Green Commercial Real Estate: Corporate Social Responsibility

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EXECUTIVE SUMMARY

This report is a guide and reference document for best practices in corporate social responsibility (CSR) in the global commercial real estate industry. This report identifies the drivers and trends in CSR in the real estate industry, and how such strategies have been converted into tangible operational initiatives and corporate changes.

The report examines thirteen corporations, which are considered to be leading global real estate companies based on their profitability, transparency and sustainability index ratings in: The Carbon Disclosure Project, Dow Jones Sustainability World Index, the FTSE4Good Global Index, and the Global 100 Most Sustainable Corporations List. These companies were evaluated by reviewing the above indexes, industry reports, and each company’s respective web site and CSR report.

The report provides an overview of CSR and discusses best practices within each of its key: economic, environmental, social, and cultural.

- **Economic**: includes a company’s financial performance, their commitment to corporate philanthropy, and their contribution to the community.

- **Environmental**: consists of an environmental policy that enables a company to develop strategies to manage energy and emissions, resource use and waste, sourcing and biodiversity.

- **Social**: refers to a company’s employment policy, including demographics, training and education, health and safety, and the satisfaction of its employees. In addition, it takes into account the governance and transparency of an organization.

- **Cultural**: divides into three main categories, including employees, suppliers and the community. It relates to the training and retention of employees, the type of suppliers a company uses and its community engagement.

Each area is looked at in-depth with case study examples of companies that are considered to be best practice. By embedding sustainability into a company’s overall corporate strategy it will enable them to achieve a sustainable bottom line. Real Estate companies can utilize these recognized best practices to implement sustainability in their organization.
OVERVIEW

GLOBAL REAL ESTATE INDUSTRY

The commercial real estate industry can be sub-divided into focuses of activity, including: development, ownership, construction/contracting, property management and funds management. This highly fragmented industry has been moving towards sustainability, as a result of increased consumer and tenant awareness of green buildings and sustainable principles. The U.S. Environmental Protection Agency defines green building as “the practice of creating structures and using processes that are environmentally responsible and resource-efficient throughout a building’s life-cycle from siting to design, construction, operation, maintenance, renovation and deconstruction.”

As of 2009, the global real estate management and development industry was worth a total market value of $461.4 billion, 8% down from the year prior. However, this decline was a result of the global recession, and Canada’s major office and industrial real estate markets are expected to recover faster than many markets including the United States and Europe. Over the next 5 years, the global real estate management sector is forecasted to increase by 10.8% to reach $511.1 billion.

Globally, residential real estate is the largest segment of real estate, accounting for 56.7% of the industry’s value. It is also the most lucrative segment, generating revenues of $261.4 billion. Whereas the non-residential segment composed of commercial and industrial real estate, make up the industry’s remaining revenue of $200 billion.

The European market accounts for the largest share of the real estate industry, with 36.3% of the market, generating $167.7 billion. The Asian-Pacific market generated the second greatest revenues with $96.4 billion in 2009. The leading player in this industry is Mitsui Fudosan Co Ltd, generating the greatest amount of industry’s value. In addition to being market leaders in 2008, Land Securities (0.7%), CB Richard Ellis (1.2%), Mitsui Fudosan (2.1%) and Mitsubishi (1.6%) were also recognized as best in show in CSR based on index ratings in The Carbon Disclosure Project, Dow Jones Sustainability World Index, the FTSE4Good Global Index, and the Global 100 Most Sustainable Corporations List.

UK and Australian real estate property companies are leading the way in CSR reporting. In comparison Canadian Real Estate companies, are far behind in adopting and implementing CSR programs. As of August 1st 2009, there were only 58 real estate sector reports published in 2008 and compiled on CorporateRegister.com out of 3,347 corporate responsibility/sustainability reports. Of these 58 reports released by real estate property companies 17 were from the UK, 10 from Australia, and two from Canada.
CANADIAN REAL ESTATE INDUSTRY

Canadians spend approximately 90% of their time inside buildings, as a result there are approximately 12.5 million residential homes and 500,000 commercial / institutional buildings in Canada. Buildings in Canada account for at least one third of Canada’s energy production. While the commercial building sector accounts for 13% of Canada’s total greenhouse gas emissions. This presents a large opportunity for real estate companies to positively impact the commercial real estate sector while reducing greenhouse gas (GHG) emissions.

CORPORATE SOCIAL RESPONSIBILITY

Sustainable development is defined as meeting the “needs of the present without compromising the ability of future generations to meet their own needs”.

A competitive advantage can be gained by identifying and then leveraging the interdependence between an organization and society. Implementing corporate social responsibility (CSR) can enable organizations to achieve a sustainable bottom line by incorporating social, cultural, environmental and economic factors into their business plan.

According to Porter and Kramer, there are three ways to intersect with society: generic social issues, value chain social impacts, and social dimensions of competitive context. It is important to be a good corporate citizen and mitigate risks from business activities on society. However, companies should be strategic, and go beyond best practices to transform value chain social impacts into activities that benefit society. This leverages a company’s capabilities to improve its competitiveness. Strategic CSR allows an organization to transform its value chain activities to benefit society by identifying opportunities to benefit the business, stakeholders and the local community. According to an Accenture study, 96% of CEOs believe that sustainability issues should be fully integrated into the strategy and operations of a company (up from 72% in 2007). Thus, utilizing these frameworks will enable an organization to integrate sustainability into its corporate strategy. The ‘Global 100 Most Sustainable Corporations in the World’ report identifies companies, which have successfully integrated sustainability into their strategy. The report recognized General Electric as the most sustainable company worldwide, several of the real estate companies examined in this report were identified within this index, including Prologis, Stockland, GPT Group, and Dexus Property Group.
According to a CB Richard Ellis US representative, “renovating a building to comply with LEED EB can translate into improved market ability and higher rents”; and according to Cushman Wakefield LePage “buildings that aren’t undergoing energy and environmental retrofits are at a great risk of future functional obsolescence and will become difficult to refinance and/or sell”. As a result, it is becoming common practice to incorporate standard CSR into one’s real estate portfolio. CSR determines the impacts of a corporation’s operations and finds opportunities to benefit employees and the community. The commercial real estate sector does not only require CSR within its business operations, but also the movement towards more green building developments and responsible property investment (see diagram above). Green building refers to the proactive management of real estate buildings, which reduces the environmental impacts and creates benefits for owners, tenants and the community. Whereas responsible property investment allows for real estate investors to consider the risks and opportunities for long-term value creation by evaluating portfolios based on environmental, social, cultural and economic factors rather than just on economic factors. By incorporating all of these areas, real estate companies create a much more diversified value to the economy, as identified by the intercepting area, and inherently improve relationships with stakeholders.
SUSTAINABILITY TRENDS

