



# SUSTAINABILITY ROADMAP: AN OCCUPIER'S JOURNEY

Organisations are increasingly targeting their real estate portfolio as a key area to improve their environmental footprint. Anyone involved in the management of corporate real estate is being asked to contribute to this process; to benchmark a portfolio's performance, to understand how it can be improved and to demonstrate quantifiable improvements to both internal and external stakeholders. But how does an occupier go about embarking on a sustainability journey? In this paper, Jones Lang LaSalle explores how sustainability can be integrated into the real estate process to deliver results that support corporate sustainability strategy and provides a roadmap for occupiers to work towards successful sustainability outcomes.



## Introduction

Occupiers are targeting their real estate portfolio as a key area to improve their environmental footprint. Anyone involved with providing real estate solutions in an organisation will be confronting the need to contribute to this process and to account for the performance of the real estate portfolio. Those involved in the management of corporate real estate are being asked to benchmark a portfolio's sustainability performance and to understand what can be done to achieve and maintain performance uplifts. They are increasingly being asked to demonstrate quantifiable improvements for a variety of reporting purposes to both internal and external stakeholders.

Occupiers can, and indeed should, drive the move towards sustainability across their real estate portfolio. By approaching sustainability as an integrated part of the real estate strategy, the CRE can achieve measurable performance uplifts across a property portfolio and demonstrate the strategic value of real estate to an organisation's corporate sustainability journey.

But how does an occupier go about embarking on a sustainability journey? In this paper, part of a series on sustainability by Jones Lang LaSalle, we consider how you can align real estate with corporate sustainability strategy. We discuss how sustainability can be integrated into the real estate process and how you can take all your stakeholders along with you on the journey. We look at how you can prepare yourself to meet the ever-increasing reporting requirements, and we provide a roadmap for occupiers to work towards successful sustainability outcomes.

authors

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Carol has over 12 years experience in commercial property in Australia and New Zealand, with a specialisation in property and facilities management of national portfolios. She has held national roles with Knight Frank (NZ) Ltd, RDT Pacific, United Group and Jones Lang LaSalle.

Carol has worked with many of the region's prominent public sector and corporate organisations such as ANZ Bank, Centrelink, Westpac Banking Corporation, Shell Oil, Bank of New Zealand, Fonterra, Transit New Zealand and BP Oil. In Carol's role she is charged with responsibility for business growth and operations of Jones Lang LaSalle's large Integrated Facilities Management business in Australia and New Zealand.



### Chris Wallbank

*National Director  
Sustainability and Engineering Services*

Chris Wallbank has 25 years experience in the design, construction, commissioning and maintenance of building services, with the last thirteen years focused on building performance improvements with new and existing property. Chris brings his engineering expertise and experience to develop Jones Lang LaSalle's sustainability platform, building on the firm's existing delivery capability. His focus is on demonstrating the tangible benefits of a well documented and cost effective sustainability program for new and existing clients.

He has worked in a multi-discipline environment to develop an intimate knowledge of the relationships within, and between engineering and services disciplines. His skills have been developed over numerous new and existing projects and his approach is heavily biased towards practical solutions tailored to project specific requirements.



### Shifting Attitudes

Attitudes towards sustainable buildings are rapidly changing. In 2005, Jones Lang LaSalle surveyed corporate occupiers across Asia Pacific and found that 11% would consider paying more to occupy a sustainable building. However, a survey conducted in March 2007 by Jones Lang LaSalle in collaboration with CoreNet found that by 2007, this has increased to 64%.

The survey also found that 42% of corporate occupiers in Asia Pacific see sustainability as a critical issue for corporate real estate executives (CREs). Almost 80% said that sustainability represents an opportunity for their business. However, only 18% felt that the provision of sustainability services was adequate in the markets where they operate. This presents an opportunity for developers, investors and managers who are ready to deliver these services and equally points to an obvious gap in sustainability deliverables.



### Drivers of Sustainability in Corporate Real Estate

Australia is experiencing a convergence of drivers that are pushing the commercial real estate industry towards improved environmentally sustainable practices. These include shortages in peak energy capacity, diminishing water supplies and increasing waste and transport costs. This is compounded by an increasing focus on corporate social responsibility (CSR) imperatives globally and a push for organisations to report on their carbon emissions. Environmental performance rating tools are gaining traction in the industry, and the political and legislative agenda is changing, with an increasing focus recently on climate change issues.

There is little doubt that in this environment, the business community is very much aware of the need to review sustainable practices in the areas of energy and water consumption and waste disposal. Increasing pressure on occupiers to be socially responsible and to adopt triple bottom line reporting practices has seen sustainability become prominent in much of the dialogue in the corporate real estate sector.

It is estimated that commercial buildings produce up to 15% of Australia's greenhouse gas emissions. A study by the

Australian Greenhouse Office predicted that if no changes were made, the sector would double its greenhouse gas emissions from 8.8% in 1990 to 62 million tonnes by 2010. Although the sector has made improvements since then, many experts believe that its emissions are still well above long-term sustainable levels..

