> <li>2. Sign off levels under Delegations of Authority policy adhered to.</li> <li>3. Payment reconciliation for property accounts</li> <li>4. Fraud insurance cover</li> <li>5. Monthly bank account reconciliation reviewed by CFO, evidenced by monthly sign off.</li> <li>6. Internal controls</li> </ol>
10	Overpayment for assets leading to dilution of future returns	3	3		<ol style="list-style-type: none"> <li>1. Overrated valuation of property assets.</li> <li>2. Board review prior to acquisition</li> </ol>
11	Growing too fast for resource base	3	3		<ol style="list-style-type: none"> <li>1. Staff increasing as Group grows.</li> <li>2. Regular consideration of staffing and other resource requirements.</li> <li>3. Annual employee survey and director evaluation</li> </ol>
12	Inability to raise equity when required	3	3		<ol style="list-style-type: none"> <li>1. Increase research coverage.</li> <li>2. Reduce gearing / LVR over the longer term which reduces reliance on new equity.</li> </ol>
13	Building obsolescence	4	2		<ol style="list-style-type: none"> <li>1. Review of all assets.</li> <li>2. Consideration of alternative use where applicable.</li> <li>3. Consideration of asset life as part of due diligence</li> </ol>
14	Low rental growth	5	1		<ol style="list-style-type: none"> <li>1. Acquiring assets with fixed annual rental growth</li> <li>2. Quality of tenants</li> <li>3. Monitor over/under rented position of assets against market position.</li> </ol>
15	Major or multiple tenants going into liquidation, particularly where multiple premises are occupied	1	4		<ol style="list-style-type: none"> <li>1. Income from diversity of tenants and sectors (i.e. across industrial, office and retail) and geographies (i.e. across a range of locations identified as investment targets for GOZ)</li> <li>2. Weekly arrears monitoring.</li> </ol>



From our perspective, it's maintaining an energy efficient base building environment. In terms of heating sources, energy usage, alternative energy supply and areas that we can as tenants piggy back off. More alternative energy.

External Stakeholder

**In 2016, the Group considered the risks posed by climate change on a separate stand-alone basis. Please refer to  page 26 for climate change risk review. This review will be conducted not less than annually.**

# Growthpoint and climate change

Climate change is any change in climatic conditions, weather patterns or global warming / cooling.

## Likely/potential impacts of expected climate change



### Climate

- Warmer weather
- Changed weather patterns
- More extreme weather
- Increased or reduced rainfall in some places
- More flooding
- Rising sea levels
- Greater propensity for natural disasters (e.g.. Cyclones)
- Reduced availability of drinking water



### Regulatory / Government

- New / changed taxes
- Restriction / prohibition of activities
- Changed investment priorities
- Carbon reduction and disclosure initiatives
- Property / landlord law changes or codes
- Minimum energy, water, waste and other standards
- Encouragement / incentives for low carbon / energy intensity



### Economic

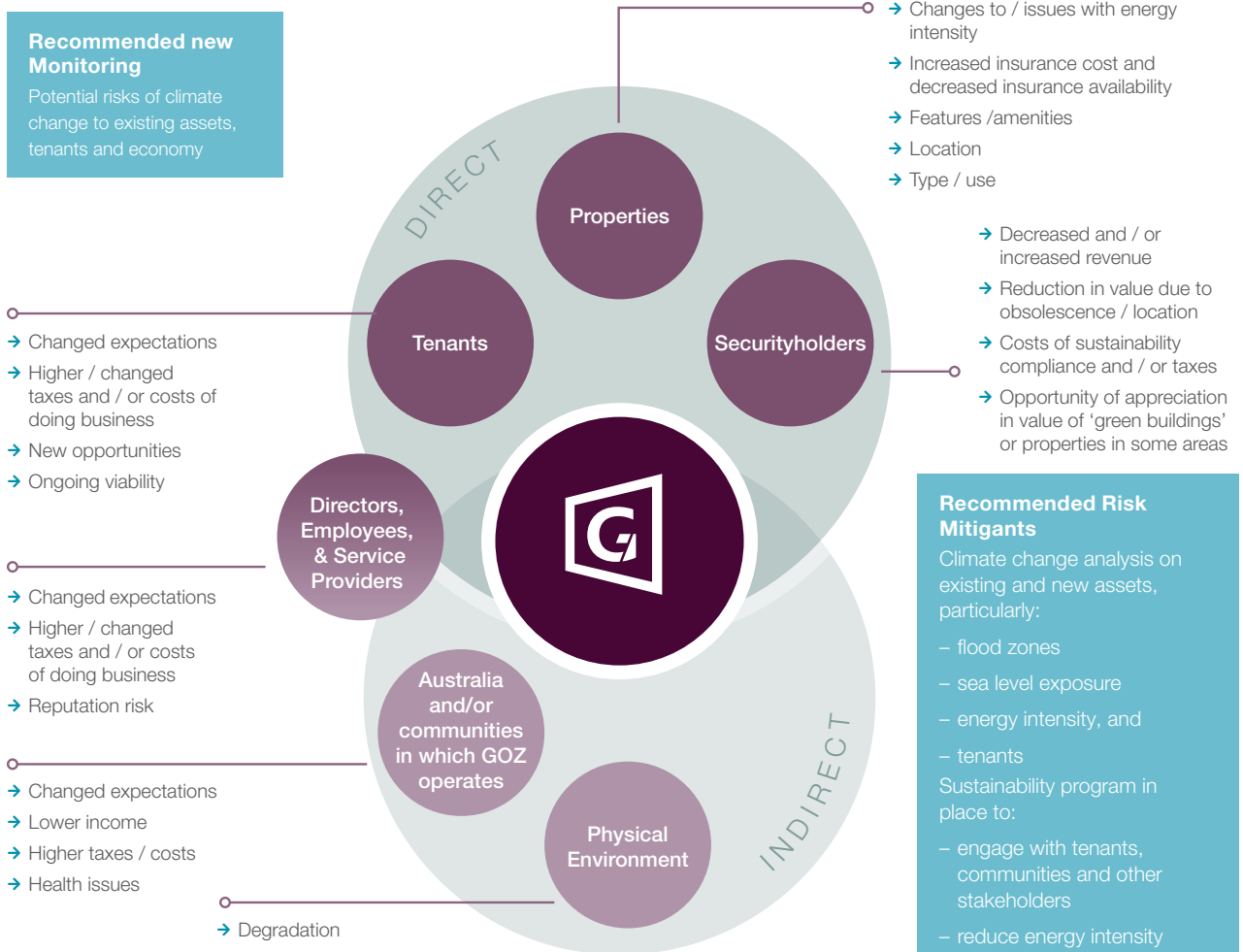
- Declining income due to restrictions on carbon / nuclear energy
- Structural change from carbon constraints: winners and losers
- Increased resources devoted to sustainability, natural disaster recovery and potentially moving assets / people
- Energy price rises or falls, depending on type
- Insurance costs increased
- Opportunities for income e.g.. solar



### Community

- Greater awareness of climate change
- Greater expectations of sustainability
- Expectations of lower energy use and pollution
- Changed community, employee and employees' expectations / use of buildings and physical environment

**Recommended new Monitoring**  
Potential risks of climate change to existing assets, tenants and economy



**Recommended Risk Mitigants**  
Climate change analysis on existing and new assets, particularly:

- flood zones
- sea level exposure
- energy intensity, and
- tenants

Sustainability program in place to:

- engage with tenants, communities and other stakeholders
- reduce energy intensity
- highlight Growthpoint's commitments

## “SWOT” analysis on Growthpoint

	Strategy and performance	Financial Management	Property Portfolio
Strengths	<ul style="list-style-type: none"> <li>✓ Six year track record of meeting or beating earnings and distribution guidance.</li> <li>✓ Consistently growing distributions and security price.</li> <li>✓ Only internally managed, 100% Australian, pure commercial landlord listed on the ASX investing in office and industrial property.</li> <li>✓ GRT’s support underpins Growthpoint’s growth and its ability to compete with larger A-REITs.</li> <li>✓ Same management team in place for nearly seven years and minimal Board changes</li> <li>✓ Small size of team and operations enables direct connection with tenants and stakeholders, enables quick decisions to be made and assists with keeping MER low.</li> <li>✓ Growthpoint trading at a comparatively small premium to NTA (22% versus A-REIT average of over 40%).</li> </ul>	<ul style="list-style-type: none"> <li>✓ Growthpoint’s income is easily understood and relatively certain due to: (a) long WALE; (b) high level of interest rate hedging; (c) low MER; and (d) 92% of leases on fixed annual rent reviews.</li> <li>✓ Investment grade rating of Baa2 in place.</li> <li>✓ Ability to raise equity to fund growth with over \$1.2 billion dollars raised over the last six years.</li> <li>✓ Debt sourced from all four domestic banks plus the debt capital markets.</li> </ul>	<ul style="list-style-type: none"> <li>✓ Excellent property fundamentals: long WALE (6.9 years), modern assets (average age of 9.2 years), quality tenant base, well located assets within CBDs or major fringe markets for office properties and industrial properties proximate to key infrastructure including major roads, ports and airports.</li> <li>✓ Low vacancy (less than 1%) and minimal upcoming expiries (3% in FY17).</li> <li>✓ High level of tenant retention and minimal rental arrears.</li> </ul>
Potential weaknesses	<ul style="list-style-type: none"> <li>→ Retail property included in mandate but Growthpoint does not currently have management expertise nor cost of capital required to acquire quality retail property.</li> <li>→ Historical returns not necessarily reflective of future returns.</li> <li>→ Level of GRT ownership in Growthpoint may prevent some investors investing in Growthpoint (although, as noted above, Growthpoint sees GRT’s support as a key strength).</li> </ul>	<ul style="list-style-type: none"> <li>→ Average debt term remains below WALE.</li> <li>→ Some investors view Growthpoint’s target gearing range of 35% to 45% negatively.</li> <li>→ Gearing at upper end of target gearing range at 30 June 2016.</li> </ul>	<ul style="list-style-type: none"> <li>→ Weak leasing market fundamentals across most major Australian markets although Growthpoint has a reduced immediate exposure due to its long WALE.</li> <li>→ The industrial portfolio is dominated by Woolworths distribution centres (~48% of the industrial portfolio income), although Woolworths is A3 rated by Moody’s and a top 20 ASX entity so any risk from tenant concentration is considered minimal.</li> </ul>
Opportunities	<ul style="list-style-type: none"> <li>→ Continue to acquire quality, well-leased properties which enhance distributions.</li> <li>→ Size of portfolio means that relatively small acquisitions can make a difference to Growthpoint returns.</li> <li>→ Pure landlord strategy should make returns comparatively less volatile.</li> <li>→ Inclusion in the S&amp;P/ASX 200 and the MSCI Global Small Cap Index (Asia-Pacific region) provides greater equity raising opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>→ Major Australian and offshore lenders have indicated a desire to lend more to Growthpoint.</li> <li>→ Growthpoint has obtained an investment grade credit rating from Moody’s and will further diversify its sources of debt.</li> <li>→ Take advantage of historically cheap debt.</li> <li>→ Extend debt terms to match or exceed WALE.</li> </ul>	<ul style="list-style-type: none"> <li>→ Extend leases prior to expiry.</li> <li>→ Expand properties where applicable to maximise returns from assets.</li> <li>→ Change current property use to a higher and better use to either achieve higher rent or higher sales proceeds.</li> <li>→ Enter into development fund throughs.</li> <li>→ Potential divestment of assets</li> </ul>
Potential threats	<ul style="list-style-type: none"> <li>→ Increasing competition from buyers for, and less willingness by existing owners to sell, quality real estate in Australia could make future acquisitions more difficult. However, the excellent state of the current portfolio means Growthpoint does not need to grow and the internalised management model means there are no incentives to grow to receive increased management fees.</li> <li>→ Being a pure landlord risks Growthpoint underperforming the broader A-REIT market as many A-REITs are now involved in more risky, non-landlord activities which may have higher returns.</li> </ul>	<ul style="list-style-type: none"> <li>→ Gearing may be considered high relative to other A-REITs (however Growthpoint is comfortable with this due to security of property income on an absolute basis when compared to other A-REITs).</li> </ul>	<ul style="list-style-type: none"> <li>→ A worsening economy may result in higher vacancy rates although, with one of the longest WALEs in the sector, Growthpoint is well placed for a downturn. Growthpoint has also been expanding in areas with lower vacancy rates such as Parramatta and South Melbourne.</li> <li>→ Reducing lease term of airport ground leasehold properties will diminish the value of these assets in the medium-term although diversification has reduced exposure to these assets to less than 7% of total industrial portfolio.</li> </ul>



