

Operating Sustainably

Section summary

This "Operating Sustainably" section of the Directors' Report is divided into the following subsections:

- Sustainability Objectives Summary
- Environmental Sustainability
- Social Sustainability
- Governance comprising:
 - Securityholders.
 - Approach to risk including SWOT analysis.
 - Board of Directors.
 - Property management outsourcing.
 - Executive management.
 - Reporting and management structure.
 - Remuneration report.
 - Additional information.

As an integrated report, elements of sustainability are referred to in all sections of this Annual Report.

Growthpoint's *sustainability*, also known as "ESG" or "corporate social responsibility", encompasses:

1. Strategies we adopt.
2. The assets we own.
3. How we operate and are managed.
4. How our performance is measured and rewarded.
5. How we report.

Strategies adopted seek to consistently increase total Securityholder return

Pages 10 and 11 of this report provide an overview of Growthpoint's key objectives and the strategic goals adopted to achieve these objectives. These strategies and objectives work in conjunction with each other and cover all parts of Growthpoint's operations.

The overall aim of all our strategies is consistently increasing total Securityholder return over the

10 *long-term* based on our "pure landlord" philosophy (refer to page 13 for more details).

Assets which are expected to provide sustainable returns are acquired and prudently managed

Detailed information about the portfolio is provided throughout this report as well as key details of what we have achieved through leasing, asset management, acquisitions and disposals.

We believe property is a long-term investment. Sustainability of a property investment, measured through net property income, environmental impact, tenant satisfaction and valuation increases, will determine its long-term returns.

Operations and management are carefully structured

Growthpoint's operations and management structure have been carefully developed to reflect the Group's portfolio, key objectives and strategic goals as well as the transparent business model shown on page 8.

As the Group has grown so too have our employee numbers. Increased assets, tenants and employees have resulted in development and updating of our compliance, risk management and governance regimes.

Performance is assessed against strategies and challenging but achievable objectives

Key achievements are noted throughout this report and reflect the performance measures against which employees are assessed.

The employee performance measures noted on pages 59, 63 and 64 of this report align with our mission, strategy and philosophy on page 7 as well as the key objectives and strategic goals on pages 10-11.

Reporting is transparent and consistent

Although reporting is updated to reflect the growing portfolio, improved operations and specific regulatory requirements as well as meeting standards expected of S&P/ASX 200 constituents, reporting is consistent from year to year as much as possible.

Corporate Governance Principles and Recommendations

The Group's response to the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" (3rd edition) was released on the same date as this report is available on the ASX's website asx.com.au (under Growthpoint's announcements for 17 August 2015) and the Group's website growthpoint.com.au/investor-centre/sustainability/governance/



Integrated reporting

"This is an 'integrated report' showing readers not only historical financial information but how Growthpoint has added value over time and how it expects to add value in the future. This report provides a range of financial and non-financial information and has been designed to give readers a fulsome picture of Growthpoint as a whole."



Aaron Hockly

Company Secretary
& General Counsel

Sustainability objectives summary

Environmental

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Objective	Target	Time frame	Achievement as of date of this report
Decrease environmental impact by reducing energy/water consumption and green house gas emissions across the portfolio	Reduction by 5% of energy/water consumption and green house gas emissions on a like-for-like basis (for properties where Growthpoint have operational control).	2020	Demonstrated reductions in energy/water consumption and green house gas emissions through improved <u>NABERS</u> ratings.
Develop program for measuring and reporting environmental impact	Implement program for measuring and reporting environmental impact.	2018	Adopting an on-line sustainability platform to capture available energy use, green house gas emissions and waste management data to assist in effective management and reporting of building operational performance. Participation in the GRESB 2015 Survey demonstrates commitment to measure and report on our environmental impact.
Implement additional monitoring infrastructure within office properties	Establish baseline data for energy/water consumption and green house gas emissions.	2017	Additional energy sub-metering / environmental monitoring infrastructure installed to 85% of the office portfolio to date, which has assisted in working towards our target of establishing a baseline energy/water/green house gas emissions data set.
Improve NABERS ratings across office portfolio and enhance buildings for tenants	Achieve a minimum average of 4.0 star NABERS rating.	2017	The average NABERS rating for office properties has increased to 3.94 stars in FY15 (up from 3.3 stars in FY13 and 3.75 stars in FY14).
Improve <u>sustainability</u> procurement processes and practices for our capital expenditure program	Ensure the majority of third party engagements contain sustainability requirements.	2018	Consideration of sustainable procurement processes and practices across our capital expenditure programme, for example, contractor waste minimisation strategies and best practice product / equipment selections.
No environmental fines or penalties imposed on the group	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



Sustainability objectives summary

Social



Objective	Target	Time frame	Achievement as of date of this report
Donations and workplace giving program	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 disadvantage women find and retain employment. The Group also made a donation.
Develop partnerships with community organisation in areas that Growthpoint operates in	To develop partnerships with organisations such as the Fred Hollows Foundation in preventing curable blindness.	November 2015	Growthpoint has committed to participate in a 30km coastrek in November to support The Fred Hollows Foundation. The team will walk for 30km and will ask for sponsorships in aid of the Foundation.
Employees to undertake volunteering each year	By supporting community organisations such as Try Australia to support kindergartens with low socio-economic backgrounds.	January 2015	In January, the whole organisation volunteered to participate in a "backyard blitz" for the Mornington Peninsula kindergarten and day-care owned by Try Australia, an independent, non-denominational charity that provides opportunities for young people and families to reach their potential.
Employees to receive regular work health and safety checks	Growthpoint is committed to providing health and safety checks for employees.	February 2015	In February all employees were given health checks that included basic health screening tests, bone density screening and posture and flexibility assessments and in April all staff were offered voluntary flu vaccinations.
Providing continuing professional development or training each financial year for employees	Employees will on average receive not less than 20 hours of continuing professional development or training for each financial year.	On-going	In FY15 employees completed an average of 25 hours of continuing professional development.
Diversity objectives created and worked towards	Growthpoint is committed to gender diversity which will be monitored and worked towards in future.	On-going	In FY15 around 31% of staff originated from a non-English speaking background. Growthpoint's 16 staff includes six women.
No workplace injuries	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 FY15.

New Diversity Objectives from August 2015:

Providing work experience to female graduates and undergraduates in order to encourage greater female involvement and participation in the property industry.

Having at least **one female as part of senior management** team by 2020¹.

Achieving a **gender diverse workforce** which, by 2020, will not be less than 30% female¹.

Growthpoint's selection team for the recruitment of any employee is 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**¹.

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.

Having at least **two female directors on the Board** by 2020¹ (having regard to the size of the board, currently seven).

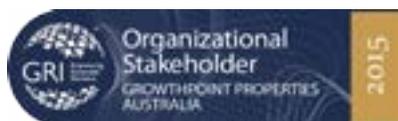
1. Subject to Growthpoint's desire to appoint the best person for any position.

Governance

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Objective	Target	Time frame	Achievement as of date of this report
Obtain and retain investment grade rating to help secure capital when required	<u>Baa2</u> or higher.	On-going	Investment grading issued to the group by Moody's remains Baa2 as of the date of this report.
Introduction of internal audit function using an audit plan by external consultants	To give further assurance in relation to governance and controls to management and the Audit, Risk & Compliance Committee.	FY16	The internal auditor will report to the Audit, Risk & Compliance Committee in November 2015.
Comprehensive compliance and risk framework is maintained and is independently audited by external auditors	The audit report is issued with no qualifications.	On-going	KPMG issued non-qualified audit opinions for the Compliance Plan and Australian Financial Services Licence for FY15.
To improve investor communications	Group's key results and the Annual General Meeting will be webcast.	November 2015	The Annual General Meeting will be webcast in November 2015.
Business updates will be provided at least each calendar quarter	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 provided in August 2014, November 2014, February 2015 and May 2015.
No significant breaches of trust compliance plan or the groups policies, procedures or constituent documents	No significant breaches.	On-going	There were no significant breaches identified during the compliance plan audit for FY15.

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Environmental Sustainability

Section summary

- Sustainability objectives and specific targets have been adopted
- Increasing average NABERS rating reflects reduced building energy costs for tenants
- Commitment to energy efficiency initiatives and building enhancements across the office and industrial portfolio
- Improving processes and practices to effectively manage sustainability issues



Steve Lee

Senior Project Manager

Focus for the year ahead

“Our focus in FY16 will be to improve the collection and monitoring of building operational performance data, review and refine current sustainability practices, undertake building improvements and continue to reduce energy, water consumption and green house gas emissions across the portfolio.”

Growthpoint is committed to limiting the impact of its activities on the natural environment and has adopted the following **sustainability** objectives:

- Decrease environmental impact by reducing energy, water consumption and green house gas emissions across the portfolio.
- Develop program for measuring and reporting environmental impact.
- Implement additional monitoring infrastructure within office properties.
- Improve **NABERS** ratings across our portfolio and enhance buildings for tenants.
- Improve sustainability procurement processes and practices for our capital expenditure program.
- No environmental fines or penalties imposed on the group.

Specific targets have been set for each of the above objectives with the focus in FY16 being measuring and reporting environmental impact, enhancing buildings for tenants and improving sustainable practices across the portfolio.

Measuring and reporting environmental impact

- Continue implementation during FY16 of additional energy and water monitoring infrastructure for office properties and improve energy, water, green house gas emissions and waste management collection across the portfolio.
- Work towards establishing a baseline energy/water/green house gas emissions data set for all properties where we have operational control.
- Growthpoint has engaged an external party to recommend measures to reduce base building energy usage, improve operational efficiency and provide dynamic energy reporting across eleven office properties.
- With support from our Property Managers, an on-line sustainability platform has been established to capture and report on all utility bills and green house gas emission data generated from properties where we have operational control.
- Growthpoint have participated in the 2015 GRESB Survey and intend to participate in the Carbon Disclosure Project (CDP) climate change / energy survey, and adopt Global Reporting Initiative (GRI) version 4 as a uniform framework for sustainability performance reporting moving forward.

Enhancing buildings for tenants

- The continued improvement in the average NABERS rating across the office portfolio reflects reduced building energy costs for tenants.
- Additional energy and water metering infrastructure will assist with monitoring building operational performance and support tenant engagement initiatives.
- Continue to conduct regular sustainability meetings with expert consultants to review portfolio performance and opportunities.
- Various initiatives will be implemented across the office and industrial portfolio during FY16 relating to energy efficiency improvements or building enhancements including:
 - energy efficient lighting upgrades;
 - new mechanical plant & equipment;
 - new “End of Trip” facilities;
 - new chiller plant; and
 - ground floor refurbishments.