**The 3CBDs program estimates that if all the commercial office tenancies in Sydney, North Sydney and Parramatta CBDs were to increase their performance by 1 star rating from an assumed 2.5 star Australian Building Greenhouse Rating (ABGR), they would reach a combined savings of up to \$AUD 21 million in energy costs, or 189,000 tonnes of greenhouse gas.**

Ensuring that commercial buildings run as efficiently as possible represents one of the lowest cost options for effectively reducing greenhouse gas emissions. Global studies by McKinsey, Vattenfall and the UN have shown that there is more opportunity for savings in buildings than in energy, transport and industry combined. The Intergovernmental Panel on Climate Change estimates that by 2030, some 30% of projected greenhouse gas emissions in the global building sector can be avoided with net economic benefit through sustainable buildings.

Figure 1&gt;&gt; Sustainability and the building life cycle



Source: Jones Lang LaSalle

Table 1&gt;&gt; Issues for sustainability in corporate real estate

<b>Brand</b>	An organisation can position itself positively around sustainability or risk damage to its brand in the eyes of stakeholders if sustainability is ignored.
<b>Corporate policy</b>	The senior management team may take a stand on sustainability and CSR, relying on the CRE to implement initiatives relating to the real estate portfolio.
<b>War for talent</b>	Increasingly, the message from informed and more selective candidates will be that they want to work for a company that is 'sustainability aware'.
<b>Future proofing</b>	Occupiers' real estate decisions will be influenced by the sustainability offering and future sustainability potential of space to ensure it has long-term relevance and flexibility for their organisational and environmental requirements.
<b>Demands from shareholders</b>	International reporting projects such as the Dow Jones Sustainability Index, the FTSE4Good Index Series and the Global Reporting Initiative (GRI) are assisting investors in understanding and assessing sustainable investment options.
<b>Securing space</b>	Availability of real estate that meets sustainability criteria and/or legislative requirements may become scarce as expectations increase, making it more difficult and expensive for occupiers to meet their space requirements.
<b>Legislative implications</b>	Legislation around sustainability will increase over the coming years and may leave some buildings at risk of non-compliance in the near future. Under the Energy Efficiency Opportunities Act 2006, corporations that use more than 0.5 petajoules (PJ) of energy per year are already required to report publicly on their energy use and energy saving initiatives.
<b>Productivity</b>	There is evidence to suggest that sustainability is a factor impacting on staff health and productivity. A study by the US Green Building council showed that productivity increases in LEED <sup>1</sup> certified offices could be as high as 18%.
<b>Resource scarcity</b>	Organisations relying on water and energy supplies for their operations will be impacted by shortages and restrictions as well as the introduction of new energy sources.
<b>Cost savings</b>	Energy costs are increasing and the evolution in legislation may require costly upgrades for some properties. Carbon trading will also impact on the financial implications of sustainable buildings.
<b>Finance and Insurance</b>	Global insurers and financiers are beginning to assess the sustainability performance of their clients in considering their suitability for finance or insurance.
<b>Lease negotiation</b>	Understanding what is required to achieve sustainability performance is vital when negotiating a lease with sustainability criteria.

Source: Jones Lang LaSalle

<sup>1</sup>Leadership in Energy and Environmental Design

## Planning Your Approach

Sustainability should be approached as an integral component in the management of a real estate portfolio as sound sustainability management is a journey, not a set of quick wins and should be integrated at all stages of the building life cycle (Figure 1).

## Benchmarking and objectives

Before embarking on a sustainability journey, it is important to understand your organisational objectives and align those with your real estate strategy. There is a wide variety of corporate drivers (Table 1) and it is necessary to determine what is most important to your organisation. Is the focus on cost savings, attracting staff, reporting to shareholders,

compliance or improving productivity? Identify who your stakeholders are, and how they will be assessing your performance. Identify the resources and time you have available and what you are prepared to commit to.

Too often, organisations embark on a costly and time-consuming sustainability program only to find out that they have no way of measuring the improvement in sustainability performance due to inadequate benchmarking. This is because benchmarking and measurement are keys to ongoing performance validation. Tracking and managing sustainability performance is critical to enable reporting on performance changes year-on-year and to identify potential risks and opportunities that add value or achieve further performance improvements.

## Rating and Reporting Mechanisms

### Green Star

The Green Building Council of Australia (GBCA) administers a suite of rating tools for new projects as well as for refurbishments. Projects are evaluated against eight criteria plus innovation.

Green Star Design rates the potential environmental performance of a building design, while Green Star As Built rates how well what was actually built reflects the promise at construction completion.

Green Star Office Interiors rates the potential environmental performance of tenants' fit-out designs. This tool has been developed to assess a tenancy fit-out once construction is complete. However, it should be used during the design phase to ensure sustainable initiatives are incorporated from the outset.

### Australian Building Greenhouse Rating (ABGR)

Administered by the NSW Department of Energy, Utilities and Sustainability (DEUS), the ABGR scheme rates buildings according to actual energy performance using 12 months' worth of data. This means that the rating reflects the way energy is managed as well as how efficiently the building is designed. It can be used for the base building (central services), whole building or individual tenancies for both new and existing buildings.