# Our approach to current conditions, challenges and uncertainties

In uncertain times and times of heightened share market volatility, investors typically seek lower risk assets.

This desire for lower risk plus investor demand for yield has resulted in continuing high demand for A-REITs and particularly pure landlords like Growthpoint.

## Economic Overview

### Global economy uncertain

According to the International Monetary Fund, global growth is forecast to be 3.1% in 2016 and expected to marginally improve to 3.4% in 2017<sup>20</sup>.

Eight dynamics are anticipated to continue to impact the global economy in the short-medium term:

1. a slowdown in Chinese growth;
2. low inflation;
3. a potential decline in the prices of some commodities;
4. variation in exchange rates particularly the likely strengthening of the US dollar;
5. lower long-term interest rates (although the US may seek to increase rates again);
6. geopolitical concerns in relation to Russia, the USA and the Middle East;
7. Eurozone concerns particularly arising from the exit of the United Kingdom from the European Union; and
8. global terrorism.

These dynamics create challenges and uncertainties for the financial and property sectors, notably:

1. share markets have experienced significant volatility;
2. property prices have surged in some markets as investors seek to reweight into investments that provide income

yields and take advantage of historically cheap debt;

3. tenants are unable or unwilling to extend leases or increase space taken;
4. currency changes distort returns; and
5. countries like Australia with a high reliance on commodities face shortfalls in government revenue leading to higher or altered taxation and/or a lack of needed reform.

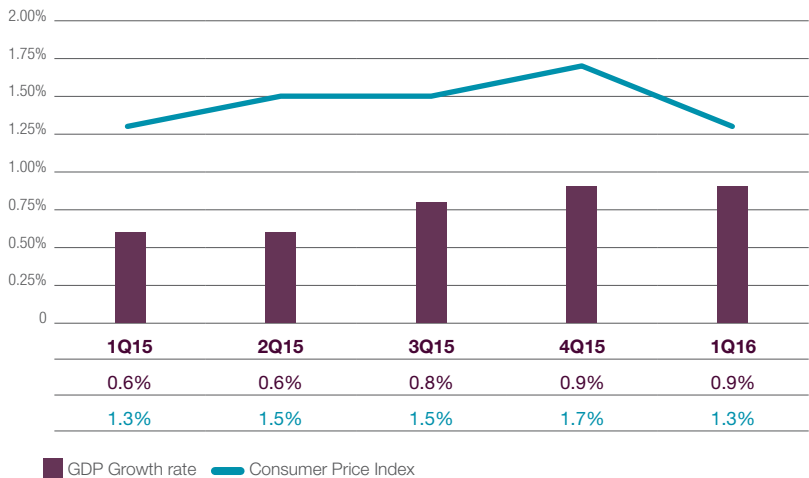
### Australian economy stable

Australian GDP growth was 2.9% for FY15 and is forecast to increase to 3.1% for FY16 and is expected to be 3.0% for FY17<sup>21</sup>. Monetary policy remains accommodative and the Reserve Bank of Australia lowered the cash rate from 1.75% to 1.50% in August 2016<sup>22</sup>. Inflation is forecast to remain consistent over the next one to two years at 2%-3%. The Australian dollar has dropped significantly over the past year especially compared to the US dollar, as key commodity prices continue to decline. This lower exchange rate should help achieve more balanced growth domestically and increase demand for Australian exports.

Business conditions outside mining, have remained at elevated levels in recent months. The services industry, which includes distributional services such as retail, represents one of the strongest sectors, while manufacturing and the mining sector remain relatively weak. Despite improved conditions, business

## Australian Economic indicators

as at 30 June



Source: Australian Bureau of Statistics www.abs.gov.au

20. International Monetary Fund, World Economic Outlook, update July 2016.  
 21. National Australia Bank Limited, Global & Australian Forecasts, June 2016.  
 22. RBA, Monetary Policy Decision, August 2016.

confidence has continued to decline, due to uncertain global economic environment and continuous challenges in the mining industry. Consumer sentiment is presently in slightly 'positive' territory (Westpac CSI 102.2), despite deteriorating in the lead up to the federal election. The trend unemployment rate of 5.7% has remained steady in recent months with non-resource activity now driving employment growth<sup>23</sup>.

### Australian Property Market Overview

The disconnection of fundamentals within the domestic commercial property market has continued: historically strong investment demand versus broadly weak tenant demand.

Buyer demand for office and industrial investments is still outstripping supply and is coming from A-REITs, domestic wholesale funds, superannuation funds, syndicators and offshore investors. Sydney and Melbourne continue to remain the preferred investment destinations in an increasingly competitive market.

However, weak occupier demand has resulted in high levels of vacancies and incentives across Australia over the last 2-3 years. In the office market, there has been some positive net absorption (the difference between net demand and net supply) in FY15 and FY16 and vacancy rates have started to ease, especially in Sydney and Melbourne. In the industrial market, demand still remained patchy. The availability of development land and a competitive pre-lease environment continue to support high incentives in most industrial markets.<sup>24</sup>

### Growthpoint cautious as a result of economic conditions

As a result of the above, Growthpoint is proceeding with caution. The following key principles are intended to give Securityholders an insight into how Growthpoint intends to respond to current conditions:

**1. We are very careful not to overpay for assets.** This disciplined approach has resulted in Growthpoint unsuccessfully bidding for over \$2.4 billion in assets in FY16; a statistic we are proud of. Securityholders will note that our rate of growth in assets slowed in FY16 as other purchasers acquired assets above our maximum prices or minimum yields.

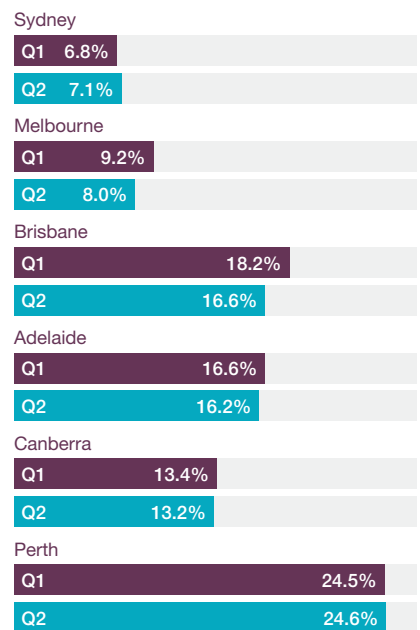
2. As rent is our sole source of income, **leasing and tenant retention is our number one focus.** The result of this focus is the significant leasing success (over 59,000 sqm in FY16) and high tenant retention rate (over 78% of existing tenants retained since 2009) highlighted in this report.
3. **Gearing is to be maintained at a level which matches both the property portfolio and the economic environment.** Growthpoint's current gearing range of 35%-45% is regularly reviewed by the Board to ensure it remains appropriate for Growthpoint.
4. **Focus on property fundamentals.** Growthpoint has an excellent track record of building its property portfolio. The portfolio as a whole, as well as the individual acquisitions we have made, continue to consistently increase total Securityholder return as properties have been carefully chosen for their location, tenant, value, size, sector, expected demand, age and green credentials.
5. Growthpoint may look to **dispose of non-core assets** to take advantage of strong demand for assets. We have identified a portfolio of properties which could be disposed of in FY17 and beyond if buyers are willing to pay above book value for them.
6. **Focus on costs.** Growthpoint continues to have one of the lowest operating costs to gross assets ratios in the property sector at 0.4%. Whilst we have expanded employee numbers, we have done so together with asset acquisitions to ensure operating expenses do not materially exceed this 0.4% level.
7. **Maintenance of secure income from understood markets.** The four pillars of Growthpoint's investment offering remain:
  - 100% investment in Australia.
  - No funds management.
  - No development.
  - Internalised management.

We believe the above will assist our Securityholders to deal with uncertainty and better appreciate risk as they provide transparency of assets, liabilities, income and expenses and should provide less volatility than other property investment strategies.