Improving sustainability practices across the portfolio

Increasing our understanding and knowledge of environmental risks is guiding the development of enhanced policies and practices to effectively manage these risks, improving performance and helping to embed sustainability practices throughout the business operations. Improved processes and practices will also ensure environmental considerations are appropriately managed for new developments, property acquisitions and capital expenditure projects.

Average NABERS energy rating is now 3.94 stars (increased from 3.75 stars). An official NABERS rating for our A-grade Building C, 219-247 Pacific Highway, Artarmon, NSW will be received during the next financial year reporting period.

Other items of note:

- Growthpoint's head office is in an energy efficient fit out within a 5 Star NABERS rated building. Sustainable practices include no car parking for employees. We have completed a carbon audit for our head office operations and will consider options to offset the limited carbon emissions applicable.
- All tenants across the Group's office portfolio participated in Earth Hour 2015. Growthpoint, with the support of its Property Managers, will continue to encourage all tenants to participate by switching off non-essential power during Earth Hour.
- Growthpoint intends to acquire properties with high green credentials and when applicable negotiate appropriate sustainability initiatives within development agreements for fund through acquisitions.

Energy ratings

3.94 stars **4.8 stars**

Average NABERS energy rating

Up from 3.75 stars for FY14

Average Green Star rating

Growthpoint has maintained this rating for the last three reporting periods

NABERS Energy Star Ratings (office portfolio)

PROPERTY	rating
Buildings 1&3, 572-576 Swan Street, Richmond, VIC	
Building 2, 572-576 Swan Street, Richmond, VIC	★★★★
7 Laffer Drive, Bedford Park, SA	★★★★
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	★★★★
WorldPark, 33-39 Richmond Road, Keswick, SA	★★★★★
10-12 Mort Street, Canberra, ACT	★★★★
1 Charles Street, Parramatta, NSW	★★★★★
1231-1241 Sandgate Road, Nundah, NSW	★★★★

Green Star Ratings (office portfolio)

PROPERTY	rating
333 Ann Street, Brisbane, QLD	★★★★★
89 Cambridge Park Drive, Cambridge, TAS	★★★★★
WorldPark, 33-39 Richmond Road, Keswick, SA	★★★★★
1231-1241 Sandgate Road, Nundah, QLD	★★★★★
Building C, 219-247 Pacific Highway, Artarmon, NSW	★★★★★

In Brief

- Growthpoint acquires properties with high green credentials and ensures sustainability initiatives are incorporated into fund through developments and capital upgrade projects



WorldPark, 33-39 Richmond Rd, Keswick, SA

Social Sustainability

Section summary

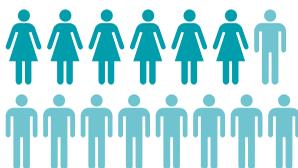
This section explains how Growthpoint seeks to ensure it has a positive impact on people and communities, what has been achieved in FY15 and what will be focussed on in the future.

Employee gender diversity

2010



2015



38%

of the Group's employees are women

(2014: 23%)

Growthpoint understands that people are key to the success of every facet of its business, and strives to create and maintain a nurturing environment which respects the best interests of all involved – Securityholders, other stakeholders, tenants and employees.

Constant investment in the professional development and personal wellbeing of all staff helps ensure that motivated people make well-informed decisions to maintain Growthpoint's competitive edge in the Australian property investment market.

This philosophy continues to provide pleasing results. The Group's annual anonymous survey of all staff (except for the Managing Director), undertaken in April 2015, again returned very positive results with staff reporting that they felt 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. In FY15 around 31% 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 16 staff includes six females – the Group's legal counsel, investor relations administrator, an accountant, a property analyst and two executive assistants.



Above: Women employed since Growthpoint implemented its diversity policy in 2012

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 FY15 employees undertook, on average, 25 hours of continuing professional development.

Team building

In July 2015, all staff attended a two-day conference, to undertake team strengthening through a combination of business plan reviews, psychometric behavioural profiling and challenging physical activities. Through these self-awareness and self-development activities, the team building encouraged participants to embrace new collaboration skills, revealed hidden qualities and brought fresh eyes to themselves, their colleagues and the Group's business – with a positive, ongoing impact on the Group's business.

Working environment

Growthpoint's open plan office environment contributes substantially to the Group's success, encouraging open communication and seamless collaboration between all staff members. With all staff better informed, morale is higher and decision-making is more streamlined, adding value for all involved.

Workspaces are tailored to suit a variety of work activities and types, wireless technology caters for increasing use of laptops and smartphones, and digital document management helps reduce the reliance on paper.

Flexible working arrangements help staff to maintain a healthy balance between work and family interests.

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 FY15. Thorough inductions for new staff and regular information sessions ensure all staff are well briefed on the use of safety equipment and the hazards that may be encountered when visiting construction sites.

In February 2015 all employees were given health checks that included basic health screening tests, bone density screening and posture and flexibility assessments, and in April 2015 all staff were offered voluntary flu vaccinations.

The Group provides life, total permanent disability 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.

In June 2015, 14 staff undertook basic first aid training delivered by St John's Ambulance Australia.

Community contribution

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

In January 2015, all employees volunteered to participate in a "backyard blitz" for the Peninsula Montessori kindergarten and day care centre in Frankston, Victoria.

The centre is owned and operated by TRY Australia, an independent, non-denominational charity that provides opportunities for young people and families to reach their potential.

The team's work saw the centre's garden completely revitalised, with gardening, tree pruning, hard rubbish removal and general repairs giving the children a safe and enjoyable play area, as well as sanded and repainted tables and chairs.

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 FY15 the Group and/or its employees were actively engaged with 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

- Care Australia
- St Vincent de Paul
- Midsumma Festival
- Multiple Sclerosis Society
- Property Industry Foundation
- Anglicare Emergency Relief Fund

Property Council Gala

Six Growthpoint staff and their partners attended the 2014 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 southern Melbourne.

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.

Refer to pages 58 to 67 for more details about Growthpoint's remuneration.

Future expansion

Growthpoint has had the same executive management team in place since December 2009, providing consistency of strategy and delivery. Over this period, assets grew from \$650 million to \$2.4 billion and net property income increased from \$59.3 million to \$171.8 million.

With Growthpoint's expanding asset and income base, the number of staff has increased from five employees in 2009 to 16 at 30 June 2015. More growth in employee numbers is expected with the Group's continued expansion, however key people already employed include several of tomorrow's potential leaders.

In Brief

- Growthpoint is primarily focussed on:
 - achieving greater gender diversity on its board and amongst employees;
 - ensuring its employees are healthy and safe and appropriately remunerated, trained and engaged; and
 - providing opportunities for employees to contribute to the community.

Valuing our people

"The Board recognises that there is a direct relationship between the success of its business and the capability and professionalism of its people."

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Governance: Securityholders

Section summary

- Growthpoint was included in the S&P/ASX 200 in June 2015 reflecting its growth into a large liquid entity.
- Although most of Growthpoint's equity capital comes from South African investors, a greater portion is coming from Australia and elsewhere.

Supportive Securityholders

"Growthpoint is privileged to have Securityholders from around the world who have consistently supported our growth through capital raisings, most of which have been oversubscribed."

Find out more about our major Securityholder Growthpoint South Africa

Key facts about Growthpoint South Africa can be found on page 116. For more detailed information please see Growthpoint SA's website at growthpoint.co.za



Over the last six years, equity capital has been raised from five main sources (in order of amount invested):

Growthpoint SA (GRT) (65.0% of register)



Having GRT as the major Securityholder of the Group since mid-2009 has been enormously beneficial. GRT has underwritten rights offers at commercial rates and committed to taking up its rights for no fee. This has given the Group certainty of funding and allowed the Group to grow rapidly and to compete for quality assets against much larger competitors.

As the largest listed property real estate investment trust or "REIT" in South Africa with an excellent record, GRT is a well-known and respected corporate in South Africa and elsewhere. A number of GRT's investors and competitors have invested in Growthpoint initially due to their confidence in GRT.

GRT's Independent Chairman, Chief Executive Officer and Managing Director all sit on Growthpoint's Board. They bring a wealth of experience in listed property, corporate finance and other areas to the Board's work.

Due to its relatively small size, Growthpoint has utilised GRT's policies, procedures, expertise and branding saving Growthpoint's resources. GRT has provided Growthpoint with a crucial part of its personnel risk mitigation strategy: GRT has committed to temporarily provide one of its staff to manage the business in the event Growthpoint's Managing Director is unwilling or unable to continue in his role.

GRT initially held 76.2% of Growthpoint and this has come down as low as 60%. GRT has

expressed a desire to invest more money into Growthpoint but bring its percentage holding down as the Group grows. GRT does not intend to sell securities and wants to maintain control of the Group.

Australian, New Zealand, European, North American and Asian institutions (approximately 14.0% of register)

A growing number of institutional investors have sought Growthpoint's securities despite its relatively low liquidity. Growthpoint's register includes many institutional investors from Australia, New Zealand, UK, USA, Europe, Singapore and Hong Kong; from very large global funds to boutique managers. Growthpoint has attracted both property specialists and general equity investors. Regular one-on-one meetings, investor lunches, property tours and conference calls are held with institutional investors both direct and via broking houses. Management has visited Japan, Hong Kong, Singapore and New Zealand to meet with current and potential institutional investors and intends to continue and expand these meetings in the future.

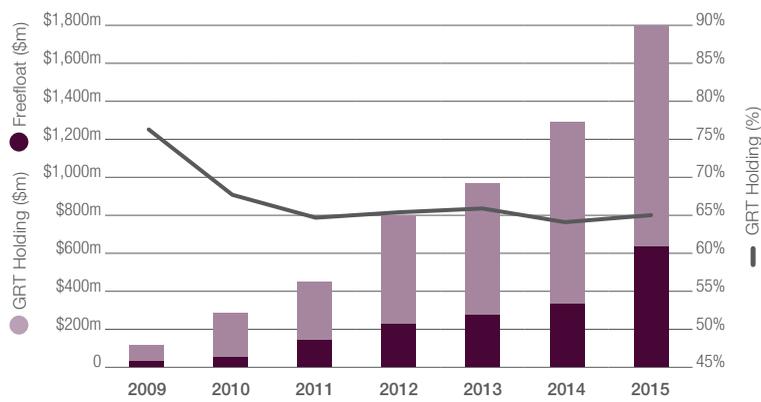
Institutional investors are assisted by independent research providers that cover Growthpoint, currently: UBS, Macquarie, CLSA, Bank of America/Merrill Lynch, NAB, Petra Capital and Morningstar.

Other South African institutional investors in addition to GRT (approximately 11.6% of register)

As noted above, Growthpoint has attracted a number of South African investors initially due to GRT's formidable reputation, being the largest property company on the JSE. In addition to GRT, seven of the Group's top 20 holders are

Growthpoint's significant increase in liquidity, freefloat and trading volumes enabled inclusion in the S&P/ASX 300 in September 2014 and S&P/ASX 200 inclusion in June 2015.

