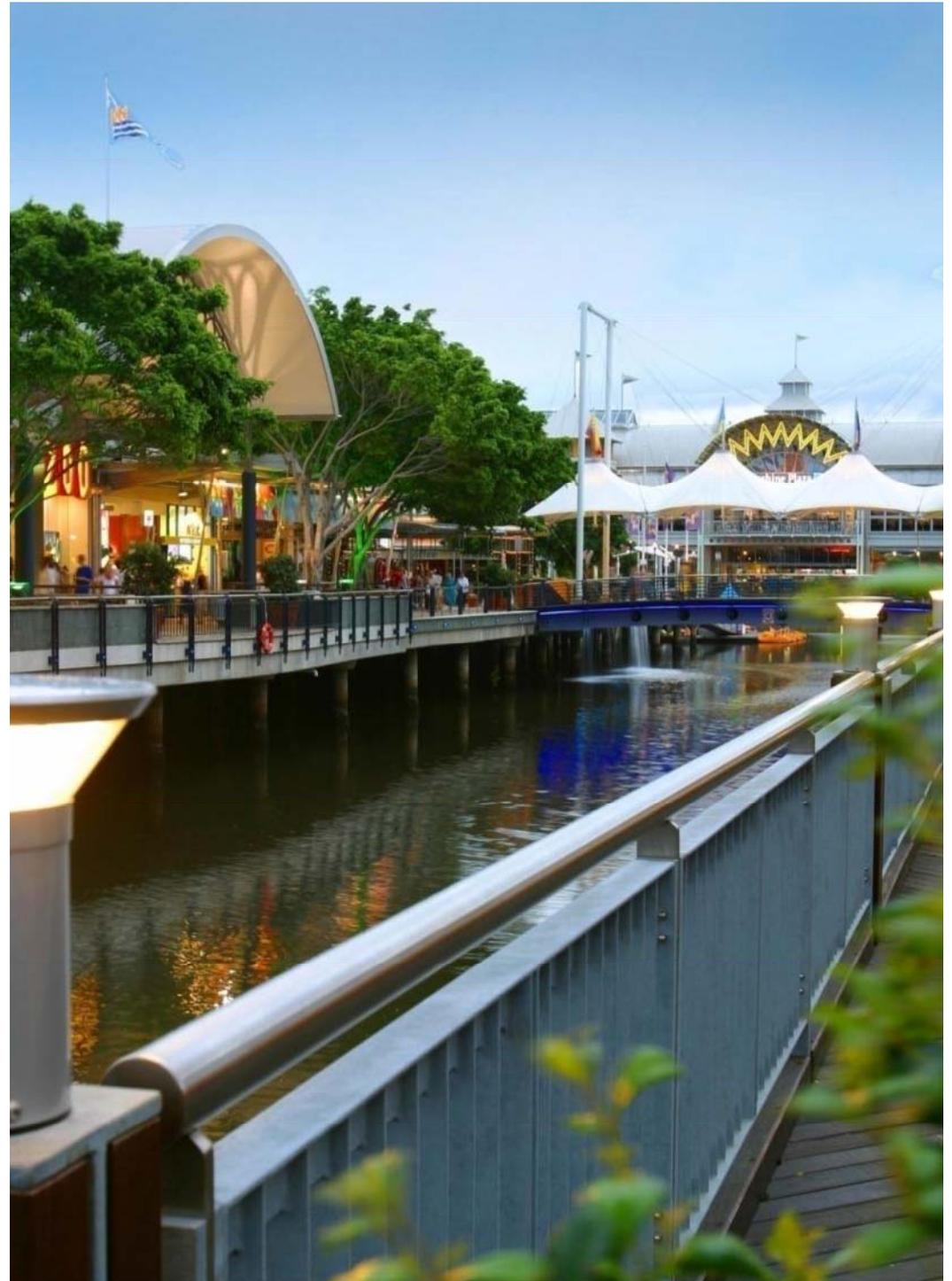




# A Practical Approach to the Implementation of Sustainability in Investment Management

**Jon Collinge**  
Sustainability Manager  
Lend Lease Investment Management

28<sup>th</sup> October 2010



# Lend Lease

*A global fully integrated property group*



- Established in 1958
- Headquartered in Sydney, Australia
- Listed on Australian Securities Exchange (ASX:LLC)
- Global, fully integrated property group
  - Development Management
  - Investment Management
  - Project Management & Construction
  - Asset & Property Management
- Operations in more than 30 countries across four major regions:
  - Australia
  - Asia
  - EMEA (Europe, Middle East, Africa)
  - Americas