Corporations are making sustainability a priority. This has been achieved by following GRI standards to CSR reporting, which is the most common framework. In addition, corporations are being measured by the following indices:

- **Dow Jones Sustainability Index**: tracks corporate sustainability performance
- **FTSE4Good**: measures the performance of companies that meet globally recognized corporate responsibility standards to aid investment
- **Carbon Disclosure Project**: database of corporate climate change information
- **Goldman Sachs JBWere Climate Leadership Index**: measures CDP responses of companies to determine leadership
- **London Benchmarking Group Business in the Community**: measures corporate community investment

The simplest of CSR programs in commercial real estate companies are incorporating basic principles such as corporate governance, risk compliance, and transparency, in addition to promoting environmental management, social programs, creating a diverse workforce and engaging communities and stakeholders. By integrating in depth CSR within the corporate strategy of an organization and communicating those strategies efficiently and transparently to stakeholders, organizations can reap brand and reputational rewards. Take for example, the number of tenants moving towards having green lease spaces and facilities because it exemplifies their own CSR commitment.

The identified trends in CSR include:

- **CSR imbedded in Corporate Strategy**: integrating CSR strategically into a corporation’s strategy and across their value-chain.
- **CSR Transparency**: communicating corporate practices online and through CSR reporting following real estate GRI standards and communication best practices.
- **Carbon Disclosure**: measuring greenhouse gas (GHG) emissions, reducing energy usage and disclosing one’s current corporate carbon footprint.
- **Green Leases**: encouraging environmentally friendly practices by both the landlord and the tenant through removing disincentives.

“As an active owner, GPT is committed to improving the social, environmental and economic capital of our stakeholders and the communities we touch. We engage our tenants, communities and our people to actively manage the evolution of our assets over their lifecycle.”

- GPT Corporate Responsibility Web site

GPT was the Dow Jones Sustainability World Index Leader 2009 (Real Estate Sector)
ANALYSIS

IDENTIFIED GLOBAL BEST PRACTICES

This report identifies global best practices by benchmarking thirteen corporations, which are considered to be the leading real estate companies. These organizations were selected based on published CSR reports, and/or organizations listed in The Carbon Disclosure Project, Dow Jones Sustainability World Index, the FTSE4Good Global Index, and the Global 100 Most Sustainable Corporations List.

North America
• Brookfield Properties
• Minto Group
• ProLogis
• Oxford Properties

Europe
• British Land
• Hammerson
• Land Securities Group

Australia/Asia
• The GPT Group
• Lend Lease Corp
• Stockland
• Landcom
• Dexus Property Group
• Mitsubishi Estate Co., Ltd.

Organizations and general trends were evaluated based on the following quadruple bottom line matrix:

- Economic
  - Community economic contribution/impact
  - Financial situation

- Environmental
  - Reduction of CO₂ emissions
  - Monitor energy usage for common areas
  - Renewable energy technologies
  - Increased energy efficiency
  - Waste minimization
  - Water conservation
  - Supply chain analysis

- Social
  - Diversity
  - Equal employment opportunity
  - Accessibility
  - Employee volunteering
  - Employee retention

- Cultural
  - Stakeholder analysis
  - Consult with community to meet their needs/get support
  - Local community programs
  - Employee training and development
ECONOMIC

Financial Performance
- Financial snapshot of performance and total asset value
- Indicates that CSR is integrated with financial performance
- Key economic indicators
- Landcom and Land Securities are transparent with their financials when discussing CSR

Corporate Philanthropy
- Cash contribution (> 1% of net earnings before tax)
- In-kind contribution
- Employee time contribution
- British Land, Land Securities Group, Landcom, and GPT report total cash and in-kind donations and measure employee volunteer hours

Contribution to Community
- Economic impact of initiatives on communities
- Measure number of jobs or economic value created
- Landcom includes a measure describing economic impacts of their business activities and estimated number of jobs created.
- British Land calculates people impacted by activities

FINANCIAL PERFORMANCE

Financial performance and reporting is a key component of CSR. The study of best practices indicates that corporations should provide a corporate overview, key economic indicators and a financial snapshot of performance to communicate their viability over the long run. The inclusion of financial health provides stakeholders with a greater understanding of business activities.29 Communicating these measures through a corporate website and a CSR report indicates to stakeholders that the corporation considers CSR to be integrated within financial performance.

