

Responsible property investment

Highlights

– Our office buildings²²

are

29% more
energy efficient

are

26% more
water efficient

have

30% lower
emissions intensity

- 10 assets have improved their NABERS Energy rating
- 9 assets have improved their NABERS Water rating
- 3.8 stars weighted average NABERS Energy rating achieved across the portfolio
- 3.5 stars weighted average NABERS Water rating achieved across the portfolio

22. Improvement based on 2010 calendar year compared to the baseline (2006 calendar year).



655 Collins Street, Melbourne, VIC

Our focus on responsible property investment (RPI) is consistent with our vision of being the leading manager of Australian office property, delivering above benchmark returns through active management.

By ensuring the assets in the Fund's portfolio are managed to perform optimally, we can reduce overheads and support the delivery of superior returns whilst maintaining value. Our proactive approach to environmental and social considerations in building design and operation demonstrates our leadership capabilities in the Australian marketplace. Further, through successfully engaging all of our stakeholders, we mitigate the risks to our strategy and by implementing market-leading governance practices, we can provide our investors with assurance that we take our role in responsible property investment seriously.

We incorporate responsible property investment into all stages of ownership and management:

INVEST

Each asset we acquire is reviewed through a responsible investment check-list as part of the standard due diligence process

MANAGE

We set performance targets to improve our assets over time

ENHANCE

We refurbish or redevelop to a higher environmental standard when undertaking development works

During the year, our RPI program resulted in real efficiencies being achieved across the portfolio. Our efforts in market-leading governance were recognised when the Fund was highly commended in the Asia Pacific Real Estate Association (APREA) inaugural best practices award in the Mature Markets (developed countries) category.

CFSGAM has a Responsible Property Investment strategy which is endorsed by the Manager and the Board. For more information on our policies and procedures as they relate to responsible property investment, please refer to our website cfsgam.com.au.

Our commitments and memberships

Sustainability indices memberships

- Dow Jones Sustainability Index (DJSI)
 - included since 2003
- Global Real Estate Sustainability Benchmark (GRESB), formerly Environmental Real Estate Index
 - included since inception (2010)
- FTSE4Good Index
 - included since inception (2005)
- Australian SAM Sustainability Index (AuSSI)
 - included since inception (2005)

Carbon disclosure

- Carbon Disclosure Project (CDP) since 2006 – our latest submission can be found on the Fund's website cfsgam.com.au/cpa/CPASustainability.aspx
- Included in the Carbon Disclosure Leaders Index (CDLI) and recognised as the leading real estate entity as a Carbon Performance Leader in 2010

Mandatory reporting requirements

- National Greenhouse Energy Reporting System (NGERS) emissions from CPA's assets are consolidated with those of the Bank for reporting
- Energy Efficiency Opportunities Act (EEOA) 2006 – reporting of CPA's assets is consolidated with the Bank's submission
- Commercial Building Disclosure (CBD) program
- NSW Government Energy Savings Scheme (ESS)

Voluntary schemes/partnerships

Commonwealth Bank of Australia

- Signatory to the UN Global Compact
- Signatory to the UN Environment Programme Finance Initiative (UNEP-FI)

Colonial First State Global Asset Management

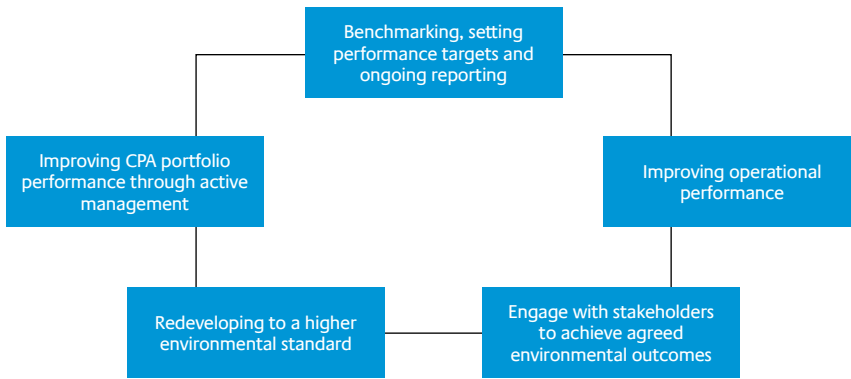
- Signatory to the United Nations Principles of Responsible Investment (PRI)²³
- Member of the Investor Group on Climate Change
- Board member of the Green Building Council of Australia
- Co-chairman of the UNEP-FI Property Working Group
- National president of the Property Council of Australia (PCA)
- National sustainability and divisional sustainability representation on the PCA
- Board representation on and corporate donor to the Property Industry Foundation
- Better Building Partnership with Sydney City Council
- Melbourne 1,200 Buildings Partnership with Melbourne City Council



23. CFSGAM's latest responsible investment report, released in June 2011, can be found in the About us section of cfsgam.com.au.