### National Australian Built Environment Rating System (NABERS)

Also administered by DEUS, NABERS Office rates existing buildings and tenancies based on measured operational impacts on the environment, incorporating ABGR and a specific NABERS Office Water rating. NABERS Office can be used by building owners, managers or occupants to report on the aspects of sustainability performance that are within their control.



## ANZ

ANZ recognises that we impact the environment both through our use of resources and through the decisions we make about who to lend to, what to invest in, and how we purchase products and services.

ANZ is committed to minimising the environmental impact of its business operations. ANZ's Environment Charter recognises that to be a trusted member of the community, ANZ must be aware of how its business affects the environment and assist customers to identify and manage their impacts. The approach is focused on:

1. Reducing the environmental footprint
2. Responsible business banking
3. Sustainable supply chain
4. Partnerships

ANZ has targets to cut consumption of resources and restrict greenhouse gas emissions and generation of waste. To help meet these goals, ANZ has developed an Environment Management System (EMS) consistent with ISO 14001. The EMS provides a structured approach to assessing how its operations impact on the environment and setting targets to improve performance. The EMS also governs how ANZ measures and reports on progress.

Many of the measures taken by ANZ to reduce its environmental footprint involve new technologies and changes to its property management strategy. Further, ANZ has committed to making its Australian and New Zealand operations carbon neutral by 2009 by sourcing electricity exclusively from renewable energy projects.

However, ANZ realises that the way people use resources at work is also important and the support of staff is an integral step in achieving environmental goals. ANZ has developed a comprehensive environmental awareness course for staff which outlines the measures ANZ is taking to reduce its environmental impact, as well as practical ways staff can better conserve natural resources and manage waste at work.

## World leadership in green building design

In September 2006, ANZ announced it was building Australia's biggest commercial office, at 833 Collins Street in Melbourne's Docklands, to deliver a workplace that is specifically designed to build on ANZ's highly successful values-driven culture and sustainability aspirations.

Due for completion in 2009, the building will be designed to achieve a six-star Green Star environmental rating. ANZ's investment in innovative design initiatives includes stormwater re-use, water recycling, wind turbines, the use of Yarra River water in the building's cooling system and greater use of natural light.

Achieving a six-star Green Star rating from the Green Building Council of Australia would make it the largest green building in Australia and one of the top four green large bank buildings in the world, alongside the Royal Bank of Scotland building in Edinburgh, the Bank of America building under construction in New York, and the ING Headquarters in Amsterdam.

## Performance measurement

Performance measurement is a critical element of sustainability reporting in order to show change. The method by which measurement and reporting is set up and managed is key to ongoing performance validation, and as such, should preferably be built from the bottom up and not the top down.

Environmental performance ratings tools such as ABGR / NABERS can be used as benchmarking tools for a portfolio. This applies where a large number of buildings are rated to establish a benchmark of actual performance based on 12 months' worth of operational data.

The data metrics used and the way in which data is manipulated and presented should have relevance at all levels in the business unit to both unify the performance imperative in a corporate sense and underpin cultural change vital to the ongoing success of the program.

The things that should be measured and monitored include:

- > Energy and water consumption
- > Waste volume reduction (recycling)
- > Paper consumption
- > Travel emissions

In most industries to date, measurement and reporting are seen as an add-on to the cycle, when in fact, these serve as a foundation for meaningful performance improvement and consequent reduction in a company's environmental footprint as part of an overall sustainability focus. However, it is important that measurement and reporting be integral parts of the process. Establishing feedback loops and engaging stakeholders at every stage of the process will ensure that a knowledge pool is built up over time about how the portfolio is run, what factors impact on performance and how performance can be improved.

Once the building and tenancy is performing adequately, a management plan should be developed to ensure performance is maintained. Documenting performance on a monthly basis will prove the management plan is working and identify areas of risk or opportunities to improve performance. The building should be re-assessed against the established benchmarks or rating system as soon as 12 months' worth of lower consumption data are available.

## Performance data

To ensure the desired outcomes of any initiatives are both achieved and maintained, access to specific building performance data is essential. Relevant and timely performance information is essential to monitor performance, to identify areas of avoidable environmental impact and to demonstrate the effect of improvement activities.

Building performance is made up of various items of plant and equipment, the energy and water consumption of which vary day to day and season to season. A building system designed to run efficiently in peak summer may operate poorly during cooler periods with only partial equipment load. Equally, some buildings operate efficiently at full occupancy but poorly at low occupancy or during after hours.

Current master metering of trends gives only a snapshot of the overall consumption for a building or tenancy. Installation of additional meters on key sub-elements in a building, such as ventilation, heating, cooling or lighting, enables data access at a more specific level. This makes it possible to clearly assess and evaluate each of the sub-elements and to identify not only a building's rate of consumption, but also the way different sub-elements are contributing to usage patterns, and what savings could really be achieved.

An example of how sub-metering enables performance enhancements is in the case of a chiller that is running 24-hours a day due to a control system failure. If relying on standard master metering it may take weeks before someone identifies and resolves the malfunction. When the monthly bill arrives a spike in energy use may be identified, however there is no indication of what is causing this increase.