The majority of organizations reviewed, communicate financial information and performance to stakeholders when discussing CSR. For instance, Landcom provides a financial benchmark of their performance over the past six years against various profitability indicators including:

- Total revenue
- Sales margins
- Return on sales
- Earnings before interest and tax
- Return on equity
- Return on total operating assets
- Debt to equity
- Dividend and tax equivalents
- Job creation
- Total economic output from activities30
Oxford Properties on the other hand provides a breakdown of its portfolio, indicating the categorizing of its operations.\textsuperscript{31} Whereas Minto Group, a private organization, discusses the impact of the economy on its financials and operations, but do not disclose exact figures.\textsuperscript{32}

Socially responsible investing is considered under financial performance, as organizations are developing policies on responsible investing at the same time they are incorporating these into their portfolio management. This allows commercial real estate corporations to address risks and identify opportunities for long-term value creation.\textsuperscript{33} While responsible investing is currently emerging in Canada, globally real estate companies, such as Lend Lease, are incorporating the UN’s six Principles of Responsible Investing (see call out box) and are engaging with the UN regarding their compliance and feedback.\textsuperscript{34, 35} Stockland is a signatory to the UNPRI and apply those principles when managing their properties and projects.\textsuperscript{36}

**CORPORATE PHILANTHROPY**

Real estate companies impact the local community both positively and negatively and therefore choose to give back to the community through corporate philanthropy. This can be achieved by cash contribution, in-kind contribution and employee time contribution. In order to determine the economic impact of these contributions, each area should be recorded, measured and communicated to stakeholders. These contributions are part of corporate citizenship, which is evaluated for all indices, including GRI, Dow Jones Sustainability Index and FTSE4Good.\textsuperscript{37}

According to REALPac, best practice in corporate philanthropy is giving greater than or equal to 1 per cent of net earnings before taxes. Although, they have not been able to find evidence that any Canadian company has donated more than 0.5 per cent.\textsuperscript{38}

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**Investing (UNPRI)**

The performance of investment portfolios can be affected by environmental, social and corporate governance (ESG) issues and therefore investments need to be aligned with broader societal objectives. The Principles for Responsible Investment provides organizations with a framework to consider these issues:

1. Incorporate ESG issues into investment analysis and decision-making processes
2. Be active owners and incorporate ESG issues into ownership policies and practices
3. Seek appropriate disclosure on ESG issues by the entities in which they invest
4. Promote acceptance and implementation of the Principles within the investment industry
5. Work together to enhance their effectiveness in implementing the Principles
6. Report on their activities and progress towards implementing the Principles
GPT uses best practices from London Benchmarking Group, a global group measuring corporate community involvement, to measure donations and contributions. Whereas, Land Securities reports the total cash and in-kind donations, per project and total, and measures the total time invested in the community. British Land also reports total donations made and the total value of volunteer time by measuring employee volunteer hours (at cost and during company time), contributing £717,000 in community investment. Minto Group has formed a foundation whose goal is to support five main areas of giving: children, education, health, the environment and the arts. Minto Group believes that the local community needs more than houses to establish a good quality of life. Minto Group communicates their key contributions to various charities and organizations, in addition to providing information about the organization and the impact of their donation.

CONTRIBUTION TO COMMUNITY

Corporations also measure the economic impact of their initiatives on local communities. This is accomplished by measuring the number of jobs or economic value created by those activities. In Europe and the UK, real estate corporations report the economic impacts their initiatives have had on the communities they work in by describing the program and measuring the number of jobs or economic value created through the operations of the company.

For instance, Landcom includes a measure describing the economic impacts of their business activities and estimated number of jobs created. While British Land calculates the number of people impacted through their property management and developments. This enables them to give a more comparable measure describing the economic effect of their actions. They engage in job training programs and sports sponsorships and communicate their practices and impact through case studies. In addition, British Land is in the process of developing a methodology to measure local satisfaction with them as a developer.
**ENVIRONMENTAL POLICY**

All international companies examined in the study had an environmental policy and have publically committed to going beyond compliance. Developing environmental policies provides guidance to corporations on operations and demonstrates their commitment to conduct business in a responsible manner. Corporations should be setting stricter standards than just meeting requirements in order to reduce their environmental impact. For example, Oxford Properties Group...
has developed its Sustainable Intelligence Guiding Principles,[46] which are precautionary but also take a leadership approach with their use of innovative technologies and tenant engagement.[47]

**Oxford Guiding Principles**

1. **Leadership**: recognized by their tenants, employees, investors and the market at large as industry leaders in sustainability
2. **Performance**: continuously measure their energy, water and environmental performance, and compare favourably against internal and external standards and best practices
3. **Innovation**: foster innovation in technology and building management practices aimed at higher levels of sustainability
4. **Credibility**: follow recognized, high standards, work with industry-leading service providers, and engage in credible initiatives in their pursuit of sustainability
5. **Risks and Opportunities**: actively monitor, mitigate and exploit the market, regulatory and economic issues related to and arising from sustainability
6. **Stakeholder Engagement**: engage co-investors and tenants as active partners in pursuit of higher levels of sustainability and demand a high level of excellence from itself and all of their stakeholders

**CLIMATE CHANGE**

Climate change is the greatest risk facing the real estate industry, with commercial real estate now living within the constraints of a “low-carbon” economy. This is a result of regulatory and industry standards that are emerging, that if ignored could result in reputational, regulatory, and financial risks. In order to manage these risks in the evolving regulatory environment, corporations have begun measuring their greenhouse gas (GHG) emissions. One of the opportunities with GHG reduction is reputational with organizations disclosing their emissions to the Carbon Disclosure Project (CDP).[48] The CDP has over 475 institutional investors who manage assets of over USD$55 trillion, which could potentially impact every major real estate project.[49] Currently in Canada, Brookfield Properties is the only corporation to respond to the CDP with their GHG exposure/energy related risk, which is substantially below the UK and Australia where the majority of real estate firms are submitting their GHG emissions.[50]

**ENERGY AND EMISSIONS**

In order to mitigate emissions, international real estate developers are building to ISO 14001-certification to reduce energy use and emissions. However, none of the Canadian companies examined have pursued ISO 14001-certification.[51]

Some Canadian companies are making a public effort to reduce their emissions. For instance, Oxford Properties has made a public commitment to reduce GHGs by 20% (per square foot basis) and work with tenants to find ways to reduce emissions.[52] Other organizations such as Mitsubishi have been purchasing alternative energy, having procured 1 million kWh of wind-power last year.[53]
Currently, Canadian corporations are assessing opportunities but have not been increasing their use of renewable power from onsite generation.\textsuperscript{54}

