EVOLVING A RESPONSIBLE PROPERTY INVESTMENT PROGRAMME

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Evolving an RPI Programme

What is it?

- The theory - Defining the challenge
- Applying RPI to the environmental challenge
- Committing to an engagement process

RPI – What is it?



Responsible Property Investment

"Investment that recognises and addresses the environmental, social and economic risks and opportunities associated with the ownership and management of Property Assets."

Environmental, Social, Economic.

Responsible Property Investment

- Environmental
  - Energy
  - Water
  - Waste
  - Transport
- Social
  - Physical Environment
  - Health & Safety – Asset & Environment
  - Safety – crime
  - Accessibility
  - Interface/contribution – community
- Economic
  - Meets current and future needs
  - Economically sustainable

RPI – Building a Strategy

"We recognise the importance of RPI and it is our mission to respond to the challenge of Corporate Social Responsibility in our investment and development activities"

A systematic approach or ……a few gimmicks and go faster stripes?

The Evolution of RPI at Hermes

1992 :	• Creation of Annual Awards for Property Managers Health & Safety performance and risk management.
1997:	• Formal environmental (energy) policy and strategy.
1998:	• Annual PEG (environmental/energy) Survey
2001:	• Inclusion of water into environmental policy.
2002:	• Corporate environmental workbook.
	• Property Manager best practice forums.
2005:	• Environmental benchmarking
	• Inclusion of waste into environmental policy
	• “Responsible Property Management”
	• The Third Dimension
	• Community Matrix
2006**:**	• “RPI – Defining the Challenge”
	• Environmental Checklist – Best Practice Evolution

The Choices

Buy Green

Energy efficient plant

Awareness campaign

Improve insulation

Smart BMS System

Engage with occupier

Carbon offsetting

Bespoke energy audit

Water audit

Check & Responsibility

Training

Cooperative recycling

Maximum natural light

Cistern Bags

Passive solar

Buy waste efficient equipment

Engage with property managers

Manage building waste

Waste audit

Accurate measurement of consumption system

Good practice Sharing

Onsite CHP

Donate old equipment

Lower illuminative lighting

Benchmarking

A Systematic Approach

RPI challenges/principles:

1	Legal Compliance	-	What do you have to do
2	Good Practice	-	What could you do?
3	Strategy	-	How are you going to do it?
4	Management Systems	-	How are you going to be sure you are doing it?

1. Legal Compliance – What you have to do

Legal Compliance – What you have to do

- Be knowledgeable of and comply with legislation
- Anticipate/prepare for future legislation
- Audit and improve process
- Liaise with national, local policy makers and authorities

Limits financial and reputational risk – Non negotiable

2. Good Practice – What could you do?

- Environment
  - Reduce CO2 emissions, water consumption, waste
  - Best use of land and protect and enhance ecology
  - Reduce car dependency
  - Reduce physical risks
- Community
  - Safe and secure environment
  - Good quality public realm
  - Local community interface and support
- Stakeholders
  - Occupiers and adjoining occupiers
  - Employees
  - Service providers and Contractors
  - Local authorities and interest groups

Need to Prioritise

3. Strategy – How are you going to do it?

- Factor RPI issues into real estate strategy.
- Strategies for each stage of the investment process
  - Development
  - Management
  - Investment
- Ensure internal and external teams have RPI issues embedded in their processes.
- Establish an analytical and financial framework to prioritise.

Strategy will have to be dynamic

4. Management Systems – How are you going to be sure you are doing it?

- Appoint an external RPI specialist
- Measure existing performance and set targets
- Transparent benchmarks to check progress
- Assign responsibilities
- Regular reviews and training

Lead RPI strategy and targets from the boardroom

RPI and the Environmental Challenge

Five key considerations:

- Measurement and Benchmarking – How easy?
- Initiatives and their Prioritisation
- Existing Assets vs New Development
- Owner vs Occupier impact on the Environment
- Committing to an Engagement Process

Measurement and Benchmarking– How Easy?

- Property Managers – a priority?
- Estimated vs Actual
- Ghost Meters
- Frequency of readings
- Owner vs Occupier outputs