**A\$10.6 billion**

Operating revenue

**A\$10.1 billion**

Funds under management

**A\$10.7 billion**

Retail assets under management

**Circa A\$3.8 billion**

Market capitalisation

**11,000+**

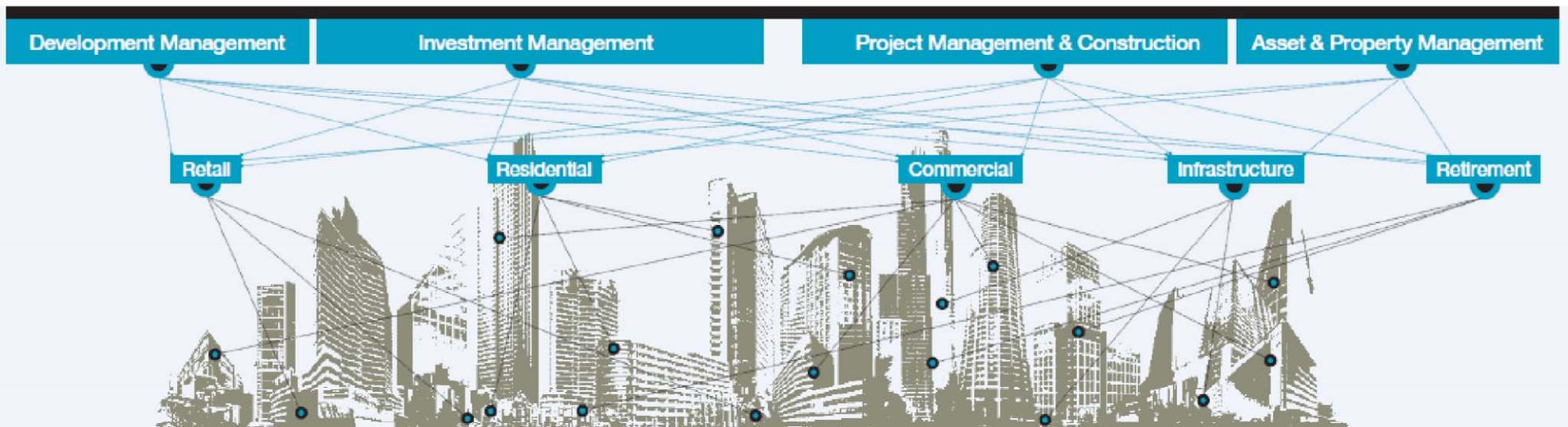
Employees globally

# Lend Lease

*Providing one element or an end-to-end solution*



OUR PROPERTY VALUE CHAIN



**We find**

Sourcing the best property opportunities

**We buy**

Structuring the right deal

**We fund**

Providing the right investment solutions

**We design**

Creating innovative and sustainable property solutions

**We build**

Building and project managing using our global reach

**We manage**

Continually enhancing the value of property over time

# Lend Lease

*A 50 year track record*



**420 George Street,  
Sydney NSW**



**Bluewater Shopping Centre,  
Kent UK**



**Macarthur Square,  
Campbelltown NSW**



**The Gauge, Victoria Harbour VIC**

**313@Somerset, Singapore**

# Lend Lease

*Every action adds up*



- **Sustainability**; a core operating principal
- Inaugural member of both the Australian and United Kingdom's Green Building Councils
- Delivered Australia's first 5 Star Green Star and 6 Star Green Star As Built rated buildings
- Green building certification is mandated on all developments
- An active participant in globally recognised sustainability initiatives



Listed on the Dow Jones Sustainability Index and Goldman Sachs JBWere 'Climate Leadership Index'



Partnering with Clinton Climate Initiative



The first global property investment company to sign UNPRI



WORLD GREEN BUILDING COUNCIL

A partner with World Green Building Council

# Investment Management

*Tailored global real estate products and solutions*



- Formed the first unlisted property trust in Australia (1959) and currently manage the largest wholesale property fund in Australia (APPF)
- **Diverse client base:** Pension funds, sovereign funds, investment managers, insurance companies
- In-house deal sourcing, acquisition, due diligence, performance monitoring & asset management skills
- Proven ability to unlock asset value and enhance returns to investors
- Best in class governance practices
- Committed to Sustainable Responsible Investment Policy
- Winner; **Investment Stewardship Award** – Funds Management, awarded by Melbourne Financial Services Symposium.

11

Funds managed globally

Over 120

Institutional clients

A\$10.1 billion

Funds under management

91

Properties held in managed funds

*Numbers as at 30 June 2010*



# Implementing Sustainability in Investment Management

## The Three Factors



KEY FACTOR 1  
*LEADERSHIP*

## Why?

- Tenants
- Investors
- Legislation
- Competitors
- Corporate requirements

## Who?

- Board
- CEO and CIO
- Senior managers
- Sustainability manager

## What?

- Sustainable responsible investment policy
- Signatory to UNPRI
- Membership of local RI organisations

**COMMITMENT TO  
SUSTAINABLE  
INVESTMENT  
MANAGEMENT**

## Sustainable Responsible Investment Policy

### Investment Management

As a fund manager, we have a duty to act in the interests of our Investors. In this fiduciary role, we believe that environmental, social governance (ESG) and safety factors form an integral part of the management process in our property portfolios, acknowledging that continually improving the sustainability performance of our assets and developing sustainable investment products will deliver long-term value for our investors, the environment and our local communities.

In line with our signatory commitment under the United Nations Principles for Responsible Investment (UNPRI), we are committed to creating value for all stakeholders in everything we do by delivering positive economic, environmental and social outcomes whilst operating in an environment that is incident & injury free.