Market capitalisation and free float
as at 30 June



South African institutions including Coronation Fund Managers (a global fund manager listed on the JSE) and Emira Property Fund (a JSE listed property fund).

South African investors are attracted to Growthpoint's relatively high yield, the relative security of Growthpoint's income and the relative strength and stability of Australia's economy. Growthpoint's risk adjusted returns rate well when compared to opportunities elsewhere.

As a result of the significant South African ownership of Growthpoint, Growthpoint's key management personnel make annual visits to South Africa to meet with existing and potential investors and regularly host South African institutions in Australia.

Retail investors
(8.7% of register)

Approximately 8.7% of direct Securityholders are retail investors. Growthpoint does not have a dedicated distribution or marketing department that specifically focusses on retail investors, however, they remain an important source of capital for the Group. Growthpoint makes a number of efforts to ensure retail investors have the information required to make an informed investment in Growthpoint including providing investor updates each May and October to all investors, making webcasts available on-line so retail investors receive the same information as institutional investors and having a 1800 investor line available so that Australian investors are only charged the cost of a local call to speak to Growthpoint representatives.

Growthpoint has primarily raised additional capital via rights offers and distribution reinvestment plans. As these are open equally to retail and institutional investors, this ensures that retail holders are able to fully participate.

Retail investors are assisted by retail focused research providers particularly Morningstar and NAB.

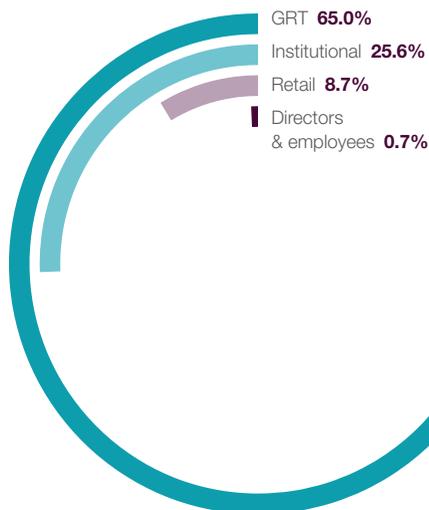
Directors and employees
(0.7% of register)



All of Growthpoint's directors and most employees own Growthpoint securities (17 out of 23). The total holding of directors and employees is 3,683,521 as at the date of this report representing approximately 0.7% of the Group's securities on issue.

Securityholders*

as at 30 June 2015



In Brief

- Growthpoint's Securityholder register continues to diversify
- GRT will look to reduce its percentage over time but desires to be a long-term controlling Securityholder.

Location of Securityholders*

as at 30 June 2015



* Figures are approximate only.

Governance: Approach to risk

Section summary

- Risk management is fundamental to the Group's business and Securityholder value.
- The Board is responsible for determining the Group's risk management strategy and risk appetite.
- A detailed SWOT analysis concludes this section.

Minimising downside risk

"Growthpoint seeks to minimise the downside risk required to achieve desired outcomes."

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:

- maintenance of capital value of real property assets;
- consistently growing distributions to Securityholders;
- zero harm to people;
- no or minimal 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 (refer below for more details). 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.

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, which 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 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 10 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 and legal non-compliance.
3. Significant weakening of property valuations.
4. Material loss of personnel.
5. Prolonged property vacancy due to weakened tenant demand.
6. Growing too fast for resource base.
7. Major or multiple tenants going into liquidation, particularly where multiple premises are occupied.
8. Material inaccuracy in financial forecasts and statutory accounts.
9. Breaching financial covenants of its debt facilities (loan to value and interest cover).
10. Material fraud.

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.

Managing and mitigating risk



In Brief

- 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.

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 significant 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.
- **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 the entering into financial commitments and the making of payments by directors and employees.

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

Internal Audit

The Audit, Risk and Compliance Committee has approved the introduction of an internal audit function based on an internal audit plan, prepared by external consultants Deloitte, which is effective from 1 July 2015. The Audit, Risk and Compliance Committee has agreed that the internal audit function be carried out internally by the Group's Compliance and Risk Manager.

Top 10 risks

Each of Growthpoint's top 10 assessed risks is plotted on a risk matrix like the one to the right.

Control activities are then carried out in relation to each risk and monitored.

The pre-control risk ratings and the control activities are listed below.

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 and control mechanisms for top 10 key risks

as at 30 June 2015

Key to Category icons

Finance Operations Property

Description of Key Risk	Category	Pre-control		Control activity
		Likelihood	Impact	
Unable to refinance debt at maturity on reasonably acceptable commercial terms		2	5	<ol style="list-style-type: none"> 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 (eg. rollover rights). Increase number of banks in syndicate (diversify suppliers) and aim to have alternative sources of finance in place (bonds, loan notes, USPP issuances etc.). Ensure that gearing is at an acceptable level for refinance. Different maturities on debt by discrete facilities. Maintain investment grade rating.
Material regulatory & legal non-compliance (AFSL, ASX, OH & S, Corporation Act, etc.)		2	5	<ol style="list-style-type: none"> Comprehensive compliance plan. Embed and maintain compliance culture in organisation. Contract reviews and due diligence undertaken.
Significant weakening of property valuations		3	4	<ol style="list-style-type: none"> Monitor economic and property markets to try to anticipate periods of weakness and to ensure that portfolio is appropriate for anticipated conditions. Monitor property portfolio valuations on a regular basis. Diversification by sector and geography of properties.
Material loss of personnel		3	4	<ol style="list-style-type: none"> Nomination, Remuneration and HR Committee fix remuneration packages of individual directors and members of senior management with the objective of attracting and retaining people of the required calibre. Continue Employee Share Plan to assist in the retention of personnel. Confirm that GRT can provide human resources at short notice if required. Deploy succession planning. Expand staff to reduce reliance on individuals.
Prolonged vacancies due to weakened tenancy demand		4	3	<ol style="list-style-type: none"> Conclude lease agreements with tenants for upcoming vacancies for optimum length of time. Maintain dialogue with any tenant whose lease expires within two years. Aim to have a spread of lease expiries within the portfolio to avoid a large number of leases becoming vacant at once.
Growing too fast for resource base		4	3	<ol style="list-style-type: none"> Staff increasing as the Group grows. Regular consideration of staffing and other resource requirements. Annual employee survey and director evaluation.
Major or multiple tenants going into liquidation, particularly where multiple premises are occupied		1	4	<ol style="list-style-type: none"> Income from greater diversity in tenants and sectors (i.e. across industrial, office and retail) and geographies (i.e. across a range of locations identified as investment targets for Growthpoint). Weekly arrears monitoring. Six monthly formal tenant review.
Material inaccuracy in financial forecast & statutory accounts		2	4	<ol style="list-style-type: none"> External verification of financial models for equity raisings where public disclosure documents are issued. Monthly review of actual versus budget versus forecast budget. Annual budget prepared by management and signed off by the Board. Use of financial model built by an external specialist for budgeting, forecasting and management reporting.
Breaching financial covenants (loan to value and interest cover)		2	4	<ol style="list-style-type: none"> Monthly monitoring through Board reporting and a statement of effect on financial covenants when considering any significant transaction. Quarterly reporting of financial covenants compliance to banks. Maintain balance sheet gearing within the target approved by the board.
Material fraud		2	4	<ol style="list-style-type: none"> A minimum of two authorised signatories required to sign all payments. Sign off levels under Delegations of Authority policy adhered to. Payment reconciliation for property accounts. Fraud insurance cover. Monthly bank account reconciliation reviewed by Chief Financial Officer, evidenced by monthly sign off.

Important note: The above are the risks that Growthpoint's Board and management consider to be material for Growthpoint's investors partly based on external advice. They include risks which may adversely impact on Growthpoint's value, earnings and distributable income but do not set out any opportunities and do not explain all risks and uncertainties from an investment in Growthpoint. Investors should consider their own circumstances and risk appetite before investing in Growthpoint and obtain and rely upon such independent advice, including tax, financial and legal advice, as they consider appropriate.

Key strengths, weaknesses, opportunities and threats for Growthpoint

	Strengths	Weaknesses	Opportunities	Threats
Strategy & performance	<ul style="list-style-type: none"> Five year track record of performing in accordance with guidance. Consistently growing distributions and security price. Only internally managed, 100% Australian, pure commercial landlord listed on the ASX. GRT's support underpins Growthpoint's growth and its ability to compete with larger A-REITs. Same management team in place for six years and minimal Board changes Small size of team and operations enables direct connection with tenants and stakeholders, enables quick decisions to be made and assists with keeping <u>MER</u> low. 	<ul style="list-style-type: none"> Retail property included in mandate but Growthpoint does not have management expertise nor cost of capital required to acquire quality retail property. Historical returns not necessarily reflective of future returns. Level of GRT ownership in Growthpoint may prevent some investors investing in Growthpoint. Growthpoint has higher cost of capital than some of its competitors for assets. Growthpoint trading at a comparatively large premium to <u>NTA</u> 	<ul style="list-style-type: none"> Continue to acquire quality, well-leased properties which enhance distributions. Size of portfolio means that relatively small acquisitions can make a difference to Growthpoint returns. Pure landlord strategy should make returns comparatively less volatile. Inclusion in the S&P/ASX 200 and the <u>MSCI</u> Global Small Cap Index (Asia-Pacific region) provides greater equity raising opportunities. 	<ul style="list-style-type: none"> 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 <u>internalised management</u> model means there are no incentives to grow to receive increased management fees. Being a pure landlord risks Growthpoint underperforming the broader A-REIT market as a majority are involved in more risky, non-landlord activities which may have higher returns.
Financial management	<ul style="list-style-type: none"> Growthpoint's income is easily understood and relatively certain due to: (a) long <u>WALE</u>; (b) high level of interest rate hedging; (c) low <u>MER</u>; and (d) 100% of leases on fixed annual rent reviews. Investment grade rating of <u>Baa2</u> in place. Ability to raise equity to fund growth with over \$1.2 billion dollars raised over the last six years. Debt sourced from all four domestic banks plus the capital markets. 	<ul style="list-style-type: none"> A majority of debt remains bank debt. Average debt term remains below <u>WALE</u>. 	<ul style="list-style-type: none"> Major Australian lenders have indicated a desire to lend more to Growthpoint. Growthpoint has obtained an investment grade credit rating from Moody's and will further diversify its sources of debt. Take advantage of historically cheap debt. Extend debt terms to match or exceed <u>WALE</u>. 	<ul style="list-style-type: none"> <u>Gearing</u> 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).
Property portfolio	<ul style="list-style-type: none"> Excellent property fundamentals: long <u>WALE</u> (6.7 years), modern assets (average age of 8.3 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. Low vacancy (3.5%) and minimal upcoming expiries (1.5% in FY16). High level of tenant retention and minimal rental arrears. 	<ul style="list-style-type: none"> Weak leasing market fundamentals across most major Australian markets although Growthpoint has a reduced immediate exposure due to its long <u>WALE</u>. Industrial portfolio dominated by Woolworths distribution centres (~23% of total income), although Woolworths is A3 rated by Moody's and a top 20 ASX entity so this risk is considered minimal. 	<ul style="list-style-type: none"> Extend leases prior to expiry. Expand properties where applicable to maximise returns from assets. Change current property use to a higher and better use to either achieve higher rent or higher sales proceeds. Enter into development fund throughs. 	<ul style="list-style-type: none"> A worsening economy may result in higher vacancy rates although, with one of the longest <u>WALEs</u> in the sector, Growthpoint is well placed for a downturn. Reducing lease term of airport ground leasehold properties will diminish the value of these assets in the <u>medium-term</u> although diversification has reduced exposure to these assets to less than 7% of total industrial portfolio.