## Current market conditions support a continuation of Growthpoint's existing 'pure landlord' strategy.

### Vacancy Levels

as at Q2 2016



Source: Jones Lang LaSalle, Office Market Overview 2Q16

23. Australian Bureau of Statistics, Labour Force Australia, June 16.

24. Jones Lang LaSalle, Australia Preliminary Market Overview Q115, July 2016.

## Board of Directors



**Geoffrey Tomlinson (68)**  
Independent Chairman & Director  
BEC

**Term:** Chairman since 1 July 2014, Director since 1 September 2013

**Skills & Experience:** Geoff is currently a director of Calibre Limited and IRESS Limited and was previously a director of National Australia Bank and the Chairman of MLC Limited (among other directorships). He has spent 43 years in the financial services industry including six years as Group Managing Director of National Mutual Holdings Ltd (which changed its name to AXA Asia Pacific Ltd prior to being acquired by AMP Ltd in 2011) where he led that entity's demutualisation and ASX listing. Geoff has chaired and been a member of a number of board committees including audit, risk and remuneration.

**Committees:** Audit, Risk & Compliance and Nomination, Remuneration & HR

**Current Australian directorships of public companies<sup>25</sup>:** Calibre Limited and IRESS Limited.



**Timothy Collyer (48)**  
Managing Director  
B.Bus (Prop), Grad Dip Fin & Inv, AAPI, F Fin, MAICD

**Term:** Director since 12 July 2010

**Skills & Experience:** Tim has over 27 years' experience in ASX listed and unlisted property funds management, property investment and development, property valuation and property advisory. He has been involved with numerous corporate transactions including mergers, acquisitions, takeovers, recapitalisations and property portfolio purchase and disposals.

Tim has worked across the office, industrial and retail property sectors. He served as the Property Trust Manager at Australand Property Group for a period of six years where he was responsible for the management of its listed and unlisted property trusts. Tim has also held management positions at Heine Funds Management, where he was responsible for the management of an ASX listed A-REIT office fund, and at a major accounting firm within its real estate advisory group.

**Current Australian directorships of public companies<sup>25</sup>:** Nil

**As at 30 June 2016  
Growthpoint's Board  
remains majority  
independent**

### Board Expertise

as at 30 June 2016



**Note:** the above illustrates significant experience and/or qualifications in the relevant areas. All board members have at least some experience and/or qualifications in all of the listed areas.

25. In addition to Group entities.



**Maxine Brenner (54)**  
Independent Director

BA, LLB

**Term:** Director since 19 March 2012

**Committees:** Audit, Risk & Compliance (Chair)

**Skills & Experience:** Maxine has been involved in advisory work for many years, particularly in relation to mergers and acquisitions. Prior to this, she was a Lecturer in Law at University of NSW and corporate lawyer at Freehills (now Herbert Smith Freehills). She was formerly a director of Treasury Corporation of NSW, Neverfail Springwater Ltd, Federal Airports Corporation and Bulmer Australia Ltd. Maxine has also served as a member of the Takeovers Panel.

**Current Australian directorships of public companies<sup>26</sup>:** Orica Limited, Origin Energy Limited and Qantas Airways Limited



**Estienne de Klerk (47)**  
Director<sup>27</sup>

BCom (Industrial Psych), BCom (Hons) (Marketing), BCom (Hons) (Accounting), CA (SA)

**Term:** Director since 5 August 2009

**Skills & Experience:** Estienne is Managing Director of Growthpoint SA, a Director of V&A Waterfront Holdings, past President of the South African Property Owners Association and Chairman of the Tax and Legislation Committee of the South African REIT Association. He has over 19 years' experience in banking and property finance and has been involved with listed property for over 14 years with Growthpoint's mergers, acquisitions, capital raisings and operating service divisions.

**Committees:** Audit, Risk & Compliance

**Current Australian directorships of public companies<sup>26</sup>:** Nil



**Grant Jackson (50)**  
Independent Director

Assoc. Dip. Valuations, FAPI

**Term:** Director since 5 August 2009

**Committees:** Audit, Risk & Compliance

**Skills & Experience:** Grant has over 30 years' experience in the property industry. Grant has expertise in a wide range of valuation and property advisory matters on a national basis and he regularly provides expert evidence to Courts and Tribunals.

**Current Australian directorships of public companies<sup>26</sup>:** Chief Executive Officer and Director of m3property (and related entities)



**Francois Marais (61)**  
Independent Director

BCom, LLB, H Dip (Company Law)

**Term:** Director since 5 August 2009

**Committees:** Nomination, Remuneration & HR

**Skills & Experience:** Francois is an attorney and is the practice leader and senior director of Glyn Marais, a South African corporate law firm which specialises in corporate finance. Francois is Chairman of Growthpoint SA in South Africa and a Director of V&A Waterfront Holdings (among other directorships).

**Current Australian directorships of public companies<sup>26</sup>:** Nil



**Norbert Sasse (52)**  
Director<sup>28</sup>

BCom (Hons) (Acc), CA (SA)

**Term:** Director since 5 August 2009

**Committees:** Nomination, Remuneration & HR (Chair)

**Skills & Experience:** Norbert is the Chief Executive Officer and a Director of Growthpoint SA, a Director of V&A Waterfront Holdings. He has over 20 years' experience in corporate finance dealing with listings, delistings, mergers, acquisitions and capital raisings, and over 10 years' experience in the listed property market.

**Current Australian directorships of public companies<sup>26</sup>:** Nil

**Director Independence**

as at 30 June 2016



**Directors with more than 10 years' property experience**

as at 30 June 2016



26. In addition to Group entities.

27. Not deemed independent as Executive Director of GRT.

28. Not deemed independent as CEO of GRT.



## Executive Management

Together with the Managing Director, Timothy Collyer, (refer to page 30 for biography) the same executive management team has been in place since 2009.



**Aaron Hockly (38)**  
Chief Operating Officer

BA, LLB, GDLP, GradDipAcg, MAppFin, FCIS, MAICD, FGIA, SAFin

**Company Secretary since 13 October 2009**

Aaron is responsible for the investor relations, transaction structuring and execution, sustainability, HR, company secretarial, legal and compliance functions.

Aaron has over 15 years' experience in corporate governance, financial services, corporate and commercial law, property finance and M&A and has worked in Australia, London and New Zealand.

Aaron has a Masters in Applied Finance, a Bachelor of Laws and a Bachelor of Arts and graduate diplomas in Legal Practice, Applied Corporate Governance and Applied Finance. He is a Fellow of the Governance Institute of Australia, a Fellow of the Institute of Chartered Secretaries and Administrators, a member of the Australian Institute of Company Directors and a Senior Associate of the Financial Services Institute of Australasia. He has been a director and chairman of a number of not-for-profit organisations.



**Michael Green (36)**  
Head of Property

B.Bus (Prop)

As Head of Property, Michael oversees the asset selection, asset management, property management, facilities management, environmental sustainability and property analysis functions of the Group.

Michael has over 14 years' experience in listed and unlisted property fund management, property investment and development, both in Australia and Europe.

Michael was previously based in London and worked as a transaction manager for Cordea Savills. Michael was responsible for acquisitions and asset management in the BENELUX region for Cordea Savills Pan European Funds. Prior to moving to Europe, he spent four years as a property analyst for Australand's listed and unlisted property trusts.

Michael holds a Bachelor of Business (Property).



**Dion Andrews (43)**  
Chief Financial Officer

B.Bus, FCCA

**Company Secretary since 8 May 2014**

Dion is a Chartered Accountant and is responsible for the financial reporting obligations of the Group as well as debt structuring, raising debt capital and technology.

Dion has over 15 years' experience in accounting roles in a corporate capacity.

Prior to moving to the Group, Dion spent five years at a listed property funds group, MacarthurCook, as Senior Finance Manager and before that held the role of Group Accountant for a funds management group in London.

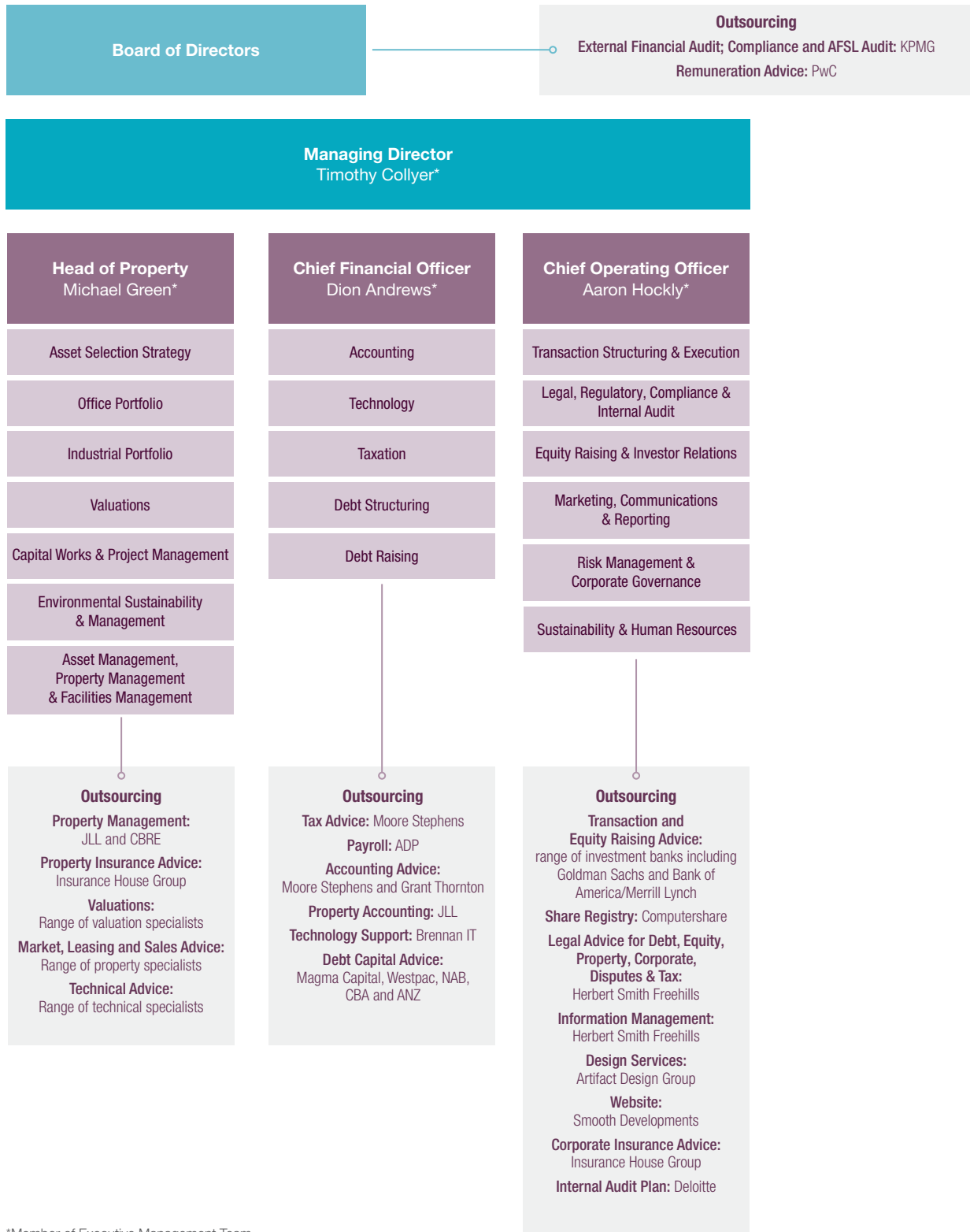
Dion holds a Bachelor of Business from the University of South Australia and is a fellow of the Association of Certified Chartered Accountants.