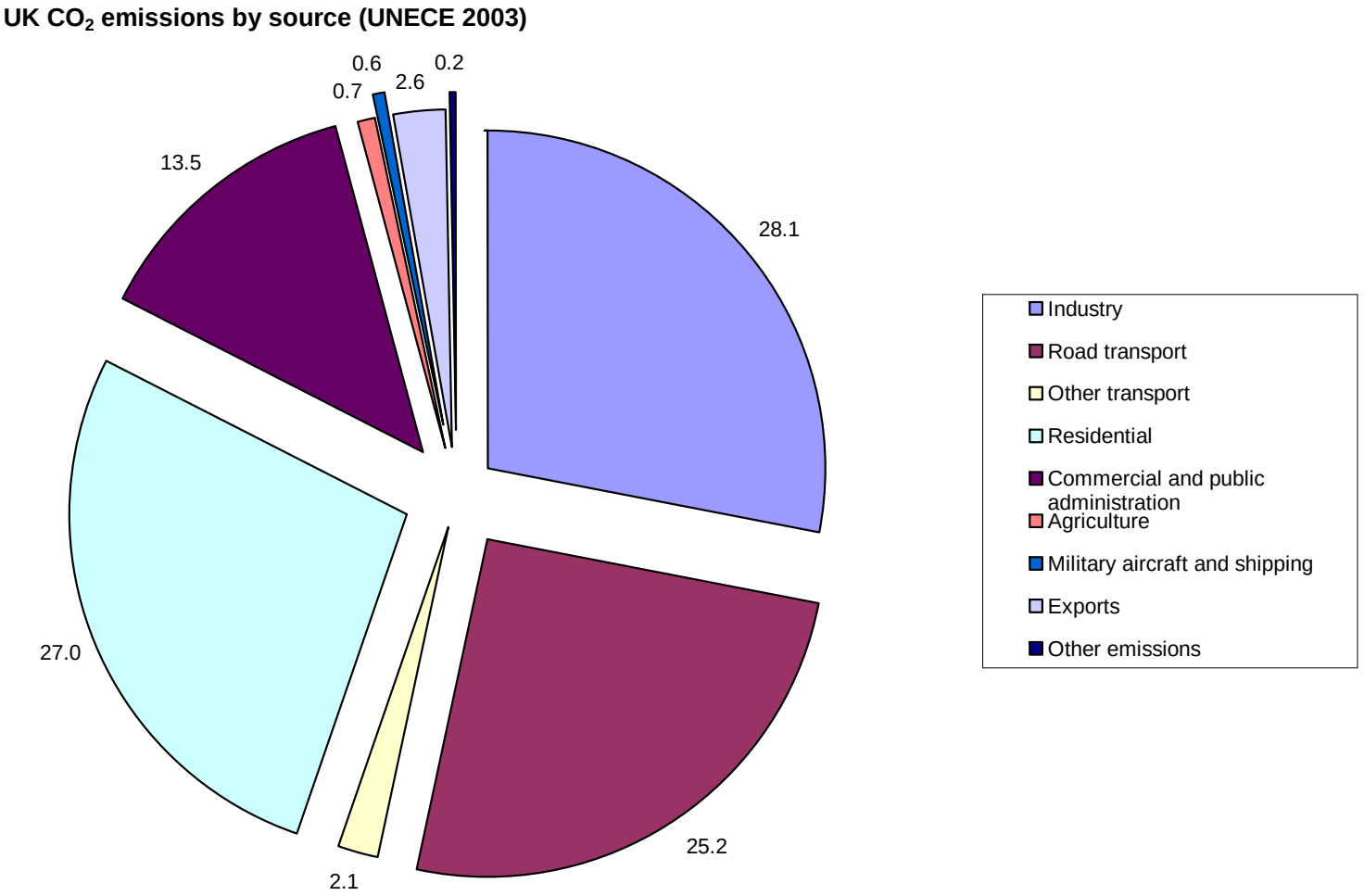
Constrained by existing stock/landlord and tenant relationships

Initiatives and their Prioritisation

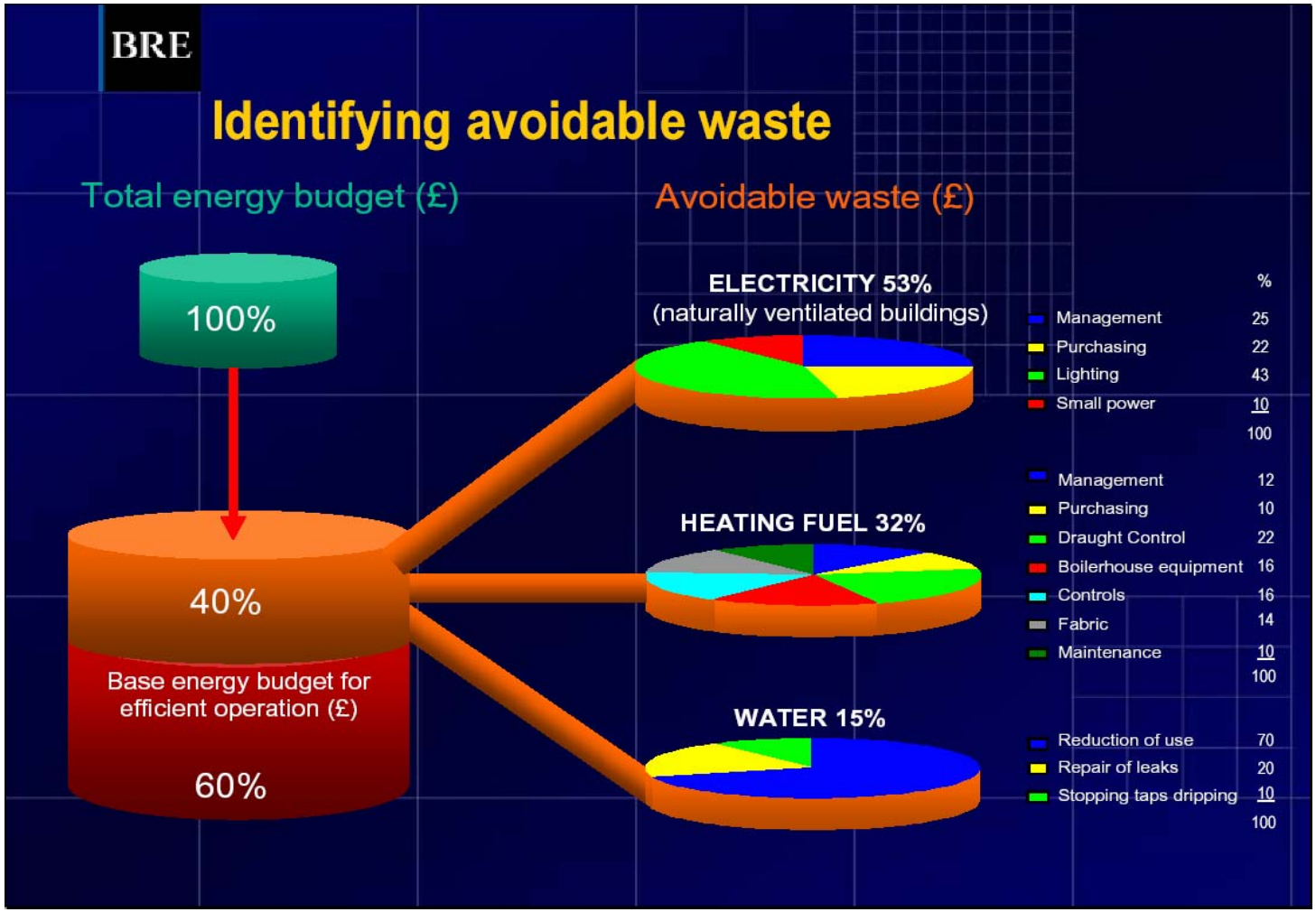
- Changes in working practice
- Changes involving Capital Expenditure

