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EPRA

EUROPEAN PUBLIC REAL ESTATE ASSOCIATION

Sound First Steps

Inaugural EPRA Sustainability Awards 2011-12

Survey | September 2012

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tomorrow is today

“EPRA’s BPR on Sustainability reporting now forms an integral part of GRESB’s performance indicators and APG’s investment process. This assists us in the due diligence process of new real estate investments and in engaging with our existing property investments. Ultimately, this should reduce the environmental impact of APG’s real estate investments and improve the financial risk-return profile of our investments.”

Patrick Kanters
Managing Director APG Real Estate and Infrastructure

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Forward

Following the release of the EPRA Sustainability Best Practices Recommendations (sBPR) in September 2011, we are very pleased to announce the launch of the first EPRA Sustainability Awards.

The Awards are based on a review of public disclosure of sustainability impacts and performance (typically in Sustainability Reports and/or as sustainability sections in Annual Reports) of publicly listed real estate companies in the FTSE EPRA/NAREIT Developed EMEA Index[1] as at March 31, 2012. The review was performed by sustainability reporting specialists within Jones Lang LaSalle's Energy and Sustainability Services team between June and August 2012. This team has unrivalled knowledge of the EPRA sBPR and were instrumental in helping EPRA develop the standards and guidelines in consultation with its members in 2010/2011.

Eighty four reports were reviewed to check compliance with the EPRA sBPR, which are intended to raise the standards and consistency of sustainability reporting for listed real estate companies across Europe. The EPRA sBPR are developed by the EPRA Sustainability Committee in consultation with its members which includes property companies, investors and advisors. As with the EPRA Financial BPR awards, those companies we judged to have the best compliance with the sBPR have been given gold, silver and bronze awards. Fifteen awards were made in total, seven of these gold.

Considering the extensive consultation with companies both during the development of the sBPR and after publication, we are not surprised by the encouraging level of uptake. Within a year of being released, 40% of companies, representing ⅔ of the FTSE EPRA/NAREIT Developed EMEA Index, by market capitalisation, are publicly disclosing one or more the Sustainability Performance Measures. This compares favourably to that of the EPRA Financial BPRs when these were first introduced, which have since become standard practice for financial reporting.

The uptake of the sBPR is particularly encouraging when one considers the timing and duration of the reporting period. For instance we recognise that because the sBPR were introduced in September 2011, some companies would not have been able to adopt the recommendations in time for their 2011/2012 reporting cycle. For this reason alone, we anticipate that more companies will incorporate the sBPR into their next reports. Furthermore, we hope that the Awards will go even further to raise awareness of the sBPR and share best practice.

In addition to focusing on the sBPR, this report also highlights some key sustainability reporting trends from the past year, with a view to enhancing the discussions amongst the EPRA members towards sustainability reporting processes and the future development of the sBPR.

We would like to congratulate the award winners as well as the large number of companies that have shown some level of adoption of the sBPR. In the coming years we welcome not just enhanced sustainability reporting across the sector – in terms of both coverage and quality – but also improving sustainability performance too.

"We welcome EPRA's efforts to enhance sustainability reporting across the sector."

Indeed whilst congratulations are due for the efforts and significant progress made, there is still room for further improvement and uptake of the sBPR going forward. The review undertaken as part of these inaugural Awards has highlighted aspects of the sBPR that companies have found challenging to adopt - these insights will be shared with EPRA to ensure that further guidance or updates to the sBPR reflect these.

In addition to EPRA, Jones Lang LaSalle has provided sustainability measurement and reporting advice to a number of initiatives such as GRI[2], GRESB[3], the Greenprint Foundation, the Better Buildings Partnership. The result of this has been a significant degree of consistency in the protocols and guidelines for measuring and reporting the sustainability impacts of the real estate industry – which we view as a major step forward.

I would like to thank APG for sponsoring these awards and Laura Jockers, Denise Michela Sofia, Ryan Gerrish and the team of reviewers at Jones Lang LaSalle.

Please contact me or Gareth Lewis if you would like further information about these Awards.

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[1] A full list of companies in the FTSE EPRA/NAREIT Developed EMEA Index is provided at the end of this report.
[2] Global Reporting Initiative's Construction and Real Estate Sector Supplement (GRI CRESS)
[3] Global Real Estate Sustainability Benchmark

Highlights

- 34 out of 84 (40%) of companies reviewed, representing ⅔ by market capitalisation of the FTSE EPRA/NAREIT Developed EMEA Index have started to adopt the sBPR (at least one of the Sustainability Performance Measures outlined in the sBPR). Although an encouraging start, this leaves significant room for improvement.

- 7 companies received Gold Awards, 4 Silver and 4 Bronze – 15 in total.

- With the average score being only 22%, it is clear that listed companies need to ramp up efforts to further enhance the transparency of the sector.

- On average, companies in Finland are most compliant with the sBPR, followed by companies in the UK, France and Belgium (though sample sizes are small, so this is only indicative).

- UK companies dominate the Index so it is unsurprising that UK companies continue to set the standard, with 7 out of a total of 15 awards being given to UK companies – 3 gold, 3 silver and 1 bronze.

- Some countries such as Italy, the Netherlands, Norway, Greece, Austria and Israel are clearly lagging.

- Uptake of the sBPR is greater in Sweden (75% adoption rate) than in any other country. Uptake is around 40% in both the UK and France and 25% in Germany - reinforcing the important role of these Awards in raising awareness of the sBPR, as well as recognising and promoting best practice.

- Companies with larger portfolios received the highest average scores, whilst those with smaller portfolios received the lowest – though there are notable exceptions of both large companies not yet reporting and small ones reporting well.

- The vast majority (79%) of companies that disclosed some sustainability information claimed to derive financial value from sustainability initiatives.

- There are early signs that leading firms will fully integrate sustainability information into their Annual Financial Reports rather than publishing a separate Sustainability Report in future.

- Nine companies out of 84 surveyed reported on all 11 Performance Measures outlined by the sBPR.

- Performance Measures relating to greenhouse gas emissions and/or energy consumption are most commonly reported – by over a third of all constituents.

- A number of companies make explicit reference to the EPRA sBPR but only a few companies have taken the next step of bringing all the EPRA reporting in one prominent place in their Sustainability or Annual Report.

- Scope of reporting is often still vague with only a few companies quantifying the coverage included in each Performance Measure.

- Organisational Boundaries was the most widely applied of all 7 Overarching Recommendations - Operational Control being the most frequently cited boundary approach taken.