Environment

What it means to CPA



What we do

- Link environmental performance to the key performance indicators (KPIs) of relevant staff
- Work with industry bodies to set and improve sustainability benchmark guidelines
- Independently assured our 2010 environmental data
- In developments we target 5-star Green Star ratings and 5-star NABERS Energy ratings
- Risks and opportunities are assessed for redevelopments and in due diligence for acquisitions

We continue to reduce CPA's environmental footprint.

We recognise that the risk of climate change may be one of the biggest environmental risks facing investments over the long term. Climate change is high on the global political agenda, and legislative measures have been announced and introduced to mitigate the impacts of climate change associated with buildings. We believe it is important to understand and adapt to the risks that climate change presents and our approach to this can be found in CFSGAM's Climate Change Position Statement (CCPS).

As a responsible property investor, we recognise the need to manage these risks and also to identify opportunities. To that end, CPA reports on emissions to the Carbon Disclosure Project (CDP), and in 2010 was the only real estate company to be recognised as a Carbon Performance Leader in the Carbon Disclosure Leaders Index. Our 2011 CDP submission and CCPS can be found on our website cfsgam.com.au/cpa/CPASustainability.aspx.

Our continued focus on environmental performance has resulted in real savings and improved efficiencies across the portfolio, demonstrating an overall better environmental outcome for the Fund. The ongoing implementation of our Operational Performance Strategy (OPS) has provided management with the ability to integrate sustainable efficiency improvements throughout each asset's operations. With a focus on the delivery of the Asset Efficiency Program (a sub-metering, monitoring, analysis and reporting tool for utility performance) and the continued refinement of performance through our NABERS Program, including 'real time' tracking, we believe that this approach maintains and enhances asset value, mitigates operational and legislative risk, maximises operational potential and provides quality accommodation for tenants.

NABERS performance and benchmarking

Our focus is to continue to improve NABERS performance ratings of CPA's assets over time. Our 2012 target²⁴ average NABERS Energy rating is 4.5 stars, and target average NABERS Water rating is 3.8 stars. This drives our focus on utility and resource efficiency and management effectiveness from our property teams, in making our assets as efficient as practicable and therefore able to provide the best environmental outcomes for our tenants.

Our strategy is to maintain or improve existing asset ratings. From an energy perspective, we believe this should be achieved through efficiency gains rather than procuring green power. Our NABERS Energy ratings and target are exclusive of the procurement of green power. Our primary focus is on lower NABERS Energy rated assets, particularly the four assets with a rating below 3.5 stars, where we believe we can get the most efficiency gains. In seeking to achieve this energy strategy, we already have eight assets rated at or above 4.5 stars.

Weighted average portfolio ratings

Calendar year	2007 actual	2008 actual	2009 actual	2010 actual	2012 target ^a
NABERS Energy ^b rating	2.9	3.3	3.7	3.8	4.5
NABERS Water rating	2.9	3.0	3.3	3.5	3.8

a. To be reported in 2013 annual reporting. The target currently excludes the three Melbourne assets acquired during the year.
 b. Excluding green power.

The 2010 actual ratings and 2012 targets exclude the Melbourne assets that were acquired during the year, which are still undergoing their sustainability assessments and implementing their sustainability improvement plans. It should be noted that NABERS ratings are subject to variables, including vacancies which can affect the portfolio targets. Furthermore, the portfolio composition constantly changes, with acquisitions, divestments, refurbishments and vacancies, which all lead to variations in the achievement of ratings on a portfolio-wide basis.

24. To be reported in 2013 annual reporting. The target currently excludes the three Melbourne assets acquired during the year.



Energy and emissions

Our approach to energy and emissions management has primarily focused on improving the efficiency of our buildings, which means using less energy to get a better outcome.