Carbon is seen as the Trojan horse of building sustainability programs. However, carbon emissions can only be understood by measuring energy consumption to quantify the amount of carbon used.\textsuperscript{55} This can be achieved by utilizing the Real Property Association of Canada (REALpac)'s Guide to Corporate Responsibility and Sustainability Reporting in the Canadian Real Property Sector, which provides a guide to help Canadian property companies understand the basic performance metrics to track and how to report on CSR in a meaningful and comparable way including energy used, energy saved, initiatives undertaken, incorporation of energy efficient design and use of renewable energy sources.\textsuperscript{56}

Real estate companies have been incorporating sustainability initiatives into their asset management programs, resulting in an increase to their ROI through carbon offsetting. A few corporations, such as British Land strive for carbon neutrality. British Land has achieved this across the common parts of their entire managed portfolios over the past two years. This was accomplished by the implementation of their carbon strategy, which measures their carbon footprint. British Land is able to manage their carbon emissions by working to improve their energy efficiency, developing sustainable buildings using low-carbon energy sources, and purchasing carbon credits to offset their remaining emissions.\textsuperscript{57}

GPT also measures their energy use and associated greenhouse gas emissions as a key focus of their business. They are committed to reducing their direct emissions and facilitate the emissions reductions of their tenants, customers and local communities that use their assets. GPT discloses their emissions Scope 1 and Scope 2 emissions to CDP to maintain communication with their stakeholders. They also purchase green power to achieve reductions in their annual energy and greenhouse gas emissions intensity (energy use and emissions per square meter), reducing the overall portfolio energy intensity by 24\% and emissions intensity by 28\% since 2005, with 19\% coming from energy efficiency measures and a further 9\% from the purchase of green power. They achieved this by assessing the impacts of climate change to the business and introducing initiatives to reduce the risks and mitigate GPT's carbon exposure, which include: ecological footprint calculators, evaluating the greenhouse intensity of assets, initiating renewable energy projects and instituting green leases.\textsuperscript{58}
RESOURCE USE AND WASTE

Resource use and waste refers to water and waste measurement and reduction. International companies have instituted water goals and programs to increase efficiency, since water represents a significant risk. Canadian corporations are behind in measuring their water use, but companies such as Oxford Properties have begun publicly reporting their water usage on both an absolute and intensity basis. Water should not only be measured, but also reduced and conserved by source, including instituting rainwater, well water, grey water recycling, black water recycling, and desalinated water. Whereas waste needs to be measured, recycled and diverted from the landfill.

British Land is a leader in measurement and reporting of the resources they use. They accomplish this through their internal Resource Use Website, which allows each property manager to upload resource use data into an integrated database helping each site track its energy and water usage and providing ongoing aggregate data to headquarters. British Land’s goal is to send zero managed waste to the landfill by 2012, and they have been able to divert 83% of waste this year from landfill at their properties and 86% from developments, equivalent to £445,000 in landfill taxes.

GPT also actively manages their waste from their own operations and facilitates the waste reduction, recycling and disposal of their tenant’s waste. They are able to accomplish this through education campaigns, signage and the provision of recycling options.

SOURCING

According to an Accenture study 88% of CEOs believe that they should be integrating sustainability through their supply chain. As a result corporations have been using green procurement policies and programs to encourage employee engagement and mitigate risk. The goods/services a company purchases impacts its credibility and as a result these policies manage a company’s reputation. For instance, some corporations provide preferred status to environmentally responsible vendors.

Hammerson engages with their suppliers to share best practice and procure sustainable goods and services. They also carried out a risk assessment of their supply chain against economic, social and environmental indicators and launched a Responsible Procurement Policy. Through this process they learned that all suppliers should be engaged during the tender process and now issue all suppliers with a sustainability questionnaire providing them with a score according to responses. They have set a minimum score that suppliers must reach in order to work with them, and have given their existing suppliers three years to comply, with year-on-year improvements.

GPT’s suppliers fall into three categories (property managers, construction/development contractors and integrated service providers) represented in the chart below.
GPT’s Retail and Office development contracts include environment, social and corporate governance targets and deliverables. This allows GPT to influence their supply chain through contractual obligations and reporting, with particular focus in the area of construction and development, materials use and sustainable sourcing.66

BIODIVERSITY

McKinsey & Company has found that 59% of executives see biodiversity as an opportunity for their business.67 Biodiversity can be described as the degradation of ecosystems. By addressing biodiversity, commercial real estate companies can mitigate risks and enjoy the benefits. The main risks caused by biodiversity include:

- Higher operational costs as a result of water use
- Regulatory fines or fees
- Reputational harm caused by non-governmental organizations
- Customers switching
- Banks implementing stringent lending requirements

However, this presents an opportunity to implement sustainable practices, which are efficient and provide cost savings. It also presents an opportunity to engage government, banks, and regulatory bodies to collaboratively develop policies and incentives.68

By targeting biodiversity issues, it will enable corporations to improve their reputation with environmentally conscious stakeholders. The impact a corporation has on biodiversity can be determined by assessing their entire value chain to determine where they are vulnerable to risks, which could threaten biodiversity.69 The two main areas in biodiversity include building design and the ecological and indigenous heritage preservation.

Landcom has developed detailed reports on the preservation of biodiversity on their properties and within new development projects, in addition to developing four guiding principles of sustainability. The indicators measure native vegetation management, qualifies the quality of ecological communities, area cleared and replanted and the impacts and zoning of their projects.70

GPT has developed initiatives to directly improving the biodiversity of the sites they are developing through implementing the following measures:

- Using bio-swales and ponds for toxics removal from stormwater
- Implementing gross pollutant traps to filter stormwater
• Planting thousands of trees and plants that are primarily indigenous
• Developing a garden to provide insulation, stormwater management and green space
• Working with the current topography and vegetation to minimize impact
• Communicating messages on stormwater grates to inform visitors and employees\(^7\)1

Whereas ProLogis ensures that an Environmental Impact Assessment (EIA) is completed for every project they undertake to determine whether their plans for the site will impact or threaten any species or habitats. This assessment is conducted during the land procurement and entitlement process in partnership with relevant stakeholders to mitigate any potential impacts.\(^7\)2
EMPLOYMENT AND DEMOGRAPHICS