Where sub-metering is installed, it is possible to isolate and identify quickly any substantial increase in the chiller's energy use, saving potentially thousands of dollars in additional running costs. This also has implications for ABGR, which is awarded based on 12 months worth of energy performance data, as any significant increase in energy consumption can result in reduced star ratings.

Beyond data acquisition, the real challenge is to apply appropriate analysis techniques to turn this data into useful information that would allow for more accurate and more efficient decisions to be made about improving sustainability performance.

## Corporate reporting and carbon trading

The demand for auditable and robust data on sustainability performance for corporate reporting and carbon trading purposes is of significant concern for those reporting on sustainability performance for real estate portfolios. The multitude of data that are produced from a properly measured commercial building represents many hours of time and money spent to compile, analyse and present. Add to this the time it takes an auditor to review, verify and sign off on the accounts as being compliant and reporting becomes a very costly exercise for an organisation.

Investment in an IT reporting system that is capable of automatically collecting, analysing and validating the data will streamline this process, saving time and money. At the same time, implementing such a system will reduce the risk of errors and enhance opportunities to respond to exceptions quickly and maximise sustainability performance

Australia's first national emissions trading exchange, Australian Climate Exchange (ACX), opened in July 2007, placing a market-based financial value on greenhouse pollution. Companies can now trade Australian Greenhouse Office (AGO) accredited 'voluntary emission reductions' (VERS) on the ACX. In order to register offsets, they must be certified by the AGO and logged with the ACX registry. This will place more pressure on CREs to provide auditable and robust data to ensure the greenhouse credits can be effectively traded.

The data validation process is also a key component in meeting the requirements of the Global Reporting Initiative (GRI) and providing accurate information in official documents such as annual reports, statements to the stock exchange and participation in global reporting schemes like the Dow Jones Sustainability Index, Reputex and the FTSE4Good Index Series.

## A Sustainable Workplace

Sustainability is high on the list of corporate responsibilities and will influence the choice of building for future occupancy. With so many buildings now claiming to have sustainability features, how does an occupier identify those that meet their objectives, and how do they ensure they negotiate a lease that serves these objectives and ensures performance that is actually achievable over the longer term?

## Securing the right space...

The sustainability potential of a building is determined by the design of the building, construction standards and efficiency of primary plant and fit-out of the premises.

A building's capability to adapt to new technologies and new standards is integral to achieving good sustainability outcomes; hence, the level of physical flexibility within a building is becoming increasingly important. Some buildings offer more inherent potential to incorporate sustainability initiatives than others. Indeed, some existing buildings can offer a level of physical flexibility over and above that of many new buildings. Prior to occupation, it is important for an occupier to understand what sustainability outcomes can be achieved within a building.

Some buildings may have latent sustainability potential that is currently unrealised due to factors such as poor management, or which can be unlocked with minor modifications or a relatively low capital outlay. If other factors such as location, rent and building services meet organisational strategy, then targeting a building with lower current sustainability performance but with high potential could be a good option for an occupier seeking to secure affordable space that meets corporate sustainability objectives.

Things to look for when evaluating space for sustainability potential include:

- > Original design standards
- > Service duct provisions
- > Quality of design and construction in services
- > Location and proximity to public transport
- > Structural system integrity
- > Floor to floor height and core flexibility
- > Space availability to facilitate recycling or video conferencing
- > Floor area to facade area ratio
- > Primary service capacity and quality
- > Base mechanical design flexibility
- > Facade performance and quality



- > Core design and central plant configuration
- > Efficient and cost effective after-hours control and zoning
- > Flexible lighting control for offices, meeting rooms, common areas and transient spaces
- > Good availability of power and condenser water for tenant equipment
- > Good property management of sustainability issues with an environmental management plan in place

Implementing major energy, water and waste efficiency initiatives in a building can drastically alter the internal atmosphere and the way the staff will be required to behave. This will dictate the type of workspace that can be provided for employees. It is important to recognise that sustainability targets can reduce flexibility in other aspects as well, including the ability to reduce workspace ratios or to sub-lease space.

**...On the right terms**

A sustainable lease is one that has a sustainability outcome built into it; this can include criteria around energy, water and waste. It is important to understand the implications of such criteria prior to entering lease negotiations.

A clear understanding of what it will take to achieve and maintain sustainability targets is essential. This will include the owner’s investment to bring a building up to standard and maintain performance at a high level, and the occupier’s commitment to fit-out and use the space in a way that supports the sustainability outcomes.

There are also implications on the occupier when seeking to sub-lease surplus space. This includes potential costs for maintaining performance as a sub-lessor, and ensuring the occupier’s commitments under the lease are not compromised by the activities of the sub-tenant.