We therefore commit to the following actions:

1. Formally evaluate the impacts and risks of environmental, social and safety issues in our investment and management decision making;
2. Measure and report on environmental, social and safety criteria;
3. Develop and implement Fund Specific Sustainability Strategies across each of our Funds, globally, to clearly articulate the sustainability aspirations and performance targets for fund assets and portfolios, addressing the key ESG factors that will govern how each existing asset and acquisition will contribute to investment value in both sustainable and financial terms;
4. Use green building rating tools where they exist, to benchmark and disclose environmental performance;
5. Engage and share knowledge with stakeholders on ESG and safety issues related to sustainable responsible investment practices, promoting the acceptance and importance of the UNPRI;
6. Work with industry bodies and government on tools and incentives which promote improved environmental, social and safety performance in the property and investment industries.

We will report progress annually against our actions.



**Tarun Gupta**  
Group Head of Investment Management  
Lend Lease

June 2010

# Investment Management

## *Sustainability Leadership Timeline*



2006

- Sustainability manager employed
- Sustainability workshops held
- Many naysayers, few champions

2007 (The tipping point)

- Conference sponsorship
- Investor forums with Gary Pivo
- Sustainable Responsible Investment Policy released
- First Fund Specific Sustainability Strategy

2008

- UN PRI signatory status
- Revised Sustainable Responsible Investment Policy

LEADERSHIP

# Lend Lease Investment Management

## *A Sustainable Responsible Organisation*



- ✓ Winner of the 3<sup>rd</sup> annual Investment Stewardship Award for Funds Management, recognising long term achievement and best of breed corporate governance
- ✓ Best ESG Asset Manager 2010 - Australia, World Finance
- ✓ First global specialist property investment management company to become a signatory to the UNPRI
- ✓ Sponsor and participant in creating toolkits outlining key steps for property Fund and asset managers who wish to manage their Funds and investments more responsibly
- ✓ Lend Lease mandates Green Building Certification on all developments
- ✓ Lend Lease is also committed to operating Incident and Injury Free wherever the Group has a presence. This philosophy reaches every part of the Group's operations and extends to clients, suppliers, subcontractors and other stakeholders



**Incident & Injury Free**

KEY FACTOR 2  
*BUSINESS SYSTEMS*



# Fund Specific Sustainability Strategies



Australian Prime Property Fund Commercial  
2007-2012 Sustainability Strategy  
2010 Update



Sustainability. Every Action Adds Up.

## CONTENTS

---

### Background

- Business context
  - Industry context
  - Legislative context
- 

### Fund Specific Sustainability Vision

---

### Fund Strategy

- Existing assets
  - Development projects
- 

### Financial principles and reporting

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### Asset initiatives and targets (Appendix)

# Fund Specific Sustainability Strategies



## Strategic vision

- Fund specific
- Inspirational
- Memorable



## Vision (examples)

### APPF Commercial

*....'to be recognised as the leading environmentally sustainable commercial office property fund in the Australian marketplace.'*

### APPF Retail

*....'to be the sustainable retail investment product of choice in the Australian unlisted property market, responding to the unique aspects of retail design, development and operation to create positive triple bottom line outcomes for investors, retailers, customers and the community.'*

### LLREP3

*....'to deliver smart, cost effective sustainability solutions across the portfolio.'*

# Fund Specific Sustainability Strategies



## Strategy (examples)

- Metering and monitoring
- Metrics and reporting
- Tenant engagement
- Continuous improvement
- Waste recycling
- Community and Social
- Education
- Incident and Injury Free
- Acquisitions Framework
- Building rules and fitout guidelines



# Fund Specific Sustainability Strategies

## Alan Woods Building Canberra, ACT



### Current and Targeted Environmental Performance

Financial year	2007	2009	2012
Green Star*	n/a	n/a	n/a
NABERS Energy	3.5 Stars	4 Stars*	5 Stars
NABERS Water	1.5 Stars	2 Stars	4 Stars
Waste Recycling	48%	54%	65%

\* Green Star ratings are not currently available for existing buildings.  
\* Includes green power.

### Property Summary

The Alan Woods Building is a well located seven level 'A' grade office building of 17,000sqm in central CMC, Canberra. It is a modern asset with large floorplates (over 2,000sqm) currently delivering best practice environmental performance. The building was rated in 2009 and achieved a 4 Star NABERS Energy rating and a 2 Star NABERS Water rating.

Airservices Australia have executed a 10 year lease over the whole building commencing in June 2010. The building is being upgraded to achieve a NABERS Energy rating of 4.5 Stars by 2012 and will fully comply with Federal government accommodation standards.

Following LLREL and IRB approvals, the Manager has engaged Bovis Lend Lease (BLL) to design and implement a NABERS improvement strategy to ensure the target rating is

reached and a third party contract has been engaged to undertake various cosmetic works to the building. The main features of the upgrade and replacement items identified in BLL's improvement strategy are as follows:

- Replace existing originally installed chillers with high efficiency centrifugal chillers;
- Replace originally installed cooling towers with high efficiency induced draft cooling towers;
- Upgrade the existing SMCS;
- Replace the existing electric powered boiler to high efficiency gas powered boilers;
- Replace base building and tenant area lighting to T5 standard or equivalent; and
- Installation of 400sqm of roof top solar panels.