The social framework refers mostly to employee management. This includes a corporation’s hiring and employment policies including diversity, gender, turnover, pay parity, satisfaction, absenteeism, retention per year and fairness. To date, there are no Canadian commercial real estate companies that have demonstrated leadership in hiring for diversity, however internationally Land Securities, Lend Lease and GPT have emerged as the companies to look up to. Land Securities has a diversity policy for recruitment and retaining a diverse workforce and they also provide demographic data (the above metrics) in their CSR report. Since 2008, Lend Lease has instituted a Diversity Strategy, appointed a Global Diversity Officer and committed to increasing the ratio of women to above 30%. Dexus has implemented a “People management framework” outlining their approach to managing their 284 DEXUS employees. They also communicate the median age of employees (36) and the percentage of executives that are women (40%). At GPT, 75% of employees “believe that GPT is committed to creating a work environment that is open and accepting of individual differences,” based on the 2009 Hewitt Best Employer Australia and New Zealand Study.
EMPLOYEE SATISFACTION, TRAINING AND EDUCATION

Employee satisfaction, training and education represent the next component, as employee satisfaction is correlated to productivity. Employee satisfaction can be determined by employee surveys and focus groups. Australian real estate companies are at the forefront in determining employee satisfaction. NS Corporations such as Landcom and Land Securities have been analyzing and reporting their employee’s satisfaction since 2003 and 2004 respectively. Through these satisfaction surveys DEXUS has determined that 92% of their employees are proud to work at the company. Communicating these metrics online and through a CSR report is not only beneficial to management and employees, but also recruitment.

Training programs are developed to build on satisfaction and enable professional/personal development and awareness/training for sustainability initiatives. Land Securities reports on total training days per employee and total monetary value of training per employee per year. They also review outline personal Key Performance Indicators (KPIs) for their employees' performance every year and correlate each individual's actions to their business strategy. Land Securities also has a wellbeing policy in place and a wellness week with events that help employees "get fit, stay healthy, eat well and manage stress".

GPT utilizes the Hewitt Best Employer Study (Australia and New Zealand) to conduct their employee surveys and gain an understanding of areas for improvement. Last year GPT won the recognition as a Best Employer, which was achieved by engaging 75% of employees in the study, which is high compared to other organizations. GPT also has a training education program, entitled GPTU, which offers an array of training and development courses to enhance capabilities. GPT then tracks and communicates the average training hours per employee, with an average of 34.54 training hours per employee during 2009, which was an increase 2008 with 32.68 hours.

Minto Group also has the Minto Learning Centre, where employees attend training sessions. They reported a 7% increase in training in 2009 over 2008.

OCCUPATIONAL HEALTH AND SAFETY (OH&S)

Real estate corporations require OH&S policies and procedures to indicate the duty of care that the corporation takes with its employees. Corporations that are seen to be best practice in the real estate industry not only provide injury and fatality rates but they also communicate proactive mitigation strategies to improve safety. The metrics provided include total number of injuries/fatalities, types of injuries, frequency rate, lost time due to injury, and reduction from previous year. While Minto Group has a health and safety record that is one of the best in the industry; they are mostly compliant with the regulatory conditions and have not been as proactive as some international companies. Very few Canadian companies show evidence of OH&S policies, which may indicate either a lack of programs or transparency within the Canadian environmental compares to internationally. On an international scale, all real estate companies examined record and communicate the above metrics. British Land reports the total number of lost days and total number of reportable accidents per property. Land Securities produces has an annual health and safety plan, which is reviewed quarterly by their Board. They have also developed a health and safety week, a Personal Health and Safety e-learning course for all employees and an additional course on Managing Health and Safety for line managers. They also
benchmark their performance to other UK companies with similar employee levels, and placed third overall compared to 115 companies in the Corporate Health and Safety Performance Index (CHaSPI).  

GOVERNANCE

Governance refers to management/board oversight in integrating sustainability into corporate strategy and risk management. The key to governance is developing structures (policies and procedures), appointing representatives (and systems for employees to provide recommendations) and developing corporate mandates (codes of conduct, corporate values, mission statements). In order for CSR to be successful, it is imperative for a manager or a committee to oversee the management of sustainability issues and report to the board or executive team. In addition, governance includes: sustainability reporting, external verification of reporting, policies on bribery and corruption, whistleblower policies, and responsible investment policies. Internationally, all companies examined have a committee in place to plan and manage CSR initiatives. In Canada, Minto Group has corporate-wide green teams, whose mandate is to define, measure and reduce environmental impacts. Oxford Properties has a whistle blower policy and a steering committee, which is represented by the CEO, an OMERS representative and company’s pension fund owner.

TRANSPARENCY

Transparency includes the disclosure of sustainability practices and corporate performance to stakeholders. It can be achieved by communicating these initiatives online and through a published CSR report. The benefits of transparency could result in improving a company’s reputation and brand equity. In Canada, Brookfield published a brief sustainability report in 2009 and Oxford has published three documents online, which outline its sustainability plan. However, internationally CSR reporting has dominated the industry. Commercial real estate corporations follow the GRI standard to format their reports and the construction and real estate sector supplement (CRESS). Disclosing sustainability initiatives demonstrates a commitment to transparency and accountability to stakeholders.

While many organizations begin their CSR report as a sub-section in their corporate Annual Report, they shift to developing their own document and/or website as the content and scope broaden to engage with their stakeholders. GPT indicates that an online report is often chosen “because it is consistent with objectives to operate in an environmentally sustainable manner; [gives] the ability to provide ‘real time; information updates throughout the year; and, gives greater flexibility to users in searching for and accessing information”.
Culture refers to manifesting identities and preserving and cultivating traditions and customs over time. It is important for corporations to develop a corporate culture and protect and value this diversity over time. A strong corporate culture is open, welcoming, transparent and driven by larger purpose. The most effective corporate cultures are supported through engaging employees, suppliers and the local community. This broader scope of corporate culture provides educational opportunities to employees and helps employees understand the interrelations of the corporate environment through systems thinking. While some of the identifiers overlap with the other sections, it emphasizes the impact of one area on another within an organization.