Governance: Board of Directors

Board expertise



Directors with more than 10 years' property experience

As at 30 June 2015

Director independence



Independent directors

The Board considers that a Director is independent if the director is a non-executive director and:

- is not a substantial Securityholder or an executive officer of a substantial Securityholder*;
- has not, within the last three years, been an executive of the Group or its related entities;
- is not an officer or otherwise associated directly or indirectly with a material supplier to, or customer of, the Group;
- has no material contractual relationship with the Group or its related entities (other than as a Director);
- 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 Securityholders; and
- is free from any business or 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.

* "substantial Securityholder" means a holder of 5% of more of the Group's voting securities.



Geoffrey Tomlinson (67)

Independent Chairman and 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 (in addition to Group entities): Calibre Limited and IRESS Limited.

Majority independent

"As at 30 June 2015, the Board comprised seven Directors including a majority of four independent Directors."



Timothy Collyer (47)

Managing Director

B.Bus (Prop), Grad Dip Fin & Inv, AAPI, F Fin,
MAICD

Term: Director since 12 July 2010

Skills & Experience: Tim is a highly experienced executive with over 27 years' experience in ASX listed and unlisted property funds management, property investment and development, property valuation and property advisory. During his career Tim 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 in all States and Territories in Australia. He previously 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.

Tim is an Associate of the Australian Property Institute, a Fellow of the Financial Services Institute of Australasia and a member of the Australian Institute of Company Directors.

Current Australian directorships of public companies (in addition to Group entities): Nil



Maxine Brenner (53)

Independent Director
BA, LLB

Term: Director since 19 March 2012

Skills & Experience: Maxine is currently a Director of Orica Limited, Qantas Airways Limited and Origin Energy Limited. She has been involved in advisory work for many years, particularly in relation to mergers and acquisitions and several years in investment banking at Investec Bank (Australia) Ltd. Prior to this, she was a Lecturer in Law at University of NSW and corporate lawyer at Freehills (now Herbert Smith Freehills). Her former directorships include Treasury Corporation of NSW, Neverfail Springwater Ltd, Federal Airports Corporation and Bulmer Australia Ltd. In addition, Maxine has also served as a member of the Takeovers Panel.

Committees: Audit, Risk & Compliance (Chair)

Current Australian directorships of public companies (in addition to Group entities): Orica Limited, Origin Energy Limited and Qantas Airways Limited



Estienne de Klerk (46)

Director*
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 (in addition to Group entities): Nil



Grant Jackson (49)

Independent Director
Assoc. Dip. Valuations, FAPI

Term: Director since 5 August 2009

Skills & Experience: Grant has over 29 years' experience in the property industry, including over 26 years as a qualified valuer. 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. He is a member of the Standards Sub-committee of the Australian Property Institute.

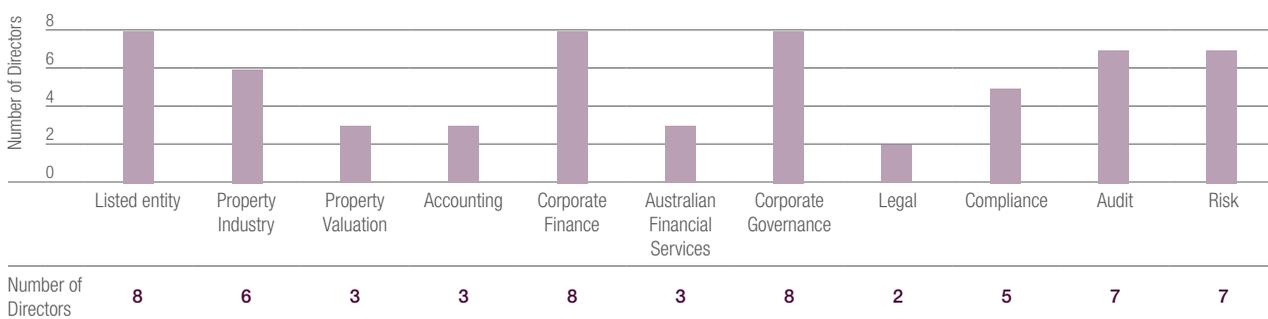
Committees: Audit, Risk & Compliance

Current Australian directorships of public companies (in addition to Group entities): Chief Executive Officer and Director of m3property (and related entities)

* Not considered independent as Managing Director of Growthpoint SA.

Board Expertise matrix

as at 30 June 2015



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.

Governance: Board of Directors



Francois Marais (60)

Independent Director

BCom, LLB, H Dip (Company Law)

Term: Director since 5 August 2009

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).

Committees: Nomination, Remuneration & HR

Current Australian directorships of public companies (in addition to Group entities): Nil



Norbert Sasse (50)

Director[^]

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

Term: Director since 5 August 2009

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.

Committees: Nomination, Remuneration & HR (Chair)

Current Australian directorships of public companies (in addition to Group entities): Nil



Lyn Shaddock (77)

Independent Director

FAPI, KSS

Term: Director from 5 August 2009 to 26 November 2014

Skills & Experience: Lyn has over 50 years' experience in the property industry and has been involved with developments in Sydney, Melbourne, Brisbane, San Francisco and Kuala Lumpur, including many from inception to completion. His experience spans a range of business conditions and economic cycles.

Among other memberships, Lyn was a member of Sydney's Central Planning Committee (responsible for planning Sydney and administering major development approvals) from 1989 to 1993, the New South Wales Heritage Council from 1987 to 1991 and the New South Wales Executive of the Property Council from 1971 to 1991. In addition to being awarded honorary life membership of the Property Council of Australia (both nationally and in New South Wales), Lyn served as the President of the New South Wales Division from 1980 to 1983 and Honorary Director and Chairman of the National Finance Committee from 1988 to 1996.

In 2014, His Holiness Pope Francis recognised Lyn's extensive community service, especially to the Archdiocese of Sydney, by appointing him as a Knight of the Order of Pope St Sylvester.

Committees: Nomination, Remuneration & HR (until 26 November 2014)

Number of meetings attended / eligible to attend in FY15

	Board	Audit, Risk & Compliance Committee	Nomination, Remuneration & HR Committee
L. Shaddock ¹	2/3	0/0	1/2
G. Jackson	9/9	4/4	0/0
F. Marais	9/9	0/0	5/5
N. Sasse	9/9	0/0	5/5
E. de Klerk	8/9	4/4	0/0
T. Collyer ²	9/9	4/0	5/0 ²
M. Brenner	8/9	4/4	0/0
G Tomlinson	9/9	4/4	5/5

1. Mr Shaddock retired from the Board on 26 November 2014.

2. Mr Collyer excused himself from parts of the meetings of the Nomination, Remuneration & HR Committee when his remuneration or performance were being considered.

[^] Not deemed independent as Chief Executive Officer of Growthpoint SA.

Governance: Property management outsourcing



Jones Lang LaSalle (VIC) Pty Limited
 ABN 28 004 582 423
 Locked Bag 3140 Melbourne VIC 3001
 Level 21 Bourke Place
 600 Bourke Street Melbourne VIC 3000
 tel +61 3 9672 6666 fax +61 3 9600 1715

28 July 2015

Deseree Ventrice
 Growthpoint Properties Australia
 Level 22, 357 Collins Street
 Melbourne, VIC, 3000

To whom it may concern,

Re: JLL Property Management Services for Growthpoint

JLL works with Growthpoint to provide a "best of both worlds" national portfolio approach. JLL's cost effective, State based teams of property management specialists provide skilled resources and best practice processes to complement Growthpoint's asset management approach. This results in a consistent national delivery of service with localised property knowledge and teams who engage directly with Growthpoint's management model, enabling optimum asset performance to be achieved.

The JLL team working on the Growthpoint portfolio has been selected to suit the growing portfolio and together, JLL and Growthpoint continue to customise and adapt the team structure and focus to evolve the service delivery as the Growthpoint portfolio expands.

JLL provides specialists to address the key focus areas of attracting and retaining tenants, effectively operating and maintaining buildings and associated services, including achieving energy efficiency and risk and compliance management imperatives, and financial performance.

JLL provides Growthpoint with property management services for both office and industrial investment properties nationally.

The following services are performed nationally by JLL for Growthpoint:

- Financial reporting and accounting
- Help desk services
- Tenancy management
- Lease administration
- Engineering, operations and facilities management
- Sustainability and energy management
- Risk management and compliance
- Building audits
- Procurement management
- Capital works management

JLL manages the majority of Growthpoint's investments and a team of 21 staff deliver cost effective and quality services with tailored financial reporting.

Through our partnership, we have seen enhanced outcomes to the following areas during FY 15:

- Capital works delivery.
- Sustainability initiatives.
- Reduced risk through essential services objectives.
- Lease renewals.
- Consistency in financial reporting.
- Trust accounting systems tailored to suit Growthpoint's requirements.
- JLL's collaborative team structures nationally has provided integrated sales and leasing services to provide Growthpoint with optimal access to investment opportunities and advice on tenant retention strategies.

JLL utilises integrated accounting, and financial and lease administration systems to enable efficient and effective property management, and provide accurate, timely and consistent financial reporting.

JLL's Customer Services Centre provides 24-hour help desk support as part of our property and facilities management services to Growthpoint.

This centre of excellence is a single point of contact, offering a consistent, guaranteed response to Growthpoint tenants' service requests.

JLL is proud of its long term property management arrangement with Growthpoint and Growthpoint enjoys national client status across our business nationally. In the 2016 financial year, we will look to further enhance service and quality objectives with the JLL and Growthpoint teams focused on driving optimal investment outcomes and creating quality environments for tenants and visitors to all of Growthpoint's assets.