**Efficiency of electricity, water, maintenance of the building systems etc. If there are programs to retrofit older systems or something of that nature.**

External Stakeholder

# Reporting and management structure



\*Member of Executive Management Team.

## Outsourcing: how we maintain our lean business model

Growthpoint currently outsources all day-to-day property management functions in order to run a lean landlord business and leverage on the skills and scale of national property management businesses.

Growthpoint has engaged JLL and CBRE to provide property management services across its entire office and industrial portfolio. JLL and CBRE provide the following services:

1. financial reporting and accounting;
2. tenancy management;
3. lease administration;
4. operations and facilities management;
5. sustainability and energy management;
6. risk management and compliance;
7. building audits;
8. procurement management; and
9. capital works management.

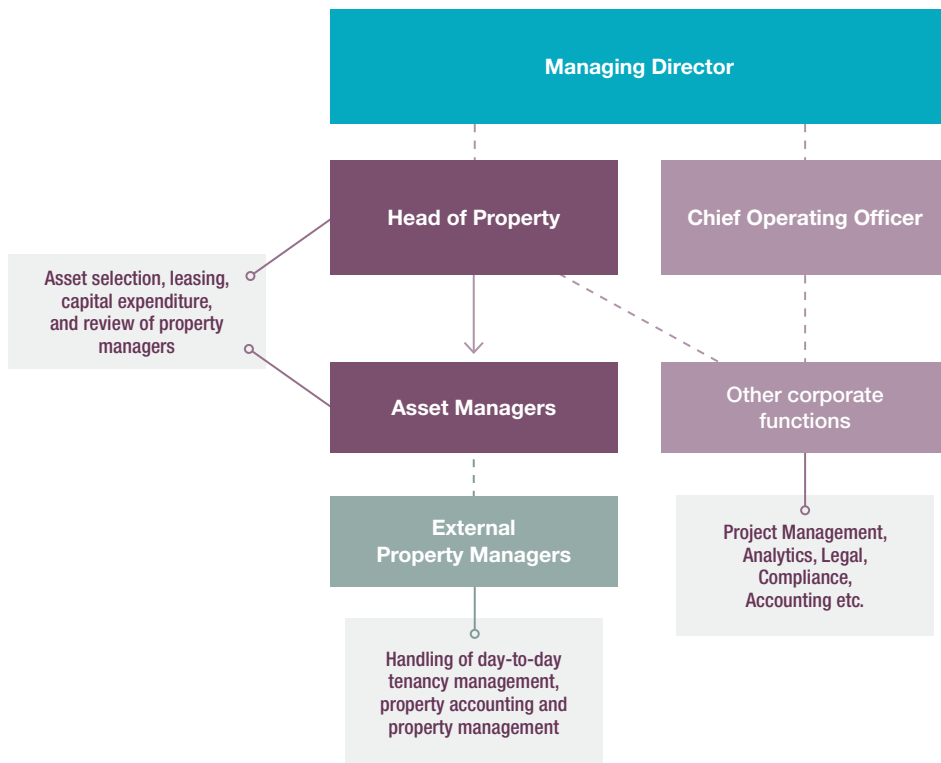
Growthpoint chooses to outsource these functions for two main reasons. First, outsourcing enables these services to be delivered at a lower cost than Growthpoint could provide internally because both JLL and CBRE are significant providers of property management services across Australia they are able to utilise scale Growthpoint does not possess.

Second, Growthpoint utilise skills in specialised areas. JLL and CBRE have resources in areas such as construction, environmental sustainability, risk and project management which it would never make sense for even a large landlord like Growthpoint to develop in-house.

To determine the best property manager for each of its properties, Growthpoint typically undertakes a tender process to ensure competitive pricing and terms are obtained. Each engagement is formalised with a written agreement which sets out, among other things, services levels and key performance targets in areas such as building energy ratings, staff retention, risk and compliance reporting. Each provider's performance is monitored by asset managers and the Head of Property via monthly reports and annual reviews which are also reviewed by the Managing Director.

As part of the annual process, Growthpoint ensures each property manager holds appropriate insurance and has satisfactory business continuity and disaster recovery plans in place.

### Property outsourcing reporting and management structure



# Corporate Governance Statement

As at 22 August 2016

This is the Group's response to the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" (3rd edition). This edition was introduced for entities reporting on a full financial year commencing on or after 1 July 2014.

ASX Principles	Reference	Comply
<b>Principle 1 – Lay solid foundations for management and oversight</b>	Page 38	
1.1 A listed entity should disclose: <ul style="list-style-type: none"> <li>(a) the respective roles and responsibilities of its board and management.</li> <li>(b) those matters expressly reserved to the Board and those delegated to management.</li> </ul>		✓
1.2 A listed entity should: <ul style="list-style-type: none"> <li>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director.</li> <li>(b) provide securityholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</li> </ul>		✓
1.3 A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.		✓
1.4 The Company Secretary of a listed entity should be accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.		✓
1.5 A listed entity should: <ul style="list-style-type: none"> <li>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them.</li> <li>(b) disclose that policy or a summary of it.</li> <li>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board or a relevant committee of the Board in accordance with the entity's diversity policy and its progress towards achieving them and either the respective proportions of men and women on the board, in senior executive positions and across the whole organisation.</li> </ul>		✓
1.6 A listed entity should: <ul style="list-style-type: none"> <li>(a) have and disclose a process for periodically evaluating the performance of the Board, its committees and individual directors.</li> <li>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ul>		✓
1.7 A listed entity should: <ul style="list-style-type: none"> <li>(a) have and disclose a process for periodically evaluating the performance of its senior executives.</li> <li>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ul>		✓
<b>Principle 2 – Structure the board to add value</b>	Page 39	
2.1 The Board of a listed entity should have a nomination committee which: <ul style="list-style-type: none"> <li>• has at least three members and a majority of whom are independent directors; and</li> <li>• is chaired by an independent director,</li> </ul> and disclose: <ul style="list-style-type: none"> <li>• the charter of the committee;</li> <li>• the members of the committee; and</li> <li>• as at the end of each reporting period, the number of times the Committee met through the period and the individual attendances of the members at the meeting.</li> </ul>		—



<b>ASX Principles</b>		<b>Reference</b>	<b>Comply</b>
2.2	A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.		✓
2.3	A listed entity should disclose: <ul style="list-style-type: none"> <li>(a) the names of the directors considered by the board to be independent directors.</li> <li>(b) if a director has an interest, position, association or relationship of the type described above but the Board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position, association or relationship in question and an explanation of why the Board is of that opinion.</li> <li>(c) the length of service of each director.</li> </ul>		✓
2.4	A majority of the Board of a listed entity should be independent directors.		✓
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same as the chief executive officer of the entity.		✓
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.		✓
<b>Principle 3 – Act ethically and responsibly</b>		Page 40	
3.1	A listed entity should: <ul style="list-style-type: none"> <li>(a) have a code of conduct for its directors, senior executives and employees.</li> <li>(b) disclose that code or a summary of it.</li> </ul>		✓
<b>Principle 4 – Safeguard integrity in financial reporting</b>		Page 40	
4.1	The Board of a listed entity should have an audit committee which: <ul style="list-style-type: none"> <li>• has at least three members, all of whom are non-executive directors and a majority of independent directors;</li> <li>• is chaired by an independent chair, who is not chair of the board;</li> </ul> and disclose: <ul style="list-style-type: none"> <li>• the charter of the committee;</li> <li>• the relevant qualifications and experience of its members; and</li> <li>• the number of times the committee met throughout the period and the individual attendances of the members of those meetings.</li> </ul>		✓
4.2	The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its Chief Executive Officer and Chief Financial Officer, a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.		✓
4.3	A listed entity that has an Annual General Meeting should ensure that its external auditor attends the same and is available to answer queries from securityholders relevant to the audit.		✓
<b>Principle 5 – Make timely and balanced disclosure</b>		Page 41	
5.1	A listed entity should: <ul style="list-style-type: none"> <li>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules.</li> <li>(b) disclose that policy or a summary of it.</li> </ul>		✓
<b>Principle 6 – Respect the rights of shareholders</b>		Page 41	
6.1	A listed entity should provide information about itself and its governance to investors via its website.	growthpoint.com.au	✓
6.2	A listed entity should design and implement an investor relations program to facilitate effective two way communication with investors.		✓
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of securityholders.		✓

<b>ASX Principles</b>		<b>Reference</b>	<b>Comply</b>
6.4	A listed entity should give securityholders the option to receive communications from, and send communications to, the entity and its security registry electronically.		✓
<b>Principle 7 – Recognise and manage risk</b>		Page 42	
7.1	(a) The Board of a listed entity should have a committee or committees to oversee risk which: <ul style="list-style-type: none"> <li>– has at least three members, a majority of whom are independent directors;</li> <li>– is chaired by an independent director;</li> </ul> and disclose: <ul style="list-style-type: none"> <li>– its charter of the Committee;</li> <li>– its members of the Committee; and</li> <li>– as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.</li> </ul>		✓
7.2	The Board or a committee of the Board should: <ul style="list-style-type: none"> <li>(a) review the entity’s risk management framework at least annually to satisfy itself that it continues to be sound.</li> <li>(b) disclose, in relation to each reporting period, whether such a review has taken place.</li> </ul>		✓
7.3	A listed entity should disclose: <ul style="list-style-type: none"> <li>(a) if it has an internal audit function, how the function is structured and what role it performs.</li> <li>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</li> </ul>		✓
7.4	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.		✓
<b>Principle 8 – Remunerate fairly and responsibly</b>		Page 42	
8.1	The Board of a listed entity should have a remuneration committee which: <ul style="list-style-type: none"> <li>• has at least three members, a majority of whom are independent directors;</li> <li>• is chaired by an independent director;</li> </ul> and disclose: <ul style="list-style-type: none"> <li>• the charter of the committee;</li> <li>• the members of the committee; and</li> <li>• at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings.</li> </ul>		–
8.2	A listed entity should separately disclose its policies and practices regarding remuneration of non-executive directors and the remuneration of executive directors and other senior executives.		✓
8.3	A listed entity which has an equity-based remuneration scheme should: <ul style="list-style-type: none"> <li>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.</li> <li>(b) disclose that policy or a summary of it.</li> </ul>		✓

**Principle 1 – Lay solid foundations for management and oversight**

**Recommendation 1.1 (a)**

The board of directors (“Board”) is responsible for the overall governance of the Group, with the aim of achieving consistent growth in total securityholder returns.