The plant upgrade has been designed with a level of contingency to ensure the building will perform at a level higher than 4.5 NABERS Energy. Additional fine tuning by the NABERS design consultant and during commissioning is expected to increase the 4.5 Star rating over a period of two years to potentially 5 Stars.

In addition to the above NABERS Energy target, the Fund has implemented a works program to upgrade the bathrooms and kitchens within the building. All of the new appliances and fixtures within the bathrooms will have WELS (Water Efficiency Label and Standards) ratings of 4 Stars and above. These works combined with replacing the chillers and cooling towers as part of the NABERS Energy improvement strategy will ensure the 2012 target rating of 4 Stars NABERS Water is achieved.

APFF COMMERCIAL ALAN WOOD BUILDING  
CANBERRA, ACT

## Asset specific targets (examples)

### Commercial

Financial year	2007	2009	2012
Green Star*	n/a	n/a	n/a
NABERS Energy	3.5 Stars	4 Stars#	5 Stars
NABERS Water	1.5 Stars	2 Stars	4 Stars
Waste Recycling	48%	54%	65%

\* Green Star ratings are not currently available for existing buildings.

# Includes green power.

### Retail

Calendar Year	2003 Baseline	2008 Current	% Change to base year	2012 Target	Target % Change to 2008
Energy (kWh/sqm of GLA)	116	112	-3.5%	100	-10.7%
Water (KL/sqm of GLA)	2.40	1.21	-45.6%	0.90	-25.6%
Waste (% of waste recycled at asset)		32		45	40.6%