- Of the 34 companies that comply with at least one of the Sustainability Performance Measures:

  - 79% produce a standalone sustainability report

  - 94% have a dedicated sustainability webpage

  - 47% referenced the use of EPRA sBPR

  - 35% referenced the use of GHG Protocol and 38% have adopted the GRI CRESS

  - 35% participate in GRESB and 41% in the Carbon Disclosure Project (CDP)

  - 3% have produced an integrated Sustainability and Annual Report & Accounts

  - 59% have a separate sustainability section in Annual Report & Accounts

  - 47% assured or verified their sustainability reports (18% of these used an independent advisor statement rather than an audit)

  - 41% and 26% are members of the FTSE4GOOD and Dow Jones Sustainability Index (DJSI), respectively

  - 44% used a materiality process to identify main environmental impacts

  - 50% have introduced green leases

1.0 Sustainability Best Practices Recommendations

EPRA's Best Practices Recommendations (BPR) are a set of guidelines to help property companies produce comparable and best-in-class annual financial reports. Historically, these have focused on providing guidance on how to interpret and apply IFRS accounting consistently across Europe. In recent years EPRA's BPR have been extended to sustainability reporting, and we anticipate that over time these will become the established benchmark for transparency for property firms and investors, in the same way that EPRA's financial reporting BPRs are used today.

The EPRA Sustainability BPR (sBPR) were developed in 2011 by the EPRA Sustainability Committee, in response to feedback from investors that there was:-

- A general lack of disclosure on sustainability performance
- A wide variance in disclosures on sustainability performance between European real estate firms and that
- Underlying metrics and definitions lacked comparability.

The EPRA sBPR were developed by conducting research on different national practices (both voluntary and mandatory) and engaging with EPRA members to determine what sustainability reporting protocols are most useful for the property investment sector. More than 25 companies were consulted during the development of the sBPR as well as members of EPRA's Sustainability Committee.

The sBPR aim to raise the standard of sustainability reporting and improve clarity, and transparency in environmental reporting, by providing a consistent way of measuring sustainability performance. This is akin to the way that BPRs for financial reporting have made the financial statements of listed real estate companies in Europe clearer and more comparable.

The EPRA sBPR are consistent with GRI Construction and Real Estate Supplement (GRI CRESS) recommendations and focus on 11 key Sustainability Performance Measures and accompanying principles.

"Now that EPRA members have reached a consensus and are supporting a common set of sustainability reporting protocols, we are confident of seeing a step change in reporting standards."

Philip Charls
EPRA Chief Executive

1.1 Purpose of this annual survey and Awards

The purpose of these Awards is to promote awareness of the sBPR and recognise companies that comply with these guidelines. The ultimate aim is to raise the bar of sustainability reporting amongst the European public real estate sector. The Awards aim to encourage companies to produce clear, transparent and comparable sustainability reports, and the award criteria are built around these aspirations.

1.2 Award criteria and levels

The EPRA sBPR review 2011/12 assessed the annual reports and public sustainability disclosures of eighty four real estate companies across Europe – the members of the FTSE EPRA/NAREIT Developed EMEA Index.

Companies were assessed against both the number of Sustainability Performance Measures they report on, and crucially on the compliance of their reporting with the Overarching Recommendations in the EPRA sBPR.

The awards do not judge the actual performance of individual companies, but rather focus on the extent and quality of environmental disclosure. Awards fall into three levels:

EPRA SBPR GOLD – SUSTAINABILITY REPORTING: Exceptionally compliant with EPRA's sBPR

EPRA SBPR SILVER – SUSTAINABILITY REPORTING: Very good compliance with EPRA's sBPR

EPRA SBPR BRONZE – SUSTAINABILITY REPORTING: Where significant effort has been made to be compliant with EPRA's sBPR

Overall award scores were based on evidence of compliance in the following areas:

EPRA sBPR Performance Measures focus on key reporting measures related to Energy, Greenhouse Gas Emissions, Water and Waste that are relevant to investment properties. They consist of eight 'absolute' performance measures which quantify the total footprint and three 'intensity' measures which divide the total footprint by relevant surface area or persons. All absolute and intensity measures are listed in Tables 1 & 2.

Absolute measures are an indication of a company's exposure to risk (including regulatory risks, such as the CRC Energy Efficiency Scheme in the UK) as well as the company's impact on the environment (i.e. carbon footprint). Further, like-for-like analysis – on consistent sets of buildings over two years – enables absolute performance measures to also be compared over time. Intensity measures enable portfolios of different sizes to be compared and also for comparisons over longer time frames.

EPRA sBPR Overarching Recommendations consist of seven principles which should be applied to the Performance Measures and these underpin good quality disclosure. These focus on:

1. Organisational boundaries
2. Landlord and tenant consumption arrangements
3. Intensity normalisation
4. Like-for-like comparison
5. Segmental analysis (by property type, geography)
6. Narrative on performance
7. Location of EPRA Sustainability Performance Measures in companies' report

Scope of reporting

This section – although carrying a relatively low weighting in this first year – is considered important as sustainability reporting by the real estate sector is too often vague in terms of quantifying the coverage of the data being disclosed. Companies should clarify for each Sustainability Performance Measure the number of buildings or portfolio percentage (be it by floor area or value) which they are reporting on. Without this detail, analysts cannot get a complete and transparent picture of a company's environmental impacts and risks.

Table 1 – EPRA Sustainability Performance Measures – Absolute Measures

Broad Issue Type	Sustainability Performance Measure	Units of measurements
Energy	Total energy consumption from electricity (GRI: EN4)	kWh
	Total energy consumption from district heating and cooling (GRI:EN4)	kWh
	Total energy consumption from fuels (GRI:EN3)	kWh
Greenhouse gas emissions	Total direct GHG emissions (GRI:EN16)	metric tonnes CO_2e
	Total indirect GHG emissions (GRI:EN16)	metric tonnes CO_2e
Water	Total water withdrawal by source (GRI:EN8)	cubic metres (m^2)
Waste	Total weight of waste by disposal route (GRI:EN22)	metric tonnes
	Percentage of waste by disposal route	proportion by weight (%)

Table 2 – EPRA Sustainability Performance Measures – Intensity Measures

Broad Issue Type	Sustainability Performance Measure	Units of measurements
Energy	Builiding energy intensity (GRI: CRESS - CRE1)	kWh / m^2 / year kWh / person / year
Greenhouse gas emissions	Greenhouse gas intensity from building energy (GRI: CRESS - CRE3)	kg CO_2e / m^2 / year kg CO_2e / person / year
Water	Building water intensity (GRI: CRESS - CRE2)	m^3 / m^2 / year litres / person / year

"To encourage knowledge sharing and reward best practice, we have introduced an annual Sustainability BPR Award in 2012 to recognise the efforts of those companies who adopt the BPR and innovate in their measurement and reporting of performance."

Gareth Lewis
Director of Finance, for the European Public Real Estate Association (EPRA)

2.0 Award Winners

EPRA SBPR GOLD SUSTAINABILITY REPORTING

Gold Award Winners

We are delighted to present Gold Awards to the following 7 companies for achieving exceptional compliance with the EPRA Sustainability BPR in their public reports and disclosures.