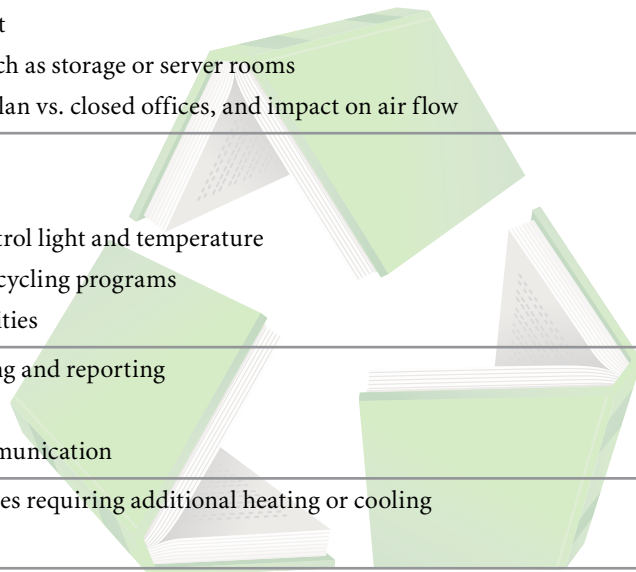
Many large corporate and government occupiers that are committing to sustainability targets and reporting their performance to stakeholders need certainty. However, there are many variables involved in maintaining environmental performance outcomes (Table 2). Landlords are countering this uncertainty by requiring tenants to clearly define their occupancy requirements and scrutinising tenant fit-out to a greater degree.

A lease that takes into account the unique objectives and challenges faced by a particular situation should be developed. It should reflect building profile, current performance, fit-out and the willingness of parties to work collaboratively.

**Table 2>> Variables impacting on sustainability performance**

<b>Fit-out design</b>	<ul style="list-style-type: none"> <li>&gt; Equipment loading</li> <li>&gt; Population densities and impact on building load</li> <li>&gt; Supplementary plant</li> <li>&gt; Non-office space such as storage or server rooms</li> <li>&gt; Floor layout; open plan vs. closed offices, and impact on air flow</li> </ul>
<b>Occupancy habits</b>	<ul style="list-style-type: none"> <li>&gt; After-hours use</li> <li>&gt; Use of water</li> <li>&gt; Use of blinds to control light and temperature</li> <li>&gt; Engagement with recycling programs</li> <li>&gt; Other tenants’ activities</li> </ul>
<b>Systems and processes</b>	<ul style="list-style-type: none"> <li>&gt; Metering, monitoring and reporting</li> <li>&gt; Control systems</li> <li>&gt; Education and communication</li> </ul>
<b>Weather conditions</b>	<ul style="list-style-type: none"> <li>&gt; Extreme temperatures requiring additional heating or cooling</li> <li>&gt; Excessive humidity</li> </ul>
<b>Mechanical and electrical factors</b>	<ul style="list-style-type: none"> <li>&gt; Life cycle of plant</li> <li>&gt; Base building system design</li> <li>&gt; Commissioning and ongoing building tuning</li> </ul>

Source: Jones Lang LaSalle



Some common elements that should be considered in lease documentation to address sustainable goals for the building and/or tenancy include:

- > Corporate objectives
- > Benchmarks and targets
- > Time frames for upgrade works and achieving performance targets
- > Costs for reaching and maintaining performance targets and who is responsible for those costs
- > Measurement and reporting metrics and frequency
- > Fit-out guidelines, non-negotiables and constraints
- > Occupancy profile and habits
- > External impacts
- > Communication and education
- > Consequences and dispute resolution such as abatement for non-performance by landlord or costs for occupier non-conformances

A building is owned and occupied simultaneously, and both parties will have an impact on sustainability outcomes. The challenge is to strike a balance between parties to arrive at a solution that will result in a positive outcome for all and to mitigate any risk resulting from under-performance. There is a strong case for tenants and landlords to become more co-operative to meet their mutual targets and achieve greater sustainability outcomes over the long term.

### Implementing Sustainability Initiatives

Whether approaching a fit-out or a built-to-suit development, the construction phase is a critical area where getting it right can be the difference between delivering on design potential or not. This is the phase where all of the

careful planning carried out at the design phase gets put into practice and made ready for handover to the ongoing management team.

Sustainability is a journey for an organisation, and quick fixes will not have a lasting impact on performance. However, with that said, there are solutions that will have a greater cost benefit in a shorter time frame than others, depending on the unique needs of your portfolio (Table 3). Initiatives with immediate energy impacts include ensuring time schedules are correct, repairing faulty controls and fixing leaks and gaps. Time spent investigating these possibilities is crucial to achieving success within the resources available.

Up to half of the energy consumption in an office building can be attributed to tenant energy use. As such, there is significant potential for occupiers to make considerable improvements in greenhouse gas emissions by implementing energy-saving initiatives within their tenancies.

### Making It Work

Realising a building's full sustainability potential can only be achieved through an approach that takes into account the inputs required throughout the building life cycle. The attitude of contractors, quality of commissioning, knowledge and skill of management teams and service providers in running the building, and the education and behaviour of tenants in how they use the building all play crucial roles in achieving maximum sustainability performance outcomes. There are opportunities to add value at every stage of the cycle, and this value will accumulate through ongoing assessment, implementation and management of tailored solutions.