# Environmental Management System



## EMS background

Standardisation of environmental processes across Lend Lease

Currently being implemented

Aligns with ISO14001

Company wide system

## EMS components

Environmental Policy

Environmental and legal risk management

Objectives, targets and quality programme

Roles and responsibilities

Competence awareness and training

Communications

Document control

Operations

Emergency preparedness and response

Monitoring and measurement

# Sustainability data collection and IT systems

## *Corporate level sustainability metrics*



# INSIGHT

MORE THAN JUST A METER

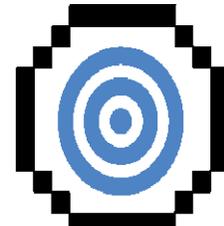
INSIGHT  
ENVIRONMENT

INSIGHT  
PEOPLE

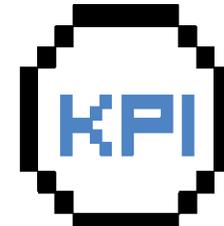


INSIGHT  
HEALTH +  
SAFETY

INSIGHT  
FINANCE



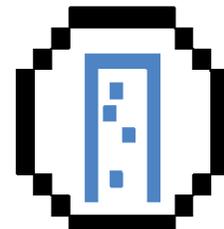
ON TRACK



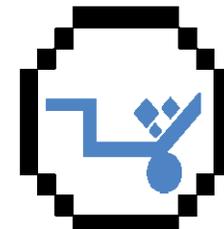
PERFORMANCE



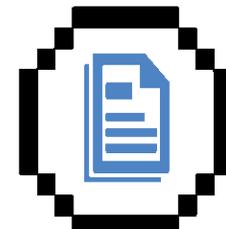
NEGOTIATE



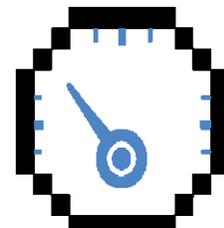
GREENER STANDARDS



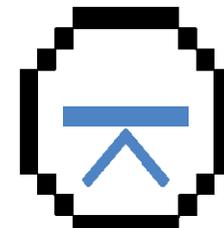
PROCUREMENT



COMPLIANCE



REVIEW EMISSIONS



GLOBAL BENCHMARKS

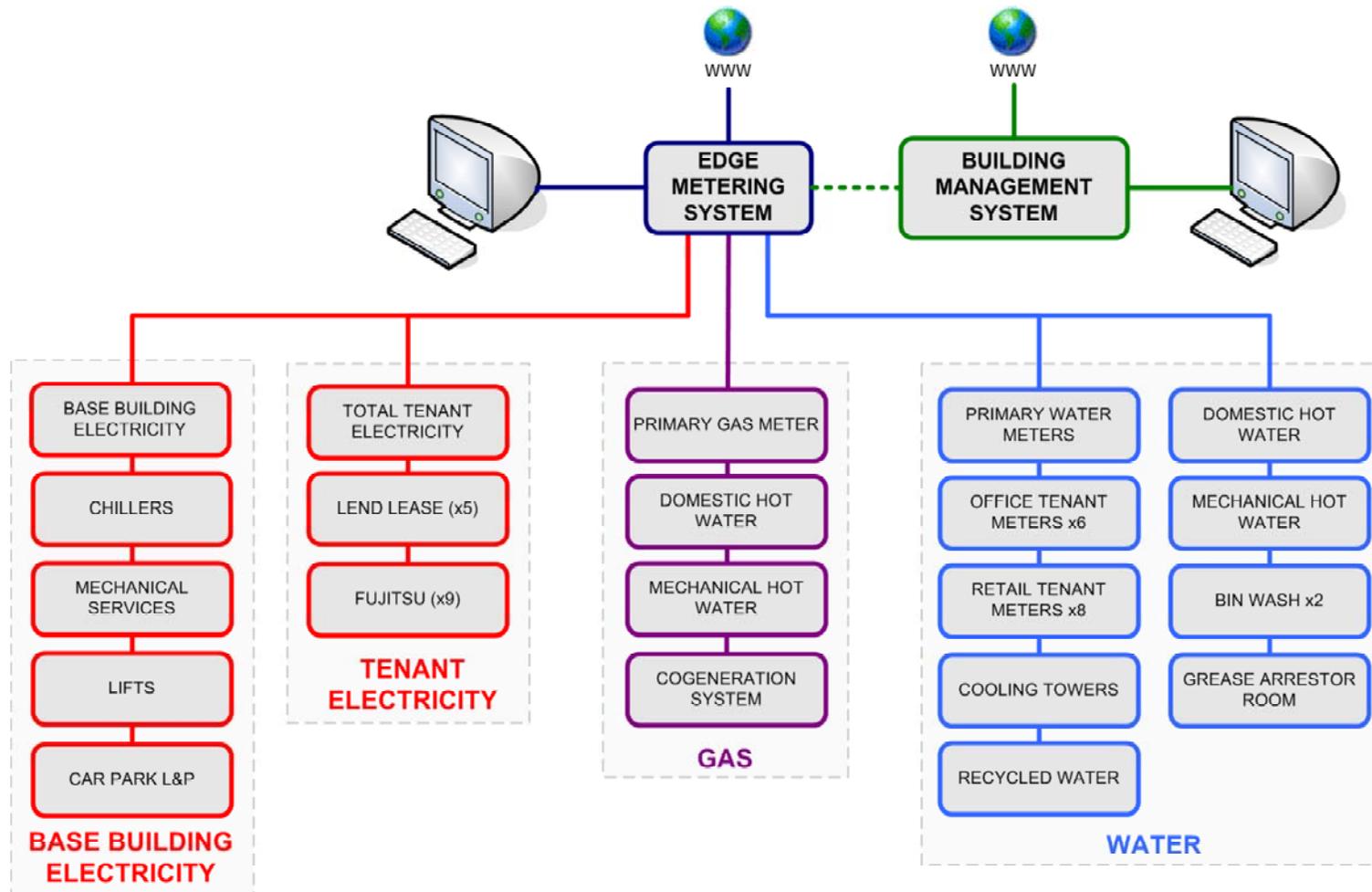


REPORTING

BUSINESS SYSTEMS

# Sustainability data collection and IT systems

## Asset level sub-metering and monitoring





## Corporate level

- Quarterly environmental metrics
- Annual reports including DJSI & CDP

APPFC

## Fund level

- Generated by Fund managers
- Reported to investors, senior managers and board



## Asset level

- Reviewed by Fund management team
- Used to generate transparency and drive property managers



## Sub-system level

- Reviewed by property manager
- Exception reporting to fund managers

# Analysis and Reporting – Corporate level



**Sustainability report**

Sustainability has been an integral part of our culture for more than 50 years. Today, our employees insist that making a difference in our communities, improving health and safety standards, and reducing our environmental impacts are central to our business strategy.

Thanks to the innovative thinking and professional excellence that define our people, we've taken huge strides forward in our aspiration to be a global leader.

Our sustainability performance is now regularly updated on a dedicated website, Every Action Adds Up, to ensure we meet our reporting obligations to all our stakeholders.



 **Global Reporting Initiative™**

**CARBON DISCLOSURE PROJECT**

**Global 100**  
Most Sustainable Corporations in the World

 **Dow Jones Sustainability Indexes**  
Member 2008/09

18 [lendlease.com/sustainability](http://lendlease.com/sustainability)

# Analysis and Reporting – Fund level



APPF Retail  
Quarterly Sustainability Report  
July 2010

## Performance

The table below summarises the current performance of each centre against 2012 targets.

Centre	Energy	Water	Waste
Cairns Central	On track to achieve target	On track to achieve target	On track to achieve target
Caneland Central	On track to achieve target	On track to achieve target	Off target
Caroline Springs	Off target	On track to achieve target	Off target
Erina Fair	Off target	On track to achieve target	Off target
Greensborough Plaza	Off target	Slightly off target	Off target
Macarthur Square	On track to achieve target	On track to achieve target	On track to achieve target
Pakenham Place	On track to achieve target	On track to achieve target	Off target
Sunshine Plaza	Off target	On track to achieve target	On track to achieve target
Indooroopilly	TBC	TBC	TBC

**Key**  
 ✓ 2012 target achieved    ⚪ On track to achieve target  
 ⚪ Slightly off target    ⚪ Off target

### Discussion

#### Energy

Caroline Springs, Erina Fair, Greensborough Plaza and Sunshine Plaza require significant attention if 2012 targets to be achieved. Full audit of 2008 Energy Savings Action Plans required.