Company	Highlights
British Land	• British Land's corporate responsibility and sustainability report is available online in a dedicated corporate responsibility microsite and provides an easily accessible overview of performance, along with a detailed, downloadable data report. • Key performance indicators are presented in concise data tables and commentary covering sustainability progress against annual targets within the data report is clearly presented. The tables clearly reference the relevant EPRA Sustainability Performance Measures and GRI indicators. • Although not a factor within the award criteria scoring, it is interesting to note that last year, British Land achieved a 12% year-on-year reduction in energy usage from common parts and shared services across their like-for-like office portfolio.
CITYCON	• Citycon's Annual and Sustainability Report combines key environmental performance indicators alongside financial performance figures. • The report is divided into five main sections: Promise, Business Units and Property Portfolio, Sustainability, Facts and Figures as well as the Financial Statements. To ease reading, key indicator tables from all sections have been gathered in one place on pages 79–94 under the Facts and Figures section. • The Global Reporting Initiative's (GRI) new Construction and Real Estate Sector Supplement (CRESS) recommendations and EPRA's sBPR have been applied. • The report makes good use of graphics and tables to visually present performance data and clearly references EPRA's BPR for both sustainability and financial reporting.
Cofinimmo	• Cofinimmo produce an annual report which includes a separate section on corporate social responsibility containing key environmental performance indicators in line with EPRA's sBPR. • Although EPRA Performance Measures are not explicitly referenced it is evident that the company has significantly improved the communication on sustainable development in accordance with the best practices drawn up by EPRA. • The environmental section of the report is well laid out and follows the same format and style as the financial reporting section, providing continuity and utilises good graphic design throughout. • Like-for-like comparison of environmental performance is presented and although this does not affect the scoring, on a like-for-like basis total direct greenhouse gas emissions (tons of CO_2 / year) fell by 27.7% between 2010 and 2011.
Hammerson	• Hammerson has a reporting microsite containing online sustainability and annual reports. • Analysis and explanation of key performance measures is contained both within the microsite and downloadable reports, with full data tables available to download in a separate dedicated data report. • Corporate responsibility and sustainability performance data and targets are well defined and clearly explained. • Although it does not affect the scoring, in 2011, Hammerson reduced carbon emissions across the portfolio by 11.5%.

Company	Highlights
KLEPIERRE	• Klépierre produce a standalone sustainability report which is well designed and presented, clearly referencing adherence to EPRA's sBPR. • Sustainability Performance Measures are broken down into geographical segments, providing regional analysis of energy consumption demonstrating a clear understanding of the environmental impacts of the portfolio. • Narrative on environmental performance is clear and concise with particular clarity achieved around calculations used to produce performance figures. • Although unrelated to the award criteria, Klépierre has reported that is has introduced 560 green leases in France in 2011, representing 100% of new leases.
Shaftesbury PLC	• This is Shaftesbury's ninth corporate responsibility report. In terms of design it's a basic standalone report, which could be more engaging but it is an effective 'no frills' approach to conveying the core information and data required by the sBPR. • Property by property analysis is undertaken as the portfolio of managed multi-let properties is small, providing a good level of detail across energy, water and waste performance measures. • Performance indicators and corporate responsibility measures are analysed which go beyond those covered by the sBPR, including the reuse and chain of custody for timber used in development and refurbishment projects. • Although unrelated to the award criteria, between 2010 and 2011 Shaftesbury has utilised solar thermal water heating during the construction of 36-39 Carnaby Street in London.
unibail·rodamco	• Key highlights covering environmental, social and governance are outlined at the beginning of this standalone sustainable development report, revealing an impressive 30% reduction in CO_2 per visit and that 1,434 green leases were signed in 2011. • EPRA Sustainability Performance Measures are well indexed and are incorporated into the GRI index table. • The coverage and scope of the key performance indicators are well stated and performance figures are enhanced by clear and meaningful narrative. • Although not part of the award criteria, case studies are used to highlight sustainability initiatives across the portfolio and to demonstrate the benefits of the Sustainable Management Attitude programme which has helped to reduce annual operating costs by €2.5 million.

Silver Award Winners

Befimmo
Derwent London
Great Portland Estates
Land Securities Group

Bronze Award Winners

Alstria Office REIT
Foncière des Régions
IVG Immobilien AG
SEGRO

3.0 Survey Results

The highest score achieved for the 2011/12 review was 99% and the lowest was 0%, out of a total of 84 companies. In addition to focusing on the sBPR, this report also highlights some key sustainability reporting trends from the past year, presented in tables 3 and 4.

It is interesting to see a slightly smaller percentage of Gold Award-winning companies producing separate Sustainability Reports - 71% compared to 79% of the wider group of sustainability reporters. This is probably because leading firms are beginning to integrate sustainability information into their Annual Reports and Accounts rather than publishing a separate Sustainability Report.

As shown in Table 3, the percentage of Gold Award-winners adopting standards such as the GRI CRESS and GHG Protocol is markedly higher than the wider group of sustainability reporters. Although this is not surprising in itself, encouragingly it does indicate that there is indeed close alignment between the EPRA sBPR and recognised reporting standards – one of EPRA's goals. The Gold Award-winners were also better at using materiality to identify the main impacts associated with their business activities, suggesting that these companies have a much deeper understanding of sustainability risks and opportunities.

Some companies continue to question the value of sustainability but it is clear from Table 3, that the vast majority (79%) of companies that disclosed some sustainability information claimed to derive at least some financial value from sustainability initiatives.

"It is our hope that with the introduction of the Sustainability BPR, the bar will be raised in terms of sustainability disclosure, and not just among the largest listed companies."

Hans Op 't Veld - Head of Listed Real Estate,
PGGM Investments and member of the EPRA Sustainability Committee.

Table 3 – Key Sustainability Reporting Trends

	Proportion of companies reporting at least one Performance Measure	Gold Award Winners
Companies producing standalone sustainability reports	79%	71%
Companies with dedicated sustainability webpage	94%	100%
Companies linking sustainability to financial savings	79%	100%
Companies that reference the use of EPRA BPRs	47%	100%
Companies that reference the use of GHG Protocol	35%	57%
Companies using a materiality process to identify main impacts	44%	86%
Companies that have introduced green leases	50%	57%
Companies producing an integrated sustainability and AR&A	3%	14%
Companies including a separate sustainability section in AR&A	59%	43%
Companies adopting GRI CRESS	38%	71%
Companies using assurance or verification for sustainability reports	47% (18% independent advisor statement rather than audit)	58% (29% independent advisor statement rather than audit)

Table 4 – Industry Initiatives

Participation in industry sustainability initiatives	
Carbon Disclosure Project (CDP)	41%
FTSE4GOOD	41%
GRESB	35%
Dow Jones Sustainability Index (DJSI)	26%
International Sustainability Alliance (ISA)	12%
Better Buildings Partnership	6%
UNPRI - UN Principles of Responsible Investment	3%
Other Initiatives	56%

"I'm delighted that 66% of the Index by market capitalisation have already started to actively adopt these sustainability guidelines."

David Atkins, CEO Hammerson
– EPRA Chairman

3.1 Distribution of Scores

Figure 1 shows that 40% of the companies reviewed report one or more of the 11 Performance Measures defined by EPRA's sBPR and received some points against the award criteria. Although an encouraging start, this leaves significant room for improvement. Indeed 50 of the 84 companies assessed (60%) do not yet, report against any of the Performance Measures – though several of these stated the intention to do so in the future.