Our Operational Performance Strategy and associated programs are focused on improving the overall performance of the Fund's assets.

Progress in 2011

Commitments	Progress
Continue our NABERS benchmarking work to achieve our 2012 targets	10 assets improved their NABERS Energy ratings
Develop a Green Lease Strategy that encourages tenants to improve the energy efficiency of their tenancies	Completed
Continue to investigate opportunities for renewable energy generation where feasible	Investigated on three assets
Continue to apply for government funding for energy efficiency projects	Received funding on four assets from Tune-Up-Canberra and the Green Building Fund

Focus

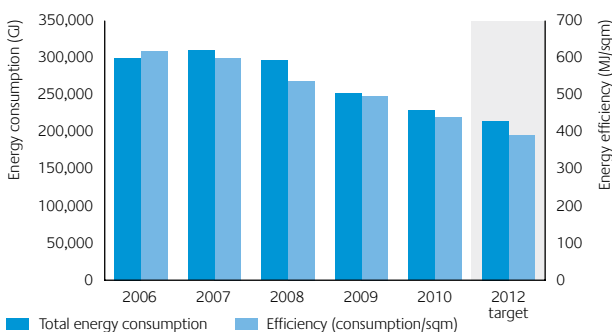
Our focus for the next 12 months is on:

- making further progress on 2012 NABERS Energy weighted portfolio average target and developing a strategy for 2015
- implementing our tenant engagement process via the Green Lease Strategy
- continuing the renewable energy generation project at 385 Bourke Street, Melbourne
- reviewing the Operational Performance Strategy across the entire portfolio
- continuing the delivery of the Asset Efficiency Program, and
- refining of the NABERS Real Time tracking tool.

Performance

Since 2006, our active asset management approach has resulted in the portfolio consuming 24% less energy, and becoming 29% more energy efficient (from 618 MJ/sqm to 439 MJ/sqm). Despite the changing nature of the portfolio, we have achieved cumulative savings of 71,160 GJ of energy, equivalent to the annual energy use of 355,800 average Australian homes.

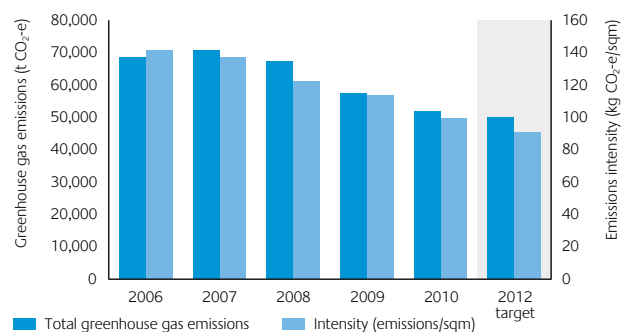
Energy use



- ✓ Energy consumption has reduced
- ✓ Energy efficiency has improved

Since 2006, the ongoing focus on emissions reduction has resulted in the portfolio generating 25% less emissions. Our emissions footprint has reduced by over 16,800 tonnes and the Fund has improved its emissions intensity by 30% (from 141 kg CO₂-e/sqm to 99 kg CO₂-e/sqm).

Greenhouse gas emissions (Scope 1 and 2)^a



- ✓ Emissions have reduced
- ✓ Emissions intensity has improved

a. Greenhouse gas emissions: Scope 1 and 2 emissions are comprised of emissions associated with Electricity, Natural Gas, and LPG usage only.



Water

Improving water management through operational efficiency has been a long-term focus for CPA.

The identification and implementation of water efficiency measures are considered to be standard practice and good housekeeping and it is the delivery of management tools such as the Asset Efficiency Program that allow our property managers to continually improve the water efficiency within our buildings.