A moving target which requires a dynamic process

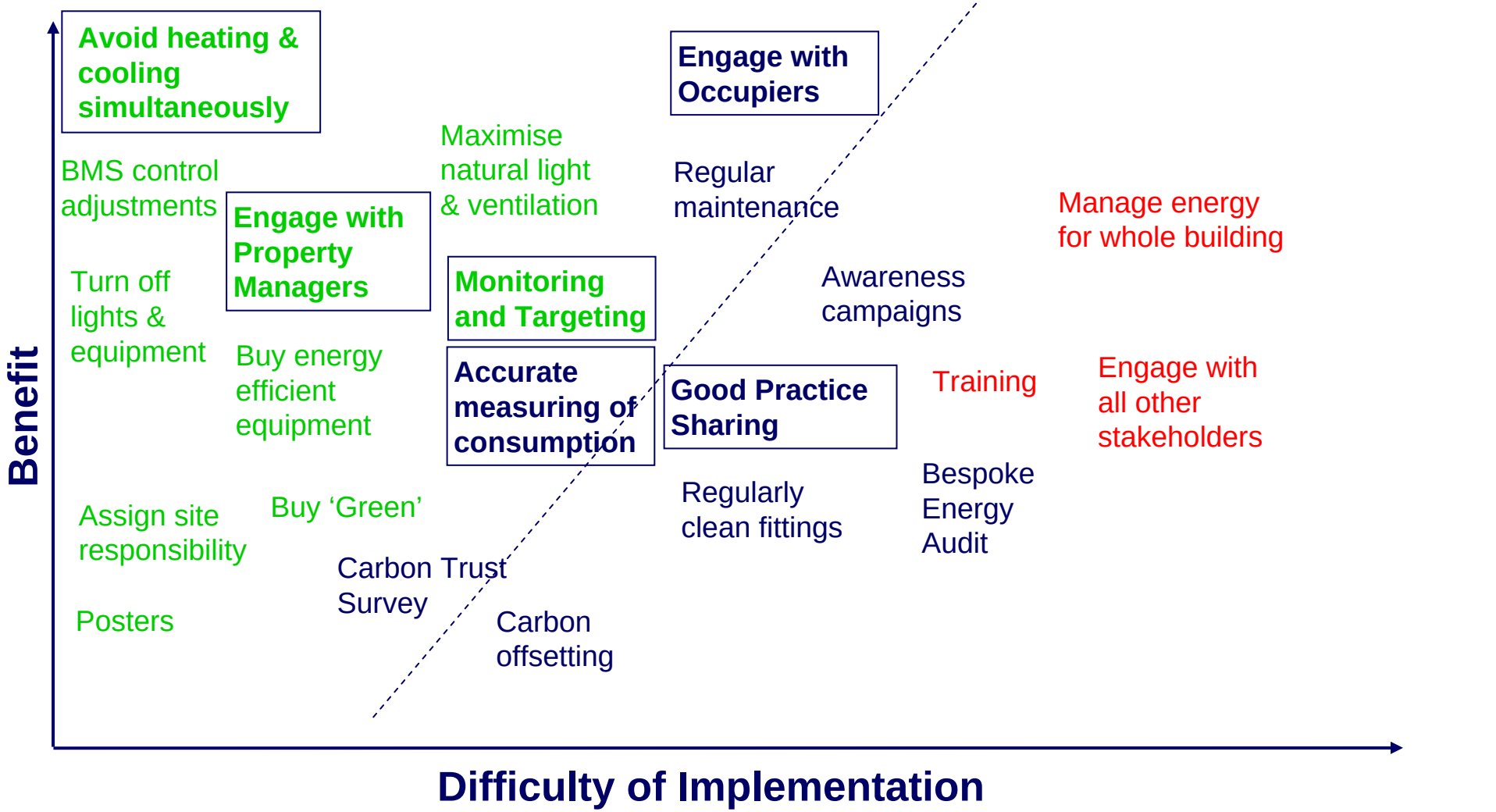
Commercial Property's Impact on the Environment