#### Water

Assets generally tracking well towards 2012 target. Greensborough requires additional focus. Need to ensure that we continue to seek water saving initiatives.

#### Waste

Most sites are not currently on track to achieve 2012 target. Additional focus required. Historical information shows limited progress at portfolio level during FY10.

## Key Statistics

### ELECTRICITY

Change in MAT across portfolio

**+1.5%**

Previous months  
Dec -1%    Sep -0.6%    Jun -1.3%

### WATER

Quarterly change in MAT across portfolio

**-1.9%**

Previous quarters  
Dec -9.3%    Sep -1.4%    Jun -3.5%

### WASTE

Change in MAT across portfolio

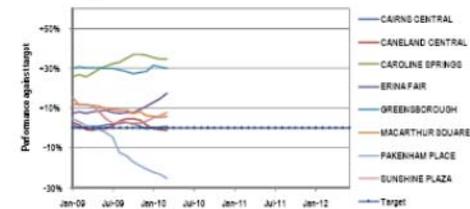
**+0.1%**

Previous quarters  
Dec 0%    Sep +0.1%    Jun

## Lend Lease Retail - Sustainability

### SUMMARY

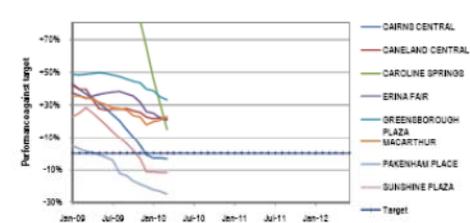
#### Electricity



The chart shows that Pakenham is well below target and that Greensborough Plaza and Caroline Springs are 30% above target.

Erina Fair is currently tracking away from the target. It is likely that this is due to the Kmart development and its inherent inefficiencies.

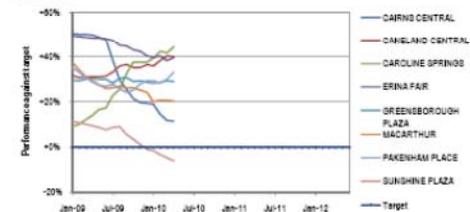
#### Water



The CS Square team have reduced water consumption significantly between Jan '09 March '10. The centre is well on track to achieve the 2012 target.

All other Centres performing well and tracking towards target with the exception of Greensborough Plaza which requires additional focus.

#### Waste



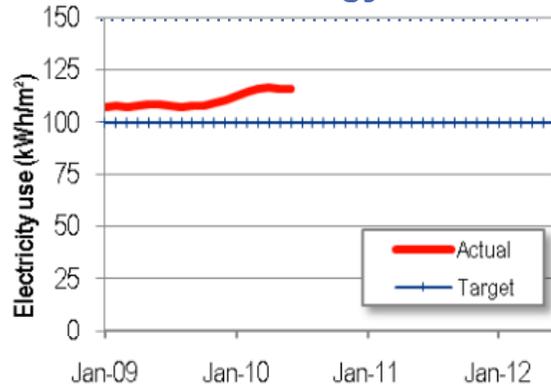
Pakenham Place has achieved the 2012 primary waste recycling target, Cairns Central is tracking well.

All remaining Centres are not currently tracking towards the 2012 target. Significant focus will be required to achieve the 2012 targets at these Centres.