Yours sincerely,

Melinda van der Westhuizen
 Head of Property and Asset Management - Victoria

Governance: Executive Management

Consistent management

"Growthpoint has had a consistent executive management team, including Managing Director Timothy Collyer, in place since 2009."

How is team performance measured?

Performance is primarily measured through contribution to consistently increasing total Securityholder returns.

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Aaron Hockly (37)

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

Company Secretary & General Counsel

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

Aaron has over 14 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 and is currently Chairman of a large arts festival.



Michael Green (35)

B.Bus (Prop)

Head of Property

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

Michael has over 13 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 (42)

B.Bus, FCCA

Chief Financial Officer

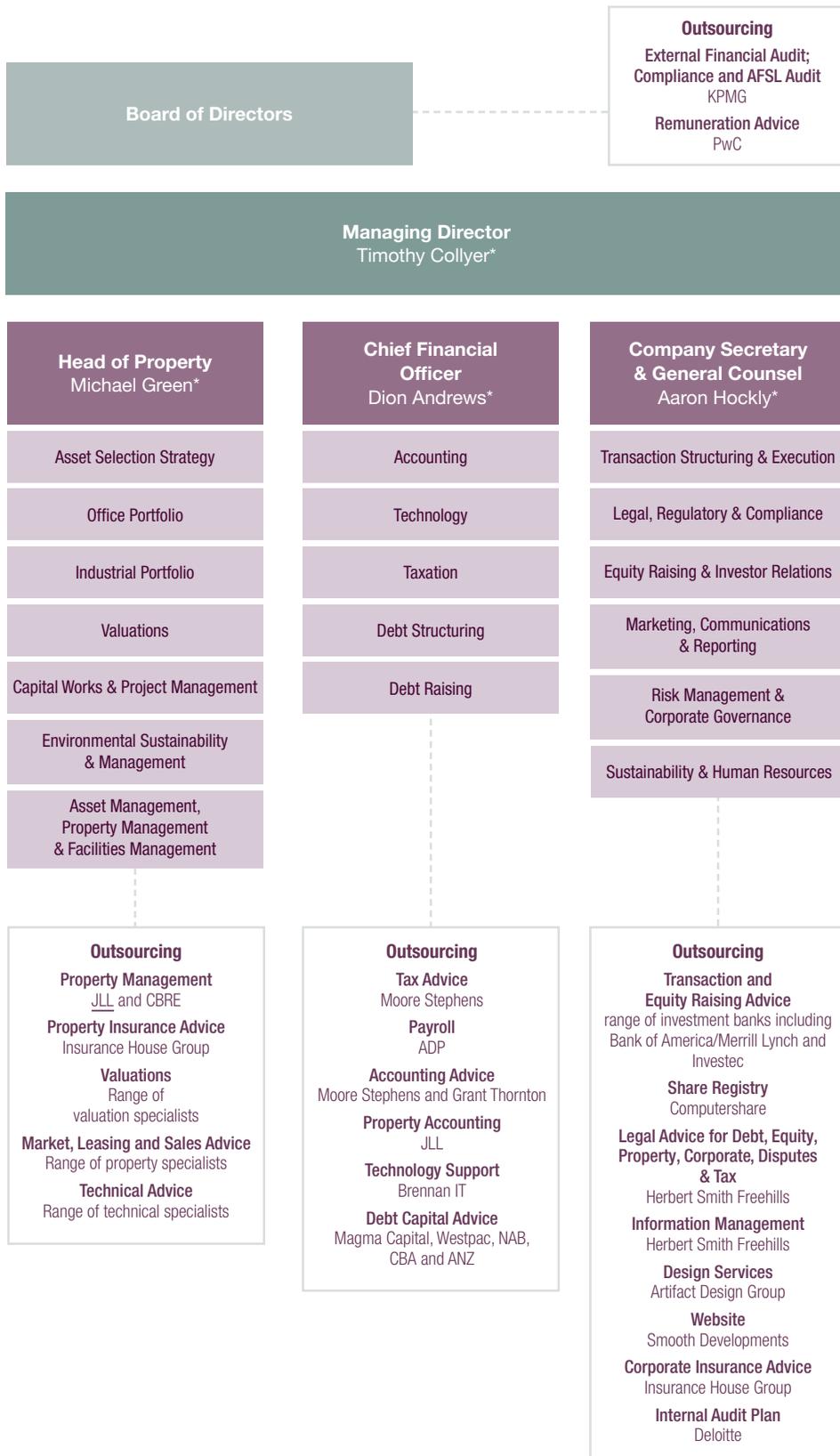
Dion is a Chartered Accountant and is responsible for the financial reporting obligations of the Group as well as debt structuring, raising debt capital and technology.

Dion has over 14 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. He was appointed as an additional company secretary on 8 May 2014.

Governance: Reporting and management structure



In Brief

- Growthpoint has established operations which enable it to acquire, lease, sell properties and operate as a major ASX-listed entity
- These operations rely on outsourcing where economical to do so

Why do we outsource property management?

Due to the spread of assets across Australia, it is not currently economical for Growthpoint to undertake property management itself. Property management is currently outsourced to CBRE and Jones Lang LaSalle. See page 55 for more information.

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*Member of Executive Management Team.

Business Overview

Financial Management

Portfolio Review

Operating Sustainably

Financial Report

Additional Information

Governance: Remuneration report

Section summary

- Growthpoint has a developed remuneration framework with a mixture of short and long term performance measures and incentives.
- The remuneration framework is supervised by the Nomination, Remuneration and HR Committee.
- The Group's performance, including a 227% increase in distributable income over the five years to 30 June 2015, indicates that our remuneration framework is aligned with the interests of Securityholders.

Transparent reporting

"Growthpoint has redesigned this remuneration report in light of investor feedback."

Introduction

The Directors present this "Remuneration Report" for the Group for the year ended 30 June 2015. This report summarises key compensation policies and provides detailed information on the compensation for Directors and other key management personnel.

This Remuneration Report is divided into the following sections:

1. Introduction.
2. Nomination, Remuneration and HR Committee.
3. Non-Executive Director Remuneration.
4. Executive Director Remuneration.
5. Employee Remuneration.
6. Short-term Incentives ("STI").
7. Long-term Incentives ("LTI").
8. Director and Senior Executive Performance Reviews.
9. FY16 Remuneration.

The specific remuneration arrangements described in the report apply to the Managing Director and the key management personnel as defined in AASB 124 and to the Company Secretaries as defined in section 300A of the *Corporations Act 2001* (Cth).

Nomination, Remuneration and HR Committee

The Nomination, Remuneration & HR Committee advises the Board on compensation policies and practices generally, and makes specific recommendations on compensation packages and other terms of engagement for non-executive directors, executive directors and other senior executives. The Committee also periodically reviews the compensation arrangements for other employees.

Delegated authority

The Nomination, Remuneration & HR Committee operates under delegated authority from the Board. The duties of the Committee in relation to remuneration are to:

- a) Recommend, for adoption by the Board, a remuneration package for the Chairman of the Board and the other Directors on a not less than annual basis.
- b) Recommend, for adoption by the Board, a remuneration package, including bonus incentives and related key performance indicators, for the most senior executive officer of the Group both on appointment and on a not less than annual basis.

- c) Review the most senior executive officer's recommendations for the remuneration packages, including bonus incentives and related key performance indicators, of other Group employees both on appointment and on a not less than annual basis.
- d) Review the most senior executive officer's recommendations for any bonus payments which are in excess of that delegated to the most senior executive officer under the Group's "Delegations of Authority Policy". The Committee cannot approve payments which exceed the bonus pool approved by the Board without Board approval.
- e) Make recommendations to the Board in relation to the introduction of, and amendments to, any employee share plan established by the Group.

Remuneration objectives

In carrying out its remuneration functions, the Committee shall have regard to the following objectives:

- a) Provide competitive rewards to attract, motivate and retain highly skilled directors and management.
- b) Set challenging but achievable objectives for short and long-term incentive plans.
- c) Link rewards to the creation of value for Securityholders.
- d) Limit severance payments on termination to pre-established contractual arrangements that do not commit the Group to making unjustified payments in the event of non-performance.

Consequences of performance on Securityholders' wealth

In considering the Group's performance and benefits for Securityholders' wealth, the Nomination, Remuneration & HR Committee has regard to the financial measures in the table on page 59 in respect of the five financial years ended 30 June 2015.

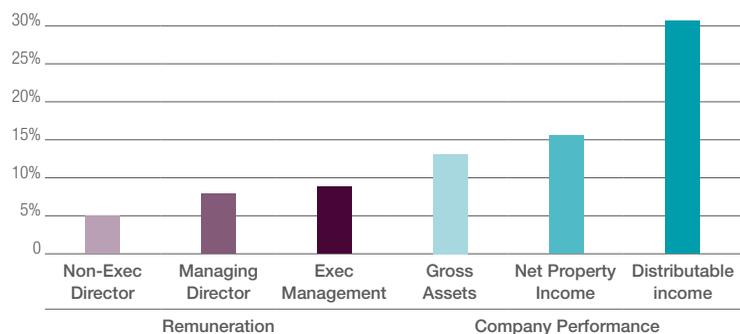
Committee members

The members of the Nomination, Remuneration & HR Committee during the year and at the date of this Report (unless otherwise noted) are:

- Norbert Sasse (Chair) – non-executive director
- Lyn Shaddock – independent, non-executive director (resigned on 26 November 2014)
- Francois Marais – independent, non-executive director
- Geoff Tomlinson – independent, non-executive director

Company performance vs remuneration - one year change

to 30 June 2015



Note: a large part of the employee remuneration increases over time has been due to the long-term incentive plan.

In Brief

- Remuneration policies are designed to encourage performance which leads to consistently increasing total Securityholder returns
- Attracting and retaining excellent employees is critical to the Group's success
- Remuneration is reviewed annually but the Nomination, Remuneration and HR Committee seeks to ensure consistency over the medium term

Company performance vs remuneration - five year change

to 30 June 2015



Remuneration increases

Growthpoint has increased remuneration **towards market levels** over the last five years as the business has grown.

Consequences of performance on Securityholders' wealth

		FY15	FY14	FY13	FY12	FY11
Profit attributable to Securityholders	\$'000	283,004	117,348	93,956	49,487	43,373
Dividends and distributions paid	\$'000	110,685	86,790	72,590	57,383	36,480
Distribution per stapled security	\$	0.197	0.190	0.183	0.176	0.171
Change in stapled security price	\$	0.680	0.050	0.300	0.205	0.095
Total Securityholder return¹	%	36.4	10.8	23.6	21.6	15.5
Return on equity	%	23.9	17.5	13.1	4.8	7.4

1. Source: UBS Investment Research

Governance: Remuneration report

Remuneration consultants

During the year, the Nomination, Remuneration & HR Committee engaged PwC as an independent remuneration consultant to provide advice on the Group's remuneration structure and levels for Directors and senior executives. PwC was paid a total of \$25,500 for providing these services.