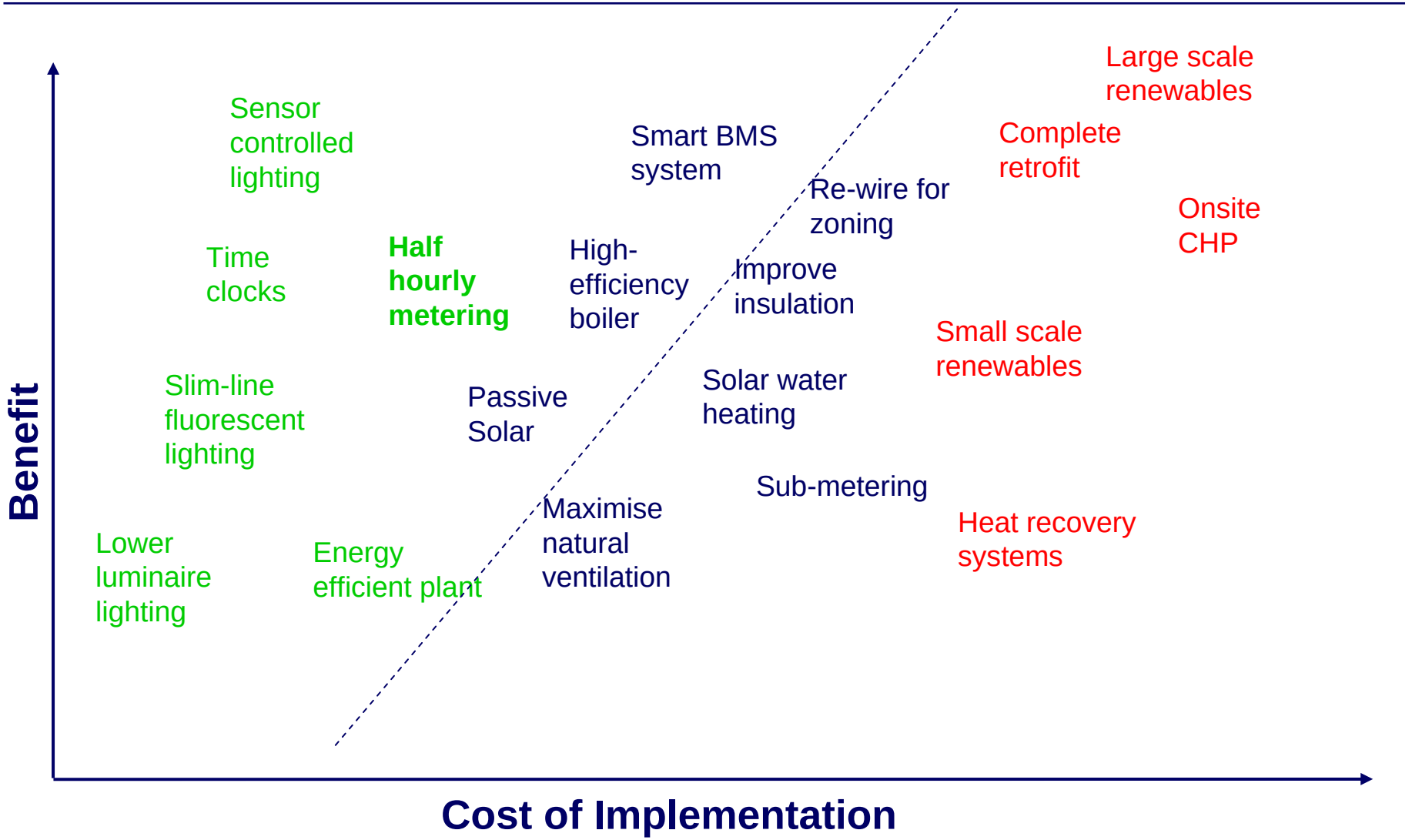
40% of building energy consumption ‘avoidable waste’ (Source: BRE)



Energy – Changes in Working Practice



Energy – Capital Expenditure



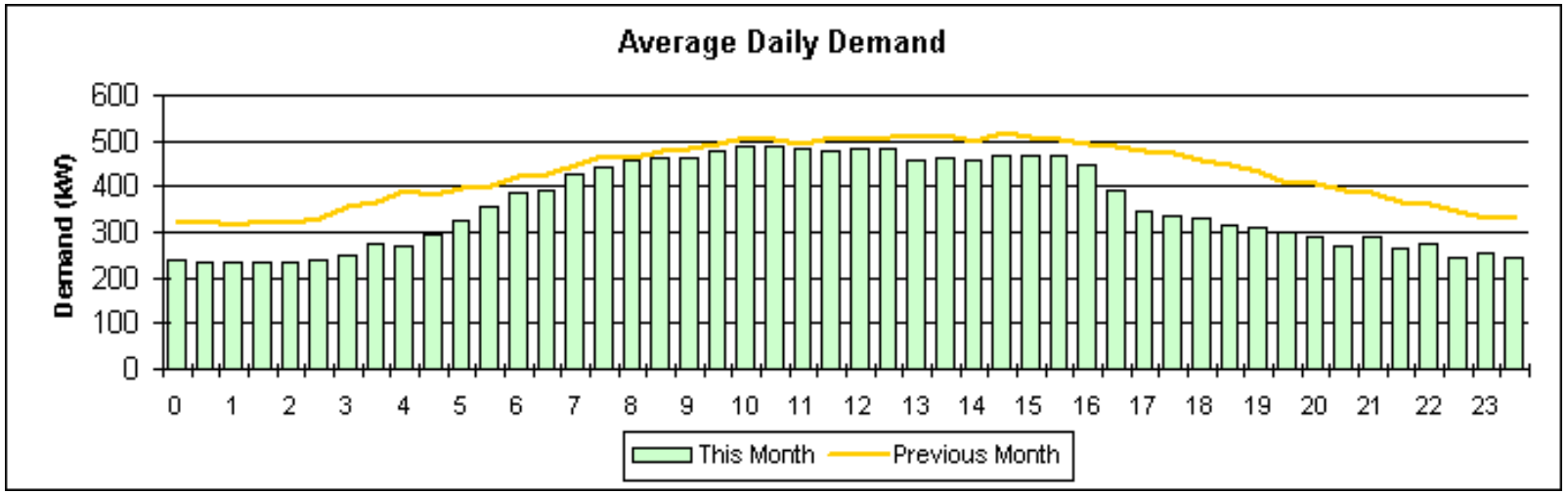
Automated half hourly metering – the benefits

