

Sustainability & Property Asset Management

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Agenda

- Context for considering Sustainability initiatives in Property Investment Management
- The investment supply chain for Property Investment Management
- The drivers and incentives (or lack thereof) for sustainability
- Our approach / response through asset management
- The challenges
- Some observations of the success in the industry to date

Context

The Property Investment Managers approach

➤ Property Investment Managers Responsibility

- Active asset management
- Value
- Performance



Returns

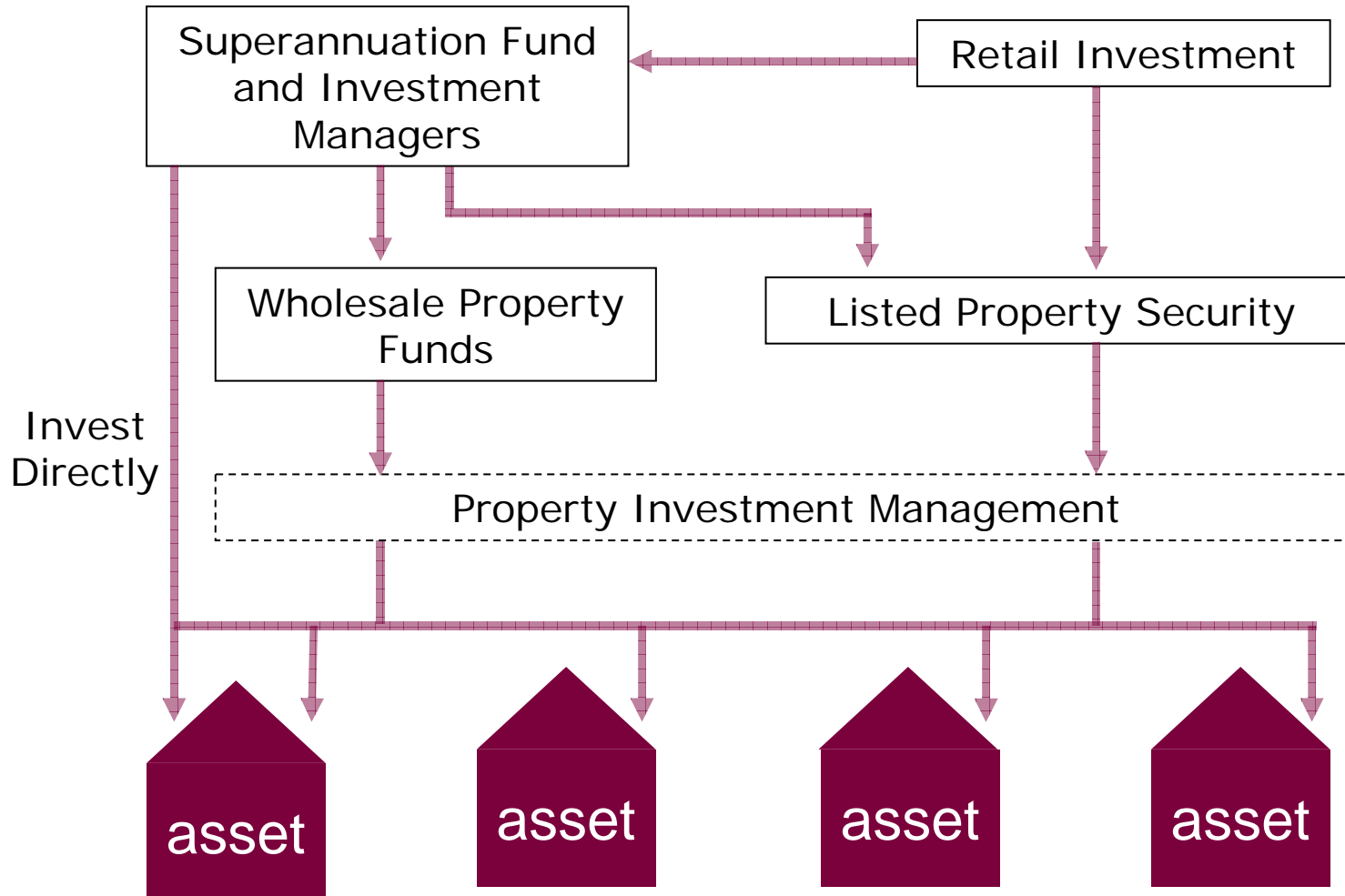
➤ Response to the Investor drivers

- Investment returns
- Social licence to operate
- Fiduciary duties

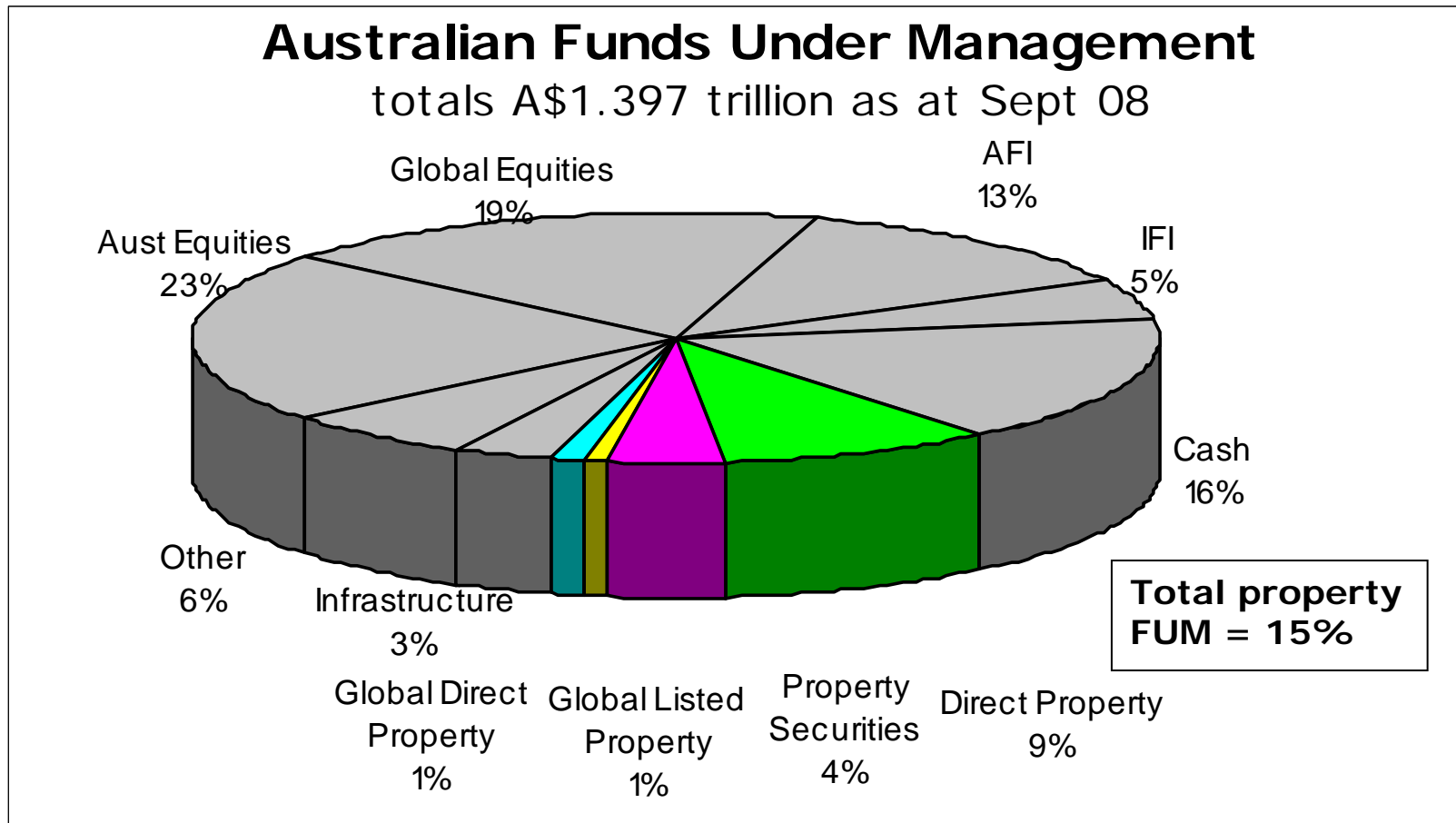


Alignment

Investment Universe



Portfolio Allocation to Property



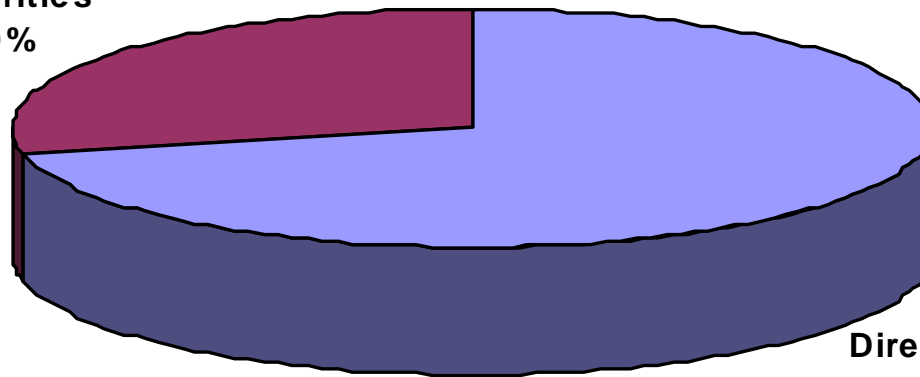
Source: Rainmaker & CFS Research

Portfolio Allocation to Property

Property FUM direct versus listed

A\$183 billion as at Sept 08

Property
Securities