The Company did not engage PwC for any other work during FY15.

The Committee ensured that PwC was free from undue influence from those key management personnel that it was making recommendations on by ensuring that they had no involvement in the appointment of PwC and were directed not to discuss any aspect of remuneration with the consultant. Further, PwC were directed to deliver the final report containing their recommendations directly to the Nomination, Remuneration & HR Committee. The Committee is satisfied on behalf of the Board that PwC remained free from undue influence due to following these procedures and PwC have also certified in writing that this was the case.

Remuneration reviews

The Nomination, Remuneration & HR Committee reviews the appropriate levels of remuneration for all Directors and employees based on:

1. Remuneration advice and benchmarking from PwC.
2. Remuneration surveys.
3. Benchmarking against peers.
4. Recommendations from the Managing Director (excluding in relation to his own remuneration).

Non-executive Director Remuneration

There are currently six Non-Executive Directors. An aggregate pool of \$1,000,000 available for the remuneration of Non-Executive Directors was approved by shareholders at the Company's Annual General Meeting in November 2013.

Remuneration paid and payable

 The total remuneration paid to Non-Executive Directors for FY15 are listed on page 61 of this report and the proposed FY16 remuneration is on page 67.

Principles of remuneration for Non-Executive Directors

The principles of non-executive director remuneration are:

1. Non-Executive Directors should receive total remuneration at market rates for equivalent positions at listed Australian entities of similar size (measured by market capitalisation and gross assets), complexity and non-executive director workload having regard to the industry in which the Group operates.
2. Fees are set at a level to attract and retain suitably qualified and experienced persons to the Board.
3. The Chairman is entitled to a base annual fee and is not eligible for any additional fees for chairing or being a member of any Board committees.
4. All Non-Executive Directors other than the Chairman are entitled to a base annual fee plus additional fees for being a chair or a member of a committee.
5. All Non-Executive Directors' fees are paid on a base fee basis rather than per meeting.
6. All Non-Executive Directors' fees are to be paid in cash and include superannuation where applicable. Where Australian GST is applicable, this is paid in addition to the relevant director's fees.
7. Non-Executive Directors are not currently required to hold any securities in the Group but are encouraged to do so. At the date of this Report, all Directors hold securities in the Group (refer to page 108 for details of Director holdings).
8. Non-Executive Directors are not entitled to any termination or similar payments upon retirement or other departure from office.
9. In addition to remuneration, Non-Executive Directors may claim expenses such as travel costs reasonably incurred in fulfilling their duties.
10. With the prior approval of the Chairman, Non-Executive Directors may obtain independent advice at the Company's cost.

Executive Director Remuneration and Service Contract

There is currently only one executive director being the Managing Director, Timothy Collyer.

Remuneration paid and payable

 The total remuneration paid or payable to the Managing Director for FY15 is listed on page 61 of this report and the proposed remuneration parameters for FY16 are on page 67.

Service contract

The Managing Director has a contract of employment dated 12 July 2010 with the Group that specifies the duties and obligations to be fulfilled by the Managing Director and provides that the Board and the Managing Director will, early in each financial year, consult to agree objectives for achievement during that year. Changes to the Managing Directors' remuneration requires full Board approval and, in certain circumstances, Securityholder approval.

The Managing Director can resign by providing six months' written notice. The Group can terminate his employment immediately for serious misconduct, bankruptcy, material breach of his employment agreement, failure to comply with a reasonable and lawful direction by the Board, committing an act which brings the Group into disrepute or conviction of an offence punishable by imprisonment. In addition, the Group can terminate the Managing Director's employment without cause on three months' notice with not less than six months' severance pay.

On termination as Managing Director, he must resign as a director of any Group entity and he is restrained from a number of activities in competition with or to the detriment of the Group for a period of 12 months from the date of termination.

Directors' and Executive Officers' Remuneration (FY15)

For the year to 30 June 2015	Short-term			Post employment	Other long-term	Termination benefits	Share based payments		Total	S300A (1) (e) (i) proportion of remuneration performance related
	Salary and fees	Cash bonus	Non- monetary benefits	Super- annuation benefits			Options and rights			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Directors (current)										
Mr G Tomlinson (Chairman)	153,185	-	-	14,553	-	-	-	-	167,738	0%
Mr G Jackson	94,041	-	-	8,934	-	-	-	-	102,975	0%
Mr F Marais	95,000	-	-	-	-	-	-	-	95,000	0%
Mr N Sasse	100,000	-	-	-	-	-	-	-	100,000	0%
Mr E de Klerk	97,500	-	-	-	-	-	-	-	97,500	0%
Ms M Brenner	95,890	-	-	9,110	-	-	-	-	105,000	0%
Directors (former)										
Mr L Shaddock ¹	38,527	-	-	-	-	-	-	-	38,527	0%
Executives (current)										
Mr T Collyer (Managing Director)	796,281	939,727	12,828	18,444	-	-	554,460	2,321,740	64%	
Mr A Hockly (Company Secretary & General Counsel)	273,972	173,014	2,412	26,027	-	-	126,037	601,462	50%	
Mr D Andrews (Chief Financial Officer)	257,626	162,691	5,033	24,474	-	-	117,584	567,408	49%	
Mr M Green (Head of Property)	257,626	162,691	2,182	24,474	-	-	116,869	563,842	50%	

Directors' and Executive Officers' Remuneration (FY14)

For the year to 30 June 2014	Short-term			Post employment	Other long-term	Termination benefits	Share based payments		Total	S300A (1) (e) (i) proportion of remuneration performance related
	Salary and fees	Cash bonus	Non- monetary benefits	Super- annuation benefits			Options and rights			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	%
Directors (current)										
Mr L Shaddock (Chairman)	145,000	-	-	-	-	-	-	-	145,000	0%
Mr G Jackson	85,092	-	-	7,871	-	-	-	-	92,963	0%
Mr F Marais	85,000	-	-	-	-	-	-	-	85,000	0%
Mr N Sasse	90,000	-	-	-	-	-	-	-	90,000	0%
Mr E de Klerk	87,500	-	-	-	-	-	-	-	87,500	0%
Ms M Brenner	89,456	-	-	8,275	-	-	-	-	97,731	0%
Mr G Tomlinson ²	68,268	-	-	6,315	-	-	-	-	74,583	0%
Executives (current)										
Mr T Collyer (Managing Director)	753,520	450,000	12,809	16,480	-	-	468,276	1,701,085	54%	
Mr A Hockly (Company Secretary & General Counsel)	257,198	140,000	2,412	22,802	-	-	105,074	527,486	46%	
Mr D Andrews (Chief Financial Officer)	239,446	130,000	5,033	20,554	-	-	96,996	492,029	46%	
Mr M Green (Head of Property)	235,240	130,000	2,182	22,014	-	-	95,583	485,019	47%	

1. Mr L Shaddock retired on 26 November 2014.

2. Mr G Tomlinson was appointed on 1 September 2013.

Governance: Remuneration report

Principles of remuneration for the Managing Director

The principles of remuneration for the Managing Director are:

1. The Managing Director should receive total remuneration at or above market rates for an equivalent position at listed and unlisted Australian entities of similar size (measured by market capitalisation and **gross assets**), complexity and workload having regard to the industry in which the Group operates and the relative profit and expenses versus the Group's peers.
2. The Managing Director's total remuneration should be set at a level to attract and retain a suitably qualified and experienced person to this role and tailored to encourage Group performance which is in the best interests of all Securityholders.
3. The components of the Managing Director's remuneration are:
 - a. total fixed remuneration (including applicable superannuation);
 - b. if specified performance criteria are met, eligibility to receive a **short-term** incentive ("STI") bonus payable in cash in respect of each financial year up to a maximum set by the Board. Refer to page 63 for measures for the FY15 STI and the FY16 STI;
 - c. **long-term** incentive ("LTI") plan under which, upon attainment of specified criteria, the Managing Director is eligible to receive securities in the Group that vest over time to help ensure alignment of the Managing Director's interests with those of Securityholders;
 - d. life, TPD and income protection insurance cover payable directly by the Company or to the Managing Director¹;
 - e. five weeks annual leave;
 - f. personal, long-service and other leave to the extent required by law or under any Group policy; and
 - g. car parking, airline club membership, gym membership and other similar benefits as considered appropriate.

4. The Managing Director is not eligible for any additional fees for chairing or being a member of any Board committee, acting as an officer of the Company or being a responsible manager or key person under the Company's AFSL.
5. The Managing Director is not currently required to hold any securities in the Group but is encouraged to do so. At the date of this Report, the Managing Director holds securities in the Group (refer to page 108 for details of director holdings).
6. The Managing Director is entitled to receive certain payments including the vesting of all unvested securities under the LTI if the Company decides to terminate his position without cause including through redundancy. Refer to page 67 for more details of redundancy entitlements.

Employee Remuneration

There are currently 15 employees of the Group who are not Directors ("**Employees**").

Remuneration paid and payable

The total remuneration paid or payable to the Employees who are Key Management Personnel for FY15 is listed on page 61 of this report and the proposed remuneration parameters for FY16 are on page 67.

Service contracts

It is the Group's policy that service contracts are unlimited in term but capable of termination on six months' notice or less and that the Group retains the right to terminate the contract immediately, by making payment equal to a payment in lieu of notice. Employees are also entitled to receive certain statutory entitlements on termination of employment including accrued annual and long service leave, together with any superannuation benefits and, if applicable, redundancy payments in accordance with a redundancy policy approved by the Nomination, Remuneration & HR Committee. Service contracts outline the components of compensation paid to each Employee (including all key management persons) but does not prescribe how compensation levels may be modified each year.

Principles of remuneration for Employees

The principles of remuneration for Employees are:

1. Employees should receive total remuneration at or above market rates for similar roles with listed and unlisted Australian entities having regard to each person's skills and experience, the complexity, value to the Group and workload of the particular role and the industry in which the Group operates.
2. The total remuneration for Employees should be set at a level to attract and retain suitably qualified and experienced persons to each respective role and tailored to encourage Group performance which is in the best interests of all Securityholders.
3. The components of remuneration for each Employee are:
 - a. total fixed remuneration (including applicable superannuation);
 - b. if specified performance criteria are met, eligibility to receive a short-term incentive bonus payable in cash in respect of each financial year as determined by the Managing Director and/or the Nomination, Remuneration and HR Committee up to a maximum amount set by the Board. Refer to page 63 for measures for the FY15 STI and the FY16 STI;
 - c. long-term incentive plan under which, upon attainment of specified criteria, each Employee is eligible to receive securities in the Group that vest over time to help ensure alignment of each Employee's interests with those of Securityholders;
 - d. life, TPD and income protection insurance cover payable directly by the Company or to the Employee²; and
 - e. annual, personal, long-service and other leave to the extent required by law or under any Group policy.
4. Employees are not eligible for any additional fees for additional roles within the Group such as acting as an officer of the Company or being a responsible manager under the Company's AFSL.