Progress in 2011

Commitments	Progress
Continue our NABERS benchmarking work to achieve our 2012 targets	Improved NABERS Water ratings across nine assets
Undertake water efficiency audits and complete water management plans (WMPs)	Completed all water management plans and water audits for Sydney assets
Explore opportunities to recycle and reuse potable water	Continued to explore opportunities to recycle and reuse potable water

Focus

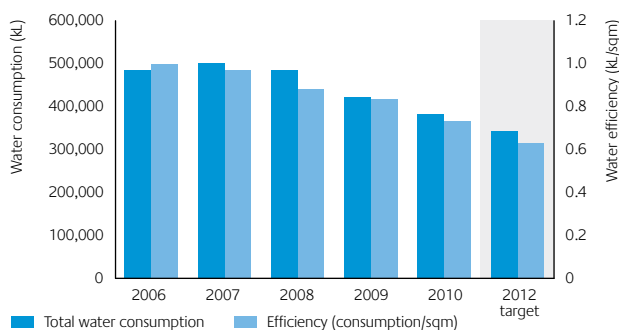
Our focus for the next 12 months is on:

- making further progress on 2012 NABERS Water weighted portfolio average target and developing a strategy for 2015
- reviewing the Operational Performance Strategy across the entire portfolio
- continuing the delivery of the Asset Efficiency Program
- continuing to undertake Water Efficiency Audits where required, and
- seeking opportunities to recycle and reuse potable water.

Performance

Since 2006, 21% less water has been used across the portfolio, which has cumulatively saved over 102,000 kL of water, equivalent to 40 olympic-sized swimming pools. The Fund has also improved its water efficiency by 26% (from 1.0 kL/sqm to 0.7 kL/sqm).

Water use



- ✓ Water consumption has reduced
- ✓ Water efficiency has improved





Waste

For CPA, reducing the total amount of waste generated within a building and improving the diversion of that waste from landfill provides a number of benefits. The Fund is able to minimise increasing costs associated with landfill, manage and reduce its Scope 3 emissions²⁵, and engage with stakeholders through tenant awareness programs and contractor education.

Our approach to waste and recycling has been strategic and closely aligned to the delivery of the new waste and recycling contract implementation. A large number of stakeholders have been engaged throughout the process and we now have confidence that our new reporting regime and management systems (which commenced in July 2010) can provide us with the accurate, transparent and performance-based outcomes we require as part of our Resource Recovery Strategy.

Progress in 2011

Commitments	Progress
Integrate sustainability principles into KPIs and reporting for waste and cleaning contracts	New waste and cleaning contracts from 1 July 2010 have waste efficiency-related KPIs
Implement additional initiatives	Collectively working with tenants to maximise resource recovery through the three-stream single bin system, separating waste as commingled, paper and general waste

Focus

Our focus for the next 12 months is on:

- ensuring that our new waste and recycling contract is supported with the appropriate systems, tools and programs, and
- achieving a waste diversion target of 65% for the next reporting period.

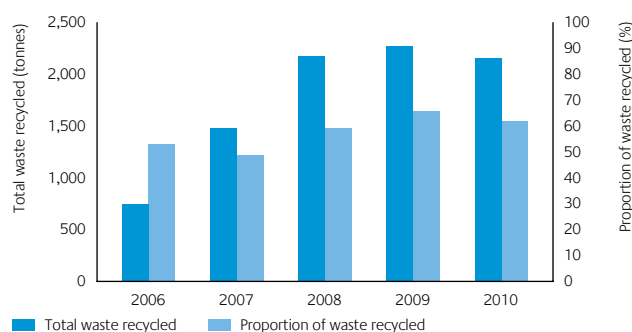
Strategy for waste in 2012

- Waste Management Plan development and formal review.
- Formal monthly meetings with waste contractor, cleaners and building management.
- Development of performance targets.
- Rigorous monthly reporting program.
- Tenant awareness programs.