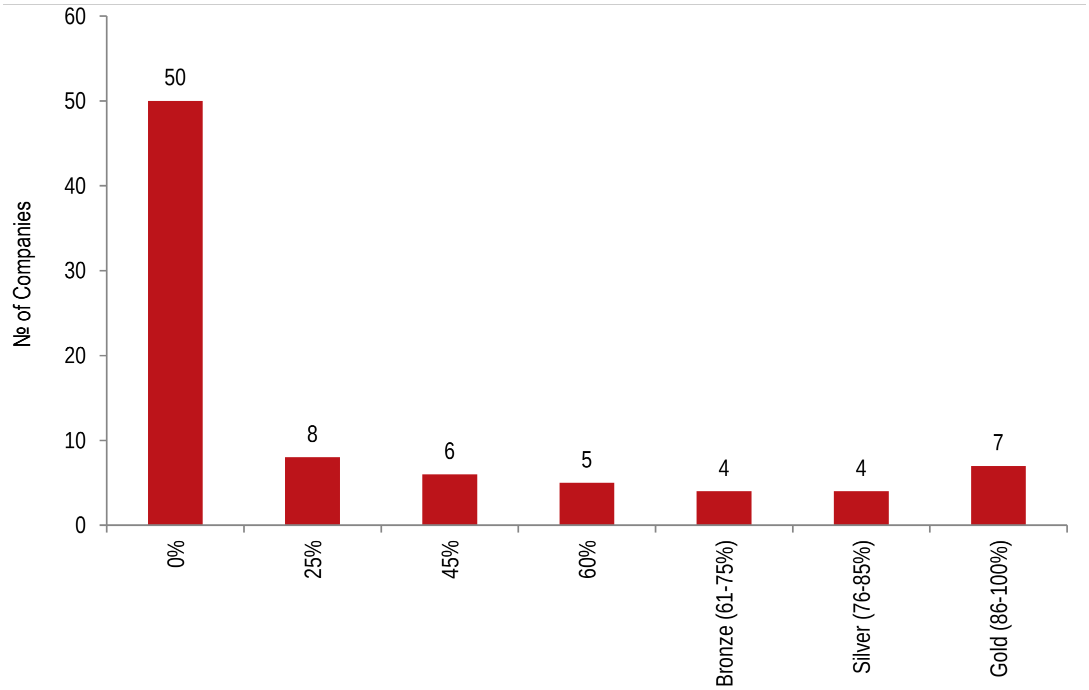
For the 34 companies that report one or more of the Performance Measures, the range of scores against the overall award criteria is wide, with similar numbers spread from the bottom to the top of the scale, as shown below (Figure 1). Although sample sizes are small, the slight de-crease in numbers of companies scoring in the Bronze and Silver range compared to Gold, suggests that when compa-nies choose to follow the EPRA sBPR guidelines, they do so in great detail.

3.2 Analysis by Country

Reports from 13 countries were included in the awards survey. Finland is the only country where all EPRA-listed companies have started to adopt the sBPR. However, this was not the case for all countries, indeed none of the companies in Norway, Greece, Austria or Israel have started to adopt the sBPR, although only a handful of companies within the Index are located in these countries.

When looking at the total number of companies adopting the sBPR, the UK outperforms other countries simply because the majority of companies in the **F**TSE EPRA/NAREIT Developed EMEA Index are listed in the UK. But as shown in Figure 2 , in percentage terms, uptake has been greater in Sweden where 75% of Swedish companies have started to adopt the sBPR, compared to around 40% in both the UK and France and only 25% in Germany for example. This reinforces the important role of these Awards in raising awareness of the sBPR, as well as recognising and promoting best practice.

Figure 1 – Distribution of scores



When focusing on the quality of reporting by country – Figure 3 shows that companies in Finland received the highest average score (57%), followed by the UK, France and Belgium where average scores for companies in these countries are between 25% and 30%. With the whole-survey average score being only 22%, it is clear that listed companies need to ramp up efforts to further enhance the transparency of the sector. Furthermore, some countries such as Italy, the Netherlands, and as previously mentioned Norway, Greece, Austria and Israel, are clearly lagging behind and could look to their counterparts in Finland, Belgium, France and the UK as exemplars.

When focusing on the 34 companies that have started to adopt the sBPR, Figure 4 shows that companies in Finland, Belgium, France, UK, and Germany tend to produce higher quality reports.

For this reason, it's unsurprising that all sBPR award-winning companies reside in one of these countries (see Table 5) . This suggests that when companies in these countries embark on disclosing sustainability information, they adhere to recognised protocols such as EPRA sBPR or GRI CRESS. Table 5 shows that UK companies continue to set the standard, with 7 out of a total of 15 awards being given to UK companies – 3 gold, 3 silver and 1 Bronze.

"Jones Lang LaSalle's recent Real Estate Sustainability Transparency Index highlighted the lack of transparency and infancy surrounding this agenda particularly in developing markets. We wholeheartedly endorse and welcome EPRA's Sustainability BPR and its effort to improve the transparency and consistency of sustainability reporting."

Franz Jenowein
Director, Jones Lang LaSalle.

Figure 2 – Extent of public disclosure of Performance Measures, by country

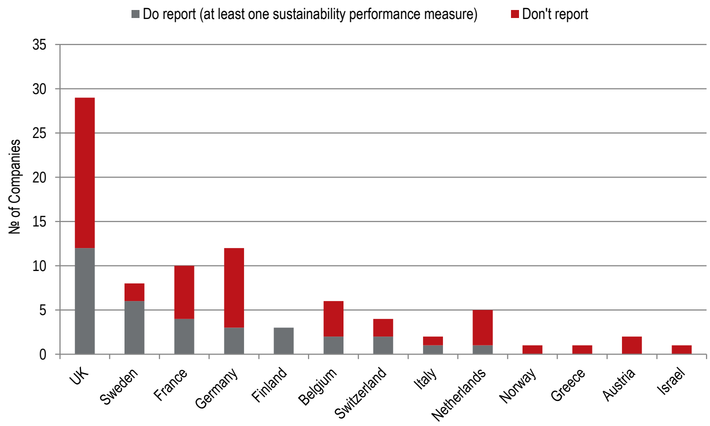


Figure 3 – Average score by country

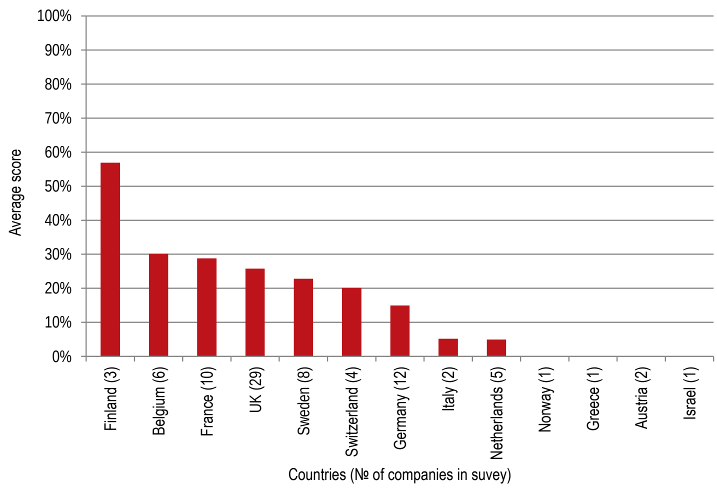


Figure 4 – Average score by country (excluding companies not scoring)