Your success also depends on those groups that provide services to your company. No company operates in a vacuum. Engaging service providers and contractors who

Table 3>> **Example comparison of expenditure, payback and impact of sustainability initiatives**

BUILDING SERVICES ELEMENT	SCOPE	COST	PAYBACK YEARS	KWHRs REDUCED/ ANNUM	SAVING \$/ ANNUM	CO2/SQM SAVING	ABGR IMPACT
Water cooled chillers	Increase efficiency of chiller	\$61,000	4.24	119,566	\$14,500	3.55	0.16
Primary supply air fans	Install variable speed drives	\$19,500	1.26	129,002	\$15,500	3.83	0.17
BMCS commissioning	More thorough BMCS tuning	\$25,000	1.25	166,188	\$20,000	4.93	0.22

Source: Jones Lang LaSalle

### What you can do now

- > Switch printers to automatic double-sided printing mode
- > Introduce a co-mingled recycling program or ask your building management to do so
- > Take advantage of natural light when planning office layout
- > Encourage the use of blinds/louvers to control lighting and temperature
- > Provide bike racks and showers for staff to encourage walking/riding to work
- > Source environmentally friendly suppliers and service providers
- > Switch to daytime cleaning to save one to two hours of lighting per day
- > Purchase energy efficient equipment and appliances
- > Consider more flexible work practices, e.g. work from home some days to reduce travel
- > Install a timer on your water boiling system
- > Undertake a communication program encouraging staff to turn off lights and computer monitors, use blinds to monitor light and temperature and reduce paper usage



### Low-cost initiatives

- > Measure, monitor and review utility consumption data to identify and resolve performance problems
- > Isolate and fix any leaks, gaps or blockages that are impacting performance
- > Upgrade to energy efficient lights and introduce intelligent lighting controls including motion sensors
- > Establish control strategies for the building
- > Install water-saving devices and appliances in kitchens and bathrooms
- > Install video conferencing facilities to minimise travel
- > Install sub-metering
- > Install variable speed drives for primary supply air fans, chilled water pumps, condenser water pumps, cooling tower fans and water cooled chillers

### Initiatives at management phase

- > Recycling program
- > Waste management
- > Choice of products, e.g. cleaning consumables, furniture, IT equipment
- > Operation of equipment, e.g. operation of air-conditioning outside business hours
- > Servicing of plant and equipment
- > Commissioning of new equipment, upgrades
- > Ongoing measurement, monitoring and reporting



## Centrelink

Centrelink is playing a leading role amongst Commonwealth Government agencies in the reduction of greenhouse gas emissions. Centrelink's stated policy commits the organisation to continually improving business performance while conducting its operations in an environmentally responsible manner.

Minimising Centrelink's environmental footprint is a huge challenge because of the organisation's large size and geographical spread across Australia. Centrelink has over 400 offices, more than 25,000 staff and over 6.5 million customers. As a result it is the third largest greenhouse gas producer within the Australian Government.

Centrelink recognises that it is in a strong position to influence environmental better practice and to display good environmental stewardship and social responsibility. To demonstrate its commitment, Centrelink has put in place an Environmental Policy Statement which covers its Australian operations. The statement is endorsed by the Chief Executive Officer, communicated to all staff and is publicly available on the Centrelink Website.

In July 2005, Centrelink established a corporate Environmental Management System (EMS) based on the International Standard (AS/NZS 14001:2004). The EMS provides a structured framework for identifying Centrelink's environmental impacts as well as planning and implementing environmental management programs to address them.



Centrelink's EMS has been designed to be implemented across its geographically dispersed organisation; one of the first in the Government sector to do so. This has led to the development of a Corporate Environmental Management Plan with specific objectives and targets for environmental impact reduction programs and enhanced environmental performance.

As a result of its policy and structured approach, Centrelink has demonstrated a continual reduction in its environmental footprint. The combined effect of the abatement strategies implemented by Centrelink has seen a reduction in greenhouse gas emissions of approximately 23,000 tonnes since January 2006. This is the equivalent of taking 5,100 cars off the road.

A key contributor to this result has been Centrelink's Energy Management Program. The program is considered unique, as it comprises a number of tailored and integrated sub-programs which simultaneously tackle the energy efficiency of new, purpose built offices as well as existing leased premises. The program brings together well established strategies including:

- > Energy auditing
- > Implementation of Energy Conservation Measures (ECMs)
- > Review of Building Performance Specifications
- > Minimum energy efficiency standards in lease documents
- > Energy data management
- > Stakeholder engagement

Centrelink understands that staff commitment is a critical element to ensuring the success of environmental programs including the integration of environmental considerations into resource management decisions. Centrelink has established a number of strategies to build an environmentally aware business culture. A set of Environmental Stewardship Principles has been developed for staff, allowing them to apply a high level of environmental awareness and responsibility within their work. Initiatives include:

- > Environmental stewardship video as part of staff induction program and in-house environmental awareness training sessions.
- > Environmental champions network – consisting of over 300 individuals to act as role models and a forum for sharing best practice via an intranet discussion forum, newsletters, national teleconferences and an annual conference.
- > Environmental Management Star Programme developed as a framework for acknowledging environmental efforts of business units.

A key element to Centrelink's success is the strong partnership forged over the last five years with its outsourced service providers - Jones Lang LaSalle and AGL Energy Services and subcontractors Exergy Australia and Efficient Energy Systems. Centrelink and its partners have created a successful delivery model for any networked organisation and continue to seek improved outcomes. For example, currently, Jones Lang LaSalle and AGL are involved in developing individual Energy Management Plans for tenancies across the diverse Centrelink property portfolio.

share a similar outlook to sustainability will increase your chances of success. Liability does not stop at the end of your portfolio but will flow through to suppliers. Corporations should ensure they do not try to ‘outsource’ their liabilities, and should engage third-party suppliers whose social and environmental standards meet those that the corporation is seeking to achieve.