1. If the Managing Director obtains his own cover, he must provide evidence of this cover not less than annually. The Company will only pay for up to 1.5% of TFR for such cover.
 2. If an Employee obtains his or her own cover, he or she must provide evidence of this cover not less than annually. The Company will only pay for up to 1.5% of TFR for such cover.

Performance Criteria for Short-term Incentives (STI) for FY15 and FY16

Performance criteria	FY15 performance measures	FY16 performance measures
Distributable income & distributions	<ol style="list-style-type: none"> Distributable income versus budget. Meeting or exceeding guidance. Continuing to increase distributions to Securityholders. 	<ol style="list-style-type: none"> Distributable income versus budget. Meeting or exceeding guidance. Continuing to increase distributions to Securityholders.
Strategy	<ol style="list-style-type: none"> Growth in assets. Management expense ratio. Property fundamentals or metrics (WALE, WARR, average building age etc). Diversity of debt sources. 	<ol style="list-style-type: none"> Consideration of significant acquisition or M&A opportunities. Asset acquisitions. Asset disposals. Capital management initiatives. Strategic asset management initiatives.
Property operations	<ol style="list-style-type: none"> Vacancy rate. Non-recoverable property costs to income. Rental arrears. Leasing. 	<ol style="list-style-type: none"> Vacancy rate. Non-recoverable property costs to income. Rental arrears. Leasing. Portfolio metrics (WALE, WARR, average building age etc).
Stakeholder engagement	<ol style="list-style-type: none"> Investor relations initiatives and investor feedback. Quality and frequency of ASX announcements and reporting. Information provided to non-executive directors. Engagement with debt providers. Credit rating. 	<ol style="list-style-type: none"> Investor relations initiatives and investor feedback. Quality and frequency of ASX announcements and reporting. Information provided to non-executive directors. Engagement with debt providers. Credit rating.
Development of people and culture	<ol style="list-style-type: none"> Employee retention. Employee survey. Diversity initiatives. Development of culture. Employee training. 	<ol style="list-style-type: none"> Employee retention. Employee survey. Diversity initiatives. Development of culture. Employee training.
Compliance	<ol style="list-style-type: none"> Nature and number of compliance breaches. Unqualified audit opinion. Compliance with debt funding covenants. Compliance with policies and procedures set by the Board. Nature and number of complaints. 	These are now part of overall governance objectives and do not form an explicit part of STI. However, the matters listed as performance measures for FY15, remain performance review considerations.

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- Employees are not currently required to hold any securities in the Group but are encouraged to do so. At the date of this Report, most Employees hold securities in the Group (refer to page 108 for details of senior executive holdings).
 - Employees are entitled to receive certain payments including the vesting of all unvested securities under the LTI if the Company decides to terminate a position without cause including through redundancy.

Short-Term Incentives ("STI")

In advance of each financial year the Nomination, Remuneration and HR Committee, in consultation with the Managing Director, establish performance targets and reward levels for STIs in respective of the year ahead.

A performance review is undertaken near the end of each financial year to determine if an STI should be payable to each employee, respectively, including the Managing Director, based on performance targets set at the start of the financial year. Any reward to the Managing Director requires Board approval. STI payments are made in August following the financial year in which they were earned. Refer to the table above for Performance Criteria.

Governance: Remuneration report

Long-term Incentives (LTI) maximum for directors and other key management personnel

	FY15			FY14		
	LTI Maximum of TFR	LTI Maximum	LTI Estimate	LTI Maximum of TFR	LTI Maximum	LTI Actual
	%	\$	\$	%	\$	\$
Mr T Collyer	80	649,880	519,904	80	616,000	448,263
Mr A Hockly	50	150,000	120,000	50	140,000	101,878
Mr D Andrews	50	141,700	113,360	50	130,000	94,601
Mr M Green	50	141,700	113,360	50	130,000	94,601
		1,083,280	866,624		1,016,000	793,343

Long-Term Incentives ("LTI")

The Group has had LTI plans in place for all Employees and the Managing Director since 2011. The plans are designed to link Employees' remuneration with the long-term goals and performance of the Group with the aim of consistently increasing total Securityholder return.

LTI performance measures

The performance measures for the LTI are reviewed in advance of each financial year by the Nomination, Remuneration & HR Committee and/or the Board.

The performance measures for the FY15 LTI and the FY16 LTI are³:

a) Total Securityholder returns ("TSR") – Weighting 50%

TSR reflects the amount of dividends or distributions paid/payable by the Group plus the change in the trading price of the Group's securities over the financial year. TSR is calculated as a percentage return on the opening trading price of the Group's securities on the first day of the financial year.

TSR is benchmarked relative to the S&P/ASX A-REIT 300 Accumulation Index⁴ over a rolling 3 year period⁵ using the following methodology:

- At or below the 50th percentile - 0%.
- At the 51st percentile - 50%.
- Above the 51st percentile but below the 76th percentile - 50%, plus 2% for each percentile above the 51st percentile.
- At or above the 76th percentile - 100%.

b) Return on equity ("ROE") – Weighting 50%

ROE reflects the amount of dividends or distributions paid/payable by the Group plus the change in the Group's net tangible assets over the financial year. ROE is calculated as a percentage return on the Group's net tangible assets as at the first day of the financial year.

ROE is benchmarked relative to the ROEs of constituents of the S&P/ASX A-REIT 300 Index⁴ over a rolling 3 year period⁵ using the following methodology:

- Below the benchmark return - 0%.
- At the benchmark - 50%.
- 0.1% - 1.9% above the benchmark – 51.25% - 75% in increments of 1.125% for each 0.1% above the benchmark
- 2% or more above the benchmark - 100%.

LTI Maximum

In advance of each financial year, the Board and/or the Nomination, Remuneration and HR Committee will establish an LTI pool in respect of the upcoming financial year and determine the maximum incentive which can be achieved by each Employee ("LTI Maximum"). Under the terms of his employment contract, the Managing Director's LTI Maximum is 80% of his total fixed remuneration ("TFR"). Other employees currently have LTI Maximums of 20%, 30% or 50% of their respective TFR. Refer to the table on page 61 for details of TFR for senior executives for FY14 and FY15 and to page 67 for details of TFR for senior executives for FY16.

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LTI Minimum

There is no minimum grant under the LTI. Accordingly, if minimum performance measures are not achieved, no grant will be made under the LTI.

LTI Achievement

In early October of each year, the Nomination, Remuneration & HR Committee assesses the achievement of the performance measures listed above to determine a percentage achieved for the previous financial year ("LTI Achievement")

LTI Awards

The LTI Maximum multiplied by the LTI Achievement provides the "LTI Award" for each employee for the relevant financial year.

For FY14 LTIs and beyond, the LTI Award is translated into an equivalent value of the Group's securities through dividing the LTI Award by the volume weighted average price of the securities over the 20 trading days prior to 30 September following the financial year to which the LTI relates. This gives a total number of securities to be issued to each Employee for each subsequent vesting.

25% of the securities to be issued to each Employee based on the LTI Award are issued to each Employee in October or November of each of the following four years. Each such vesting is subject to the Employee remaining employed by Growthpoint at the relevant date subject to certain contractual exceptions such as a redundancy and in the discretion of the Board (e.g. in the case of a "good leaver").

As each grant in respect of FY14 and beyond is on the basis of a fixed number of securities rather than a fixed value,

3. Prior to FY15, an additional measure, "Distributable Income", was used. However this now forms part of the STI and so has been removed from the LTI. Readers can refer to previous annual reports available on the Group's website if they require information in relation to previous LTIs.

4. The benchmark only includes those constituents of the ASX REIT 300 that have a comparable trading history. For example, if they have listed, merged or demerged within three years they are excluded.

5. For LTIs prior to FY14, this was taken from the date the Group became a stapled entity to the end of the tranche vesting period as a full three year history was not available.

Details of performance rights issued in FY15

Plan identification	Plan participants	Issue date	Value of securities issued on conversion of performance rights	Number of securities issued on conversion of performance rights	Value of performance rights still to vest	Percentage of plan that vested during FY14
			\$	No.	\$	%
FY14 Plan	Mr T Collyer	27/11/14	112,066	40,457	N/A	25%
FY14 Plan	Mr A Hockly	8/10/14	25,470	9,195	N/A	25%
FY14 Plan	Mr D Andrews	8/10/14	23,650	8,538	N/A	25%
FY14 Plan	Mr M Green	8/10/14	23,650	8,538	N/A	25%
FY13 Plan	Mr T Collyer	8/10/14	138,040	49,834	276,080	25%
FY13 Plan	Mr A Hockly	8/10/14	30,813	11,124	61,625	25%
FY13 Plan	Mr D Andrews	8/10/14	28,348	10,234	56,696	25%
FY13 Plan	Mr M Green	8/10/14	27,731	10,011	55,461	25%
FY12 Plan	Mr T Collyer	8/10/14	98,791	35,665	98,791	25%
FY12 Plan	Mr A Hockly	8/10/14	21,954	7,925	21,954	25%
FY12 Plan	Mr D Andrews	8/10/14	20,033	7,232	20,033	25%
FY12 Plan	Mr M Green	8/10/14	19,209	6,935	19,209	25%
FY11 Plan	Mr T Collyer	8/10/14	75,870	27,390	-	25%
FY11 Plan	Mr A Hockly	8/10/14	16,597	5,992	-	25%
FY11 Plan	Mr D Andrews	8/10/14	15,490	5,592	-	25%
FY11 Plan	Mr M Green	8/10/14	15,490	5,592	-	25%

Employees are exposed to variations in the Group's security price for securities which are yet to vest (as well as for any securities they already hold).

For LTIs prior to FY14, 25% of the LTI Award is translated into an equivalent value in the Group's securities through dividing the LTI Award by the volume weighted average price of the securities over the 20 trading days prior to 30 September of each year of vesting. This calculation is undertaken in respect of each issue so the value of each vesting remains constant for each Employee but the number of securities changes according to changes in the security price.

The LTI is cumulative meaning that employees can receive up to four issues of securities in a particular year in respect of four prior financial years. Subject to some exceptions, securities immediately vest in the case of a takeover of the Group or an Employee being made redundant.

ASX Listing Rules

In accordance with ASX Listing Rule 10.14, the issue of any stapled securities to the Managing Director is subject to Securityholder approval. It is intended that such approval be obtained at the Group's annual general meeting each year and, if approved, stapled securities be issued shortly after the relevant meeting.