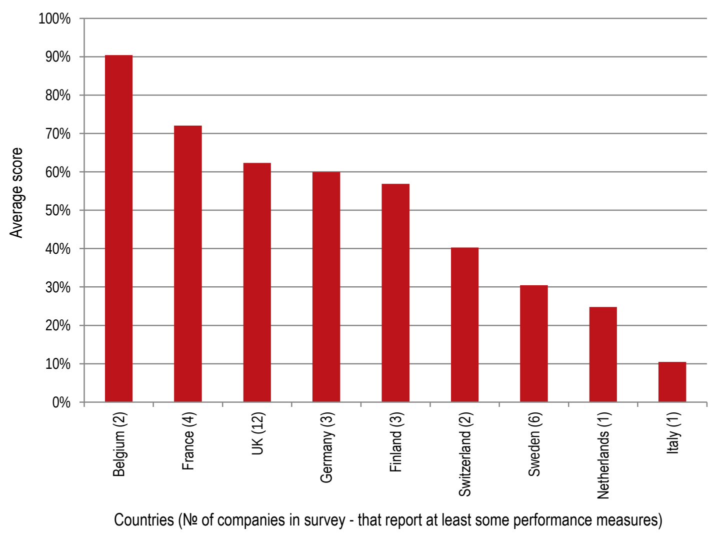


Table 5 – Winners by Country

Country	No. of companies with sBPR awards (gold, silver or bronze)
UK	7
France	3
Belgium	2
Germany	2
Finland	1
Grand Total	**15**

"It is highly encouraging that the award winners are companies of varying sizes, evidencing the universally applicable nature of the sBPR."

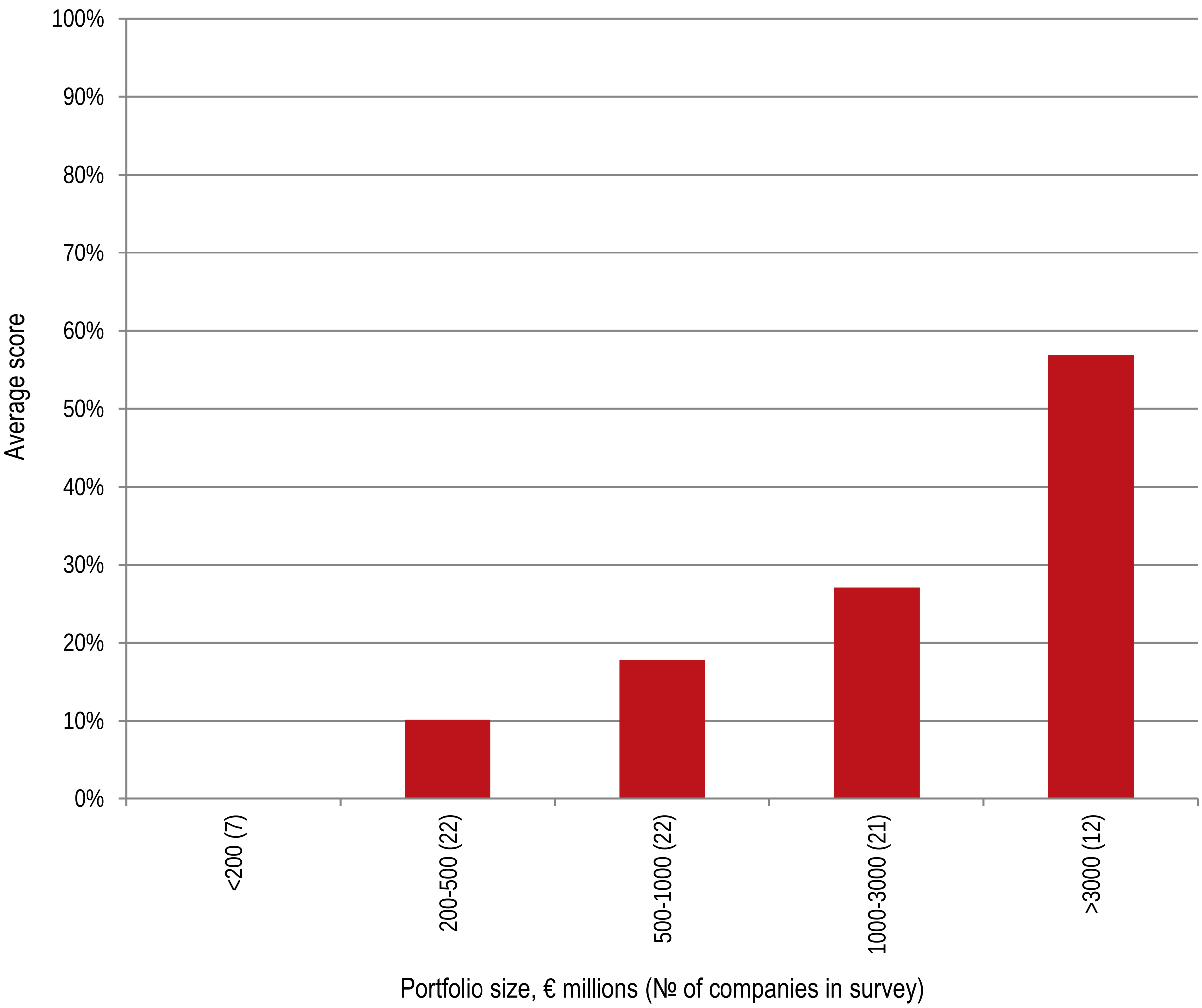
Hans Op 't Veld
Head of Listed Real Estate, PGGM Investments
and member of the EPRA Sustainability Committee

3.3 Analysis by Company Size

Due to the extensive consultation with companies of all sizes both during and after the publication of the sBPR, we are confident the sBPR are equally applicable to all companies, irrespective of portfolio size. Regardless of this fact, Figure 5 shows that the size of the company does have an influence on the quality of sustainability reporting – a relationship that we hope will diminish over time as more companies start applying the sBPR.

Indeed, there is a clear relationship between the size of a company and its scoring against the survey criteria – companies with larger portfolios received the highest scores, whilst those with smaller portfolios received the lowest. This is perhaps due to both the greater scrutiny and pressure larger companies are under from investors and other stake-holders, as well as greater capacity and skills (be it in-house or contracted) to gather and report sustainability performance measures.

Figure 5 – Average Score by Portfolio Size (€ millions)



4.0 Progress against the award criteria

Overall award scores were based on evidence of compliance in the following areas and a summary of the findings is provided below:

EPRA sBPR Performance Measures consisting of eight 'absolute' performance measures which quantify the total footprint and three 'intensity' measures which divide the total footprint by relevant surface area or persons.