Specifically, the Board is responsible for the:

- (1) adoption and implementation of appropriate corporate governance practices;
- (2) establishment of the Group’s strategies and objectives;
- (3) approval of material transactions;
- (4) approval of an annual budget including major capital expenditure;
- (5) adoption of relevant internal compliance controls and risk management processes;
- (6) employment, remuneration and performance monitoring of the Managing Director; and
- (7) establishment and monitoring of the Board’s performance and each of its sub-committees.

The Board has approved a Delegations of Authority Policy (“Policy”) under which authority for certain matters not considered material to the operation or value of the Group have been delegated to management of the Group.

Under this Policy, Management is responsible for:

- (1) the implementation of strategic objectives and operating within the risk parameters approved by the Board;
- (2) all other aspects of the day to-day running of the entity; and
- (3) providing accurate and timely information to enable the Board to perform its responsibilities.

 Please refer to page 33 of the 2016 Sustainability Report for more details of the role and responsibilities of Management.

**Recommendation 1.1 (b)**

The Board has approved a “Delegations of Authority Policy”.

The following key delegation limits apply to executive management under the Policy:

- (1) up to \$2.5 million for normal business contracting (subject to some conditions);
- (2) up to \$10,000 for donations and gifts of (excluding to political parties);

29. Senior management team includes any executive directors, direct reports to the Managing Director and any of their direct reports who are considered senior managers.

- (3) up to \$25,000 for sponsorships;
- (4) up to \$10 million in new debt facilities; and
- (5) up to \$500,000 for making provision of bad debts.

The Policy also sets out authority payment limits.

**Recommendation 1.2 (a)**

The following checks are undertaken prior to the appointment of a new director:

- (1) Australian Federal Police;
- (2) bankruptcy; and
- (3) background and character.

**Recommendation 1.2 (b)**

All securityholders who are entitled to attend and vote at the Annual General Meeting are provided with a detailed explanatory notes including:

- relevant qualifications, experience and the skills contributed to the Board; and
- eligibility for election or re-election based on the election or re-election rules of the Company’s Constitution.

**Recommendation 1.3**

All non-executive directors have formal agreements governing their appointment which include:

- remuneration (including any superannuation entitlements);
- expectations in relation to attending Board and Committee meetings and other directorships, if any;
- procedures in relation to potential and actual conflicts of interests and related party transactions; and
- ability to access to independent advice (at the company’s expense); and
- requirement to comply with the company policies.

The sole executive director has a formal agreement governing his employment which includes:

- remuneration (including any superannuation entitlements);
- expectations in relation to attending Board and Committee meetings and other directorships, if any; and
- procedures in relation to potential and actual conflicts of interests and related party transactions.

All other senior executives have formal agreements governing their employment which includes remuneration.

**Recommendation 1.4**

The Company Secretary reports directly to the Board (via the Chairman) in relation to corporate governance and the proper functioning of the Board and each board Committee.

In FY16, the Chairman and the Company Secretary met regularly to discuss matters that relate specifically to corporate governance matters and reviews were undertaken to reinforce controls and reporting processes.

The Chairman undertook formal review of the Company Secretary in relation to corporate governance matters not less than twice during FY16.

**Recommendation 1.5 (a)**

The Board has established a Diversity Policy, a copy of which is available at the Group’s website:

 [growthpoint.com.au/uploads/pdf/GOZ-Diversity-Policy-13-08-15.pdf](http://www.growthpoint.com.au/uploads/pdf/GOZ-Diversity-Policy-13-08-15.pdf)

The following measurable objectives for achieving gender diversity are in place:

- 1. Growthpoint is committed to providing work experience to female graduates and undergraduates in order to encourage greater female involvement and participation in the property industry;
- 2. Growthpoint will seek to have at least one female as part of its senior management team<sup>29</sup> by 2020 or such later date as may be required due to business circumstances or Growthpoint’s desire to appoint the best candidate for any position;
- 3. Growthpoint’s selection team for the recruitment of any employee will be obliged to encourage and appropriately advertise for applications from women and men, to consider male and female candidates and to interview at least one appropriately qualified female candidate and one appropriately qualified male candidate for any available position;
- 4. Growthpoint will seek to achieve a gender diverse workforce by 2020 or such later date as may be required due to business circumstances or Growthpoint’s desire to appoint the best candidate for any position including being not be less than 30% female;
- 5. Growthpoint will require management to identify and support emerging female executives by providing executive mentoring, including developing processes to identify women with the skills and capabilities of filling a Board position; and

- Growthpoint will seek to have at least two female directors on the Board by 2020 or such later date as may be required due to business circumstances or Growthpoint's desire to appoint the best candidate for any position and having regard to the size of the board<sup>30</sup>.

**Recommendation 1.5 (b)**


The Diversity Policy is available at the Group's website:

 [growthpoint.com.au/uploads/pdf/GOZ-Diversity-Policy-13-08-15.pdf](http://growthpoint.com.au/uploads/pdf/GOZ-Diversity-Policy-13-08-15.pdf)

**Recommendation 1.5 (c)**

The Group's performance in relation to the objectives listed above from the date the policy was released to the date of this report are as follows:

- In FY16, Growthpoint did not have any female applicants for work experience. However, a female work experience applicant commenced with the Group in July 2016. The application process for a work experience opportunity for female graduates/ undergraduates and post-graduates is available at the Group's website:

 [growthpoint.com.au/about/careers/work-experience-for-female-graduates/](http://growthpoint.com.au/about/careers/work-experience-for-female-graduates/)

- The Group's Legal Counsel is considered part of senior management due to the senior function of her role and her significant expertise.
- At least one female and one male candidate was interviewed for the Property Analyst role filled during FY16. No male candidates applied for the Executive Assistant role filled during FY16.
- Approximately 35% of Growthpoint's workforce is female at the date of this report.
- The Group does not currently have any women as part of the executive management team. This is expected to change as the executive management team expands.
- There is currently one woman on the board and the Group will seek to ensure its next board appointment is female.

As at the date of this report:

- approximately 17% of non-executive directors are women (one out of six) at the date of the last report; and
- approximately 35% of the Group's employees (six out of seventeen) are women, one of whom is in management.

30. On the date this policy was approved, there were seven directors.

**Percentage of women across the group**

Level of Role	% Women 2016	% Women 2015
Non-Executive Directors	17	17
Executive Management	0	0
Other Management	20	20
Other Employees	63	57

As stated in its Diversity Policy, the Group is seeking to increase the number of women in all levels of the Group over time.

**Recommendation 1.6 (a):**

In accordance with its charter, the Nomination, Remuneration & HR Committee reviews the competence, expertise, performance, training, constitution and succession of the Board and individual directors and makes recommendations to the Board.

**Recommendation 1.6 (b)**

For the FY16, the following process was undertaken:

- The Chairman met with the whole Board to discuss and review its composition, function and performance. Part of the performance review entailed the corporate secretariat function and processes in place to assist the proper function of the Board.
- The Chairman met with the Managing Director separately to discuss his performance.

**Recommendation 1.7 (a)**

The Managing Director's performance is reviewed by the Nomination, Remuneration & HR Committee.

The performance of other senior executives is reviewed half-yearly by the Managing Director.

The Chairman undertakes formal review of the Company Secretary in relation to corporate governance matters not less than twice each year.

**Recommendation 1.7 (b)**

Performance reviews of the Managing Director, by the Chairman, occurred following each calendar quarter during FY16.

Performance reviews for senior executives occurred in November 2015 and March 2016.

In FY16, the Chairman and the Company Secretary met regularly to discuss matters that relate specifically to corporate governance matters and reviews were undertaken to reinforce controls and reporting processes.

The Chairman undertakes formal review of the Company Secretary in relation to corporate governance matters not less than twice each year.

**Principle 2 – Structure the board to add value**

**Recommendation 2.1**

The Board has established a Nomination, Remuneration & HR Committee. A copy of the Charter of the Nomination, Remuneration & HR Committee is available at the Group's website:

 [growthpoint.com.au/uploads/pdf/Nomination-Remuneration-HR-11Feb2010.pdf](http://growthpoint.com.au/uploads/pdf/Nomination-Remuneration-HR-11Feb2010.pdf)

The Nomination, Remuneration & HR Committee comprises three members, all of whom are non-executive directors and a majority of whom are independent directors. The Chair of the Committee, Norbert Sasse, is the Chief Executive Officer of the Group's major securityholder, Growthpoint Properties Limited, and is therefore not deemed to be an independent director. The Board has determined that Norbert Sasse's appointment as the Chair of the Nomination, Remuneration & HR Committee is appropriate having regard to:


- the reason for Norbert Sasse not being deemed to be independent (i.e. his role as CEO of the Group's major securityholder) is unlikely to have any adverse impact, from securityholders' perspective, on his role in recommending and determining remuneration;
- the interest of Growthpoint Properties Limited wanting to ensure executives are remunerated appropriately and in a manner which maximises securityholder value aligns with the interests of all securityholders; and
- the Committee comprises a majority of independent directors including the independent Chairman of the Board.

The Nomination, Remuneration & HR Committee has sought independent remuneration advice from a remuneration consultant from PwC.

The table on page 40 sets out the number of Nomination, Remuneration & HR Committee meetings held during FY16 and the attendance of each director.



**Recommendation 2.2**

 Refer to page 30 for more details on the Board’s skills as at the date of that report.

**Recommendation 2.3 (a)**

The Group’s Independent Directors are:

- Geoffrey Tomlinson
- Maxine Brenner
- Grant Jackson
- Francois Marais

**Recommendation 2.3 (b)**

Francois Marais has connections to the Group’s major securityholder, Growthpoint Properties Limited, as its independent chairman. Mr Marais’ role is performed in an independent capacity and, as a result, the Board does not believe that it impacts on his ability to carry out his role as independent director of the Board.