Hammerson has developed a knowledge, education and communication program ensuring employees and suppliers understand Hammerson’s sustainability objectives and the reasons for them and then share this knowledge with their tenants and shopping center visitors.

Hammerson recognizes that suppliers can bring both positive and negative impacts to their sustainability efforts. Suppliers refer to the number of visits a company makes to its suppliers and whether it is choosing local suppliers with similar values, such as the percentage of products bought within 500 miles of the location.

Employee culture relates to the training and development and retention of employees. Minto has a Green Champions membership, which is a grass roots movement within their organization that promotes a culture of conservation. In the past year this group has doubled in size.

Stockland remains a leader in employee and stakeholder engagement. They developed their CSR report in a collaborative manner with 40 employees contributing through an online wiki portal. They believe that balancing the needs of their stakeholders is “fundamental to the success” of their business. As a result, they have a Stakeholder Engagement Manager that works with the CSR
team to develop a proactive and measurable framework to balance the needs/interests of their stakeholders. They define their stakeholders as: employees, government/regulators, customers (commercial, retail and industrial tenants), suppliers, shareholders, and communities.  

Community culture refers to community engagement. While many companies engage the community differently, it is important to involved community stakeholders in frequent communications. For instance, Landcom built their first sustainability report with help of many stakeholder groups and continue to collaborate to help develop programs that respond to their needs and concerns. In 2003, GPT founded Mutitjulu Foundation to support local people living in villages close to their hotel properties. While British Land fostered economic regeneration and in 2009/10 raised £490,000 for good causes at our properties. In London, they also partnered with the East London Business Alliance to help long-term unemployed people to find employment. They also undertook an in-depth stakeholder consultations to ensure that their developments meet local needs. While GPT focus is to integrate sustainability issues into their day-to-day business practices and culture. They take a long-term view and develop models for the co-creation and management of their assets, keeping in mind the value of community and other stakeholder partnerships.
RECOMMENDATIONS

By utilizing best practices from global real estate companies and adopting them to a company’s business practice, it can enable an organization to reap the rewards of sustainability. Each of the companies evaluated continue to look for ways to improve their CSR practices year-over-year, since the industry is constantly evolving. Attaining strategic sustainability by incorporating sustainability into a company’s corporate strategy can enable an organization to achieve a sustainable bottom line by integrating the four factors of CSR, economic, environmental, social and cultural, into a company’s operations. Therefore, it is recommended for companies to employ best practices across each of the four pillars. This will enable that company to achieve multiple benefits, including improved brand equity, strengthened stakeholder relationships, and reduced costs (through environmental initiatives which reduce resource use and increase efficiency).

Companies are becoming more transparent and employing economic best practices, which includes communicating business practices and disclosing a financial snapshot of the company, can be utilizing either a corporate web site or CSR report. Companies are also adding economic value to the community through corporate philanthropy and community contribution, which are both being measured and disclosed.

Globally, companies are also developing environmental policies to strategically operate the organization by creating guidelines to reduce the use of water, energy and waste and preserve biodiversity. In addition, they are finding ways to reduce or offset GHG emissions and measuring and disclosing their emissions annually. Companies are also extending their environmental policies to their suppliers, providing preferential contracts to local, sustainable suppliers with similar policies.

Companies are also creating employee policies to ensure diversity, training/education, health & safety, and corporate governance within the organization. They track and measure employee satisfaction and ensure that they address any potential concerns. To lead these initiatives, companies have created internal sustainability committees, led by a sustainability manager, to oversee all CSR programs and policies. They are then communicating their efforts to stakeholders, and building transparency into their business practices. This information is communicated online, through CSR reports and in indices).

In order to accomplish a successful CSR strategy, companies are creating a culture driven by a larger purpose that is transparent, open and welcoming. They are engaging employees, suppliers and the local community in their initiatives and working with them to continually improve business practices. This is accomplished by implementing a communications strategy, which communicates the CSR initiatives to stakeholders and creates a two-way dialogue. Further to a communications strategy, a change management plan is needed in order to implement CSR into an organization. Senior management, creating a sense of urgency, should drive this change management plan. A sustainability manager or committee should be established to oversee sustainability issues and report to the board or executive team. This group should create a mission and vision for sustainability, strategically integrating sustainability into a corporation’s strategy. This vision should then be communicated to the organization and employees, and the company should create opportunities and to empower employees to work towards integrating sustainability into their
positions. Short-term goals should be established to create a driving force for sustainability, starting with low-hanging fruits in each area of the organization. By consolidating these goals, and re-evaluating an organization’s commitment to sustainability a company can institutionalize their sustainability policies into their corporate culture enabling them to achieve a corporate-wide commitment to sustainability. ¹⁰³

In conclusion, by utilizing the best practices of global firms to enhance CSR practices, real estate companies have the opportunity to take a leadership role in CSR in Canada.

Recommendations:

- Strategic CSR embedded within corporate strategy
- Adopt best practices from worldwide competitors¹⁰⁴

Economic
- Identify business practices and provide a level of financial transparency
- Measure community contribution
- Utilize principles of responsible investing

Environmental
- Develop an environmental policy to strategically approach environmental considerations, including water, waste, emissions, sourcing, and biodiversity

Social
- Create employee policies to ensure diversity, training/education, health & safety, and corporate governance
- Measure employee satisfaction and address any concerns
- Create an internal sustainability committee, led by a sustainability manager to oversee all programs and policies
- Create CSR vision, mission statement and supporting policies at board/executive level
- Transparency in business practices (online, CSR report and indices)

Cultural
- Engage employees, suppliers and the local community
- Implement a communications strategy to communicate CSR to stakeholders¹⁰⁵
- Develop a culture driven by a larger purpose, which is transparent, open and welcoming
# APPENDICES