Good sustainability outcomes can be achieved through the implementation of sound management practices in areas that have been previously regarded as low or non priority issues in the past due to the availability of relatively cheap energy and water resources. Occupiers should therefore consider optimising performance of existing building systems before embarking on a major capital investment program.

**A different culture**

Understand that achieving success in implementing sustainability initiatives must be a value that is embedded throughout the company. New ways of working require robust cultural change programs to ensure success.

The implementation of sustainability will include a wider education and engagement program within the organisation. Such programs are necessary to increase the understanding and adoption of sustainability. Managers and executives involved in managing an organisation’s real estate portfolio should be engaged early in the education process. This is to ensure that the significant exposure presented by property portfolios is understood by the portfolio staff, contractors and suppliers as well as the end-users of a commercial building.

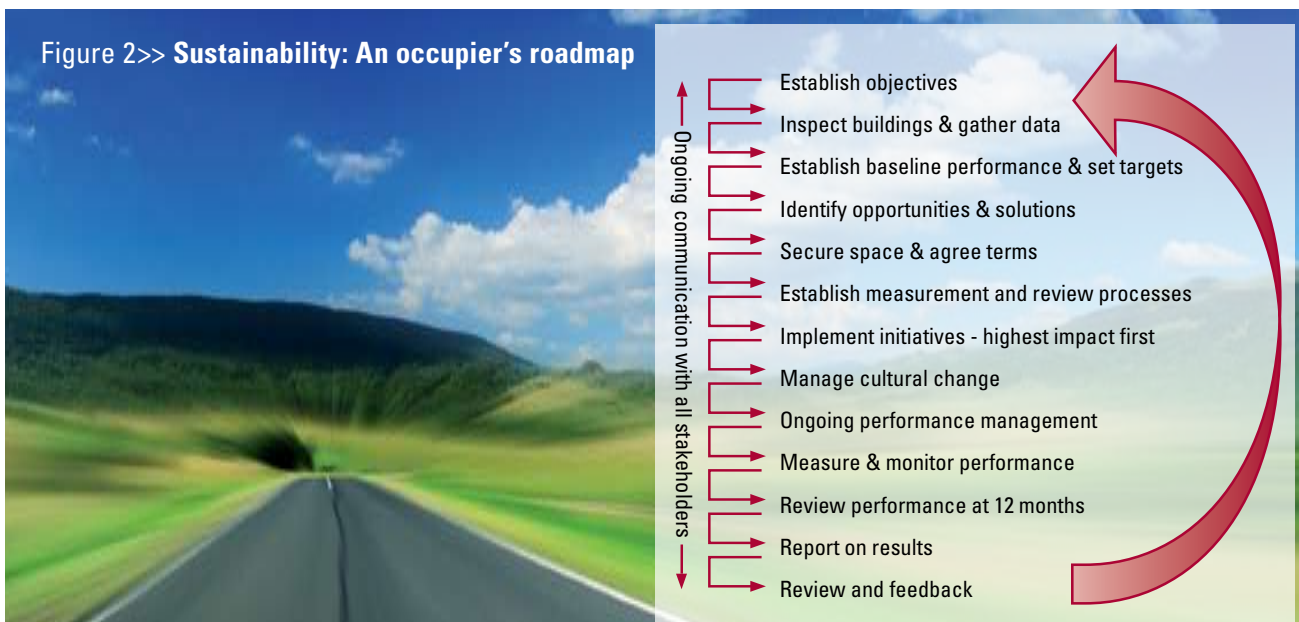
Sustainability is a journey that cannot be taken by senior management nor the CRE alone. All stakeholders should be engaged in the journey, including staff and contractors, to ensure that it becomes embedded in the culture of what they do day to day and in the management and maintenance of the building. It is important to communicate with all the stakeholders including the staff, service providers and contractors throughout the process, and maintain communication to demonstrate commitment to the improvement process.

**Conclusion**

The market is currently going through a transition period as people become aware of the environmental rating tools and requirements for sustainable performance. Sustainability is becoming less of a buzz word and becoming more part of best practice real estate strategy.

Occupiers that are influenced by such a broad range of sustainability drivers are in a position to drive real change in the market place. They have the opportunity to educate property owners to understand what can be done to bring their buildings up to standard.

A sustainability journey begins with laying a foundation of information, benchmarking and planning from the outset. Sustainability must then be integrated across the real estate cycle, engaging all stakeholders along the way and incorporating a continuous feedback loop in order to achieve long-term sustainability outcomes (Figure 2).



Source: Jones Lang LaSalle



## IAG

Sustainability to IAG is the continuation and growth of its business indefinitely. Risk to the environment and community is one of IAG's most important areas of focus as it directly affects the organisation's operating expenses. Climate change is one of these risks and it is expected to increase the severity of extreme weather events such as hail and wind storms, cyclones, bushfires, floods and droughts. This in turn is likely to increase the number of claims. IAG believes that if it can help reduce the risk of climate change, then it can reduce the number of claims. If it keeps claim costs down, it can also keep premiums affordable and that means a sustainable business.