**Recommendation 2.3 (c)**

The following directors were appointed effective from:

- Estienne De Klerk – 5 August 2009
- Grant Jackson – 5 August 2009
- Francois Marais – 5 August 2009
- Norbert Sasse – 5 August 2009
- Timothy Collyer – 12 July 2010
- Maxine Brenner – 19 March 2012
- Geoffrey Tomlinson – 1 September 2013

**Recommendation 2.4**

The Board currently comprises six non-executive directors and one executive director. Four of the non-executive directors are considered “independent”.

The Board considers that a director is independent if the director is a non-executive director and satisfies criteria set by the Board from time to time including that the Director:

1. is not a substantial securityholder in the Group or an executive officer of, a substantial securityholder of the Group where “substantial securityholder” means a holder of 5% of more of the Group’s voting securities;
2. has not, within the last three years, been employed in an executive capacity by the Group or its related entities;
3. is not an executive officer or otherwise associated directly or indirectly with a material supplier to, or customer of, the Group;
4. has no material contractual relationship with the Group or its related entities other than as a director of a company in the Group;

**Meetings of the Nomination, Remuneration & HR Committee**

Names	Meetings eligible to attend	Attendance
Norbert Sasse	3	3
Francois Marais	3	3
Geoffrey Tomlinson	3	3
Timothy Collyer*	0	3

\* As Managing Director, Timothy Collyer, has a standing invitation to all committee meetings, unless its members determine otherwise, but is not a member of the Nomination, Remuneration & HR Committee. Mr Collyer is not present for any part of meetings which consider his remuneration except to answer questions from the Committee.

**Meetings of the Audit, Risk & Compliance Committee**

Names	Meetings eligible to attend	Attendance
Maxine Brenner	4	3
Grant Jackson	4	4
Estienne De Klerk	4	3
Geoffrey Tomlinson	4	4
Timothy Collyer^	0	4

^ As Managing Director, Timothy Collyer, has a standing invitation to all committee meetings, unless its members determine otherwise, but is not a member of the Audit, Risk & Compliance Committee.

5. has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director’s ability to act in the best interests of the Group’s security holders; and
6. is free from any business of other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act in the best interests of the Group’s securityholders.

**Recommendation 2.5**

The Chairman, Geoffrey Tomlinson, is an independent director and the role of chief executive officer, is fulfilled by the Managing Director, Timothy Collyer.

**Recommendation 2.6**

Any new director appointed to the Board is provided with an induction primarily in relation to policies, corporate governance, compliance, risk management, continuous disclosures, corporate structure and operations.

Regular training is provided in relation to compliance, legislation changes, accounting standards and property matters to the Board.

**Principle 3 – Act ethically and responsibly**

**Recommendation 3.1 (a)**

The Board has established a code of conduct for all directors and employees of the Group.

**Recommendation 3.1 (b)**

Refer to a copy of the Code of Conduct which is available at the Group’s website:

 [growthpoint.com.au/uploads/pdf/GOZ-Code-of-Conduct-Dec-14.pdf](http://growthpoint.com.au/uploads/pdf/GOZ-Code-of-Conduct-Dec-14.pdf)

**Principle 4 – Safeguard integrity in financial reporting**

**Recommendation 4.1**


The Board has established an Audit, Risk & Compliance Committee.

The Audit, Risk & Compliance Committee comprises four members, all of whom are non-executive directors and a majority of whom are independent directors.

The Chair of the Audit, Risk & Compliance Committee, Maxine Brenner, is an independent director and is not the Chairman of the Board.

The Board has established a formal charter for the Audit, Risk & Compliance Committee. The charter is available at the Group’s website:

 [growthpoint.com.au/uploads/pdf/Audit-and-Risk-Compliance-Committee-Charter-15-08-2013.pdf](http://growthpoint.com.au/uploads/pdf/Audit-and-Risk-Compliance-Committee-Charter-15-08-2013.pdf)

 Refer to pages 30-31 for more details in relation to the qualifications and experience of the Audit, Risk & Compliance Committee’s members.

The [above] sets out the number of Audit, Risk & Compliance Committee meetings held during FY16 and the number attended by each director.



### Recommendation 4.2

The Board received assurance from the Managing Director (being the person acting in the capacity as chief executive officer) and the Chief Financial Officer that the declaration provided in relation to the consolidated accounts of the Group is in accordance with section 286 of the *Corporations Act 2001* (Cth) based on a sound system of risk management, internal controls and compliance with accounting standards.

### Recommendation 4.3

The Group's auditor, KPMG, attends the Company's Annual General Meeting each year.

## Principle 5 – Make timely and balanced disclosure

### Recommendation 5.1 (a)

The Group has established a number of policies designed to ensure compliance with ASX Listing Rule disclosure requirements including "Continuous Disclosure, Media and Public Comments Policy", "Delegations of Authority Policy", "Communications Procedure" and "Rapid Response Policy and Procedure".

The policies referred to above ensure:

1. full and timely disclosure to the ASX;
2. procedures are in place to ensure the Group identities information required to be disclosed to the ASX and that such information is disclosed in a clear and factual manner;
3. external presentations, media releases and other public statements are reviewed internally and, where necessary, released to the ASX in advance of being provided to third parties (unless an ASX Listing Rule exception applies);
4. the ability of persons to make public comment is clearly delineated to certain nominated persons, primarily the Managing Director, Norbert Sasse and Estienne de Klerk on behalf of the Company;
5. where an external statement has not been signed off by the Board, it is signed off by a nominated delegate of the Board; and
6. all directors and employees are aware of their obligations to ensure that the Group complies with the ASX Listing Rules and of the limits of their respective authority.

As the Growthpoint SA is the major shareholder of Growthpoint Properties Australia Limited and the major unitholder of Growthpoint Properties Australia Trust, the Board has resolved that the Group's

employees may provide certain confidential information to Growthpoint SA on request subject to several exceptions including where the Board directs otherwise and where the disclosure would breach any law (including the ASX Listing Rules). Growthpoint SA has, among other things, agreed to ensure it complies at all times with the requirements of Australian law (including the ASX Listing Rules).

### Recommendation 5.1 (b)

1. The Continuous Disclosure, Media and Public Comments Policy sets out the procedure for ensuring the Group achieves best practice in complying with its disclosure obligations under the Corporations Act, ASX Listing Rules and any other rules or regulations which may be applicable.
2. The Board has approved a "Delegations of Authority Policy" under which authority for certain matters not considered material to the operation or value of the Group have been delegated to nominated directors and managers of the Group.
3. The Communications Procedure sets out authority on delegated limits of authority to the Managing Director and employees in relation to dealing with incoming correspondence (including emails, phone calls, letters) from regulators, the press, financiers and investors (retail and institutional).
4. The Rapid Response Policy and Procedure sets out the processes to be used by the Company Secretary (or the Managing Director in his or her absence or the Chairman or the next most senior available director if both are unavailable) in unusual or emergency circumstances such as an unsolicited takeover, natural disaster or sudden potential significant loss of income.

## Principle 6 – Respect the rights of shareholders

### Recommendation 6.1

The Group provides a range of information about itself and its governance on its website including:

1. the Group's strategy and philosophy;
2. the structure of the Group;
3. role of the Board of Directors;
4. details of the Board and Executive Management;
5. the role of the Audit, Risk & Compliance Committee;
6. description of the Compliance Plan;
7. the role of the Nomination, Remuneration & HR Committee;

8. the Group's compliance with the reporting and disclosure obligations under the listing rules and Corporations Act;
9. the Group's Securities Trading Policy;
10. how to make a complaint;
11. the details of the external auditor;
12. the Group's commitment to diversity;
13. the Group's corporate directory; and
14. details on career opportunities within the Group.

### Recommendation 6.2

The Group continues to communicate with securityholders through:

1. a webcast following the release of half year and annual results where management explain results and respond to questions raised by analysts and institutional investors in real time. Retail investors can send questions in writing prior to the presentation and these will be answered during the presentation;
2. a dedicated email address [info@growthpoint.com.au](mailto:info@growthpoint.com.au) has been established where queries or complaints from investors can be directed;
3. regular investor presentations and investor tours across Australian cities and overseas are undertaken;
4. in addition to the Annual Report and the Half Yearly Report, investor updates are sent twice each year; and
5. as only a small minority of Securityholders elect to receive the full Annual Report a summary is sent to all Securityholders.

There are opportunities for management and auditors to respond to queries from securityholders at the Annual General Meeting.

### Recommendation 6.3

Securityholders are invited to attend the Annual General Meeting either in person or by proxy. Securityholders attending the meeting are invited to ask questions or comments at or prior to the Annual General Meeting.

To improve investor communications, the Annual General Meeting has been webcast effective from November 2016. Securityholders who are unable to attend the Annual General Meeting in person, will be able to view the meeting online at their convenience. Any Securityholder may provide questions or comments they would like addressed at the meeting via email prior to the meeting.

**Recommendation 6.4**

Securityholders may elect to receive, free of charge, a printed copy of the annual report or alternatively receive investor communications by email.

**Principle 7 – Recognise and manage risk**

**Recommendation 7.1 (a)**

The Board has established an Audit, Risk & Compliance Committee. Refer to the website link in relation to the Audit, Risk & Compliance Committee under the corporate governance section of the Group’s website:

 [growthpoint.com.au/about/corporate-governance/](http://www.growthpoint.com.au/about/corporate-governance/)

The Audit, Risk & Compliance Committee is primarily responsible for the review of the effectiveness of the risk management and internal control process.

The Audit, Risk & Compliance Committee comprises four members, all of whom are non-executive directors and a majority of whom are independent directors.

The Chair of the Audit, Risk & Compliance Committee during the whole period to which this report relates was Maxine Brenner who is an independent director.

The Board has established a Risk Management Policy.

The Audit, Risk & Compliance Committee meets at least four times a year.

**Recommendation 7.2 (a)**

The Audit, Risk & Compliance Committee provides oversight for the Group in relation to key risks although ultimate responsibility remains with the Board.

The Board approves a risk management framework annually formulated by management.

During each half year, the Audit, Risk & Compliance Committee reviews the changes, if any, made to management’s report regarding:

1. the control activities and status of the control activities for the top 10-15 assessed risks; and
2. the key performance indicators and their respective achievements.

**Recommendation 7.2 (b)**

The Managing Director provides a quarterly report to the Board in relation to risks and opportunities for the business.

Prior to the end of each half year period, the Audit, Risk & Compliance Committee reviews changes to the risk management

framework formulated by management and the Audit, Risk & Compliance Committee. These changes are recommended by the Audit, Risk & Compliance Committee for the Board’s approval in November each year.