## APPENDIX 1: CORPORATION OVERVIEW

<table>
<thead>
<tr>
<th>COMPANY NAME</th>
<th>LOCATION HQ</th>
<th>OWNERSHIP</th>
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<tbody>
<tr>
<td>BROOKFIELD</td>
<td>CANADA</td>
<td>Public</td>
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<tr>
<td>MINTO GROUP</td>
<td>CANADA</td>
<td>Private</td>
</tr>
<tr>
<td>PROLOGIS</td>
<td>UNITED STATES</td>
<td>Public (REIT)</td>
</tr>
<tr>
<td>OXFORD PROPERTIES</td>
<td>CANADA</td>
<td>OMERS (pension)</td>
</tr>
<tr>
<td>THE BRITISH LAND COMPANY</td>
<td>UNITED KINGDOM</td>
<td>Public (REIT)</td>
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<td>HAMMERTON</td>
<td>UNITED KINGDOM</td>
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<tr>
<td>LAND SECURITIES GROUP</td>
<td>UNITED KINGDOM</td>
<td>Public</td>
</tr>
<tr>
<td>THE GPT GROUP</td>
<td>AUSTRALIA</td>
<td>Public</td>
</tr>
<tr>
<td>LEND LEASE</td>
<td>AUSTRALIA</td>
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</tr>
<tr>
<td>STOCKLAND</td>
<td>AUSTRALIA</td>
<td>Public</td>
</tr>
<tr>
<td>LANDCOM CORPORATION</td>
<td>AUSTRALIA</td>
<td>State-owned</td>
</tr>
<tr>
<td>DEXUS PROPERTY GROUP</td>
<td>AUSTRALIA</td>
<td>Public</td>
</tr>
<tr>
<td>MITSUBISHI ESTATE CO., LTD.</td>
<td>JAPAN</td>
<td>Public</td>
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</table>
APPENDIX 2: CORPORATE SOCIAL RESPONSIBILITY MODELS

DEXUS

FOR OUR TENANTS WE STRIVE TO DELIVER:
- High quality workspaces
- Full service property management
- Service excellence
- A partnership approach to delivering leading edge sustainable features in our new developments

FOR OUR INVESTORS WE FOCUS ON:
- Improving the transparency and standards of our reporting and achieving external rating recognition
- Appropriate investment in sustainability to meet market demand now and in the future
  - Managing risk
  - Maximising returns

FOR OUR PEOPLE WE STRIVE TO:
- Encourage learning, innovation and career development
- Offer competitive reward and recognition
- Provide working practices and support to maintain work-life balance
- Engage our people in our CR&S initiatives

FOR OUR COMMUNITY WE SEEK TO:
- Actively engage with our community through fundraising, consultation and communication
- Operating to the highest levels of corporate governance, ethics and integrity

FOR OUR ENVIRONMENT WE STRIVE TO:
- Minimise the environmental impact of our operations
- Reduce the carbon emissions of our operations
- Manage our resources as efficiently as possible

Our people management framework

OUR APPROACH
- Friendly, professional and supportive
- Supports work-life balance
- Encourages diversity in an environment free from discrimination and harassment
- Promotes open communication and values respect, excellence, service, integrity, teamwork and empowerment

OUR PEOPLE MANAGEMENT
- Ensures our people are engaged and enthusiastic about our business and their development
- Focussed on delivering service excellence for our tenants and investors
- Performance objectives aligned with our vision, values and CR&S objectives
- Rewards individual and team contribution to our financial and business performance

OUR PEOPLE DEVELOPMENT
- Supports learning and professional development through tailored learning and development platform
- Encourages professional development through active participation in industry forums

OUR FOCUS IN 2008/09
- Embedded DEXUS values into our performance management program
- Promoted flexible working options
- Implemented a number of new feedback opportunities

OUR PEOPLE MANAGEMENT
- Proactive management of human capital to ensure continuous review of talent, promotion potential and succession plans for key roles
- Employee surveys benchmarked against Australian and global company norms
- Enhanced our employee performance management framework
- Additional remuneration benchmarking to maintain competitive framework

OUR PEOPLE DEVELOPMENT
- New DEXUS Management Series launched to develop core management skills
- New DEXUS lunchtime learning series launched
- 360 Degree Reviews for all managers
- Further promoted diversity in the property industry
Hammerson focuses its sustainability initiatives on five key areas identified through a materiality study. These areas, around which we group our initiatives and annual targets, encompass a number of more specific issues, as set out below.

**1. Climate Change and Energy**
- Carbon footprint
- Changes in weather patterns
- Mitigation and adaptation
- Energy consumption
- Transport

**2. Resource Use**
- Land use
- Waste and recycling
- Environmental design
- Water use
- Sustainable consumption and production
- Biodiversity

**3. Community Regeneration**
- Community investment
- Community consultation
- Job creation
- Local employment
- Education and training

**4. Supply Chain**
- Sustainable procurement
- Measuring and monitoring
- EMS/ISO 14001
- Auditing

**5. Customers**
- Occupier satisfaction
- Customer awareness and engagement on sustainability issues
- Occupier partnerships
- Visitor travel

Hammerston engages with a number of stakeholders as part of its activities. These include: investors, office occupiers, retailers, visitors to its shopping centres, Government (local and national), community organisations, suppliers, our employees, leaders in sustainability, and peers.
CSR Committee
The CSR Committee, chaired by the company president and made up of executives in all business fields, including the major Group companies, discusses and shares information on issues related to CSR at the Mitsubishi Estate Group. In addition to two regular meetings a year, the committee also meets on an ad hoc basis.

Compliance Subcommittee
Environmental Subcommittee
Risk Management Subcommittee
These subcommittees, made up of department managers in all business fields, discuss issues affecting compliance, risk management and the environment.

Committee Secretariat, CSR Department, Mitsubishi Estate

The Spirit of Mitsubishi: The Three Principles

- **Shoki Hoko**
  Corporate Responsibility to Society: Strive to enrich society, both materially and spiritually, while contributing towards the preservation of the global environment.