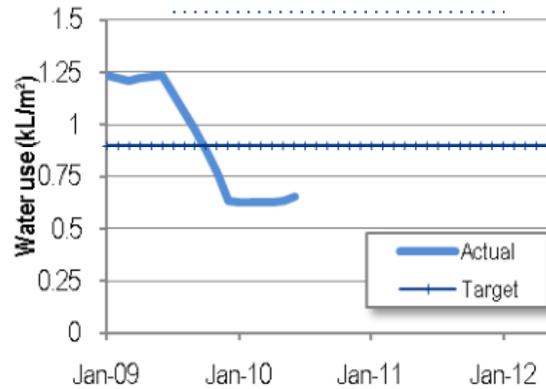
# Analysis and Reporting – Asset level



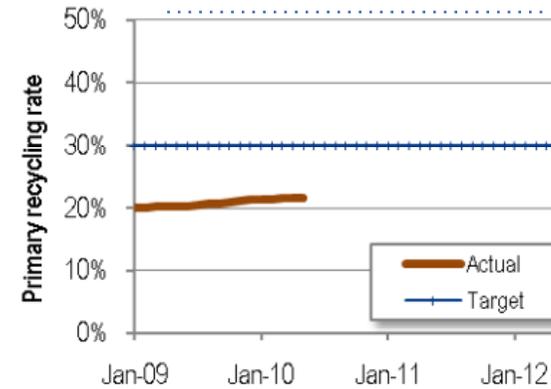
## Energy



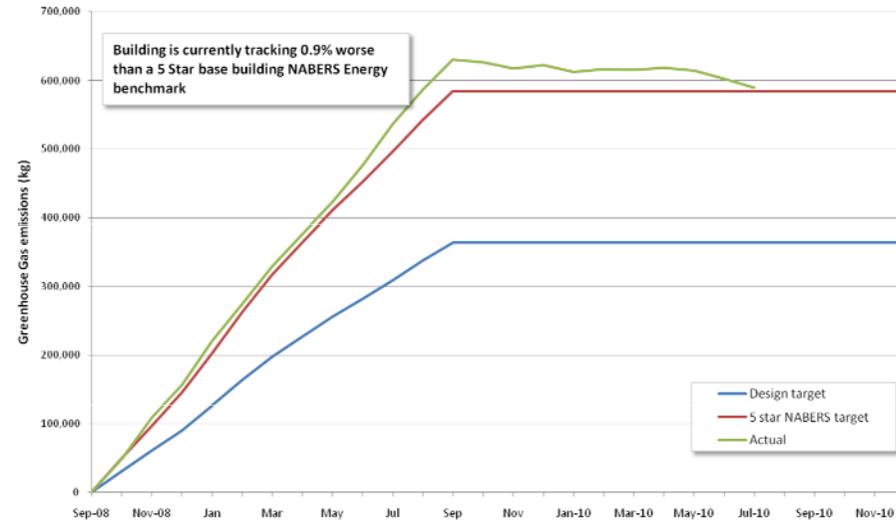
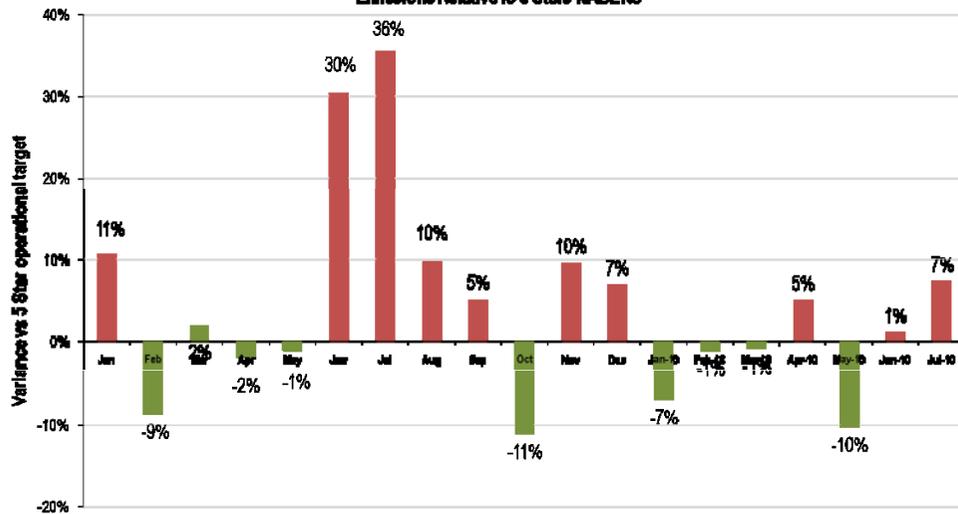
## Water