29%

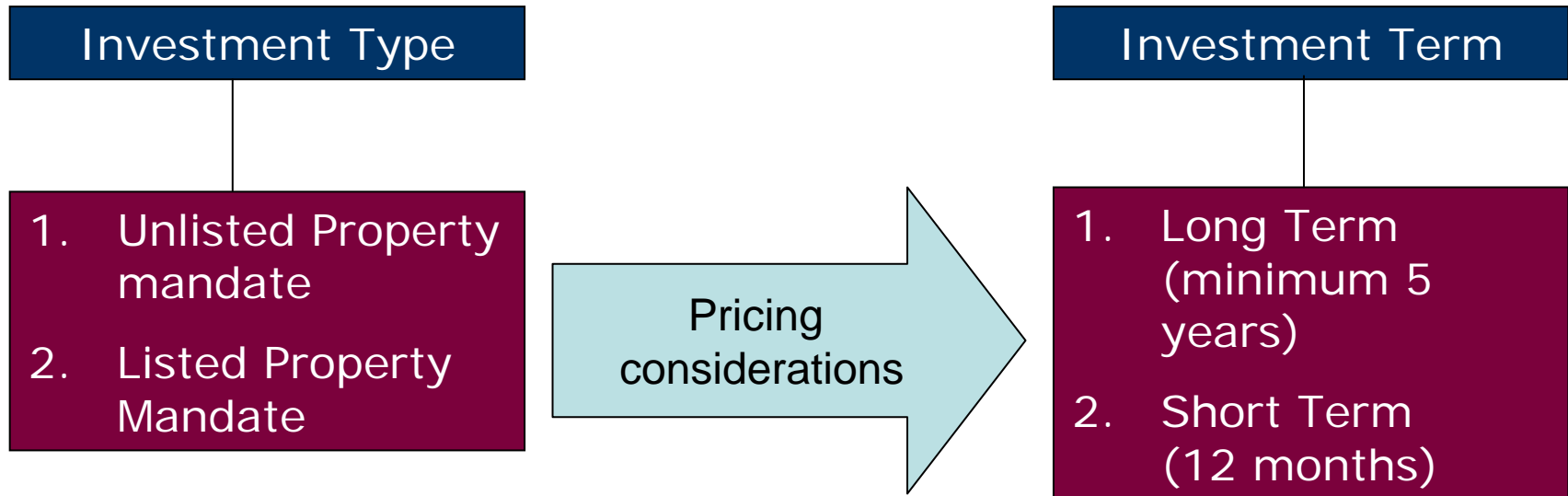


Direct Property
71%

Source: Rainmaker & CFS Research

Investment Drivers

Markets and Their Influence



Enhanced/Impinge on Sustainability Agenda

Property Investment Manager's Response

Management Philosophy

- Embodies sustainability
- Just good business sense
- United Nations Principles of Responsible Investment (UNPRI)

A voluntary globally recognised programme which encourages best practice in

- Environmental,
- Social and,
- Governance issues.

Responsible Property Investment



Property Investment Manager's Execution

➔ UNPRI

The Manager will;

1. **incorporate** ESG issues into investment **analysis and decision-making** processes;
2. be **active owners** and incorporate ESG issues into our ownership **policies and practices**;
3. seek appropriate **disclosure** on ESG issues by the entities in which we **invest**;
4. **promote** acceptance and implementation of the Principles within the investment industry;
5. work together to enhance our **effectiveness** in implementing the Principles;
6. each **report** on our activities and progress towards implementing the Principles.



Property Investment Manager's Execution

Portfolio and Asset Manager's Direction



Active Asset Management

- Long term positioning & repositioning
- Maintenance and creation of value
- Security of income
- Provision of amenity



Sustainability Integral through Asset/ Property/ Facilities Management



- Operating costs
- Utility consumption
- Resource consumption and recovery
- Emissions



Property Investment Manager's Measurable Outputs

Existing building stock

- ➔ The Green Issues
 - Climate change
 - Efficiencies
 - Tenant demand
 - Regulation & legislation

- ➔ Standards for transparency
 - Performance
 - Specifications
 - Green Leases



- ➔ Implementation
 - Targets
 - Benchmarking
 - Monitoring
 - Management
 - Analysis
 - Continual improvement



Property Investment Manager's Challenges

- Balance:



- Wholesale vs. Listed:



- Does balance effect on-site management?
- Does it affect sustainability implementation?
- New investment and redemptions