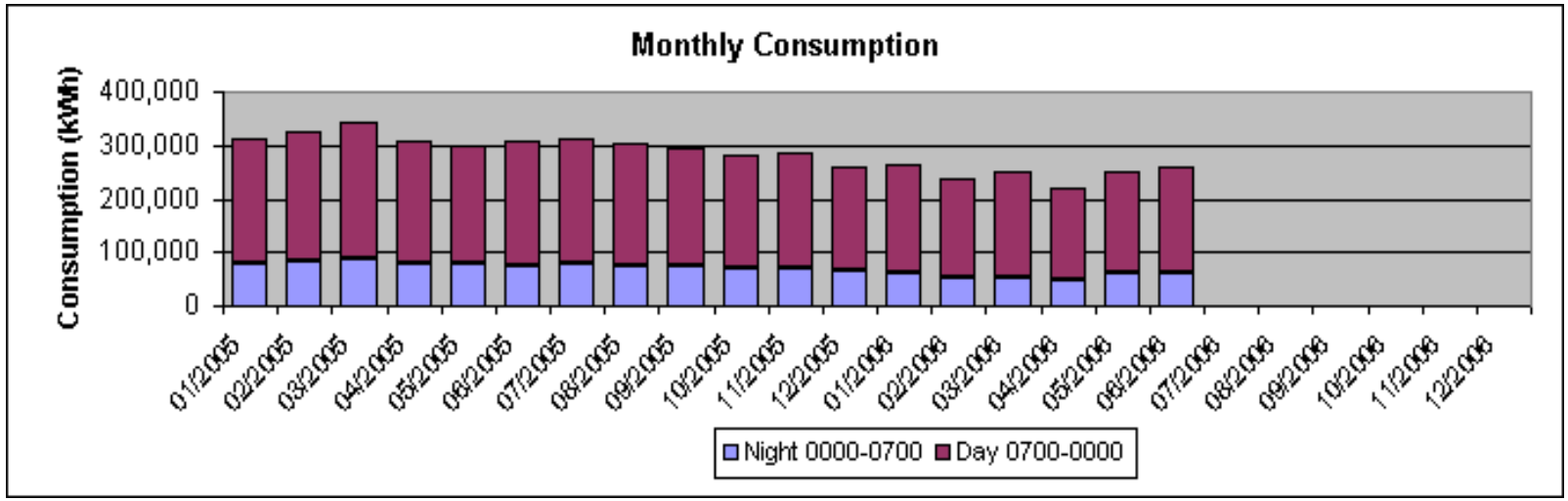
- Detailed daily consumption data for individual property – enables easy identification of anomalies in consumption

  - e.g. High energy consumption when property not occupied

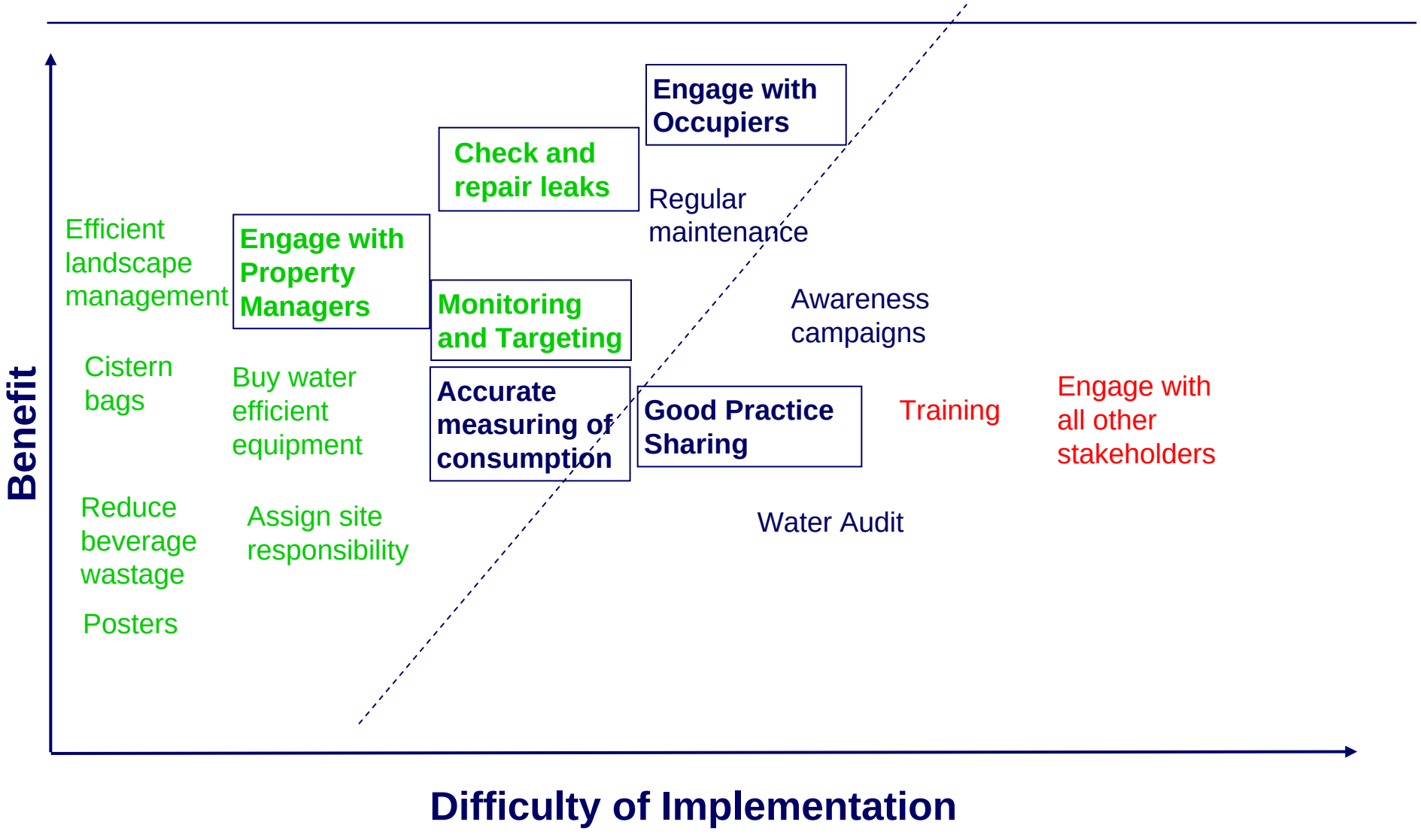
- Automatic alerts if consumption exceeds set thresholds
- Allows easy and quick validation of bills and meters
- Provision of accurate data for monthly or quarterly reporting