EPRA sBPR Overarching Recommendations consisting of seven principles which should be applied to the reporting of EPRA Sustainability Performance Measures and these underpin good quality disclosure.

Scope of reporting consisting of guidance on further disclosures relating to the scope of reporting and the number of buildings or proportion of the portfolio (by floor area or value) which have been reported on.

4.1 EPRA sBPR Performance Measures

Table 6 shows the percentage of companies reporting against the 11 Performance Measures outlined in the sBPR. The percentages across the entire survey of 84 companies are low, particularly for Performance Measures 3.11 (waste by disposal route) & 3.2 (energy consumed from district heating and cooling) – fewer than 1 in 4 companies report these figures – even if it is to make it clear that it is not applicable.

However, the picture is slightly more encouraging for Greenhouse Gas Emissions and Energy measures, where over a third of all companies surveyed are already reporting some of these indicators. This is likely to be a result of the increasing pressure on both building owners and occupiers from tightening energy and carbon regulations and related fiscal instruments.

Of the 34 companies that disclose at least some sustainability performance data, the picture is very different. Greenhouse Gas Emissions and Energy measures are the most commonly reported – with an average of 80% and 73% of companies reporting against these respectively. Furthermore, we found that most companies disclose both Energy Consumption and Greenhouse Gas Emissions together with only around 10% of companies disclosing one but not the other.

Water and Waste measures are reported less frequently (79% and 56% of companies disclosed one or more of these, respectively). For all impact areas, most companies disclose both absolute performance measures and intensity measures. However, for Energy, Water and Waste around 1 in 10 disclose just one or the other, rising to 2 in 10 that report absolute Greenhouse Gas Emissions without an intensity figure. These findings suggest that other Performance Measures, beyond those covering Greenhouse Gas Emissions and Energy should be given more emphasis in future additions of the sBPR.

Table 6 – Performance Measure

Issue Type	EPRA ref.	Performance Measure	Entire survey (84 companies)	Comply with one or more Performance Measure (34 companies)
Energy	3.1	Total energy consumption from electricity [GRI: EN4]	35%	85%
Energy	3.4	Building energy intensity [GRI: CRESS-CRE1]	33%	82%
GHG	3.5	Total direct GHG emissions [GRI: EN16]	33%	82%
GHG	3.6	Total indirect GHG emissions [GRI: EN16]	33%	82%
GHG	3.7	Greenhouse gas intensity from building energy [GRI: CRESS-CRE3]	31%	76%
Energy	3.3	Total energy consumption from fuels [GRI: EN3]	28%	70%
Water	3.8	Total water withdrawal by source [GRI: EN8]	27%	68%
Water	3.9	Building water intensity [GRI: CRESS-CRE2]	27%	68%
Waste	3.1	Total weight of waste by disposal route [GRI: EN22]	23%	59%
Energy	3.2	Total energy consumption from district heating & cooling [GRI: EN4]	23%	56%
Waste	3.11	Proportion of waste by disposal route	20%	50%

4.2 EPRA sBPR Overarching Recommendations

Table 7 shows the average score awarded per Overarching Recommendation. A brief analysis for each Overarching Recommendation, with highlights from Gold Award winners can be found later in this section.

Table 7 – Average score awarded for Overarching Recommendations

Overarching Recommendation	Average score (EXCLUDING non-disclosers)
Organisational boundaries	57%
Intensity normalisation	54%
Narrative on performance	49%
Location of EPRA Sustainability Performance Measures	45%
Segmental analysis (by property type, geography)	39%
Landlord and tenant consumption arrangements	37%
Like-for-like approach for absolute Performance Measures	31%

4.2.1 Organisational Boundaries

The provision of a comprehensive account of what reporting approach a company has chosen (amongst Financial Control, Operational Control, or Equity Share), was the most followed of all Overarching Recommendations. Many companies, including all of the Gold Award-winners but also other companies, comprehensively followed this recommendation, with Operational Control being the most frequently used reporting boundary.

However, few companies clearly explained why a particular boundary approach was chosen. Although this omission did not have a significant impact on the awards this year, higher levels of compliance will be expected in future.

Best practice in action

unibail·rodamco

Unibail-Rodamco clearly state environmental performance data are disclosed for assets that are under its operational control. In particular, energy consumption tables in their 2011 Sustainable Development Report clearly state the number of assets included in 2011/2010 absolute and like-for like analyses.[4]

[4] See p.35 of Unibail-Rodamco's 2011 Sustainable Development Report for an example of best practice: http://www.unibail-rodamco.com/W/cms_sites/SITE_16406/ressources16406/pdf1/2011_Sustainable_Development_Report_1236555777.pdf – last accessed August 2012.

4.2.2 Intensity Normalisation

This Overarching Recommendation stipulates that companies should clearly state how intensity indicators are calculated and what numerators and denominators have been used and why.

Although the sBPR provides best practice examples of different intensity measures, it is not currently prescriptive and instead provides guidance to help companies achieve the 'matching numerator and denominator' scenario. For the time being this allows for a range of normalised indicators to emerge.

Furthermore, few companies clearly explained why a particular approach was chosen – an area that almost all reporters can improve upon. As reporting practices mature, greater consistency and clarity is likely to develop. For now, the most frequent floor area denominator is Net Lettable Area (NLA) or Gross Internal Area (GIA). However, in several reports, water was also reported as litres per person (visit in shopping centres).

Best practice in action

British Land

British Land provides a good example of compliance with this particular sBPR where two intensity indicators for energy are reported - energy intensity in terms of kWh per square metre and per full time equivalent employee. British Land has clearly stated which denominators have been used.[5]

4.2.3 Narrative on Performance

Narrative on performance can enhance understanding and explanation of a company's performance and might include reference to refurbishment programmes, tenant behaviour/engagement, and environmental variables. Generally, the narrative around performance was limited and disappointing: companies frequently omitted interpretations or explanations for the trends in their data. This was not typically the case amongst Gold Award-winners, which scored an average of 85% against this Overarching Recommendation. The most frequent explanation for consumption trends were seasonal variation (for intensity and absolute consumption), or an increase/decrease in portfolio size (for total consumption).

Best practice in action

KLEPIERRE

Klépierre provided good, clear narrative on performance throughout its report. For example, it has described how weather conditions contributed to increased energy consumption in 2010, compared to 2011 levels which provides a good understanding of factors affecting the company's performance.[6]

"It is EPRA's role as a trade body representing listed companies in the real estate sector to prepare its members for the likely introduction of more stringent mandatory sustainability reporting regulations, which are already in place in a number of European countries such as France and Denmark. This is one of the reasons we embarked on a programme to develop EPRA Best Practices Recommendations on Sustainability Reporting – building upon relevant mandatory reporting requirements and voluntary initiatives, in particular the Global Reporting Initiative's Construction and Real Estate Sector Supplement (GRI CRESS)."