FY15 Achievement

The LTI Maximum for the Managing Director and other key management personnel for the year ended 30 June 2015 is given in the table above. The LTI Achievement cannot be calculated until the release of the benchmark data for the year ended 30 June 2015 so an estimated fair value at issue date is provided. The estimated LTI Achievement is included in an equity reserve in the year to 30 June 2015, pro-rated over the period to which any securities under the LTI are issued (see table above).

As there is no minimum LTI Award, if none of the benchmarks were achieved for FY15, the LTI Award would be \$0.

Hedging of issues by employees

Under the Group's "Securities Trading Policy" persons eligible to be granted securities as part of their remuneration are prohibited from entering a transaction if the transaction effectively operates to hedge or limit the economic risk of securities allocated under the incentive plan during the period those securities remain unvested or subject to restrictions under the terms of the plan.

Worked example of LTI (unaudited)

Sam Sample is a manager at Growthpoint with a TFR of \$100,000. His TFR has not changed for three years and his *LTI Maximum* is \$30,000 (being 30% of his TFR).

The *LTI Achievement* for the financial years since his employment commenced were:

1. FY12 – 87.8% of \$30,000 = \$26,340
2. FY13 – 98.6% of \$30,000 = \$29,580
3. FY14 – 80.0% of \$30,000 = \$24,000

The volume weighted average price for the 20 trading days prior to 30 September 2014 was \$2.77.

Governance: Remuneration report

As a result, Mr Sample would be eligible to receive 7,213 Growthpoint Properties Australia securities in October 2014 comprising the following *LTI Awards*:

1. FY12 – 2,377 (\$26,240/\$2.77/4)
2. FY13 – 2,670 (\$29,580/\$2.77/4)
3. FY14 – 2,166 (\$24,000/\$2.77/4)

Director and Senior Executive Reviews

Director reviews

The Nomination, Remuneration & HR Committee regularly, and not less than annually, reviews the performance of the Board, its committees and individual Directors.

In addition, the Board, and each of its committees, reviews its respective membership not less than annually to ensure it contains an appropriate mix of skills, experience and diversity (age, gender and geography) plus any specific objectives set by the Board or a committee. The Chairman meets with each Director separately not less than annually to receive feedback and to discuss any concerns.

Finally, each Director is required to review his or her position on the Board and each of its committees not less than annually and consider if they should remain in their respective role(s).

Board composition

The Board currently comprises Directors with extensive experience and expertise in property, finance, law, investment banking, accounting and corporate governance. Refer  to pages 52-54 of this Annual Report for profiles of each Director.

Being a property company, the Board has expressed a particular desire to ensure it comprises directors with extensive Australian commercial property knowledge. The Managing Director and Grant Jackson have had, and continue to have, extensive careers in Australian commercial property and have held, and continue to hold, senior positions in the property industry. The Board is eager to ensure that where Board members are replaced, the Board's property experience is not diminished.

Succession planning for directors

The Nomination, Remuneration & HR Committee has developed plans for the succession and/or temporary replacement of the Chairman and the Managing Director.

Director training

To ensure the Board has sufficient knowledge to discharge its duties, the Company Secretary co-ordinates an annual training program which includes presentations (verbal and written) from the Group's lawyers, auditors and property managers as well as from investment banks, real estate service providers and leading governance and training organisations.

Senior Executive Reviews

The Managing Director's performance is formally considered annually by the Nomination, Remuneration & HR Committee and, based on this formal assessment, the Committee makes remuneration recommendations to the Board. In making its assessment, the Committee considers, among other things, the STI performance measures listed above.

The Managing Director reviews the performance of the other senior executives and makes recommendations to the Nomination, Remuneration & HR Committee on their remuneration based, in part, on the STI performance measures listed above.

FY16 Remuneration (unaudited)

To assist readers of this Report to understand how Directors and Employees are remunerated for the year ahead and to understand the performance the board and the Nomination, Remuneration and HR Committee are trying to encourage through remuneration, FY16 remuneration has been provided below.

This information is in addition to that required by the *Corporations Act 2001* (Cth) and, as a result, has not been audited. Remuneration listed below is subject to range of factors including persons remaining employed by the Company in their current role for all of FY16.

LTI

The LTI for FY16 has not changed from FY15 other than TFRs which have increased for all employees. Refer to page 64 for

 details about the LTI for FY15 and, accordingly, the FY16 LTI.

 The figures included on page 67 are the *maximum* available for award under this scheme in respect of FY16.

STI

For executive management (comprising the Managing Director, Company Secretary/ General Counsel, Chief Financial Officer and Head of Property), an STI bonus may be payable in respect of FY16 based on the following measures:

1. Distributable income achievement (70% weighting).
2. Non-financial measures (30% weighting) comprising the following in equal weighting:
 - a. Fulfilment of company strategy including acquisitions, disposals, capital management initiatives and strategic asset management.
 - b. Property operations including vacancy rates, arrears, property income, leasing and overall portfolio metrics.
 - c. Stakeholder engagement including investor relations, ASX announcements and other reporting, non-executive director information, engagement with banks and other debt providers and credit rating achievement/maintenance.
 - d. People and culture including employee retention rate, diversity initiatives, employee engagement and training.

 Refer to the table on page 63 for more details about STI performance measures.

An STI bonus for FY16 may be payable to other employees primarily on the basis of personal contribution to the achievement of any or all of the above.

The figures included at right are the *maximum* available for award under this scheme in respect of FY16.

FY16 Remuneration (unaudited)

	Total Fixed Remuneration (Including superannuation ("TFR"))	Short-term Incentive (maximum)	Long-term Incentive (maximum)	Other Benefits	Termination notice (without cause)	Termination Payments (without cause for redundancy or similar by the Company)	Restraint of trade period
Chairman Geoff Tomlinson	\$177,850 (7.6% increase from FY15)	Nil	Nil	Nil Ineligible for additional committee fees	Nil	Nil	Nil
Non-Executive Directors	\$92,750 (base fee 6% increase from FY15) plus fees for acting as: – Chair – Audit, Risk & Compliance Committee - \$18,550 (6% increase) – Member – Audit, Risk & Compliance Committee - \$10,750 (7.5% increase) – Chair – Nomination, Remuneration & HR Committee - \$13,250 (6% increase) – Member – Nomination, Remuneration & HR Committee - \$8,250 (10% increase)	Nil	Nil	Nil	Nil	Nil	Nil
Managing Director Timothy Collyer	\$850,000 (4% increase)	117.5% of TFR	80% of TFR	– Gym membership – Payment of up to 1.5% of TFR in lieu of premium for Life, TPD and Income Protection	Six months (By either party)	Nine months TFR plus vesting of any granted but unvested options under LTI	12 months
Company Secretary & General Counsel Aaron Hockly	\$330,000 (10% increase)	70.5% of TFR	50% of TFR	Payment of up to 1.5% of the TFR in lieu of Life, TPD and Income Protection cover	One month (By either party)	Various for years of service plus vesting of any granted but unvested options under LTI	3 months
Chief Financial Officer Dion Andrews	\$320,000 (13% increase)	70.5% of TFR	50% of TFR	Payment of up to 1.5% of the TFR in lieu of Life, TPD and Income Protection cover	One month (By either party)	Various for years of service plus vesting of any granted but unvested options under LTI	3 months
Head of Property Michael Green	\$320,000 (13% increase)	70.5% of TFR	50% of TFR	Payment of up to 1.5% of the TFR in lieu of Life, TPD and Income Protection cover	One month (By either party)	Various for years of service plus vesting of any granted but unvested options under LTI	3 months
Other Management Staff	Various	30% of TFR	30% of TFR	Payment of up to 1.5% of the TFR in lieu of Life, TPD and Income Protection cover	One month (By either party)	Various for years of service plus vesting of any granted but unvested options under LTI	3 months
Other Staff	Various	20% of TFR	20% of TFR	Payment of up to 1.5% of the TFR in lieu of Life, TPD and Income Protection cover	One month (By either party)	Various for years of service plus vesting of any granted but unvested options under LTI	0-3 months

Governance: Additional information

Indemnification and Insurance of Directors, Officers and Auditor

The Company has entered into a Deed of Indemnity, Insurance and Access with each of its directors, Aaron Hockly (Company Secretary and General Counsel), Dion Andrews (Chief Financial Officer) and Michael Green (Head of Property) providing these persons with an indemnity, to the fullest extent permitted by law, against all losses and liabilities incurred in their respective role for the Company. The Deeds also require the Company to grant the indemnified person with access to certain Company documents and insure the indemnified persons.

In compliance with the Deeds referred to above, the Company insured its Directors and officers against liability to third parties and for costs incurred in defending any legal proceedings that may be brought against them in their capacity as Directors or officers of the Group. This excludes a liability which arises out of a wilful breach of duty or improper use of inside information. The premium also insures the entity for any indemnity payments it may make to its Officers in respect of costs and liabilities incurred. Disclosure of the premium payable is prohibited under the conditions of the policy.

In addition, Growthpoint SA, the Group's majority Securityholder, has undertaken to those Directors and officers of the Group who are not also Directors of Growthpoint Properties Limited that to the extent D&O insurance is not available due to (1) the insolvency of the Group or (2) limitations on claims arising from Peter David Steingrad & others v BFSL 2007 Limited & Others, HC, Auckland, CIV-2011 – 404 – 611 15 September 2011 and Court of Appeal decision CA 674/2011 (20 December 2012), it will provide the directors and officers the same level of financial recourse had the insurance been available. The undertaking expires on the earlier of a superior court in Australia or New Zealand finally determining that the principles of the aforementioned case should not be followed and Growthpoint Properties Limited ceasing to hold (whether beneficially or otherwise) more than 50% of the shares in Growthpoint Properties Australia Limited.

The Auditor is indemnified by the Group against claims from third parties arising from the provision of audit services except where prohibited by the *Corporations Act 2001* (Cth) or due to negligence, fraudulent conduct, dishonesty or breach of trust by the auditor.

Non-Audit services

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statement.

The Board has considered the non-audit services providing during the year by the auditor are satisfied that the provision of those non-audit services during the year by the auditor is compatible with and did not compromise, the auditor independence requirements of the *Corporations Act 2001* (Cth) for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provide do not undermine the general principals relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for audit and non-audit services provided during the year are set out below.

	2015
	\$
Services other than audit and review of financial statements:	
Other regulatory audit services	55,150
Other assurance service and due diligence services	–
	55,150
Audit and review of financial statements	131,850
Total paid to KPMG	187,000

Environmental Regulations

As a Trustee of a property owner, the Group is subject to the normal environmental regulations of landowners within Australia. The Directors are not aware of any significant breaches during the year.

Auditors' Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the

 *Corporations Act 2001* (Cth) is set out on page 113.

Rounding

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