The Group’s external auditor, currently KPMG, reviews the Group’s risk management framework not less than annually and reports to the Audit, Risk & Compliance Committee on its suitability.

**Recommendation 7.3 (a)**

An internal audit function was established based on an internal audit plan prepared by external consultants, Deloitte, during FY16.

The factors considered and steps undertaken as part of this approval were:

1. consideration of staffing model and size of the organisation;
2. reporting responsibilities;
3. the completion of a risk assurance map assessment involving management, the Audit, Risk & Compliance Committee and the external consultants, Deloitte;
4. an Internal Audit Plan by external consultants, Deloitte; and
5. the planning and execution of the audit work including a system to monitor and follow up on audit recommendations.

Whilst acknowledging issues of conflict and independence, it was management’s view that the internal audit function should be undertaken by the Compliance and Risk Manager.

The internal audit function has reported and made recommendations to management and the Audit, Risk & Compliance Committee on key areas around:

1. business cycle (corporate card expenses transactions);
2. compliance and governance (Australian Financial Services Licence and Custodial requirements); and
3. accounts receivable and debtor management.

The Audit, Risk & Compliance committee has agreed that the external consultants, Deloitte, will undertake internal audit of any work (including control and monitoring) that conflicts with the Compliance and Risk Manager’s role.

**Recommendation 7.3 (b)**

Not applicable.


**Recommendation 7.4:**

The Group has in place a risk management framework to:

1. identify, prioritise and assess the severity and impact of risks;

2. control, mitigate and reduce risks; and
3. ensure that key performance indicators are met.

A Risk Identification Committee comprising management, and from time to time directors and external advisers meet not less than twice a year to consider and review the material risks faced by the Group.

 Refer to page 24 for more details on the key material risks faced by the Group as at the date of that report.

Each year, the Audit, Risk & Compliance Committee reviews the management’s reports regarding:

1. the control activities and status of the control activities for the key assessed risks; and
2. the key performance indicators for each risk.

The Group has also identified the following material potential economic risks:

1. environmental degradation and hazardous waste;
2. health and safety issues; and
3. building obsolescence.

The Group has a dedicated “Sustainability Task Force” to focus on achieving improved environmental, social and governance performance.

During FY16, the Sustainability Task Force has sought independent advice from external consultants in relation to sustainability matters relevant to the Group.

**Principle 8 – Remunerate fairly and responsibly**

**Recommendation 8.1:**

The Nomination, Remuneration & HR Committee comprises three members, all of whom are non-executive directors and a majority of whom are independent directors. The Chair of the Committee, Norbert Sasse, is the Chief Executive Officer of the Group’s major securityholder, Growthpoint Properties Limited, and is therefore not deemed to be an independent director. The Board has determined that Norbert Sasse’s appointment as the Chair of the Nomination, Remuneration & HR Committee is appropriate having regard to:


1. the reason for Norbert Sasse not being deemed to be independent (i.e. his role as CEO of the Group’s major securityholder) is unlikely to have any adverse impact, from securityholders’ perspective, on his role in recommending and determining remuneration;

2. the interest of Growthpoint Properties Limited wanting to ensure executives are remunerated appropriately and in a manner which maximises security holder value aligns with the interests of all security holders; and
3. the Nomination, Remuneration & HR Committee comprises a majority of independent directors.


The Board has established a charter for the Nomination, Remuneration & HR Committee which is available at the Group's website:


 [www.growthpoint.com.au/uploads/pdf/Nomination-Remuneration-HR-11Feb2010.pdf](http://www.growthpoint.com.au/uploads/pdf/Nomination-Remuneration-HR-11Feb2010.pdf)


The Nomination, Remuneration & HR Committee has sought independent remuneration advice from a remuneration consultant, PwC.

 The table on page 40 sets out the number of Nomination, Remuneration & HR Committee meetings held during FY16 and the attendance of each director

#### Recommendation 8.2:

 Refer to page 46 of the 2016 Annual Report for details of non-executive remuneration.


 Refer to page 46 of the 2016 Annual Report for more details of executive director remuneration.

 Refer to page 46 of the 2016 Annual Report for more details of executive remuneration.

#### Recommendation 8.3 (a):

Under the Group's Securities Trading Policy, employees are not authorised to enter into a transaction that will limit the economic risk of securities allocated under the employee share plan within the period those securities remain unvested or subject to other restrictions under the terms of the plan.

#### Recommendation 8.3 (b):

 Refer to page 43 of the 2016 Annual Report for details of Growthpoint's employee share plan.

## GRI Index

GRI	Definition	Location of disclosure	External Assurance	Further information
<b>Strategy and Analysis</b>				
G4-1	Statement from the most senior decision-maker of the organisation	<a href="#">Introduction from Chairman &amp; Managing Director</a>	–	–
G4-2	Key impacts, risks, and opportunities	<a href="#">Approach to risk</a> <a href="#">Key risks</a> <a href="#">SWOT Analysis</a>	–	–
<b>Organisational Profile</b>				
G4-3	Name of the organization	2016 Annual Report: <a href="#">About this report</a>	–	–
G4-4	Primary brands, products, and services	2016 Annual Report: <a href="#">Transparent business model</a>	–	2016 Annual Report: <a href="#">Portfolio Review</a> website: <a href="#">Properties</a>
G4-5	Location of the organisation's headquarters	<a href="#">Company Directory</a>	–	2016 Annual Report: <a href="#">Financial Report, Note 1</a>
G4-6	Countries of operation, and countries where either the organization has significant operations or that are specifically relevant to sustainability topics covered	2016 Annual Report: <a href="#">Property Portfolio Overview</a>	–	–
G4-7	Nature of ownership and legal form	<a href="#">What is Growthpoint</a>	KPMG	2016 Annual Report: <a href="#">Financial Report, Note 1</a>
G4-8	Markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries)	2016 Annual Report: <a href="#">Property Portfolio Overview</a>	–	–
G4-9	Scale of the organization	2016 Annual Report: <a href="#">Property Portfolio Overview</a>	–	–
G4-10	Workforce	<a href="#">Social Sustainability</a> 2016 Annual Report: <a href="#">Remuneration Report</a>	–	–
G4-11	Percentage of employees covered by collective bargaining agreements	–	–	None of our employees are party to collective bargaining agreements.
G4-12	Organisation's supply chain	<a href="#">What is Growthpoint</a> <a href="#">Outsourcing</a>	–	–
G4-13	Significant changes during the reporting period regarding size, structure, or ownership	2016 Annual Report: <a href="#">pages 25 and 33</a>	–	–
G4-14	Explanation of whether and how the precautionary approach or principles is address by the organisation	<a href="#">Approach to risk</a>	–	–
G4-15	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	<a href="#">Sustainability objectives summary</a>	–	–
G4-16	Memberships in associations (such as industry associations) and/or national/international advocacy organisations	–	–	Member of Property Council of Australia, Institution of Investor Relations. Contributor to <b>GRESB</b> , and <b>CDP</b> Organisational stakeholder of <b>GRI</b>

GRI	Definition	Location of disclosure	External Assurance	Further information
<b>Identified Material Aspects and Boundaries</b>				
G4-17	List all entities included in the organization's consolidated financial statements or equivalent documents.	2016 Annual Report: Financial Report, Note 1 2016 Annual Report: Financial Report, Note 4.6	KPMG	–
G4-18	Process for defining report content (how Principles are applied)	<a href="#">Sustainability introduction</a>	–	–
G4-19	Material Aspects identified in the process for defining report content	<a href="#">Sustainability introduction</a>	–	–
G4-20	For each material Aspect, report the Aspect Boundary within the organisation	<a href="#">Sustainability Report</a>	–	–
G4-21	For each material Aspect, report the Aspect Boundary outside the organisation	Not applicable	–	–
G4-22	Report the effect of any restatements of information provided in previous reports	Not applicable	–	–
G4-23	Report significant changes from previous reporting period in the Scope and Aspect Boundaries	Not applicable	–	–
<b>Stakeholder Engagement</b>				
G4-24	List of stakeholder groups engaged by the organisation	<a href="#">Sustainability framework</a>	–	–
G4-25	Basis for identification and selection of stakeholder with whom to engage	<a href="#">Sustainability framework</a>	–	–
G4-26	Organisation's approach to stakeholder engagement	<a href="#">Sustainability framework</a>	–	–
G4-27	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting	<a href="#">Sustainability framework</a>	–	–
<b>Report Profile</b>				
G4-28	Reporting period for information provided	–	–	Most is for FY16, however due to GRESB being on a calendar year basis, some information is presented by calendar year as highlighted
G4-29	Date of most recent previous report	Not applicable	–	–
G4-30	Reporting cycle	Annual	–	–
G4-31	Contact point for questions regarding the report or its contents	<a href="#">Company Directory</a>	–	–
G4-32	"In accordance" option chosen; the GRI Content Index for the chosen option; and reference to the External Assurance Report	–	–	No external assurance provided except as set out herein.
G4-33	Organisation's policy and current practice with regard to seeking external assurance for the report	–	–	No external assurance provided except as set out herein.
<b>Governance</b>				
G4-34	Governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for decision-making on economic, environmental and social impacts.	<a href="#">Governance</a>	–	–
G4-35	Process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	<a href="#">Governance</a>	–	–
G4-36	Appointment of executive-level position or positions with responsibility for economic, environmental and social topics	<a href="#">Governance</a>	–	–



GRI	Definition	Location of disclosure	External Assurance	Further information
G4-37	Processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics.	Governance	–	–
G4-38	Composition of the highest governance body and its committees	Governance Board of Directors website: Committee Charters	–	–
G4-39	Independence of Board Chairman	Governance Board of Directors	–	–
G4-40	Nomination and selection processes for the highest governance body and its committees	Governance	–	–
G4-41	Processes for the highest governance body to ensure conflicts of interest are avoided and managed, and how conflicts of interest are disclosed to stakeholders	Governance	–	–
G4-42	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	Governance	–	–
G4-43	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	Governance	–	–
G4-44	Processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics.	Governance	–	–
G4-45	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities.	Governance	–	–
G4-46	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	Governance	–	–
G4-47	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	Governance	–	–
G4-48	Highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material Aspects are covered.	Governance	–	–
G4-49	Process for communicating critical concerns to the highest governance body.	Governance	–	–
G4-50	Nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	Governance	–	–
G4-51	Remuneration policies for the highest governance body and senior executives	2016 Annual Report: Remuneration Report	–	–
G4-52	Process for determining remuneration.	2016 Annual Report: Remuneration Report	–	–
G4-53	Process for seeking and taking into account stakeholders' views regarding remuneration	Sustainability Introduction	–	–
G4-54	Ratio of the annual total compensation for the highest-paid individual of significant operations to the median annual total compensation for all employees	–	–	Ratio for FY16 is 0.08