Performance

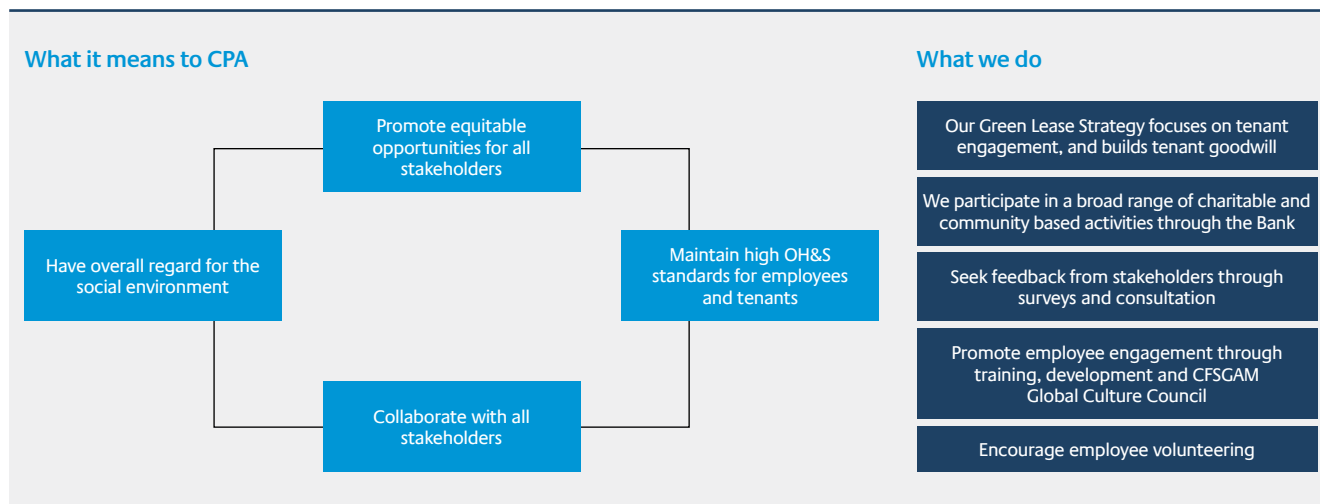
Since 2006, our waste and recycling program has provided more challenges than expected. As we now see the benefits of a new waste and recycling contract that integrates sustainability principles and places priority on stakeholder partnerships and reporting outcomes, we recognise the quality of our waste and recycling dataset in previous years has been inconsistent and imprecise. Our data are reported on a calendar year basis and, at this stage, we only have reliable waste management data since 1 July 2010.

Waste and recycling



25. Other indirect greenhouse gas emissions not attributable to the consumption of purchased electricity, heat or steam.

Social



As a responsible property investor, we understand that there are a number of stakeholders involved in what we do and it is our responsibility to treat each of those stakeholders equitably and without discrimination. Our stakeholders include our employees, tenants, contractors, the business districts in which our office buildings are located and our investors.

Our people

CFSGAM encourages the enhancement of our workplace culture and active employee engagement through the CFSGAM Global Culture Council – which includes a range of employees of varying seniority including the CEO of CFSGAM. Our employees enjoy the benefits of working in CFSGAM, the consolidated asset management division of the Bank, which means they are also covered by the Bank’s human resources policies on:

- personal development
- diversity and equal opportunity
- training and development, including graduate programs
- flexible work arrangements
- employee services and benefits
- monitoring employee engagement and feedback
- occupational health and safety, and
- encouraging volunteering and charitable giving.

More detailed information on our employees, and links to publicly available documents and policies, can be found in the People section of this Report or on our website [cmsgam.com.au/cpa/CPASustainability.aspx](http://www.commbank.com.au/cpa/CPASustainability.aspx) or at <http://www.commbank.com.au/about-us/our-company/our-people/default.aspx>.



Responsible property investment continued

Tenants and contractors

We take a proactive approach to stakeholder engagement at our properties. We provide a high standard of safety in our buildings through our rigorous risk management and OH&S practices. These apply not only to staff and tenants who regularly use the site but also apply to visitors to our properties and to contractors employed at our properties. In regard to our supply chain, we have implemented a procurement policy which takes into account our broad sustainability objectives and outcomes. This will be further developed in the 2012 financial year.

Our tenant engagement strategy will be reinforced from 1 July 2011 as part of our Green Lease Strategy. We also have a memorandum of understanding for existing tenants who wish to engage in sustainability issues and better environmental outcomes.

The investment community

The Manager has regular contact with investors. We aim to maintain the highest standard of disclosure through the Australian Securities Exchange and treat all investors equally. We encourage and respond to feedback from investors through our annual unitholder meetings, analyst briefings, one-on-one meetings with key stakeholders and written correspondence. Further information on investor relations can be found on pages 34 to 35 of this Report.