Half-hourly electricity metering (sample property)

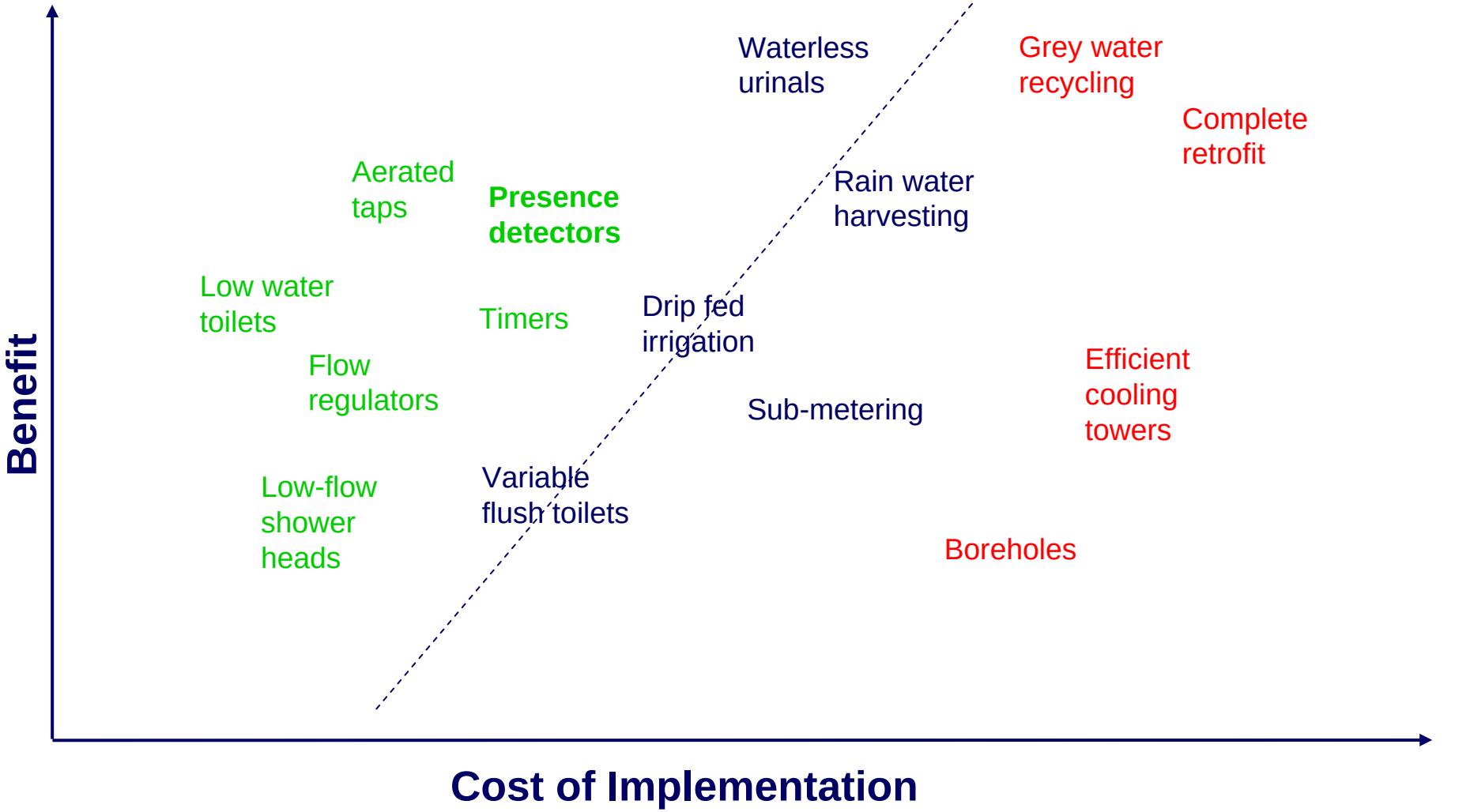




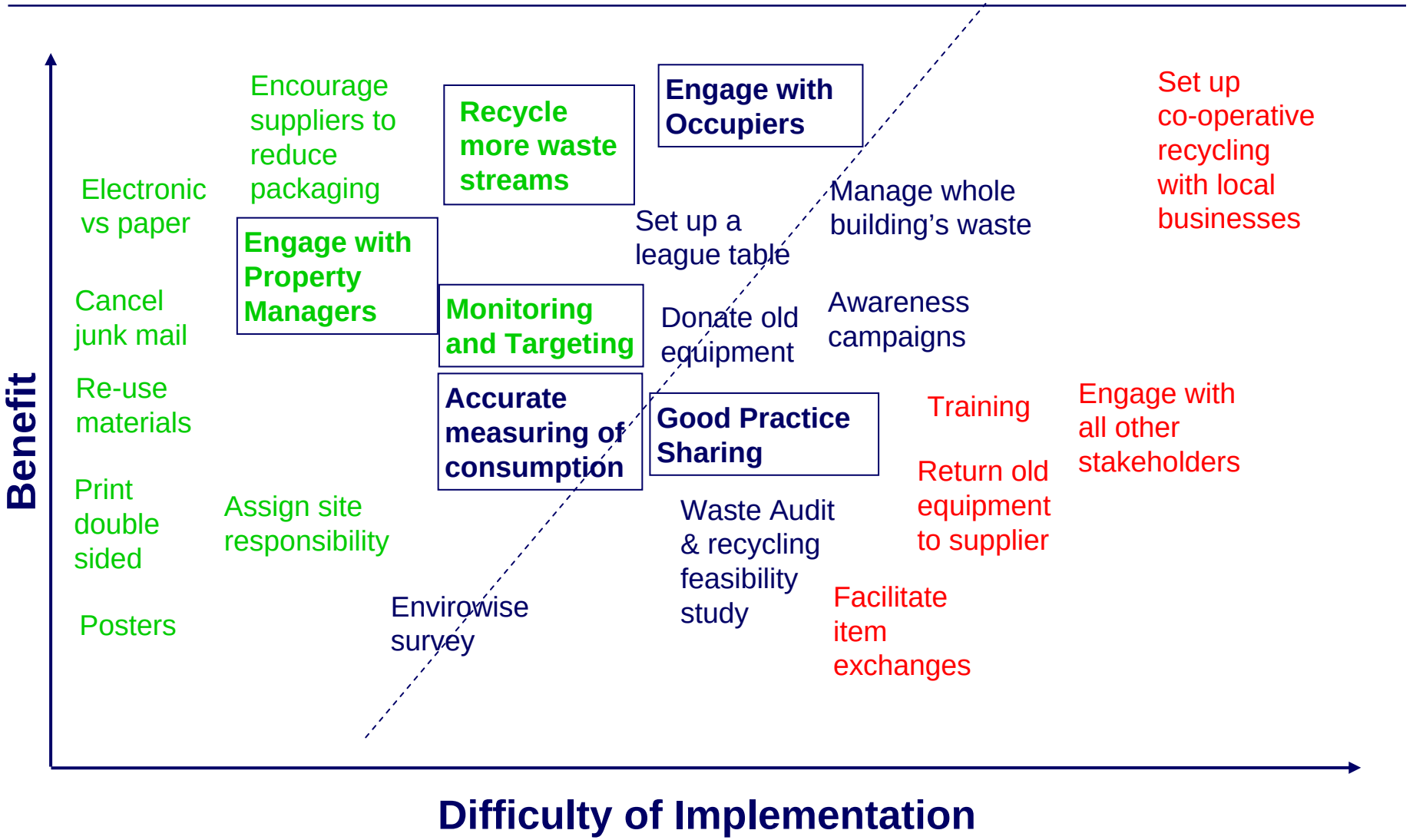
Water – Working Practice



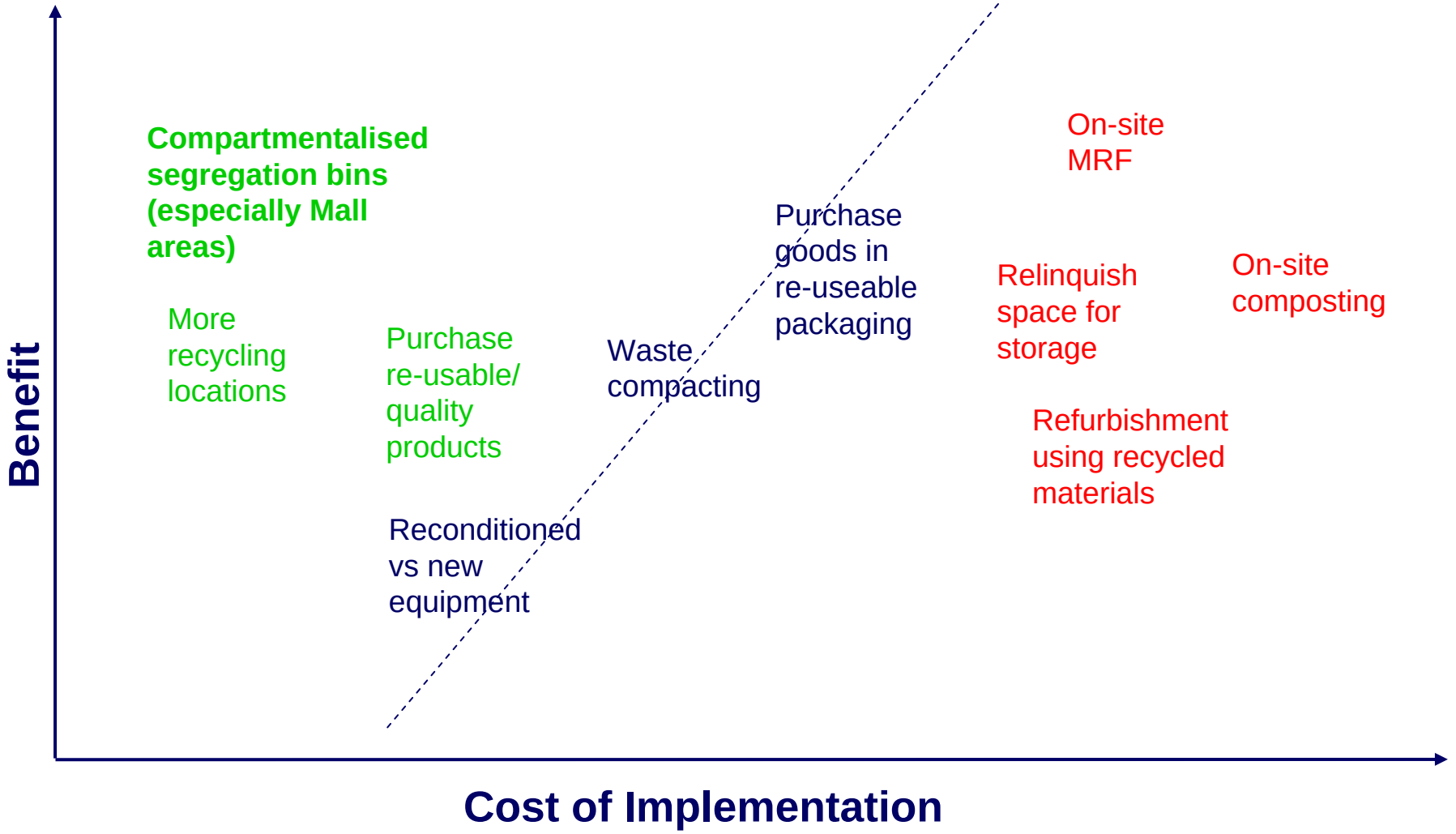
Water – Capital Expenditure



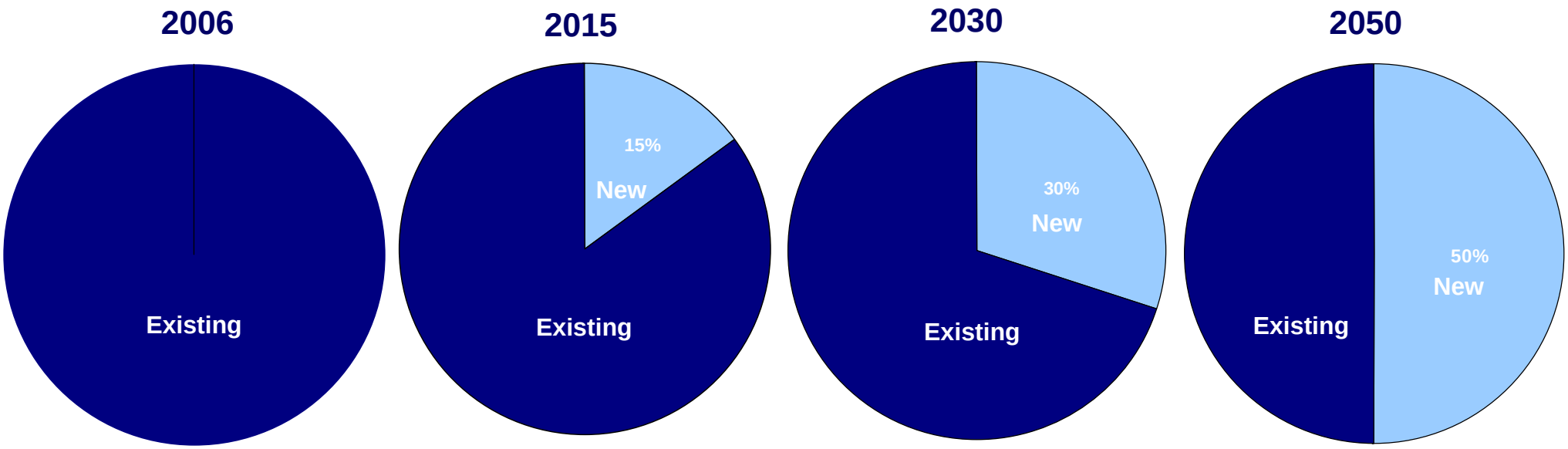
Waste – Changes in Working Practice



Waste – Capital Expenditure



Impact of Existing Assets vs New Assets

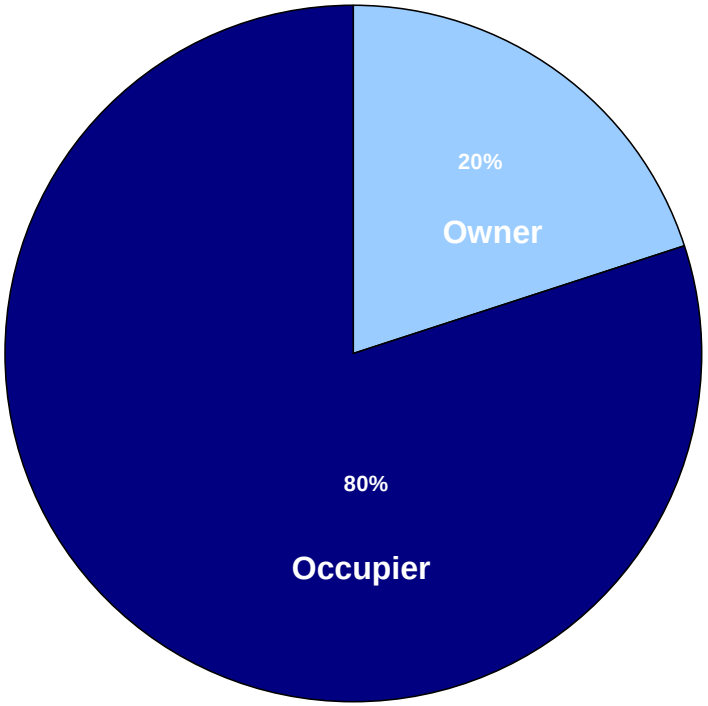


Action on existing stock is a priority

Owner vs Occupier Control of Emissions

- Occupiers have been slow to vote with their feet
- Owner has limited control on the majority of CO2 emissions and waste generally.
- e.g. Hermes Portfolio
  - Hermes Purchases energy at 35% of the portfolio
  - Hermes Purchases water at 25% of the portfolio
  - Hermes controls occupier waste at 25% of the portfolio

Owner vs Occupier Control of Emissions



Occupier attitudes and engagement are key to the environment

Committing to an Engagement Process

- Engage an RPI specialist
- Establish objectives and strategy
- Engage internal teams
  - Asset management
  - Development
  - Investment
- Engage external teams
  - Property management
  - Professional teams and contractors
- Engage occupiers

Conclusions

- **Engagement**
  - Internal
  - External
- **Existing Buildings**
  - As important if not more important than new
- **Occupiers**
  - Existing Buildings: 80/20
  - New Buildings: words and actions
- **Behavioural Change**
  - The essential first step