Warren Austin
Group Financial Controller, Hammerson plc.
Chairman, EPRA Sustainability Reporting Committee

[5] See Fig.2.12 on p.18 of British Land's 2011 Full Data Report: http://www.britishland.com/files/reports/2011_CR_Data_Report.pdf – last accessed August 2012.
[6] See Klépierre's 2011 Sustainable Development Report: http://www.klepierre.com/klepierre/6/doc/DD/Klepierre_RDD_2011_VA_final.pdf – last accessed August 2012.

4.2.4 Location of Sustainability Performance Measures in report

Companies were assessed on the ease with which the EPRA Sustainability Performance Measures could be found in the report. Although 16 companies mentioned the EPRA sBPR, only a handful have taken the next step of bringing all the EPRA reporting in one place. In most cases, compliance with this recommendation was achieved by referencing EPRA Sustainability Performance Measures at relevant points throughout the report or by creating a table summarising the EPRA Sustainability Performance Measures.

Best practice in action

CITYCON

Citycon, for example, clearly references EPRA's Sustainability BPRs along with the GRI CRESS performance indicators, for each performance measure within the key environmental indicators section of their report.[7]

4.2.5 Segmental analysis

Building types and their location may have a significant impact on buildings' environmental performance therefore aggregated environmental statistics can make it challenging for stakeholders to understand what region or asset class might be under/outperforming against other regions or asset groups in the portfolio. It is therefore, important that companies' segmental reporting and analysis is in line with the approach selected for financial reporting.

As with the recommendations around intensity normalisation, the sBPR do not mandate a format for segmenting portfolios. As a result, portfolios were segmented in a wide range of ways, to best suit the companies' differing portfolios. Data were most commonly segmented by country, property type, and age of building, but was by no means restricted to these. For example, Shaftesbury, has segmented its carbon emissions by portfolio, head office, and joint venture.

Best practice in action

KLEPIERRE

Klépierre provides a good example in their sustainability report of how data can be segmented by country/region, allowing its stakeholders to gain a better understanding of which regions might be under/outperforming against others.[8]

4.2.6 Landlord & tenant consumption arrangements

To follow this Overarching Recommendation an organisation should clearly separate absolute performance measures for landlord-obtained utilities from tenant-obtained utilities. Where utilities are landlord-obtained but sub-metered to individual tenants, such consumption should be itemised. This is one of the least adopted recommendations, with most companies failing to make this distinction. Although to date it has not been properly adopted across the wider European listed property sector, it is a clear differentiator for Gold Award winners, who scored over 88% for this recommendation.

Best practice in action

Hammerson

Hammerson, for example, clearly states the total landlord-obtained utility consumption and the proportion of the consumption which is sub-metered and consumed exclusively by tenants. This level of analysis allows Hammerson's performance as a landlord to be assessed in isolation from the impact of its tenants' behaviour.[9]

[7] See p.88 of Citycon's Annual and Sustainability Report 2011: http://www.citycon.fi/UserFiles/citycon_2010/Citycon_Annual%20Report_2011_ENG_revised.pdf – last accessed August 2012.
[8] See p.32 of Klépierre's 2011 Sustainable Development Report: http://www.klepierre.com/klepierre/6/doc/DD/Klepierre_RDD_2011_VA_final.pdf – last accessed August 2012.
[9] See p.6 of Hammerson's Performance Data (2011) report: http://reports.hammerson.com/_assets/downloads/cr/Performance-data-report.pdf – last accessed August 2011.

4.2.7 Like-for-like approach for absolute Performance Measures

According to this Overarching Recommendation, in order for stakeholders to understand whether a company is successful in reducing its environmental impact, information on energy/water/GHG emissions/waste should cover a set of assets that have not been affected by any significant changes such as disposals, acquisitions and major refurbishments. In this sense, like-for-like comparisons should reflect the change in trend of a portfolio that has been consistently in operation, and not under development, during the two full preceding periods that are described.

The adoption of this Overarching Recommendation, trails significantly behind all other recommendations – receiving an average score of only 31%. As with the Overarching Recommendation around landlord and tenant consumption arrangements, this was also a clear differentiator for Gold award winners who scored an average of 94%. For the vast majority of companies reviewed, like-for-like analyses were not disclosed. This is surprising, as once the absolute consumptions are obtained; it is relatively straightforward for a company to calculate consumption on a like-for-like basis. In a few cases the absence of like-for-like analysis is due to only one year of data being held.

Best practice in action

Cofinimmo

Cofinimmo provides a good example of like-for-like analysis for their electricity consumption, where it states analysis was carried out on 76 of the current 95 properties which were in the portfolio for both the 2010 and 2011 reporting periods.[10]

4.3 Scope of Reporting

Despite the significant impact of real estate activities on the environment, reporting by the real estate sector is too often vague in disclosing the coverage of the data presented. For this reason, companies are encouraged to clarify for each Sustainability Performance Measure the number of buildings or the proportion of the portfolio (by floor area or value) which they are reporting on. Without this detail, analysts cannot get a complete and transparent picture of a company's environmental impacts and risks.

Compliance with this recommendation was very low – an average score of only of 26% and 64% for Gold Award-winners. Limited uptake may be because this recommendation is not currently given sufficient prominence in the sBPR – considering the lack of compliance with regard to scope, EPRA may consider placing greater emphasis on this recommendation in future revisions of the sBPR.

In the meantime, companies wishing to improve the quality of their sustainability reporting could start by simply stating the number (or percentage) of buildings included within the scope of each performance indicator. Unibail-Rodamco provide a good example of how this can be achieved in their 2011 Sustainable Development Report.[11]

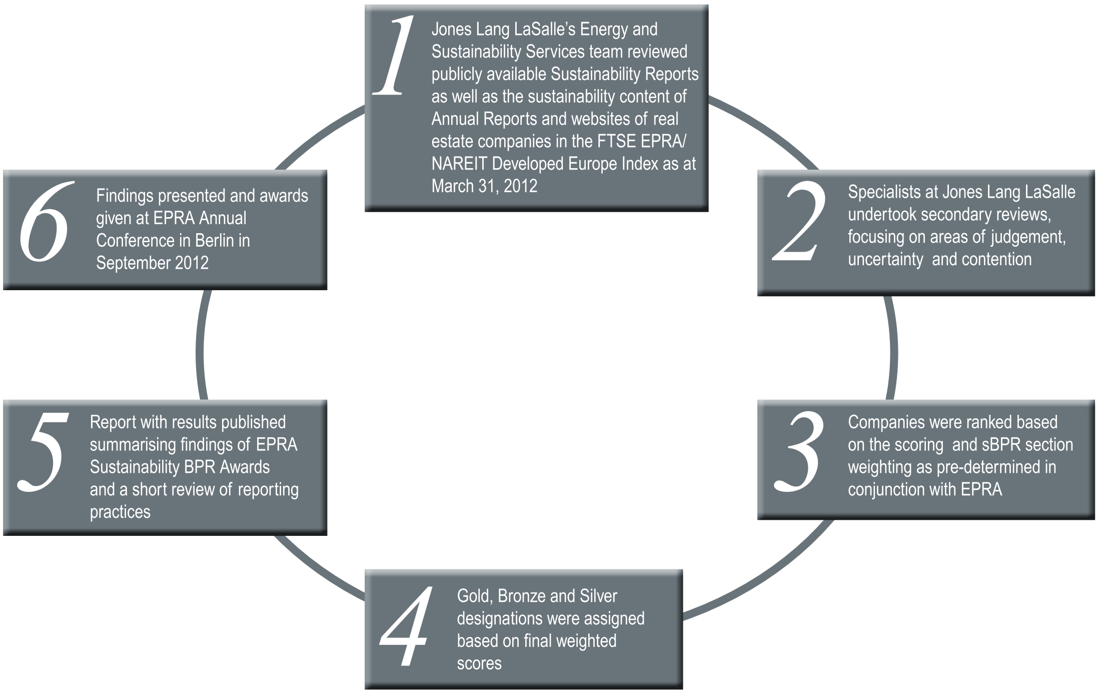
"Recognition of our efforts and a further boost for the prospects of improving the transparency of sustainability reporting for the European Property sector, was given when INREV (the organisation representing the European non-listed property sector) recently published their Sustainability Reporting Recommendations, based on the EPRA Sustainability BPR."