As part of IAG's commitment to sustainability it has sought to introduce a sustainable focus into its cleaning contract. To guide the tender process a cross functional team was developed, comprising a number of key business stakeholders from differing geographical and business locations.

Based on initial feedback and research by the team a case study was created at IAG's new building in Adelaide. Selected vendors were engaged to create a test waste stream and cleaning scope based on the Green Star rating scheme, staff feedback and industry knowledge.

The case study was run three months before the tender began to gauge the effectiveness of initial concepts. On the back of this information and positive staff feedback the team then designed the tender including specifications and scope. The user designed tender included a strong focus on sustainability. An overhaul of recycling and waste streams was incorporated following visits to Visy recycling plants where employees learned first hand how the waste streams were used to create new products and how contamination levels influence the effective recycling levels of a building.

IAG has also used its partnership with the Department of Environment and Conservation (DEC) to engage a sponsored waste specialist who will help design the waste streams and rollout clear communication to staff around the new design.

IAG recognises that buy in from all stakeholders is essential to the success of any sustainability initiative. This includes all staff in IAG commercial offices, care and repair centres and branches at more than 140 sites throughout Australia.

Communication with stakeholders is rolled out as part of a marketing and awareness campaign which includes:

- > Identification of target stakeholders
- > Objectives established including key drivers and critical success factors
- > Intranet, newsletter and email communication
- > Communication rolled out at site level to ensure relevance
- > Site visits by key team members with innovative interactions including recycling displays and competitions to increase engagement

Momentum is growing behind the sustainability movement at IAG and staff have become proactive stakeholders engaged in reducing their carbon footprint. Staff are actively seeking information on recycling including local level reporting on the waste levels of their buildings so they can directly see the achievements being made around sustainability.

There are three key areas that IAG is targeting in this project:

- > 80% recycling nationally
- > increase in staff satisfaction
- > cost savings through decrease in reactive cleaning and waste rebates

Performance against these targets is easily tracked and reported on through waste reporting, staff surveys, workshops and benefit tracking as well as a balanced scorecard contract management system. IAG report on their sustainability performance, including waste stream management, to the ASX and through the Dow Jones Sustainability index.



## Are you ready to embark on a sustainability journey for your real estate portfolio?

- > How does your sustainability initiative fit in with your corporate objectives?
- > Have you integrated sustainability as part of your overall real estate strategy?
- > What is the current sustainability performance of the space?
- > Have you established adequate benchmarking at the outset?
- > Which rating tool is being used and does it measure actual performance or design potential?
- > What are the time and cost implications of the improvement initiatives?
- > Can you allocate enough funds and resources to see the project through to completion?
- > What is the performance improvement attached to each initiative?
- > How will the proposed changes impact occupied space? Do these changes negatively impact the flexibility of the space?
- > How is this being tracked and proven and who is responsible?
- > How will you be reporting on performance and to whom?
- > How will you educate and engage the staff and service providers to ensure buy-in and understanding?
- > What processes will you put in place to ensure continuous improvement of performance outcomes?

Jones Lang LaSalle is a strong advocate of creating a more sustainable environment for current and future generations. As an industry leader in property and facilities management, the Firm recognises that the commercial real estate industry has the capacity to drive real change and innovation to ensure that our buildings are environmentally sustainable. At Jones Lang LaSalle, sustainability means making the right decisions today to achieve long-term commercial benefits for property assets while making a positive and lasting contribution to enhancing our environment.

## About Jones Lang LaSalle

Jones Lang LaSalle (NYSE: JLL), the only real estate money management and services firm named to FORTUNE magazine's "100 Best Companies to Work For" and Forbes magazine's "400 Best Big Companies," has approximately 160 offices worldwide and operates in more than 450 cities in over 50 countries. With 2006 revenue of over USD2 billion, the company provides comprehensive integrated real estate and investment management expertise on a local, regional and global level to owner, occupier and investor clients. Jones Lang LaSalle is an industry leader in property and corporate facility management services, with a portfolio of over 1.1 billion square feet worldwide. In 2006, the firm completed capital markets sales and acquisitions, debt financing, and equity placements on assets and portfolios valued at USD70.9 billion. LaSalle Investment Management, the company's investment

management business, is one of the world's largest and most diverse real estate money management firms, with approximately USD45.8 billion of assets under management. For further information, please visit our web site, [www.joneslanglasalle.com](http://www.joneslanglasalle.com)

Jones Lang LaSalle has over 45 years of experience in Asia Pacific. With over 12,800 employees operating in 69 offices in 13 countries across the region, the company is positioned to partner with clients to provide the quality advice needed for making quality decisions.

The Little Book of Real Estate Definitions - Asia Pacific by Jones Lang LaSalle is a useful resource to gain a better understanding of the most commonly used real estate terms in the region. To enhance your knowledge, please visit [www.joneslanglasalle-dictionary.com](http://www.joneslanglasalle-dictionary.com)