- **Shoji Kamei**
  Integrity and Fairness: Maintain principles of transparency and openness, conducting business with integrity and fairness.

- **Ritsugyo Boeki**
  International Understanding through Trade: Expand business, based on an all-encompassing global perspective.

The Mission of Mitsubishi Estate Group
We contribute to society through urban development
By building attractive, environmentally sound communities where people can live, work and relax with contentment, we contribute to creating a truly meaningful society.

The Mitsubishi Estate Group Code of Conduct
In order to carry out the Group Mission, we pledge to observe the following Code of Conduct.

1. **We will act with integrity.**
   We will base our conduct on laws and ethics, and always reflect with humility upon our behavior, valuing our communication with society and placing priority in our corporate activities on earning trust through fairness and transparency.

2. **We will strive to earn the trust of our clients.**
   We will approach all objectives from our clients’ point of view, providing safe and reliable products and services, and make information available as appropriate.

3. **We will strive to create a vibrant workplace.**
   While aiming at personal growth, we will respect the human rights and the diversity of opinion of others, and increase our creativity and professionalism while displaying our collective strengths as a team.

Mitsubishi Estate Group Guidelines for Conduct
Full text available at [www.mec.co.jp/e/company/charter/](http://www.mec.co.jp/e/company/charter/)

Formulated: December 1, 1997 / Revised: August 1, 2002 / Revised: January 1, 2006
Our vision:
To create a world class diversified property group

Our enduring strategic themes

- Manage a core portfolio of high quality property assets
- Invest in profitable and complementary growth-focused initiatives
- Active management of asset class and geographic diversity to optimise value
- Optimise sources of capital
- Achieve best practice operational efficiency
- Foster an engaged culture that attracts and retains high performing people

STOCKLAND

STOCKLAND GROUP STRATEGY

Achieve best operational efficiency
Invest in profitable and complementary growth-focused initiatives
Manage a core portfolio of high quality property assets
Optimise sources of capital
Foster an engaged culture that attracts and retains high performing people
Active management of asset class and geographic diversity to optimise value

Our vision: To create a world class diversified property group

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<th>Business by Geography</th>
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<th>Business by Asset</th>
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<td>Retail</td>
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<td>Industrial</td>
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<td>Office</td>
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<tr>
<th>About Stockland</th>
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| Stockland is one of Australia’s most diversified property groups – developing and managing a large portfolio of residential community, apartment, retail, office and industrial assets. Founded in 1952, we have grown to become one of Australia’s leading diversified property and retail businesses, with 23 properties, incorporating well over $8.7 billion and operations in Australia and the United Kingdom. We are a top 50 Australian Securities Exchange Listed Company (ASX: SGP).

STOCKLAND (UK) Limited, a subsidiary of Stockland Corporation Limited, is a property developer in the United Kingdom. The business has responded to urban consolidation in urban locations. Our apartments business develops and acquires apartments and other stakeholders.

We have nine apartment projects with an estimated end value of $1.7 billion. We have also established our business as one of Australia’s leading diversified property and retail businesses, with 23 properties, incorporating well over $8.7 billion and operations in Australia and the United Kingdom. We are a top 50 Australian Securities Exchange Listed Company (ASX: SGP).

We have 39 retail centres valued at $3.9 billion that provide diverse shopping opportunities, providing accommodation options close to transport and employment.

We have an office portfolio of 33 properties valued at $2.8 billion. Our track record of strong retention and leasing results demonstrate high portfolio occupancy levels, solid tenant relations. Our tenants include large-scale distribution, one million square metres of building area.
Considering Biodiversity during the Property Life Cycle

British Land's Sustainability Brief provides the framework for biodiversity consideration throughout the property lifecycle, enabling clear and effective management. Biodiversity (a contraction of Biological Diversity) means the rich variety of life on earth.

Species live in a finely balanced and complex interconnected environment and any disruption of the balance can result in loss. The success of the Biodiversity Programme depends on early identification of features of nature conservation interest that may be affected by business activities. These issues are reviewed during the due diligence process.

The nature conservation interest is reviewed through a Process by which British Land considers biodiversity issues is shown diagrammatically in the Property Life Cycle.

1. Green field or derelict site
2. Desk study for designated sites or protected species
3. Biodiversity scoping (walkover survey and desk study as required). Develop or input to sustainability objectives and targets
4. Targeted surveys for baseline collection
5. Ecological assessment
6. Identify opportunities for gain
7. Identify presence of protected species or habitats
8. Inform detailed design
9. Protected species / habitat mitigation design
10. Input to procurement specification
11. Advanced works to minimise ecological impact and fulfil protected species consent
12. Protection / monitoring during works
13. Species or impact monitoring
14. Biodiversity review - Action Plan implementation
15. Green field site (new development) and derelict sites even in urban areas are more likely to be areas rich in biodiversity.
16. Literature and web based search (e.g. for designated sites such as Special Areas of Conservation, Site of Special Scientific Interest, etc).
17. Further environmental surveys may be required post acquisition.
18. Species or site specific surveys to prepare for next stage. Surveys to be undertaken by appropriately qualified person.
20. Identify and incorporate opportunities for gain and protected species mitigation design into projects.
21. Biodiversity clauses may be required for early construction or site clearance works. Advanced works could inform procurement requirements for the main works.
22. Consider advanced ecological works to minimise impact of construction e.g. on nesting birds.
23. Safeguard sites and species during works.
24. Monitor and review in accordance with commitments.
25. Review site information and input information into site specific or generic Biodiversity Action Plan.
26. Update objectives & targets as necessary and implement plan.
Land Securities

OXFORD PROPERTIES

OXFORD SUSTAINABLE INTELLIGENCE SCORECARD

<table>
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<tr>
<th>Energy and Atmosphere</th>
<th>Water Efficiency</th>
<th>Sustainable Sites</th>
<th>Materials and Resources</th>
<th>Indoor Environmental Quality</th>
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<tr>
<td>&gt; electricity</td>
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<tr>
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<tr>
<td>&gt; emissions</td>
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