Philip Charls
Chief Executive of the European Public Real Estate Association (EPRA)

[10] See p.101 of Cofinimmo's Annual Financial Report 2011: http://www.cofinimmo.com/media/144993/ra%20uk_lr%20complet%20final.pdf – last accessed August 2012.
[11] See p.35 of Unibail-Rodamco's 2011 Sustainable Development Report: http://www.unibail-rodamco.com/W/cms_sites/SITE_16406/ressources16406/pdf1/2011_Sustainable_Development_Report_1236555777.pdf – last accessed August 2012.

5.0 Award Process

Jones Lang LaSalle undertook a review of 84 companies in the FTSE EPRA/NAREIT Developed EMEA Index to assess their level of compliance with EPRA's Sustainability Best Practice Recommendations. Objectivity was maintained by excluding members of the Jones Lang LaSalle client account teams from scoring participants. The review process consisted of the following stages:



6.0 Constituents List

The following 84 companies were members of the FTSE EPRA/NAREIT Developed EMEA Index as at March 31, 2012:

Affine
Allreal Holding N
Alstria Office REIT
ANF-Immobilier
Azrieli Group
Befimmo
Beni Stabili
Big Yellow Group
The British Land Company
Ca Immobilien
Capital & Counties Properties
Capital Shopping Centres Group
Castellum
Citycon
Cofinimmo
Colonia Real Estate
Conwert Immobilien Invest
Corio
Daejan Holdings
Derwent London
Deutsche EuroShop
Deutsche Wohnen
Development Securities
DIC Asset
Eurobank Properties Real Estate Investment Co
Eurocommercial Properties
F&C Commercial Property Trust Limited
FABEGE
Fastighets AB Balder B
Foncière Des Régions
Gagfah
Gecina
Grainger
Great Portland Estates
GSW Immobilien
Hamborner REIT
Hammerson
Hansteen Holdings
Helical Bar
Hufvudstaden
Icade
Immobiliare Grande Distribuzione
Intervest Offices & Warehouses
IRP Property Investments
IVG Immobilien AG
Klépierre
Klovern
Kungsleden
Land Securities Group
LEASINVEST
London & Stamford Property
Mercialys
Mobimo
Mucklow (A.& J.)Group
Nieuwe Steen Inv
Norwegian Property ASA
Patrizia Immobilien
Picton Property Income
Primary Health Prop.
Prime Office REIT
PSP Swiss Property
Quintain Estates and Development
Safestore Holdings
Schroder Real Estate Investment Trust
Segro
Shaftesbury
Silic
Société de la Tour Eiffel
Sponda Oyj
St.Modwen Properties
Standard Life Inv Prop Income Trust
Swiss Prime Site
TAG Immobilien
Technopolis
UK Commercial Property Trust
Unibail - Rodamco
The Unite Group
Vastned Retail
Wallenstam
Warehouses De Pauw Comm.
Wereldhave
Wereldhave Belgium Comm.
Wihlborgs Fastigheter
Workspace Group

Real value in a changing world

Jones Lang LaSalle (NYSE:JLL) is a financial and professional services firm specialising in real estate.

The firm offers integrated services delivered by expert teams worldwide to clients seeking increased value by owning, occupying or investing in real estate. With 2011 global revenue of more than $3.6 billion, Jones Lang LaSalle serves clients in 70 countries from more than 1,000 locations worldwide, including 200 corporate offices. The firm is an industry leader in property and corporate facility management services, with a portfolio of approximately 2.1 billion square feet worldwide. LaSalle Investment Management, the company's investment management business, is one of the world's largest and most diverse in real estate with $47.7 billion of assets under management. The firm is an industry leader in Energy and Sustainability services, available in all key markets. With over 100 dedicated specialists 900 LEED (or equivalent) Accredited Professionals, and 20,000 sustainability projects.

As the market leaders in sustainability reporting, we are well positioned to help organisations understand and adopt these recommendations in their upcoming reporting cycle. For further information, please visit our website http://www.joneslanglasalle.co.uk/sustainability

EUROPEAN PUBLIC REAL ESTATE ASSOCIATION

EPRA is the voice of the European publicly traded real estate sector and represents publicly listed property companies, (including REITs), the investment institutions who invest in the sector and the firms and individuals who advise and service those businesses.

Between them our 200 members represent over €250bn of real estate investments. EPRA encourages discussion of issues impacting the industry both within the membership and with appropriate Governmental and regulatory bodies. EPRA endeavours to develop policies concerning standards of reporting disclosure, ethics and industry practices. Although not a disciplinary body, EPRA will actively encourage adherence to these policies. EPRA also sponsors and publishes research, analysis for the benefit of members.

Founded in 1999, EPRA is a not-for-profit association registered in Belgium. The association is governed by a Management Board, which delegates some of its functions to an Executive Board.

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APG carries out collective pension schemes for participants in the education, government, and construction sectors, cleaning and window-cleaning companies, housing corporations and energy and utility companies as well as social or sheltered employment.

We manage pension assets of in total approximately 300 billion euros for these sectors. APG works for over 30,000 employers and provides for the income of around 4.5 million participants. APG administrates over 30% of all collective pension schemes in the Netherlands.

The way APG manages its clients' pension assets is about more than realising financial gains. On behalf of our clients we implement the Responsible Investment Policy in order to:

- Contribute to risk-adjusted financial returns by taking account of environmental, social and governance (ESG) factors;
- To demonstrate social responsibility and
- Contribute to the integrity of financial markets.

APG is one of the world's largest real estate investors with an allocation of circa 10% to real estate. We are a driving force behind Global Reporting Initiative's Construction and Real Estate Sector Supplement (GRI CRESS) and an industry initiative, the Global Real Estate Sustainability Benchmark (GRESB). We have ensured consistency between sustainability reporting standards across Europe by initiating the EPRA BPR on Sustainability reporting and the INREV equivalent.

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Real value in a changing world

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