GRI	Definition	Location of disclosure	External Assurance	Further information
G4-55	Ratio of percentage increase in annual total compensation for the highest-paid individual of significant operations to the median percentage increase in annual total compensation for all employees	–	–	Ratio for FY16 increase over FY15 is 0.70
<b>Ethics and Integrity</b>				
G4-56	Description of the organization's values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics.	<b>Governance</b> <b>website: Code of Conduct</b>	–	–
G4-57	Internal and external mechanisms for seeking advice on ethical and lawful behaviour, and matters related to organisational integrity	<b>Governance</b>	–	The Group has appointed an external Whistleblower service provider.
G4-58	Internal and external mechanisms for reporting concerns about unethical or unlawful behaviour, and matters related to organisational integrity	<b>website: Code of Conduct</b>	–	The Group has in place an Anti-Bribery, Corruption and Whistleblowing Policy.
<b>Economic</b>				
<b>Economic Performance</b>				
G4-DMA	Generic Disclosures on Management Approach	<b>2016 Annual Report</b>	–	–
G4-EC1	Direct economic value generated and distributed	<b>Sustainability Introduction</b>	–	–
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	<b>Growthpoint and climate change</b>	–	–
G4-EC3	Coverage of the organization's defined benefit plan obligations	–	–	The Group does not have any defined benefit plans in place.
G4-EC4	Financial assistance received from government	–	–	None received
<b>Environmental</b>				
<b>Energy</b>				
G4-DMA	Generic Disclosures on Management Approach	<b>Environmental Sustainability</b>	–	–
G4-EN3	Energy consumption within the organization	<b>Environmental Sustainability</b>	–	–
G4-EN4	Energy consumption outside of the organization	<b>Environmental Sustainability</b>	–	Not relevant
G4-EN5	Energy intensity	<b>Environmental Sustainability</b>	–	–
G4-EN6	Reduction of energy consumption	<b>Environmental Sustainability</b>	–	–
G4-EN7	Reductions in energy requirements of products and services	<b>Environmental Sustainability</b>	–	–
<b>Emissions</b>				
G4-DMA	Generic Disclosures on Management Approach	<b>Environmental Sustainability</b>	–	–
G4-EN15	Direct GHG emissions (Scope 1)	<b>Environmental Sustainability</b>	–	–
G4-EN16	Energy indirect GHG emissions (Scope 2)	<b>Environmental Sustainability</b>	–	–
G4-EN17	Other indirect GHG emissions (Scope 3)	<b>Environmental Sustainability</b>	–	–
G4-EN18	GHG emissions intensity	<b>Environmental Sustainability</b>	–	–
G4-EN19	Reduction of GHG emissions	<b>Environmental Sustainability</b>	–	–

GRI	Definition	Location of disclosure	External Assurance	Further information
G4-EN20	Emissions of ozone-depleting substances (ODS)	Environmental Sustainability	–	–
G4-EN21	NO <sub>x</sub> , SO <sub>x</sub> , and other significant air emissions	Environmental Sustainability	–	–
<b>Compliance</b>				
G4-DMA	Generic Disclosures on Management Approach	Environmental Sustainability	–	–
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	–	–	Nil
<b>Social</b>				
<b>Labour practices and decent work</b>				
<b>Employment</b>				
G4-DMA	Generic Disclosures on Management Approach	Social Sustainability 2016 Annual Report: Remuneration Report	–	–
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region	–	–	Growthpoint only has 17 Employees. Reporting is immaterial to the business and key stakeholders.
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	–	–	Growthpoint only has 17 Employees. Reporting is immaterial to the business and key stakeholders.
G4-LA3	Return to work and retention rates after parental leave, by gender	Social Sustainability	–	–
<b>Diversity and Equal Opportunity</b>				
G4-DMA	Generic Disclosures on Management Approach	Governance	–	–
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Governance	–	–
<b>Society</b>				
<b>Compliance</b>				
G4-DMA	Generic Disclosures on Management Approach	Governance	–	–
G4-S08	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	–	–	Nil

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More detailed information is available on our website [growthpoint.com.au](http://growthpoint.com.au) including detailed frequently asked questions at [growthpoint.com.au/investor-centre/Securityholder-information/faqs](http://growthpoint.com.au/investor-centre/Securityholder-information/faqs)

## Acknowledgement of traditional custodians

Growthpoint acknowledges the traditional custodians of the land on which its properties are situated and pays its respects to their Elders, past and present, and extends that respect to other indigenous Australians.

### Traditional custodians

“Traditional custodian” is a term used to describe the original Aboriginal or Torres Strait Islander peoples who inhabited an area.

Traditional custodians today are descendants of these original inhabitants and have continuing spiritual, cultural, political and often physical connection with particular land where their ancestors lived.

### Why is Growthpoint making an acknowledgement?

Growthpoint respects all people regardless of their ethnic, cultural or linguistic background and respects the unique and unbroken connection of Australia's first peoples to its land.

Our acknowledgement is a symbol of this respect.



## Glossary of terms

<b>\$ or dollar</b>	refers to Australian currency unless otherwise indicated
<b>AFSL</b>	Australian Financial Services Licence
<b>A-REIT</b>	Australian Real Estate Investment Trust
<b>ASX</b>	Australian Securities Exchange
<b>B</b>	billion
<b>Board</b>	the board of directors of the Company
<b>Cap rate or capitalisation rate</b>	refers to the market income produced by an asset divided by its value or cost
<b>CBD</b>	central business district
<b>CBRE</b>	an international professional services and investment management firm formerly known as CB Richard Ellis
<b>Company or responsible entity</b>	Growthpoint Properties Australia Limited
<b>cps</b>	cents per security
<b>distributions</b>	the amount Securityholders receive by way of income in their hand (before any tax or brokerage costs). It is similar to a dividend by a company but it is payable by the Trust
<b>distributable income</b>	refer to explanation at the top of page 17 of the 2016 Annual Report
<b>ESG</b>	environmental, social and corporate governance matters
<b>fund-through</b>	a mechanism under which an entity (in this report typically Growthpoint) funds development as completion of works occur
<b>FY11, FY12, FY13, FY14, FY15 and FY16</b>	the 12 months ended on 30 June in the year listed i.e. "FY16" means the 12 months ended 30 June 2016
<b>FY17, FY18, FY19, FY20 and FY21</b>	the 12 months ending 30 June in the year listed i.e. "FY17" means the 12 months ending 30 June 2017
<b>Gearing</b>	interest bearing liabilities divided by total assets
<b>GHG</b>	greenhouse gas
<b>GOZ</b>	the ASX trading code that Growthpoint trades under
<b>Green Star</b>	an internationally recognised sustainability rating system issued by the Green Building Council in Australia
<b>GRESB</b>	Global Real Estate Sustainability Benchmark
<b>gross assets</b>	the total value of assets before any reduction for debt secured against these assets
<b>Growthpoint or the Group</b>	Growthpoint Properties Australia comprising the Company, the Trust and their controlled entities
<b>Growthpoint SA or GRT</b>	Growthpoint Properties Limited of South Africa (Growthpoint's majority Securityholder) which trades on the JSE under the code "GRT"
<b>IFRS</b>	International Financial Reporting Standards
<b>JLL</b>	the Australian arm of Jones Lang LaSalle, an international professional services and investment management firm
<b>JSE</b>	Johannesburg Stock Exchange
<b>m</b>	million
<b>MER</b>	management expense ratio comprising all the Group's costs other than interest divided by the average gross assets for the year
<b>NABERS</b>	National Australian Built Environment Rating System (a national system for measuring environmental performance of buildings)
<b>NGER</b>	National Greenhouse and Energy Reporting
<b>NPI</b>	net property income
<b>NTA</b>	net tangible assets
<b>Operational Control</b>	operational control is defined as having the ability to introduce and implement operating, health & safety or environmental policies and measures for a facility. This is based on the approach for defining controlling corporations, as outlined in NGER legislative framework.

## Glossary of terms continued

<b>PwC</b>	the professional services firm previously known as PriceWaterhouseCoopers
<b>Return on equity or ROE</b>	calculated as the percentage change in NTA plus the distribution for a given period divided by the opening NTA
<b>S&amp;P</b>	Standard & Poor's
<b>Securityholder</b>	an owner of Growthpoint securities
<b>sqm</b>	square metres
<b>sustainability</b>	a process for ensuring activities are able to be continued and assets and resources are able to endure for a medium-long-term
<b>Total Securityholder return</b>	change in security price plus distributions paid or payable for the relevant period
<b>Trust</b>	Growthpoint Properties Australia Trust
<b>WARR</b>	weighted average rent review
<b>WALE</b>	weighted average lease expiry

## 2016 Securityholder Calendar\*

### 22 August

- Results for the year ended 30 June 2016 announced to ASX

### 31 August

- Distribution paid for the half year ended 30 June 2016
- Annual Tax Statement for year ended 30 June 2016 mailed
- FY16 Annual Report sent to Securityholders

### 24 November

- Annual General Meeting (webcast available for Securityholders unable to attend)

\* Dates indicative and subject to change by the Board.

## Company directory

### Growthpoint Properties Australia

Growthpoint Properties Australia Limited  
ABN 33 124 093 901; AFSL No 316409

Growthpoint Properties Australia Trust  
ARSN 120 121 002

Level 22, 357 Collins Street,  
Melbourne VIC 3000 Australia

Phone: (03) 8681 2900  
Fax: (03) 8681 2910

[www.growthpoint.com.au](http://www.growthpoint.com.au)

Investor Services Line: 1800 260 453  
[info@growthpoint.com.au](mailto:info@growthpoint.com.au)

### Share registry

#### Computershare Investor Services

Yarra Falls, 452 Johnston Street,  
Abbotsford VIC 3067 Australia

Phone (within Australia):  
1300 850 505

Phone (outside Australia):  
+61 3 9415 4000

Fax: +61 3 9473 2500

[www.computershare.com](http://www.computershare.com)

### Auditor

#### KPMG

147 Collins Street,  
Melbourne VIC 3000 Australia

## 2016 Sustainability Report

Growthpoint Properties Australia  
Level 22, 357 Collins Street, Melbourne VIC Australia  
Investor Services Line: 1800 260 453  
[www.growthpoint.com.au](http://www.growthpoint.com.au)