Progress

Commitments	Progress
Pilot NABERS Indoor Environment tool, and work with the NABERS team to improve the tool and promote its use	NABERS Indoor Environment tool completed and being progressively introduced
Continue the annual tenant satisfaction survey	Improved results from our 2010 tenant survey
Continue implementation of Green Leases and improve tenant communications	Transitioned a green lease schedule to all new leases
Incorporate sustainability into procurement processes	Sustainability clauses and KPIs introduced into procurement processes

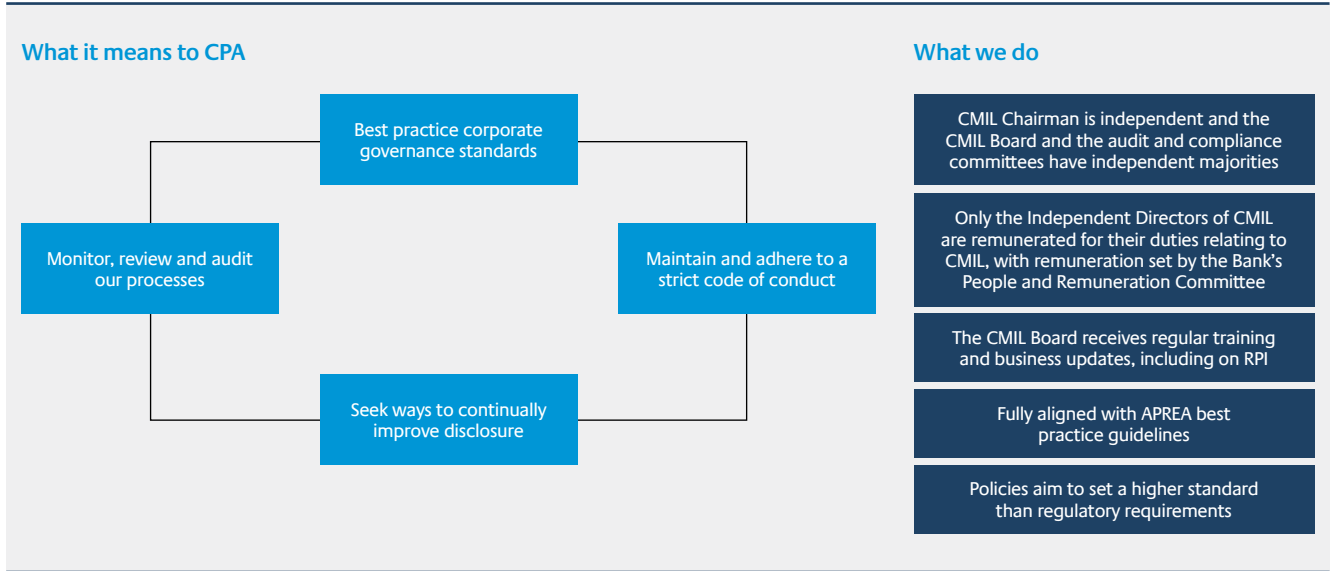
Focus

Our focus for the next 12 months is on:

- continuing NABERS Indoor Environment tool roll-out across our portfolio
- continuing to improve tenant engagement through tenant satisfaction surveys and Green Lease Strategy
- transitioning a green lease schedule to all new leases and engage with existing tenants
- improving supply chain reviews and education, and
- reviewing the procurement policy and associated programs.



Governance



RPI is supported by a foundation of robust governance which is fundamental to protecting the long-term interests of unitholders. The Fund's long-term vision incorporates ESG factors. Our Board receives half-yearly reports on RPI at a minimum.

Good governance is more than just the responsibility of the Board. We have risk management protocols across all facets of our business that are subject to both internal and external auditing. All employees receive regular training on corruption, bribery, anti-money laundering and counter-terrorism financing. We also have policies capturing (but not limited to) related party transacting, insider trading and continuous disclosure.

During the year, our efforts in market-leading governance were recognised when the Fund was highly commended in the Asia Pacific Real Estate Association (APREA) inaugural best practices award in the Mature Markets (developed countries) category.

CFSGAM has a PRI Steering Committee which sets responsible investment policy and strategy. It comprises 17 senior representatives from across the business and is chaired by the Chief Executive Officer of CFSGAM. Reporting to the PRI Steering Committee are subcommittees and working groups that deal with asset class specific ESG issues, including the property RPI team. These subcommittees ensure that ESG considerations are integrated into the investment strategies of the Fund.

Further information on our extensive processes and reporting on corporate governance can be found on pages 52 to 67 in this Report or in the About us section of our website, cfsgam.com.au/cpa, and that of the Bank at www.commbank.com.au.