## Waste

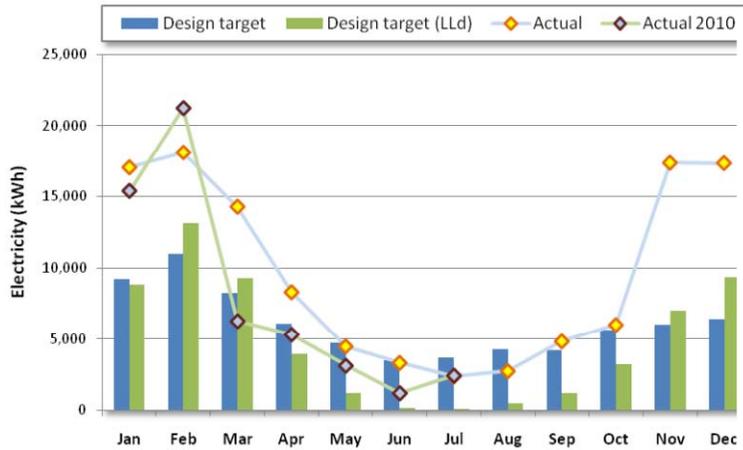


## Monthly Base Building ABGR Performance Emissions Relative to 5 Stars NABERS



# Analysis and Reporting – Sub-system level

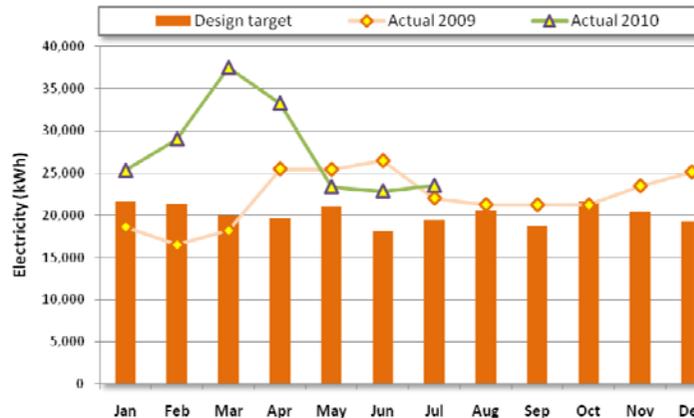
## Chilled water plant



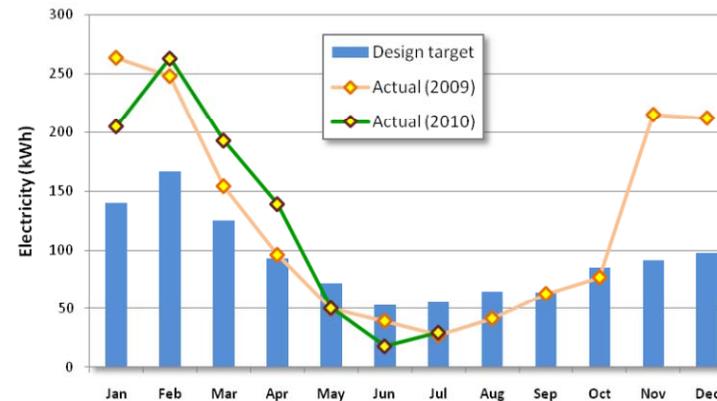
## Cogeneration system



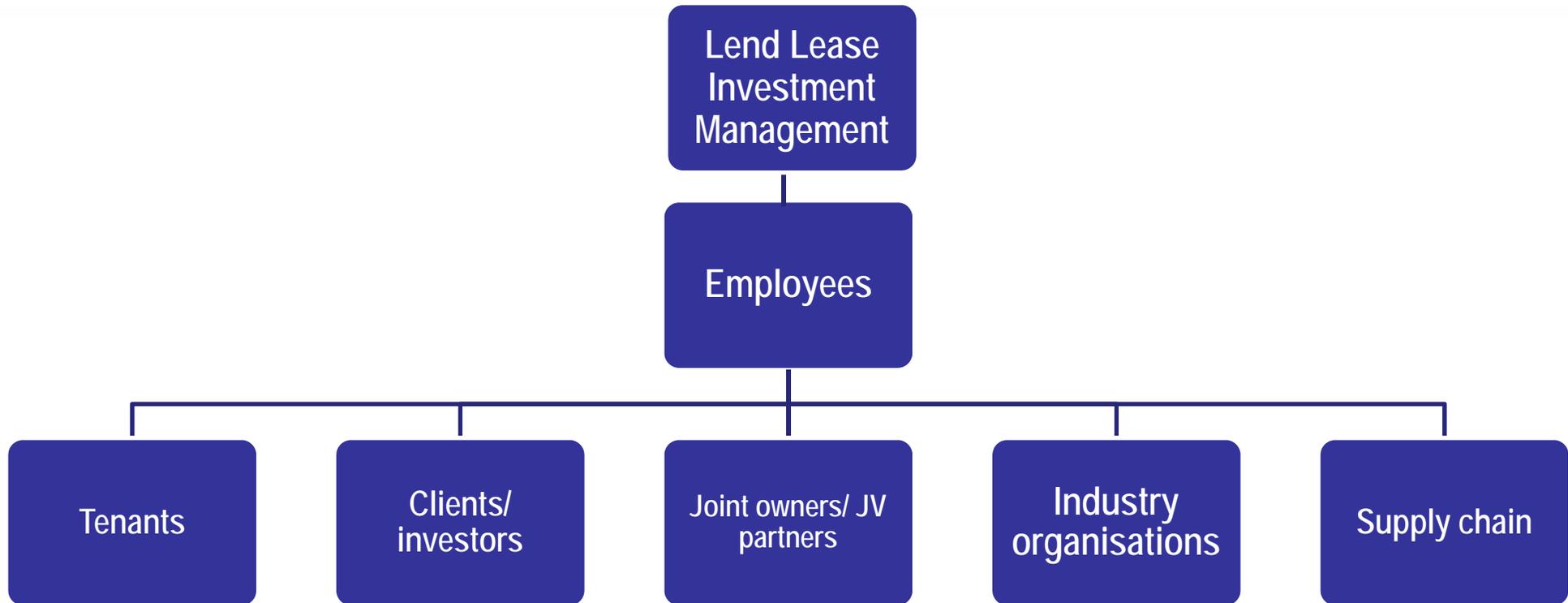
## HVAC



## Cooling tower water



KEY FACTOR 3  
*STAKEHOLDER ENGAGEMENT*



# *SUMMARY*



- Why, who, what?
- Commitment
- Policy

- Sustainability Strategies
- Environmental management system
- Data collection and IT systems
- Analysis and reporting

- Employees
- Tenants
- Clients/investors
- Joint owners/JV partners
- Industry organisations
- Supply chain

Thank you



[www.lendlease.com/sustainability](http://www.lendlease.com/sustainability)