Observations

- ➔ Transparency
- ➔ Ratings
- ➔ Eco-Efficiency
- ➔ Tenant Engagement

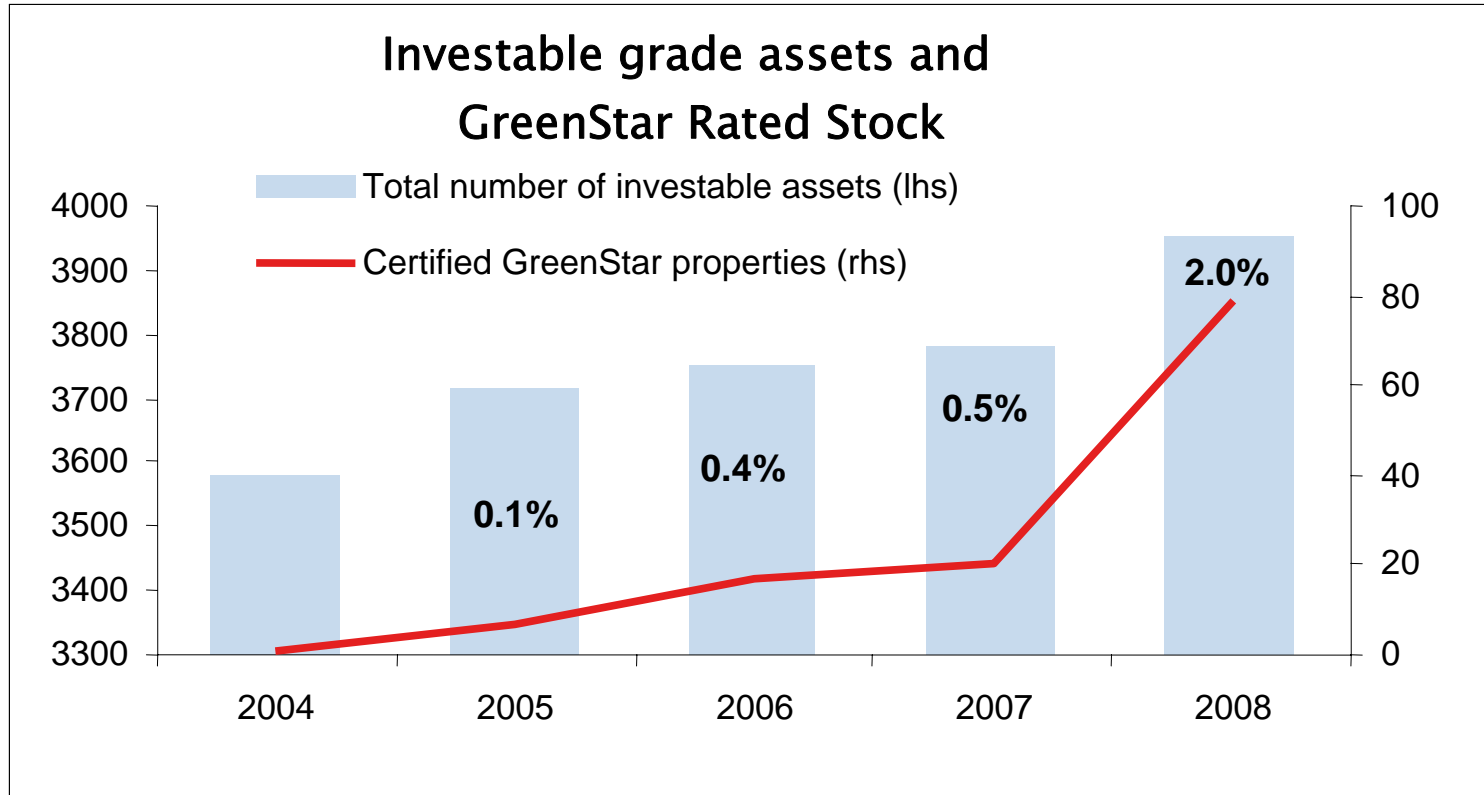
Green increases value!

“Doing well by doing green”

- Research by Nils Kok & others (Jan 09), Maastricht University Netherlands, & UC Berkeley (ref; USA Office Real Estate).



Green Building Rated Stock



Source: GBCA, IPD and CFS Research

NABERS Energy Ratings

- ➔ Introduced in 1999
- ➔ 40% of Australian office space has been rated
- ➔ Sydney has about 56% of stock rated
- ➔ Where buildings have been performance benchmarked and rated more than once; their ratings have improved by +/- 10% or half a star rating

Source: Proposed Federal Legislation for introduction 2010
“Mandatory disclosure of Commercial Office Building Energy Efficiency”

Summary

- ➔ Sustainability integral to Asset Management
- ➔ PRI framework
- ➔ Performance targets
 - set & measure
- ➔ Responsible Property Investment
- ➔ Green adds value

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